

Deutsche Bank Capital Finance Trust I

(a wholly owned subsidiary of Deutsche Bank Aktiengesellschaft)

300,000 Trust Preferred Securities

(Liquidation Preference Amount € 1,000 per Trust Preferred Security)

The Trust Preferred Securities, Liquidation Preference Amount € 1,000 per security, (the **"Trust Preferred Securities"**) offered hereby (the **"Offering"**) represent preferred undivided beneficial ownership interests in the assets of Deutsche Bank Capital Finance Trust I, a statutory trust created under the laws of the State of Delaware (the **"Trust"**). The assets of the Trust consist solely of Company Capital Securities of Deutsche Bank Capital Finance LLC I, a Delaware limited liability company (the **"Company"**). Deutsche Bank Aktiengesellschaft, Frankfurt am Main, (the **"Bank"**) owns one common security of the Trust.

Capital Payments (as defined herein) on the liquidation preference amount of € 1,000 per Trust Preferred Security (the **"Liquidation Preference Amount"**) and the liquidation amount of € 1,000 per Company Capital Security will be payable annually in arrears on June 27 of each year, commencing June 27, 2006 (each such date, a **"Payment Date"**). Capital Payments payable on each Payment Date will accrue from and including the immediately preceding Payment Date (or June 27, 2005 with respect to Capital Payments payable on June 27, 2006), up to but excluding the relevant Payment Date (each such period, a **"Payment Period"**), at a rate per annum, calculated on the basis of the actual number of days elapsed in a year of 365 or 366 days, as the case may be, equal to (i) for the first five Payment Periods, 7% and (ii) for each Payment Period thereafter, the Floating Rate for such Payment Period, which shall in no event be less than 1.75% or more than the rate per annum corresponding to the 10 Year EUR CMS Rate (as defined herein) for such Payment Period. Capital Payments will be cumulative as described herein.

The Trust Preferred Securities will be initially evidenced by a temporary Global Certificate, in fully registered form, registered in the name of, and deposited on or about the closing date with, Clearstream Banking AG, Frankfurt am Main, (**"Clearstream AG"**) for credit to the accountholders of Clearstream AG, including Euroclear Bank S.A./N.V., Brussels, as operator of the Euroclear System (**"Euroclear"**) and Clearstream Banking, société anonyme, Luxembourg (**"Clearstream, Luxembourg"**). Such temporary Global Certificate will be exchangeable for a permanent Global Certificate, in fully registered form, not earlier than 40 days after the closing date upon certification of non-U.S. beneficial ownership. The Company Capital Securities are not offered hereby.

The Trust Preferred Securities are expected, on issue, to be assigned ratings of "A" by Standard & Poor's Ratings Group, a division of The McGraw-Hill Companies, Inc., "A2" by Moody's Investors Service, Inc. and "A+" by Fitch Ratings Ltd.. The ratings for the Trust Preferred Securities are derived from the ratings of the Bank. A rating is not a recommendation to buy, hold or sell securities, and may be subject to revision, suspension or withdrawal at any time by the rating agency.

Application has been made to admit the Trust Preferred Securities to trading and official quotation on the Frankfurt Stock Exchange. Application has been made to list the Trust Preferred Securities on Eurolist by Euronext Amsterdam N.V. (**"Euronext Amsterdam"**). This Offering Circular constitutes a prospectus for the purposes of the listing and issuing rules of the Frankfurt Stock Exchange and Euronext Amsterdam.

See **"Investment Considerations"** beginning on page 51 for a discussion of certain factors that should be considered by prospective investors.

Offering Price: 100% of Liquidation Preference Amount

THE TRUST PREFERRED SECURITIES ARE NOT AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY JURISDICTION AND, UNLESS SO REGISTERED, MAY NOT BE OFFERED OR SOLD EXCEPT IN A TRANSACTION THAT IS EXEMPT FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY JURISDICTION.

The Trust Preferred Securities are offered by the Managers named below, subject to receipt and acceptance by them and subject to their right to reject any order in whole or in part. It is expected that the Trust Preferred Securities will be ready for delivery in book-entry form only through the facilities of Clearstream AG on or about June 27, 2005 against payment therefor in immediately available funds. Beneficial interests in the Trust Preferred Securities will be shown on, and transfers thereof will be effected only through, records maintained by Clearstream AG.

Deutsche Bank

Daiwa Securities SMBC Europe

HSB Nordbank AG

HVB Corporates & Markets

Landesbank Baden-Württemberg

Lloyds TSB

Mitsubishi Securities

Natexis Banques Populaires

SEB Merchant Banking

The Royal Bank of Scotland

UBM – UniCredit Banca Mobiliare

The date of this Offering Circular is June 27, 2005.

NO PERSON IS AUTHORIZED TO PROVIDE ANY INFORMATION OR TO MAKE ANY REPRESENTATION NOT CONTAINED IN THIS OFFERING CIRCULAR, AND ANY INFORMATION OR REPRESENTATION NOT CONTAINED IN THIS OFFERING CIRCULAR MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE BANK, THE TRUST OR THE COMPANY OR BY THE MANAGERS. THE DELIVERY OF THIS OFFERING CIRCULAR AT ANY TIME DOES NOT IMPLY THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO ITS DATE.

THIS DOCUMENT IS ONLY BEING DISTRIBUTED TO AND IS ONLY DIRECTED AT (I) PERSONS WHO ARE OUTSIDE THE UNITED KINGDOM OR (II) TO INVESTMENT PROFESSIONALS FALLING WITHIN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2001 (THE “**ORDER**”) OR (III) HIGH NET WORTH ENTITIES, AND OTHER PERSONS TO WHOM IT MAY LAWFULLY BE COMMUNICATED, FALLING WITHIN ARTICLE 49(2) OF THE ORDER (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS “**RELEVANT PERSONS**”). THE TRUST PREFERRED SECURITIES ARE ONLY AVAILABLE TO, AND ANY INVITATION, OFFER OR AGREEMENT TO SUBSCRIBE, PURCHASE OR OTHERWISE ACQUIRE SUCH TRUST PREFERRED SECURITIES WILL BE ENGAGED IN ONLY WITH, RELEVANT PERSONS. ANY PERSON WHO IS NOT A RELEVANT PERSON SHOULD NOT ACT OR RELY UPON THIS DOCUMENT OR ANY OF ITS CONTENTS.

IN CONNECTION WITH THE OFFERING, DEUTSCHE BANK AG LONDON (THE “**LEAD MANAGER**”) OR ANY PERSON ACTING FOR IT MAY OVER-ALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICES OF THE TRUST PREFERRED SECURITIES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL FOR A LIMITED TIME AFTER THE ISSUE DATE. HOWEVER, THERE MAY BE NO OBLIGATION ON THE LEAD MANAGER OR ANY OF ITS AGENTS TO DO THIS. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME, AND MAY COMMENCE AT THE EARLIEST ON THE DATE THAT THE NOTICE SPECIFYING THE TERMS OF THE TRUST PREFERRED SECURITIES IS PUBLISHED AND MUST END AT THE LATEST ON THE THIRTIETH DAY FOLLOWING SUCH DATE. SUCH TRANSACTIONS MAY BE EFFECTED ON THE FRANKFURT STOCK EXCHANGE, ON EURONEXT AMSTERDAM OR OTHERWISE. FOR A DESCRIPTION OF THESE ACTIVITIES, SEE “GENERAL INFORMATION – SUBSCRIPTION AND SALE”.

AFFILIATES OF THE COMPANY MAY MAKE A SECONDARY MARKET IN THE TRUST PREFERRED SECURITIES. IF AFFILIATES OF THE COMPANY MAKE A SECONDARY MARKET IN THE TRUST PREFERRED SECURITIES, SUCH MARKET-MAKING MAY GIVE RISE TO LIMITATIONS FOR TRUST PREFERRED SECURITIES PREVIOUSLY SOLD IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATIONS UNDER THE SECURITIES ACT WITH RESPECT TO RESALES IN THE UNITED STATES OR TO U.S. PERSONS.

NEITHER THE U.S. SECURITIES AND EXCHANGE COMMISSION NOR ANY OTHER REGULATORY BODY IN THE UNITED STATES HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED WHETHER THIS OFFERING CIRCULAR IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

NO ACTION HAS BEEN TAKEN TO PERMIT A PUBLIC OFFERING OF THE TRUST PREFERRED SECURITIES IN ANY JURISDICTION WHERE ACTION WOULD BE REQUIRED FOR SUCH PURPOSE. THE DISTRIBUTION OF THIS OFFERING CIRCULAR AND THE OFFERING OF THE TRUST PREFERRED SECURITIES IN CERTAIN JURISDICTIONS MAY BE RESTRICTED BY LAW. EACH PURCHASER OF THE TRUST PREFERRED SECURITIES MUST COMPLY WITH ALL APPLICABLE LAWS AND REGULATIONS IN FORCE IN ANY JURISDICTION IN WHICH IT PURCHASES, OFFERS OR SELLS THE TRUST PREFERRED SECURITIES OR POSSESSES OR DISTRIBUTES THIS OFFERING CIRCULAR AND MUST OBTAIN ANY CONSENT, APPROVAL OR PERMISSION REQUIRED BY IT FOR THE PURCHASE, OFFER OR SALE BY IT OF THE TRUST PREFERRED SECURITIES UNDER THE LAWS AND REGULATIONS IN FORCE IN ANY JURISDICTION TO WHICH IT IS SUBJECT OR IN WHICH IT MAKES SUCH PURCHASES, OFFERS OR SALES, AND NONE OF THE TRUST, THE COMPANY, THE BANK OR THE MANAGERS SHALL HAVE ANY RESPONSIBILITY THEREFOR.

THE BANK, THE COMPANY AND THE TRUST ASSUME RESPONSIBILITY FOR THE CONTENTS OF THIS OFFERING CIRCULAR. THE BANK, THE COMPANY AND THE TRUST, HAVING MADE REASONABLE INQUIRIES, CONFIRM THAT (I) THE OFFERING CIRCULAR CONTAINS ALL INFORMATION WITH RESPECT TO THE BANK, ITS AFFILIATES, ITS SUBSIDIARIES, THE TRUST PREFERRED SECURITIES

RITIES, THE COMPANY CAPITAL SECURITIES AND THE OBLIGATIONS (AS DEFINED HEREIN) THAT IS MATERIAL IN THE CONTEXT OF THE LISTING, ISSUE AND OFFERING OF THE TRUST PREFERRED SECURITIES; (II) THE INFORMATION CONTAINED IN THIS OFFERING CIRCULAR IS TRUE AND ACCURATE IN ALL MATERIAL RESPECTS AND IS NOT MISLEADING; (III) THE OPINIONS AND INTENTIONS EXPRESSED IN THIS OFFERING CIRCULAR ARE HONESTLY HELD; AND (IV) THERE ARE NO OTHER FACTS THE OMISSION OF WHICH MAKES THIS OFFERING CIRCULAR AS A WHOLE OR ANY OF THE INFORMATION OR THE EXPRESSION OF ANY OF THE OPINIONS OR INTENTIONS MISLEADING IN ANY RESPECT.

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GLOSSARY

“10 Year EUR CMS Rate”, in respect of any Payment Period (or Interest Period, in the case of the Initial Obligation) commencing on or after the Initial Redemption Date, means the **“EUR-ISDA-EURIBOR Swap Rate – 11:00”** (the annual Euro swap rate expressed as a percentage for Euro swap transactions with a 10-year maturity, the **“10-year Designated Maturity”**), which appears on the Relevant Screen Page on the relevant Determination Date.

In the event that the EUR 10CMS does not appear on the Relevant Screen page on any Determination Date, the EUR 10CMS for the relevant Payment Period (or Interest Period, in the case of the Initial Obligation) will be the **“Reference Banks’ Swap Rate with 10-Year Designated Maturity”** on such Determination Date. **“Reference Banks’ Swap Rate with 10-Year Designated Maturity”** means the percentage rate determined on the basis of the quotations of the **“10-year mid-market annual swap rate”** provided by the Reference Banks to the Calculation Agent at approximately 11:00 a.m., Central European time, on such Determination Date. If at least three quotations are provided, the EUR 10CMS for that Payment Period (or Interest Period, in the case of the Initial Obligation) will be the arithmetic mean of the quotations, eliminating the highest quotation (or, in the event of equality one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest).

The **“10-year mid-market annual swap rate”** means the arithmetic mean of the bid and offered rates for the annual fixed leg (calculated on a 30/360 day count basis) of a fixed-for-floating Euro interest rate swap transaction which transaction (a) has a term equal to the 10-Year Designated Maturity and commencing on the first day of such Payment Period (or Interest Period, in the case of the Initial Obligation), (b) is in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market, and (c) has a floating leg based on the 6-months EURIBOR rate (calculated on an Actual/360 day count basis).

“2 Year EUR CMS Rate”, in respect of any Payment Period (or Interest Period, in the case of the Initial Obligation) commencing on or after the Initial Redemption Date, is the **“EUR-ISDA-EURIBOR Swap Rate – 11:00”** (the annual Euro swap rate expressed as a percentage for Euro swap transactions with a 2-year maturity, the **“2-year Designated Maturity”**), which appears on the Relevant Screen Page on the relevant Determination Date.

In the event that the EUR 2CMS does not appear on the Relevant Screen Page on any Determination Date, the EUR 2CMS for the relevant Payment Period (or Interest Period, in the case of the Initial Obligation) will be the **“Reference Banks’ Swap Rate with 2-Year Designated Maturity”** on such Determination Date. **“Reference Banks’ Swap Rate with 2-Year Designated Maturity”** means the percentage rate determined on the basis of the quotations of the **“2-year mid-market annual swap rate”** provided by the Reference Banks to the Calculation Agent at approximately 11:00 a.m., Central European time, on the Determination Date. If at least three quotations are provided, the EUR 2CMS for that Payment Period (or Interest Period, in the case of the Initial Obligation) will be the arithmetic mean of the quotations, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest).

The **“2-year mid-market annual swap rate”** means the arithmetic mean of the bid and offered rates for the annual fixed leg (calculated on a 30/360 day count basis) of a fixed-for-floating Euro interest rate swap transaction which transaction (a) has a term equal to the 2-Year Designated Maturity and commencing on the first day of such Payment Period (or Interest Period, in the case of the Initial Obligation), (b) is in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market, and (c) has a floating leg based on the 6-months EURIBOR rate (calculated on an Actual/360 day count basis).

“1940 Act” means the U.S. Investment Company Act of 1940, as amended.

“Additional Amounts” means such additional amounts payable by the Company or Trust pursuant to the terms of the Company Capital Securities and the Trust Preferred Securities as additional Capital Payments as may be necessary in order that the net amounts received by the holders of the Company Capital Securities and the Trust Preferred Securities, after deduction or withholding for or on account

of any Withholding Taxes, on payments on and any amount payable in liquidation or on repayment upon redemption thereof, will equal the amounts that otherwise would have been received had no such deduction or withholding been required.

“Additional Interest Amounts” means any additional interest amounts payable by the Bank or other obligor pursuant to the terms of the Initial Obligation as a result of deduction or withholding upon payment of interest on the Initial Obligation or repayment upon redemption thereof.

“Administrative Action” means any judicial decision, official administrative pronouncement, published or private ruling, regulatory procedure, notice or announcement (including any notice or announcement of intent to adopt certain procedures or regulations) by any legislative body, court, governmental authority or regulatory body.

“Arrears of Payments” means Capital Payments, the payment of which has, in accordance with the deferral provisions of the Trust Preferred Securities and the Company Capital Securities, as the case may be, been deferred and which thereupon constitute cumulative arrears of Capital Payments.

“BaFin” means the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*).

“Bank” means Deutsche Bank Aktiengesellschaft, Frankfurt am Main.

“billion” means one thousand million.

“Board of Directors” means the Board of Directors of the Company.

“Business Day” means a day on which TARGET (the Trans-European Automated Real Time Gross Settlement Express Transfer System) is operating credit or transfer instructions in respect of payments in Euro.

“By-laws” means the by-laws of the Company.

“Calculation Agent” means Deutsche Bank Aktiengesellschaft, Frankfurt am Main, and its successors, in its capacity as Calculation Agent in respect of the Company Capital Securities.

“Capital Payments” means the periodic distributions on the Trust Securities and the Company Capital Securities.

“CI” means the Corporate Investments Group Division of the Bank.

“CIB” means the Corporate and Investment Bank Group Division of the Bank.

“Clearstream AG” means Clearstream Banking AG, Frankfurt am Main, Germany.

“Clearstream, Luxembourg” means Clearstream Banking, *société anonyme*, Luxembourg.

“Closing Date” means June 27, 2005.

“Code” means the Internal Revenue Code of 1986, as amended.

“Company” means Deutsche Bank Capital Finance LLC I, a Delaware limited liability company.

“Company Capital Securities” means the capital securities evidencing senior interests in the capital of the Company.

“Company Common Security” means the voting common security representing an ownership interest in the Company.

"Company Special Redemption Event" means (i) a Regulatory Event, (ii) a Tax Event with respect to the Company or (iii) an Investment Company Act Event with respect to the Company.

"Company Successor Securities" means other securities substituted for the Company Capital Securities having substantially the same terms as the Company Capital Securities.

"Consolidated Financial Statements" means the audited consolidated financial statements (including the notes thereto) included herein of Deutsche Bank Group as of and for the years ended December 31, 2002, 2003 and 2004.

"DBSI" means Deutsche Bank Securities Inc.

"Deferred Payments" means any capital payments, dividends or other distributions or payments deferred on a cumulative basis pursuant to the terms of any Parity Capital Security.

"Delaware Trustee" means Deutsche Bank Trust Company Delaware, in its capacity as Delaware trustee of the Trust.

"Determination Date" means, in respect of each Payment Period (or Interest Period in the case of the Initial Obligation) commencing on or after the Initial Redemption Date, the second Business Day prior to the Payment Date (or Interest Payment Date in the case of the Initial Obligation) on which such Payment Period (or Interest Period) commences.

"Deutsche Bank Group" or "Group" means the Bank and its consolidated subsidiaries.

"Distributable Profits" of the Bank for any fiscal year is the balance sheet profit (*Bilanzgewinn*) as of the end of such fiscal year, as shown in the audited unconsolidated balance sheet of the Bank as of the end of such fiscal year. Such balance sheet profit includes the annual surplus or loss (*Jahresüberschuss/-fehlbetrag*), plus any profit carried forward from previous years, minus any loss carried forward from previous years, plus transfers from capital reserves and earnings reserves, minus allocations to earnings reserves, all as determined in accordance with the provisions of the German Stock Corporation Act (*Aktiengesetz*) and accounting principles generally accepted in the Federal Republic of Germany as described in the German Commercial Code (*Handelsgesetzbuch*) and other applicable German law then in effect.

"Distribution Compliance Period" means the period until the 40th day after the later of the Closing Date and the completion of the distribution of the Trust Preferred Securities.

"Enforcement Event" under the Trust Agreement with respect to the Trust Securities means the occurrence, at any time, of either (i) non-payment of Capital Payments (plus any Additional Amounts thereon, if any) on the Trust Preferred Securities or the Company Capital Securities at the Stated Rate in full, for two consecutive Payment Periods, or (ii) a default by the Bank in respect of any of its obligations under the Support Undertaking; provided, that, pursuant to the Trust Agreement, the holder of the Trust Common Security will be deemed to have waived any Enforcement Event with respect to the Trust Common Security until all Trust Enforcement Events with respect to the Trust Preferred Securities have been cured, waived or otherwise eliminated.

"Euroclear" means Euroclear Bank S. A./N. V., Brussels, as operator of the Euroclear system.

"Euronext Amsterdam" means Eurolist by Euronext Amsterdam N. V.

"Floating Rate" means the rate per annum (expressed as a percentage) for the accrual of Capital Payments (or interest payments, in the case of the Initial Obligation) for each Payment Period (or Interest Period, in the case of the Initial Obligation) commencing on or after the Initial Redemption Date, determined by the Calculation Agent in accordance with the following formula:

$$10 \times (\text{EUR 10CMS} - \text{EUR 2CMS})$$

(where **"EUR 10CMS"** means the 10 Year EUR CMS Rate, and **"EUR 2CMS"** means the 2 Year EUR CMS Rate); provided, however, that the Floating Rate for each Payment Period (or Interest Period,

in the case of the Initial Obligation) shall not in any event be less than 1.75% per annum or more than the rate per annum corresponding to the 10 Year EUR CMS Rate for such Payment Period (or Interest Period, as the case may be).

"FSMA" means the United Kingdom's Financial Services and Markets Act 2000.

"German Disbursing Agent" means a German bank or a German financial services institution, each as defined in the German Banking Act (*Kreditwesengesetz*) (including a German branch of a foreign bank or a foreign financial services institution, but excluding a foreign branch of a German bank or German financial services institution) with which a German Holder maintains a custodial account in which the Trust Preferred Securities are kept.

"German Holder" means a holder of Trust Preferred Securities that is a resident of Germany or for which income in respect of the Trust Preferred Securities is regarded as income from German sources, e.g., because such Trust Preferred Securities form part of the business property of a permanent establishment or fixed base maintained in Germany.

"Germany" means the Federal Republic of Germany.

"Global Certificates" means the Temporary Global Certificate and the Permanent Global Certificate.

"Global Security" means one or more global certificates representing the Company Capital Securities if they are distributed to holders of the Trust Preferred Securities.

"Group Capital Securities" of any person means any interests in the capital of such person that rank (A) senior to the preference shares, Preferred Tier 1 Securities and common shares of such person and (B) junior to all other obligations of such person that (i) rank senior to the preference shares and Preferred Tier 1 Securities, if any, of such person and (ii) do not by their terms rank *pari passu* with such interests.

"HGB" means the German Commercial Code (*Handelsgesetzbuch*).

"Independent Enforcement Director" means the independent member of the Board of Directors appointed by the holders of the Company Capital Securities if the Company fails to pay Capital Payments (plus any Additional Amounts thereon, if any) for specified periods or if a holder of the Company Capital Securities has notified the Company that the Bank has failed to perform any obligation under the Support Undertaking and such failure continues for a specified period.

"Initial Obligation" means subordinated obligations of the Bank acquired by the Company using the proceeds from the issuance of the Company Capital Securities and the Company Common Security.

"Initial Obligation Redemption Date" means June 27, 2015, the first day on which the Initial Obligation is redeemable at the option of the Bank other than upon the occurrence of a Company Special Redemption Event or in the event of replacement with Substitute Obligations.

"Initial Redemption Date" means June 27, 2015, the first day on which the Company Capital Securities will be redeemable other than on the occurrence of a Company Special Redemption Event.

"Interest Payment Date" means June 27 of each year, commencing June 27, 2006.

"Interest Period" means the period from and including the immediately preceding Interest Payment Date (or June 27, 2005 with respect to interest payable on June 27, 2006) to but excluding the relevant Interest Payment Date.

"Interim Consolidated Financial Statements" means the unaudited consolidated financial statements (including the notes thereto) included herein of Deutsche Bank Group as of March 31, 2005 and for the three-month periods ended March 31, 2004 and 2005.

"Investment Company" means an investment company within the meaning of the 1940 Act.

"Investment Company Act Event" means the request and receipt by the Bank of an opinion of a nationally recognized U.S. law firm experienced in such matters to the effect that there is more than an insubstantial risk that the Company or the Trust is or will be considered an Investment Company as a result of any judicial decision, pronouncement or interpretation (irrespective of the manner made known), the adoption or amendment of any law, rule or regulation, or any notice or announcement (including any notice or announcement of intent to adopt such law, rule or regulation) by any U.S. legislative body, court, governmental agency, or regulatory authority, in each case after the date of the issuance of the Company Securities and the Trust Securities.

"IRS" means the Internal Revenue Service.

"Issue Date" means June 27, 2005, the issue date of the Trust Preferred Securities.

"Junior Securities" means (i) common stock of the Bank, (ii) each class of preference shares of the Bank ranking junior to Parity Capital Securities and Preferred Tier 1 Securities of the Bank, if any, and any other instrument of the Bank ranking *pari passu* therewith or junior thereto and (iii) preference shares or any other instrument of any subsidiary of the Bank (other than Preferred Tier 1 Subsidiary Securities) subject to any guarantee or support agreement of the Bank ranking junior to the obligations of the Bank under the Support Undertaking.

"KWG" means the German Banking Act (*Kreditwesengesetz*).

"Lead Manager" means Deutsche Bank AG London.

"Liquidation Preference Amount" means the liquidation preference amount of € 1,000 per Trust Preferred Security.

"LLC Act" means the Delaware Limited Liability Company Act, as amended.

"LLC Agreement" means the limited liability company agreement of the Company, as amended and restated in its entirety prior to the issuance of Trust Preferred Securities.

"Managers" means the financial institutions named as Managers on the cover page hereof.

"Maturity Date" means June 27, 2035, the maturity date of the Initial Obligation.

"Netherlands Paying Agent" means Deutsche Bank AG, Amsterdam Branch.

"Non-U.S. Persons" means persons who acquire Trust Preferred Securities in compliance with Regulation S.

"Obligation Redemption Date" means any Interest Payment Date on or after the Initial Obligation Redemption Date.

"Obligations" means the Initial Obligation and the Substitute Obligations.

"Offering" means the offering by Deutsche Bank Capital Finance Trust I of the Trust Preferred Securities.

"Offering Price" means the initial offering price of € 1,000 per Trust Preferred Security.

"Operating Profits" of the Company for any Payment Period means the excess of the amounts payable (whether or not paid) on the Obligations or, after the Maturity Date, on the Permitted Investments that the Company may then hold in accordance with the LLC Agreement during such Payment Period over any operating expenses of the Company not paid or reimbursed by the Bank or one of its branches or affiliates during such Payment Period.

"Order" means the United Kingdom Financial Services and Markets Act 2000 (Financial Promotion) Order 2001.

"Parity Capital Securities" means Parity Subsidiary Capital Securities and each class of ownership interests in the capital of the Bank that rank senior to the preference shares of the Bank and junior to all other securities of the Bank that (i) rank senior to preference shares and (ii) do not by their terms rank *pari passu* with such ownership interests of the Bank, if any.

"Parity Subsidiary Capital Securities" means any instrument of any subsidiary of the Bank subject to any guarantee or support agreement of the Bank ranking *pari passu* with the obligations of the Bank under the Support Undertaking.

"Payment Date" means June 27 of each year, commencing June 27, 2006.

"Payment Period" means the period from and including the immediately preceding Payment Date (or June 27, 2005, with respect to Capital Payments payable on June 27, 2006) to but excluding the relevant Payment Date.

"PCAM" means the Private Clients and Asset Management Group Division of the Bank.

"Permanent Global Certificate" means a permanent Global Certificate, in fully registered form, for which the Temporary Certificate will be exchangeable, not earlier than 40 days after the closing date upon certification of non-U.S. beneficial ownership.

"Permitted Investments" means investments by the Company in debt obligations of the Bank or one or more majority-owned subsidiaries of the Bank, unconditionally guaranteed by the Bank (which may act through a branch) on a subordinated basis at least equal to the ranking of the Initial Obligation or, in the event such an investment is not available, in U.S. Treasury securities; *provided*, in each case, that such investment does not result in a Company Special Redemption Event.

"Preferred Tier 1 Securities" of any person means each class of the most senior ranking preference shares of such person and any other instruments of such person (other than common shares) qualifying as Tier 1 Regulatory Capital and, if such person is the Bank, Preferred Tier 1 Subsidiary Securities.

"Preferred Tier 1 Subsidiary Securities" means the most senior ranking preference shares and any other instruments of any person other than the Bank, which, in each case, qualify as Tier 1 Regulatory Capital and are subject to any agreement of the Bank that guarantees or otherwise provides support of such preference shares or other instruments.

"Principal Amount" means, in connection with the Initial Obligation, € 300,001,000.

"Principal Paying Agent" means Deutsche Bank Aktiengesellschaft, Frankfurt am Main, and its successors, in its capacity as Principal Paying Agent with respect to the Trust Preferred Securities.

"Property Account" means a segregated non-interest bearing trust account maintained exclusively by the Property Trustee.

"Property Trustee" means The Bank of New York, in its capacity as trustee of the Trust.

"Qualified Subsidiary" means a subsidiary that is consolidated with the Bank for German bank regulatory purposes of which more than fifty percent (50%) of the outstanding voting stock or other equity interest entitled ordinarily to vote in the election of the directors or other governing body (however designated) and of which more than fifty percent (50%) of the outstanding capital stock or other equity interest is, at the time, beneficially owned or controlled directly or indirectly by the Bank, which subsidiary meets the definition of "a company controlled by its parent company" as defined in Rule 3a-5 under the 1940 Act.

"Redemption Date" means the date of redemption of the Company Capital Securities.

"Redemption Notice" means notice of any redemption of the Company Capital Securities.

"Redemption Price" means a redemption price per Company Capital Security or Trust Preferred Security equal to the liquidation amount (or, in the case of the Trust Preferred Securities, the Liquidation Preference Amount) thereof, plus any accrued and unpaid Capital Payments for the then current Payment Period to but excluding the Redemption Date.

"Reference Banks" means five leading swap dealers in the interbank market.

"Regular Trustees" means three of the Trustees who are employees or officers of, or who are affiliated with, the Bank.

"Regulation S" means Regulation S under the Securities Act.

"Regulatory Event" means that the Bank is notified by a relevant regulatory authority that, as a result of the occurrence of any amendment to, or change (including any change that has been adopted but has not yet become effective) in, the applicable banking laws of Germany (or any rules, regulations or interpretations thereunder, including rulings of the relevant banking authorities) or the guidelines of the Committee on Banking Supervision at the Bank for International Settlements, in each case effective after the date of the issuance of the Company Securities and the Trust Securities, the Bank is not, or will not be, allowed to treat the Company Capital Securities as supplementary or upper Tier 2 regulatory capital for capital adequacy purposes on a consolidated basis.

"Relevant Jurisdiction" means the United States or Germany or, during any period during which Substitute Obligations are outstanding, the jurisdiction of residence of any obligor on outstanding Substitute Obligations (or any jurisdiction from which payments are made).

"Relevant Persons" means (i) persons who are outside the United Kingdom, (ii) investment professionals falling within Article 19(5) of the Order and (iii) high net worth entities, and other persons to whom this document may lawfully be communicated, falling within Article 49(2) of the Order.

"Relevant Screen Page" means Reuters screen **"ISDAFIX2"** under the heading **"EURIBOR BASIS"** and above the caption **"11:00 AM Frankfurt"** (as such headings and captions may appear from time to time) as of 11:00 a.m., Central European time (or such other page or service as may replace it for the purposes of such rate).

"SEC" means the U.S. Securities and Exchange Commission.

"Securities Act" means the U.S. Securities Act of 1933, as amended.

"Services Agreement" means the services agreement among the Trust, the Company and the Bank or a majority-owned affiliate of the Bank.

"Sponsor" means the Bank, in relation to the Trust Agreement.

"Stated Rate" means a rate per annum, calculated on the basis of the actual number of days elapsed in a year of 365 or 366 days, as the case may be, equal to (i) for the first five Payment Periods, 7 % and (ii) for each Payment Period thereafter, the Floating Rate for such Payment Period, which shall in no event be less than 1.75 % or more than the 10 Year EUR CMS Rate for such Payment Period.

"Subordinated Deposit Agreement" means the subordinated deposit agreement dated as of June 27, 2005, between the Bank and the Company.

"Substitute Obligations" means any obligation issued in substitution for the Initial Obligation.

"Successor Securities" means other securities having substantially the same terms as the Trust Securities.

"Support Undertaking" means a support agreement between the Bank and the Company.

“Tax Event” means (A) the receipt by the Bank of an opinion of a nationally recognized law firm or other tax adviser in a Relevant Jurisdiction, experienced in such matters, to the effect that, as a result of (i) any amendment to, or clarification of, or change (including any announced prospective change) in, the laws or treaties (or any regulations promulgated thereunder) of a Relevant Jurisdiction or any political subdivision or taxing authority thereof or therein affecting taxation, (ii) any Administrative Action, or (iii) any amendment to, clarification of, or change in the official position or the interpretation of such Administrative Action or any interpretation or pronouncement that provides for a position with respect to such Administrative Action that differs from the theretofore generally accepted position, in each case, by any legislative body, court, governmental authority or regulatory body, irrespective of the manner in which such amendment, clarification or change is made known, which amendment, clarification or change is effective, or which pronouncement or decision is announced, after the date of issuance of the Company Securities and the Trust Securities, there is more than an insubstantial risk that (a) the Trust or the Company is or will be subject to more than a *de minimis* amount of taxes, duties or other governmental charges, or (b) the Trust, the Company or an obligor on the Obligations would be obligated to pay Additional Amounts or Additional Interest Amounts, or (B) a final determination has been made by the German tax authorities to the effect that the Bank, as obligor on the Obligations, may not, in the determination of its taxable income for the purposes of determining German corporate income tax in any year, deduct in full interest payments on the Obligations (except to the extent such interest payments are determined to be connected with income of a branch that is not subject to taxation in Germany). However, none of the foregoing will constitute a Tax Event if it may be avoided by the Bank, the Trust or the Company taking reasonable measures under the circumstances.

“Temporary Global Certificate” means a temporary Global Certificate which will be exchangeable for the Permanent Global Certificate not earlier than 40 days after the Closing Date upon certification of non-U.S. beneficial ownership.

“Tier 1 Regulatory Capital” means core capital (*Kernkapital*) of the Bank on a consolidated basis.

“Trust” means Deutsche Bank Capital Finance Trust I, a statutory trust created under the laws of the State of Delaware.

“Trust Act” means the Delaware Statutory Trust Act, as amended.

“Trust Agreement” means the trust agreement among the Trustees and the Bank, as the Sponsor and holder of the Trust Common Security, as amended and restated in its entirety prior to the issuance of the Trust Preferred Securities.

“Trust Common Security” means the common security of the Trust.

“Trust Preferred Securities” means the 300,000 Trust Preferred Securities, Liquidation Preference Amount € 1,000 per security, offered in the Offering.

“Trust Preferred Securityholder” means a person that acquires Trust Preferred Securities on their original issue at their original Offering Price.

“Trust Securities” means the Trust Common Security together with the Trust Preferred Securities.

“Trust Special Redemption Event” means (i) a Tax Event solely with respect to the Trust, but not with respect to the Company, or (ii) an Investment Company Act Event solely with respect to the Trust, but not with respect to the Company.

“Trustees” means the five trustees of the Trust, pursuant to the Trust Agreement.

“U.S. GAAP” means accounting principles generally accepted in the United States.

“U.S. Person” has the meaning given to it in Regulation S, unless otherwise specified.

“Withholding Taxes” means any present or future taxes, duties or governmental charges of any nature whatsoever imposed, levied or collected by or on behalf of the United States or Germany or, during any period in which any Substitute Obligations are outstanding, any Relevant Jurisdiction, or by or on behalf of any political subdivision or authority therein or thereof having the power to tax.

INTRODUCTORY SUMMARY OF THE TRANSACTION

The Trust exists for the sole purposes of issuing the common security of the Trust (the **"Trust Common Security"**) and the Trust Preferred Securities (together, the **"Trust Securities"**), investing the gross proceeds thereof in capital securities (the **"Company Capital Securities"**) of Deutsche Bank Capital Finance LLC I, a Delaware limited liability company (the **"Company"**), which evidence interests in the capital of the Company, and engaging in activities necessary or incidental thereto. In addition to the Company Capital Securities, the Company has also issued one voting common security (the **"Company Common Security"**) representing an ownership interest in the Company. The Bank initially owns the Company Common Security. Amounts available to the Trust for distribution to the holders of the Trust Preferred Securities will be limited to distributions received by the Trust from the Company with respect to the Company Capital Securities. Periodic distributions on the Trust Securities and the Company Capital Securities are referred to herein as **"Capital Payments"**. For a summary of the terms of the Trust Preferred Securities and the Company Capital Securities, see **"The Offering"** herein.

Capital Payments on the liquidation preference amount of € 1,000 per Trust Preferred Security (the **"Liquidation Preference Amount"**) and the liquidation amount of € 1,000 per Company Capital Security will be payable annually in arrears on June 27 of each year, commencing June 27, 2006 (each such date, a **"Payment Date"**). Capital Payments payable on each Payment Date will accrue from and including the immediately preceding Payment Date (or June 27, 2005 with respect to Capital Payments payable on June 27, 2006), up to but excluding the relevant Payment Date (each such period, a **"Payment Period"**), at a rate per annum (the **"Stated Rate"**), equal to (i) for the first five Payment Periods, 7% and (ii) for each Payment Period thereafter, the Floating Rate for such Payment Period, which shall in no event be less than 1.75% or more than the 10 Year EUR CMS Rate for such Payment Period.

For each Payment Period, Capital Payments will be calculated on the basis of the actual number of days elapsed in a year of 365 or 366 days, as the case may be, and rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

Each Capital Payment on the Trust Preferred Securities will be payable to the holders of record of the Trust Preferred Securities as they appear on the books and records of the Trust at the close of business on the corresponding record date. The record dates for the Trust Preferred Securities will be (i) so long as the Trust Preferred Securities remain in book-entry form, at the end of the Business Day immediately preceding the date on which the relevant Capital Payment will be paid, and (ii) in all other cases, 15 Business Days prior to the relevant Payment Date.

Capital Payments on the Trust Preferred Securities are expected to be paid out of Capital Payments received by the Trust from the Company with respect to the Company Capital Securities. Capital Payments on the Company Capital Securities are expected to be paid out of interest payments received by the Company on the Obligations (as defined herein) or Permitted Investments (as defined herein) held by the Company from time to time.

If the Company does not declare (and is not deemed to have declared) a Capital Payment on the Company Capital Securities in respect of any Payment Period, the holders of the Company Capital Securities will have no right to receive a Capital Payment in respect of such Payment Period, and the Company will have no obligation to pay a Capital Payment in respect of such Payment Period, whether or not Capital Payments are declared (or deemed to have been declared) and paid in respect of any future Payment Period. In such a case, no Capital Payments will be made on the Trust Preferred Securities in respect of such Payment Period; *however*, any such Capital Payment or portion thereof accrued but not declared (or deemed to have been declared) by the Company in respect of any such Payment Period shall be deferred.

If the Company declares (or is deemed to have declared) a Capital Payment in respect of any Payment Period under circumstances where the Distributable Profits of the Bank for the most recent preceding fiscal year are insufficient to pay such Capital Payment in full as well as capital payments, dividends or other distributions or payments on Parity Capital Securities, payment of all or a portion of such Capital Payment on the Company Capital Securities (and, as a result thereof, a corresponding portion

of the Capital Payment then due on the Trust Preferred Securities) will be deferred. The portions of such Capital Payments that cannot be paid and have been deferred in such case, together with the portions of Capital Payments that were not declared or deemed to have been declared in respect of any Payment Period and therefore deferred, will be cumulative and will collectively constitute arrears of payments with respect to the Company Capital Securities and the Trust Preferred Securities, as applicable ("**Arrears of Payments**"). Arrears of Payments will not themselves bear interest.

The Company will pay outstanding Arrears of Payments on the Company Capital Securities on the earliest of:

- the first Payment Date after such deferral to the extent that for the most recent preceding fiscal year for which audited financial statements are available the Distributable Profits of the Bank are in an amount exceeding the aggregate of:
 - Capital Payments on the Company Capital Securities due on such Payment Date,
 - capital payments, dividends or other distributions or payments on Parity Capital Securities, if any, due in respect of such fiscal year, and
 - capital payments, dividends or other distributions or payments on Preferred Tier 1 Securities, if any, due in respect of such fiscal year.

in which case, such Arrears of Payments on the Company Capital Securities and any capital payments, dividends or other distributions or payments on Parity Capital Securities and that have been deferred in accordance with their terms ("**Deferred Payments**"), will be paid *pro rata* on the basis of Distributable Profits for such preceding fiscal year, with any Arrears of Payments that cannot be repaid pursuant to the foregoing on such Payment Date continuing to be deferred and to constitute Arrears of Payments;

- the date of any redemption of the Company Capital Securities in the full amount of outstanding Arrears of Payments; and
- the date on which an order is made for the winding up, liquidation or dissolution of the Company or the Bank (other than for the purposes of or pursuant to an amalgamation, reorganization or restructuring while solvent, where the continuing entity assumes substantially all of the assets and obligations of the Company or the Bank, as the case may be), in the full amount of outstanding Arrears of Payments.

If, as a result of the deferral of Capital Payments, the Company receives payments of interest on the Initial Obligation which exceed Capital Payments declared and paid on the Company Capital Securities on the corresponding Payment Date, such excess will be deposited with the Bank pursuant to a subordinated deposit agreement between the Bank and the Company dated as of June 27, 2005 (the "**Subordinated Deposit Agreement**"). The Subordinated Deposit Agreement will provide for the deposit of Arrears of Payments into a deposit account at the Bank bearing interest at a rate of 0.75% per annum. Any interest accumulating in such deposit account will be payable to the holder of the Company Common Security under the circumstances described herein. The Subordinated Deposit Agreement will provide that subject to the subordination provisions of the Subordinated Deposit Agreement the subordinated deposit outstanding under the Subordinated Deposit Agreement will be terminated and such excess repaid to the Company at such time and to the extent as the Company is required to pay Arrears of Payment. The subordinated deposit outstanding at any time pursuant to the Subordinated Deposit Agreement will be subordinated to the same extent as the Support Undertaking.

The Company has used substantially all of the proceeds from the issuance of the Company Capital Securities to acquire subordinated obligations of the Bank (the "**Initial Obligation**"). The income received by the Company from the Initial Obligation, and any obligations issued in substitution therefor (the "**Substitute Obligations**"; and, together with the Initial Obligation, the "**Obligations**"), will be available for distribution, as appropriate, to the holders of the Company Capital Securities and the holder of the Company Common Security.

Prior to the issuance of the Company Capital Securities, the Bank and the Company entered into a support agreement (the "**Support Undertaking**") for the benefit of the holders of the Company Capital Securities. Pursuant to the Support Undertaking, the Bank undertakes that (i) the Company will at

all times be in a position to meet its obligations if and when such obligations are due and payable, including Capital Payments declared (or deemed declared) on the Company Capital Securities and payments due upon redemption of the Company Capital Securities (plus, in each case, (to the extent not deferred) Additional Amounts (as defined herein) thereon, if any), and (ii) in liquidation, the Company will have sufficient funds to pay the liquidation amounts of the Company Capital Securities, plus accrued and unpaid Capital Payments for the then current Payment Period to but excluding the date of liquidation, Additional Amounts, if any and Arrears of Payments, if any. The Support Undertaking is not a guarantee of any kind that the Company will at any time have sufficient assets to declare a Capital Payment or other distribution.

The Bank's obligations under the Support Undertaking are subordinated to all senior and subordinated debt obligations of the Bank (including profit participation rights (*Genussscheine*)), (ii) rank senior to all preference shares, Preferred Tier 1 Securities and the common shares of the Bank and (iii) unless otherwise expressly provided in the terms thereof, rank *pari passu* with any instrument or contractual obligation of the Bank ranking junior to any of the instruments included in clause (i) and senior to any of the instruments or contractual obligations of the Bank included in clause (ii).

Each holder of Company Capital Securities will be a third-party beneficiary of the Support Undertaking.

Upon redemption of the Company Capital Securities, the Trust must redeem the Trust Preferred Securities. The Company Capital Securities will be redeemable at the option of the Company, in whole but not in part, on June 27, 2015 (the **"Initial Redemption Date"**), and on each Payment Date thereafter. The Company will also have the right to redeem the Company Capital Securities at any time, in whole but not in part, upon the occurrence of a Company Special Redemption Event. Any redemption will be at a redemption price per Company Capital Security equal to the sum of (i) the liquidation amount thereof, and any accrued and unpaid Capital Payments for the then current Payment Period to but excluding the date of redemption (the **"Redemption Price"**), (ii) outstanding Arrears of Payments, if any and (iii) Additional Amounts, if any. See "Description of the Company Securities – Company Capital Securities – Redemption of the Company Capital Securities". The Company Capital Securities and the Trust Preferred Securities will not have any scheduled maturity date and will not be redeemable at any time at the option of the holders thereof.

Upon the occurrence of a Trust Special Redemption Event or in the event of any voluntary or involuntary dissolution, liquidation, winding up or termination of the Trust, holders of the Trust Securities, including the Trust Preferred Securities, will be entitled to receive a corresponding number of the Company Capital Securities. See "Description of the Trust Securities – Redemption".

The Company Capital Securities are not offered hereby. However, because the sole assets of the Trust are the Company Capital Securities and the holders of the Trust Preferred Securities may receive the Company Capital Securities in certain circumstances, prospective purchasers of the Trust Preferred Securities are also making an investment decision with respect to the Company Capital Securities and should carefully review all of the information contained in this Offering Circular regarding the Company Capital Securities. See "Description of the Company Securities – Company Capital Securities" and "Investment Considerations – Special Redemption Risk".

The Bank or a majority-owned affiliate of the Bank has entered into a services agreement (the **"Services Agreement"**) with the Company and the Trust. The Bank, as the holder of the Company Common Security, has elected the Board of Directors of the Company (the **"Board of Directors"**), which initially consists of three directors.

GENERAL INFORMATION

Subject of this Offering Circular

Subject of this Offering Circular (the “**Offering Circular**”) are the 300,000 Trust Preferred Securities, Liquidation Preference Amount € 1,000 per security, which represent the undivided beneficial ownership interests in the assets of Deutsche Bank Capital Finance Trust I, a statutory trust created under the laws of the State of Delaware, United States of America.

Use of Proceeds

All the proceeds from the sale of the Trust Securities (aggregating € 300,001,000, including the Trust Common Security) have been invested by the Trust in the Company Capital Securities. The Company has used substantially all of the funds from the sale of the Company Capital Securities to make an investment in the Initial Obligation. The Bank intends to use the proceeds from the sale of the Initial Obligation for general corporate purposes, and the Bank expects to treat the Company Capital Securities as consolidated upper Tier 2 regulatory capital. The Bank will pay certain commissions to the Managers (one of which – the Lead Manager – is an affiliate of the Bank) and reimburse the Managers for certain expenses in connection with the Offering. Accordingly, the net proceeds to the Bank net of commission to the Managers can be deemed to be € 300,000,000.

Responsibility for the Contents of this Offering Circular

The Bank, the Company and the Trust assume responsibility for the contents of this Offering Circular in accordance with § 44 *et seq.* of the German Stock Exchange Act (*Börsengesetz*) and declare that to the best of their knowledge all information herein contained is accurate and that there are no other facts the omission of which would, in the context of the offering of the Trust Preferred Securities, make any statement in this Offering Circular misleading in any material respect.

Issue Date

The Trust Preferred Securities have been issued on June 27, 2005. The rights attached to the Trust Preferred Securities take effect as of such issue date.

Yield to Maturity

There is no explicit yield to maturity. The Trust Preferred Securities do not carry a fixed date for redemption and the Trust and the Company are not obliged, and under certain circumstances are not permitted, to make payments on the Trust Preferred Securities and Company Capital Securities at the full stated rate.

Clearing Systems and Settlement

The Trust Preferred Securities were accepted for clearance through Clearstream AG under the following clearance codes:

ISIN:	DE000A0E5JD4
Common Code:	022110977
German Security Code (<i>Wertpapier-Kenn-Nummer</i>):	A0E5JD

Listing

Application has been made to admit the Trust Preferred Securities to trading and official quotation on the Frankfurt Stock Exchange. Application has also been made to list the Trust Preferred Securities on Eurolist by Euronext Amsterdam. At the date hereof it is not intended to list the Trust Preferred Securities on any other stock exchange.

Availability of Documents

For so long as the Trust Preferred Securities are listed on Euronext Amsterdam there will be a paying agent in the city of Amsterdam (the **"Netherlands Paying Agent"**) and Capital Payments, Arrears of Payments, if any, and the redemption price, if any, shall be made payable in Euro at the offices of the Principal Paying Agent and the Netherlands Paying Agent.

At any time during the term of the Trust Preferred Securities the most recently published consolidated and unconsolidated audited annual financial statements of the Bank, and, once available, the most recently available annual accounts of the Trust and the Company, will be available for inspection and obtainable free of charge at the offices of the Principal Paying Agent and the Netherlands Paying Agent.

As long as any of the Trust Preferred Securities are outstanding, copies of the following documents will be available for inspection during usual business hours and will be obtainable free of charge at the offices of the Principal Paying Agent (Deutsche Bank AG, Grosse Gallusstrasse 10-14, D-60272 Frankfurt am Main, Germany), the Netherlands Paying Agent (Deutsche Bank AG, Amsterdam Branch, Herengracht 450, Amsterdam 1017 CA, Netherlands) and the Bank (Grosse Gallusstrasse 10-14, D-60272 Frankfurt am Main, Germany):

- the Articles of Association (*Satzung*) of the Bank
- the Amended and Restated Limited Liability Company Agreement and Certificate of Formation of the Company
- the Amended and Restated Trust Agreement and Certificate of Trust of the Trust
- the Purchase Agreement related to the Trust Preferred Securities
- the Support Undertaking

Copies of the audited annual financial statements and interim financial statements of the Bank will be available in the English language free of charge at (1) the specified office of the paying agent in Frankfurt so long as the Trust Preferred Securities are listed on the Frankfurt Stock Exchange, (2) the specified office of the Netherlands Paying Agent so long as the Trust Preferred Securities are listed on Euronext Amsterdam and (2) the specified office of the Bank.

Incorporation by Reference

In addition to the consolidated and unconsolidated financial statements of the Bank and Deutsche Bank Group included in this Offering Circular, there are incorporated by reference herein:

- the annual reports of Deutsche Bank Group for the years ended December 31, 2004 and 2003; and
- the annual reports of the Bank as of and for the years ended December 31, 2004 and 2003.

In addition, there are incorporated by reference herein:

- the Articles of Association (*Satzung*) of the Bank; and
- the Trust Agreement dated June 6, 2005, and the Certificate of Trust of the Trust.

No Material Change

Save as described herein, there has been no material adverse change in the financial position or prospects of the Bank since March 31, 2005 or the Trust or the Company since their formation on June 7, 2005.

Other

For so long as the Trust Preferred Securities are listed on Eurolist by Euronext Amsterdam N.V., the Trust will comply with the provisions of the Listing and Issuing Rules (*Fondsenreglement*) of Euronext Amsterdam N.V. (including Section 2.1.20 of Schedule B), as amended from time to time.

Subscription and Sale

Subject to the terms and conditions set forth in the Purchase Agreement among the Bank, the Company, the Trust and the Managers, each Manager named below has agreed to purchase, and the Trust has agreed to sell to such Manager, the number of Trust Preferred Securities set forth opposite the name of such Manager:

	in €
Deutsche Bank AG London	270,000,000
Daiwa Securities SMBC Europe Limited	3,000,000
HSH Nordbank AG	3,000,000
Bayerische Hypo- und Vereinsbank AG	3,000,000
Landesbank Baden-Württemberg	3,000,000
Lloyds TSB Bank plc	3,000,000
Mitsubishi Securities International plc	3,000,000
Natexis Banques Populaires	3,000,000
Skandinaviska Enskilda Banken AB (publ)	3,000,000
The Royal Bank of Scotland plc	3,000,000
UniCredit Banca Mobiliare S.p.A.	3,000,000
Total	<u>300,000,000</u>

Under the terms and conditions of the Purchase Agreement, the Managers are committed to take and pay for all shares of the Trust Preferred Securities offered hereby, if any are taken.

The purchase price for the Trust Preferred Securities will be the initial offering price of 100% of the Liquidation Preference Amount per Trust Preferred Security (the **"Offering Price"**). The Bank, as the holder of the Company Common Security, will pay the Managers a combined commission of € 20 per Trust Preferred Security. The Managers propose to offer shares of the Trust Preferred Securities at the Offering Price. After the Trust Preferred Securities are released for sale, the Offering Price and other selling terms may from time to time be varied by the Managers.

In view of the fact that the proceeds from the sale of the Trust Preferred Securities are used to purchase the Initial Obligation, the Purchase Agreement provides that the Bank will reimburse the Managers for certain expenses of the Offering.

Each of the Managers and their affiliates have provided from time to time, and expect to provide in the future, investment services to the Bank and its affiliates, for which the Managers or their affiliates have received or will receive customary fees and commissions.

SELLING RESTRICTIONS

Each of the Managers has represented and agreed that it has not offered, sold, or delivered and will not offer, sell or deliver any of the Trust Preferred Securities directly or indirectly, or distribute this Offering Circular or any other offering material relating to the Trust Preferred Securities, in or from any jurisdiction except under circumstances that would result in compliance with the applicable laws and regulations thereof and that will not impose any obligations on the Bank, the Company or the Trust.

United States

Each of the Managers has represented and agreed that, except as permitted by the Purchase Agreement, it will not offer or sell the Trust Preferred Securities within the United States or to, or for the account or benefit of, U.S. persons (i) as part of its distribution at any time or (ii) otherwise until 40 days after the Closing Date, and it will have sent to each dealer to which it sells Trust Preferred Securities during the 40-day restricted period a confirmation or other notice setting forth the restrictions on offers and sales of the Trust Preferred Securities within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering, an offer or sale of the Trust Preferred Securities within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

The Trust Preferred Securities may not be purchased by or transferred to any employee benefit plan subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended, any plan or arrangement subject to Section 4975 of the U.S. Internal Revenue Code of 1986, as amended, or any entity whose underlying assets include the assets of any such employee benefit plans, plans or arrangements.

United Kingdom

Each of the Managers has represented and agreed in the Purchase Agreement that:

- (i) it has not offered or sold, and, prior to the expiry of six months from the Issue Date of the Trust Preferred Securities will not offer or sell, any Trust Preferred Securities to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments, whether as principal or agent, for purposes of their business or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995,
- (ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 ("**FSMA**") received by it in connection with the issue or sale of any Trust Preferred Securities in circumstances in which section 21(1) of the FSMA does not apply to the Company or the Trust, and
- (iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Trust Preferred Securities in, from or otherwise involving the United Kingdom.

Germany

Each Manager has confirmed that it is aware that no German sales prospectus (*Verkaufsprospekt*) has been or will be published in respect of the Offering; and each Manager has represented and agreed that so long as the Trust Preferred Securities have not been listed on the Frankfurt Stock Exchange it will comply with the German Securities Sales Prospectus Act (*Wertpapier-Verkaufsprospektgesetz*) or any other laws applicable in Germany governing the issue, offering and sale of the Trust Preferred

Securities. In particular each Manager has undertaken not to engage in a public offering (*Öffentliches Anbieten*) in Germany with respect to any Trust Preferred Securities otherwise than in accordance with the Securities Sales Prospectus Act and any other act replacing or supplementing it and all other applicable laws and regulations.

The Netherlands

Each of the Managers has represented, warranted and agreed that so long as the Trust Preferred Securities have not been listed on Euronext Amsterdam or it is unlikely the Trust Preferred Securities will soon be admitted to listing, the Trust Preferred Securities may only be offered, sold, or delivered in or from the Netherlands as part of their initial distribution or as part of any re-offering, and this Offering Circular and any other document in respect of the Offering may only be distributed or circulated in the Netherlands, to individuals or legal entities that include, but are not limited to, banks, brokers, dealers, institutional investors and undertakings with a treasury department, who or which trade or invest in securities in the conduct of business or profession.

TAXATION

PROSPECTIVE INVESTORS ARE ADVISED TO CONSULT WITH THEIR OWN TAX ADVISORS AS TO THE UNITED STATES, GERMAN AND DUTCH TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE TRUST PREFERRED SECURITIES AND COMPANY CAPITAL SECURITIES, AS WELL AS THE EFFECT OF ANY STATE, LOCAL OR FOREIGN TAX LAWS.

United States Federal Income Taxation

Any U.S. federal tax advice included in this Offering Circular was not intended or written to be used, and cannot be used, for the purpose of avoiding U.S. federal tax penalties. The following is a summary of the principal United States federal income tax considerations to Non-U.S. Holders (as defined below) of the purchase, ownership and disposition of the Trust Preferred Securities and Company Capital Securities. This summary addresses only the tax consequences to a person that, for United States federal tax purposes, is (i) an individual who is not a citizen or resident of the United States, (ii) a foreign corporation, or (iii) any other person, that is not otherwise subject to United States federal income tax on a net income tax basis and that acquires Trust Preferred Securities pursuant to the Offering at the initial offering price (a **"Non-U.S. Holder"**). This summary is based upon the Internal Revenue Code of 1986, as amended (the **"Code"**), Treasury regulations, Internal Revenue Service rulings and pronouncements and judicial decisions as of the date hereof, all of which are subject to change (possibly with retroactive effect).

Tax Treatment of the Trust

Assuming compliance with the terms of the Trust Agreement, the Trust will be treated as a grantor trust and will not be taxable as a corporation for United States federal income tax purposes. As a result, the Trust will not be subject to tax and each beneficial owner of Trust Preferred Securities will be considered the beneficial owner of a corresponding amount of Company Capital Securities held by the Trust. An exchange of Trust Preferred Securities for a corresponding amount of Company Capital Securities represented by the Trust Preferred Securities, or of Company Capital Securities for a corresponding amount of Trust Preferred Securities equal to the liquidation amount of such Trust Preferred Securities, will not be a taxable event.

Tax Treatment of the Company

In purchasing the Trust Preferred Securities, each holder of Trust Preferred Securities agrees with the Bank, the Company, and the Trustee that the Bank, the Company, the Trustee and the holders of Trust Preferred Securities will treat holders of Trust Preferred Securities for all purposes as holders of an undivided interest in Trust assets, including the Company Capital Securities, and not as holders of a direct interest in the Bank or in any other person, and the following discussion is based on the assumption that such treatment will apply for United States federal income tax purposes. Assuming full compliance with the Company Agreement and Investment Policies, the Company will not be classified as an association or "publicly traded partnership" taxable as a corporation and will not itself be subject to United States federal income tax, but will be treated as a partnership for United States federal income tax purposes. Accordingly, the Company will not be subject to tax and each holder will be required to take into account its allocable share of items of income, gain, loss and deduction of the Company in computing its United States federal income tax liability (but only to the extent described in the following paragraph), regardless of whether distributions are made to the holder.

Income and Withholding Tax

The Company intends to operate so that it will not be engaged in a trade or business within the United States for United States federal income tax purposes and to invest in securities the income from which will be exempt from United States federal withholding tax. Accordingly, a Non-U.S. Holder will not be subject to United States federal income tax, or withholding tax, on any income in respect of Trust Preferred Securities or Company Capital Securities, unless such income or gain is effectively

connected with the conduct by the Non-U.S. Holder of a trade or business in the United States. A Non-U.S. Holder will not be subject to United States federal income or withholding tax on gain realized on the sale or exchange of the Trust Preferred Securities or Company Capital Securities, unless (i) such gain is effectively connected with the conduct by the Non-U.S. Holder of a trade or business in the United States or (ii) the Non-U.S. Holder is an individual who was present in the United States for 183 days or more in the taxable year of the sale and certain other conditions are met as well.

Information Returns and Certification

In general, a Non-U.S. Holder who holds Trust Preferred Securities through a non-U.S. bank or other non-U.S. financial institution that is a participant in Clearstream, AG, Euroclear or Clearstream, Luxembourg that makes all payments on the Trust Preferred Securities through an office outside the United States will not be required to provide certification of non-U.S. status for withholding or backup withholding purposes. In other contexts, however, including where a Non-U.S. Holder withdraws from the Trust and directly holds the Company Capital Securities, a Non-U.S. Holder in order to eliminate U.S. information reporting requirements and backup withholding tax will be required to comply with applicable certification procedures to establish the holder's non-U.S. status (by providing an IRS Form W-8BEN). The Trust will report to the IRS the amount of income allocated each year to each beneficial owner of Trust Preferred Securities, in accordance with applicable law.

German Taxation

The following is a discussion of certain German tax considerations that may be relevant to a holder of Trust Preferred Securities that is a tax resident of Germany or for which income in respect of the Trust Preferred Securities is regarded as income from German sources, e.g., because such Trust Preferred Securities form part of the business property of a permanent establishment or fixed base maintained in Germany (a "**German Holder**"). The information contained in this summary is not to be construed as tax advice. It is based on an interpretation of the German tax laws as of the date hereof and is subject to change. Any such change may be applied retroactively and may adversely affect the tax consequences described herein. This summary does not purport to deal with all aspects of taxation that may be relevant to investors in the light of their individual circumstances. Prospective investors are advised to consult their own tax advisors with respect to the tax consequences of purchasing, holding, redeeming or disposing of Trust Preferred Securities.

Income Taxation

Capital Payments received by or, in specific cases, owed to a German Holder with respect to the Trust Preferred Securities will be subject to German personal or corporate income tax (plus a "solidarity surcharge" thereon, which is currently levied at 5.5%), and, in the case of a German Holder who is an individual, may be subject to church tax. Upon the sale or redemption of the Trust Preferred Securities, a German Holder will also be required to include in its taxable income the difference between the amount realized on such sale or redemption and the cost of acquisition (or adjusted tax base) of the Trust Preferred Securities. Income derived from the Trust Preferred Securities will also be subject to German municipal trade tax on income (*Gewerbeertragsteuer*) if the Trust Preferred Securities form part of the property of a German trade or business. A German Holder who is an individual and does not hold the Trust Preferred Securities as a business asset will be entitled to a standard deduction (*Werbungskosten-Pauschbetrag*) of € 51 in computing his or her investment income (including income derived from the Trust Preferred Securities) if no higher expenses are evidenced as well as an exemption (*Sparer-Freibetrag*) of € 1,370 with respect to such investment income. These amounts are doubled for couples filing a joint tax return.

Tax Deductions on Disbursements in Germany

If the Trust Preferred Securities are kept in a custodial account maintained by a German Holder with a German bank or a German financial services institution, each as defined in the German Banking Act (*Kreditwesengesetz*) (including a German branch of a foreign bank or a foreign financial services institution, but excluding a foreign branch of a German bank or German financial services institution)

(a “**German Disbursing Agent**”), the German Disbursing Agent will generally be required to withhold tax (*Zinsabschlagsteuer*) at a rate of 30% (plus solidarity surcharge thereon at a rate of 5.5%, resulting in an aggregate withholding rate of 31.65%) of the gross amount paid as income with respect to the Trust Preferred Securities. Upon the sale or redemption of the Trust Preferred Securities, a German Disbursing Agent will generally be required to withhold tax at an aggregate rate of 31.65% on:

- (i) the excess of the sale or redemption proceeds of the Trust Preferred Securities over the holder’s acquisition cost, if the Trust Preferred Securities have been acquired through or purchased from and have since been held in custody with such German Disbursing Agent, or
- (ii) an amount equal to 30% of the sale or redemption proceeds of the Trust Preferred Securities, if the Trust Preferred Securities have not been so held with such German Disbursing Agent.

Tax withheld by the German Disbursing Agent will be credited against the German Holder’s final liability for personal or corporate income tax or refunded if in excess of such final tax liability.

Gift and Inheritance Taxation

The gratuitous transfer of the Trust Preferred Securities by a holder as a gift or by reason of death is subject to German gift or inheritance tax, based on the market value of the Trust Preferred Securities at the time of the transfer, if the holder of the Trust Preferred Securities or the recipient is a resident, or deemed to be a resident, of Germany under German gift and inheritance tax law at the time of the transfer. If neither the holder of the Trust Preferred Securities nor the recipient is a resident, or deemed to be a resident, of Germany at the time of the transfer, no German gift or inheritance tax is levied unless the Trust Preferred Securities form part of the property of a permanent establishment or a fixed base maintained by the holder of the Trust Preferred Securities in Germany.

Other German Taxes

There are no German transfer, stamp or other similar taxes which would apply to the sale or transfer of the Trust Preferred Securities. Net-worth tax (*Vermögensteuer*) ceased to be levied by Germany on January 1, 1997 and trade tax on capital (*Gewerbesteuer*) ceased to be levied by Germany on January 1, 1998.

Netherlands Taxation

The following is a summary of certain Dutch tax consequences relating to the purchase, ownership, redemption and disposition of the Trust Preferred Securities or Company Capital Securities. This summary does not address any laws other than the tax laws of the Netherlands as currently in effect and in force and as interpreted in published case law by the courts of the Netherlands at the date hereof, and is subject to change after such date, including changes that could have retroactive effect. This section solely addresses the situation of holders of the Trust Preferred Securities or Company Capital Securities resident or deemed resident of the Netherlands for Dutch tax purposes, including an individual holder of Trust Preferred Securities or Company Capital Securities who has opted to be taxed as a resident of the Netherlands for Dutch tax purposes. This summary does not purport to be complete and, in light of the limited nature of this summary, each holder or prospective holder should avoid placing undue reliance on this summary. Each holder or prospective holder of Trust Preferred Securities or Company Capital Securities should consult his or her professional tax advisor with respect to the Dutch tax consequences of an investment in Trust Preferred Securities or Company Capital Securities.

This summary does not address the Dutch tax consequences of a Dutch resident natural person who holds a substantial interest (*aanmerkelijk belang*) in the Company within the meaning of Section 4.3 of the Income Tax Act 2001 (*Wet inkomstenbelasting 2001*). Generally speaking, a holder of Trust Preferred Securities or Company Capital Securities holds a substantial interest in the Company if such holder, alone or together with his or her partner (a statutorily defined term) or certain other related persons, directly or indirectly, holds: (i) an interest of 5% or more of the total issued capital of the

Company or of 5% or more of the issued capital of a certain class of shares of the Company; (ii) rights to acquire, directly or indirectly, such interest; or (iii) certain profit sharing rights in the Company.

For the purposes of the principal Dutch tax consequences described herein, it is assumed that the Bank, the Company and the Trust are not resident nor deemed to be resident in the Netherlands for Dutch tax purposes.

Withholding Tax

No Dutch withholding tax is due upon payments on the Trust Preferred Securities or Company Capital Securities.

Dutch Taxes on Income and Capital Gains

Entities

Generally, a holder of Trust Preferred Securities or Company Capital Securities will be subject to Dutch corporate income tax with respect to distributions or capital gains realized upon the redemption, disposal or deemed disposal of Trust Preferred Securities or Company Capital Securities, if the holder is a resident of, or deemed to be resident of, the Netherlands. It is thereby assumed that a holder of Trust Preferred Securities or Company Capital Securities does not hold, either alone or together with affiliated companies (*verbonden lichamen*), an interest of 25% or more in the Trust or the Company.

Unless tax exempt, Dutch resident entities are generally subject to corporate income tax, levied at a rate of 27% of the first € 22,689 of the taxable profits and 31.5% of the excess over this amount. These rates will be reduced to respectively 26% and 30.5% in 2006 and 25% and 30% in 2007. The Netherlands government intends to reduce the corporate income tax rates further.

Individuals

A holder of Trust Preferred Securities or Company Capital Securities who is a resident of the Netherlands, deemed to be a resident of the Netherlands, or who has elected to be treated as a resident of the Netherlands for Dutch tax purposes is subject to income tax in respect of income or capital gains derived from the Trust Preferred Securities or Company Capital Securities at the progressive rates provided in the Income Tax Act 2001 if:

- (i) the holder of the Trust Preferred Securities or Company Capital Securities has an enterprise or an interest in an enterprise to which the Trust Preferred Securities or Company Capital Securities are attributable; or
- (ii) the income or gain qualifies as income from employment as defined in Section 3.3 of the Income Tax Act 2001 or income from miscellaneous activities (*belastbaar resultaat uit overige werkzaamheden*) in the Netherlands as defined in the Income Tax Act 2001.

If conditions (i) and (ii) provided above do not apply to the individual holder of the Trust Preferred Securities or Company Capital Securities, the holder of the Trust Preferred Securities or Company Capital Securities will be subject to Dutch income tax on a deemed return regardless of actual income derived from the Trust Preferred Securities or Company Capital Securities or gain or loss realized upon disposal or deemed disposal of the Trust Preferred Securities or Company Capital Securities.

The deemed return equals 4% of the average value of the holder's net assets in the relevant fiscal year (including the Trust Preferred Securities or Company Capital Securities). The average value of the holder's net assets in a fiscal year is equal to the sum of the value of the net assets at the beginning of the fiscal year and at the end of the fiscal year divided by two. Taxation only occurs to the extent the average value of the holder's net assets exceeds the 'exempt net asset amount' (*heffingsvrij vermogen*) which is, for the year 2005, € 19,522. The deemed return is reduced by the portion of the personal allowances on annual income the holder is entitled to. As so reduced, the deemed return shall be taxed at a rate of 30%.

Dutch gift, estate and inheritance tax

Dutch gift, estate or inheritance taxes will be due in the Netherlands in respect of the transfer of the Trust Preferred Securities or Company Capital Securities by way of gift by, or on the death of, a holder of the Trust Preferred Securities or Company Capital Securities if the holder is, or is deemed to be, a resident of the Netherlands, for the purpose of the relevant provisions, at the time of the gift or his or her death.

An individual of Dutch nationality is deemed to be resident of the Netherlands for the purpose of the Dutch gift and inheritance tax if he or she has been a resident of the Netherlands during the ten years preceding the gift or his or her death. An individual of any other nationality is deemed to be a resident of the Netherlands for the purpose of the Dutch gift tax only if he or she has been residing in the Netherlands at any time during the twelve months preceding the time of the gift. Applicable tax treaties may override deemed residency.

Other Taxes

There is no Dutch registration tax, capital tax, customs duty, transfer tax, stamp duty, or any other similar tax or duty, other than court fees, payable in the Netherlands in respect of or in connection with the execution, delivery and enforcement by legal proceedings (including any foreign judgment in the courts of the Netherlands) of any agreement relating to the Trust Preferred Securities or Company Capital Securities or the performance of the Company's obligations under the Trust Preferred Securities or Company Capital Securities.

No Dutch value added tax will arise in respect of any payment in consideration for the issue of the Trust Preferred Securities or Company Capital Securities.

European Union Savings Directive

On June 3, 2003, the Council of the European Union adopted a directive on the taxation of savings income. Pursuant to the directive, a member state of the European Union will be required to provide to the tax authorities of other member states information regarding payments of interest (or other similar income) paid by a person within its jurisdiction to individual residents of such other member states, except that Belgium, Luxembourg and Austria will instead operate a withholding system for a transitional period in relation to such payments, unless during such transitional period these member states elect to begin providing such information. The provisions of the directive will be effective as of July 1, 2005.

FORWARD-LOOKING STATEMENTS

This Offering Circular contains certain forward-looking statements with respect to Deutsche Bank Group's financial condition and results of operations. In this document, forward-looking statements include, among others, statements relating to:

- implementation of strategic initiatives;
- the development of aspects of results of operations;
- expectations of the impact of risks that affect Deutsche Bank's business, including the risks of loss on credit exposures and risks relating to changes in interest and currency exchange rates and in asset prices; and
- other statements relating to future business development and economic performance.

In addition, Deutsche Bank Group may from time to time make forward-looking statements in its periodic reports to the SEC on Form 6-K, annual and interim reports, invitations to annual shareholders' meetings and other information sent to shareholders, offering circulars and prospectuses, press releases and other written materials. Deutsche Bank Group's Board of Managing Directors, Supervisory Board, officers and employees may also make oral forward-looking statements to third parties, including financial analysts.

Forward-looking statements are statements that are not historical facts, including statements about Deutsche Bank Group's beliefs and expectations. When used in this Offering Circular, words such as "believe," "anticipate," "expect," "intend," "seek," "estimate," "project," "should," "potential," "reasonably possible," "plan" and similar expressions identify forward-looking statements.

By their very nature, forward-looking statements involve risks and uncertainties, both general and specific. Deutsche Bank Group bases these statements on its current plans, estimates, projections and expectations. Potential investors should therefore not place too much reliance on them. Forward-looking statements speak only as of the date they were made, and Deutsche Bank Group undertakes no obligation to update any of them in light of new information or future events, unless required by law.

A number of important factors could cause Deutsche Bank Group's actual results to differ materially from those described in any forward-looking statement. These factors include, among others, the following:

- changes in general economic and business conditions;
- changes and volatility in currency exchange rates, interest rates and asset prices;
- changes in governmental policy and regulation, and political and social conditions;
- changes in Deutsche Bank Group's competitive environment;
- the success of Deutsche Bank Group's acquisitions, divestitures, mergers and strategic alliances;
- the success of implementing Deutsche Bank Group's Business Realignment Program and realizing the benefits anticipated therefrom; and
- other factors, including those referred to elsewhere in this document and others that are not referred to in this document.

PRESENTATION OF FINANCIAL INFORMATION

Unless otherwise indicated, any reference in this Offering Circular to “**Consolidated Financial Statements**” is to the audited consolidated financial statements (including the notes thereto) included herein of Deutsche Bank Group as of and for the years ended December 31, 2002, 2003 and 2004, and any reference to the “**Interim Consolidated Financial Statements**” is to the unaudited consolidated financial statements (including the notes thereto) included herein of Deutsche Bank Group as of March 31, 2005 and for the three-month periods ended March 31, 2004 and 2005.

The Consolidated Financial Statements of Deutsche Bank Group were prepared in accordance with accounting principles generally accepted in the United States (“**U.S. GAAP**”). The amount of “**Distributable Profits**” of the Bank for any fiscal year, which determines the extent to which the Company is authorized to make Capital Payments on the Company Capital Securities, is calculated on the basis of the Bank’s audited unconsolidated financial statements prepared in accordance with accounting provisions generally accepted in the Federal Republic of Germany as described in the German Commercial Code (*Handelsgesetzbuch*) and other applicable German law then in effect. See “Description of the Company Securities – Company Capital Securities – Capital Payments.” The Bank’s audited unconsolidated financial statements as of and for the year ended December 31, 2004 are included herein.

In this Offering Circular, all references to “**billions**” are references to one thousand millions. Due to rounding, the numbers presented throughout this Offering Circular may not add up precisely, and percentages may not precisely reflect absolute figures.

OFFERING CIRCULAR SUMMARY

The following summary is qualified in its entirety by the detailed information and financial data presented elsewhere in this Offering Circular, including the Consolidated Financial Statements and the Interim Consolidated Financial Statements. Capitalized terms used in this Offering Circular have the meanings assigned to them in under "Glossary".

The Trust

The Trust is a statutory trust formed under the Delaware Statutory Trust Act, as amended (the "**Trust Act**"), pursuant to a trust agreement executed by the Company, as sponsor, The Bank of New York, as trustee (the "**Property Trustee**"), and Deutsche Bank Trust Company Delaware, as Delaware trustee (the "**Delaware Trustee**"), and the filing of a certificate of trust with the Secretary of State of the State of Delaware on June 7, 2005. Such trust agreement has been amended and restated in its entirety (as so amended and restated, the "**Trust Agreement**") prior to the issuance of the Trust Preferred Securities. The Bank owns the Trust Common Security representing a capital contribution in respect thereof equal to € 1,000. The Trust Common Security ranks *pari passu*, and payments thereon will be made *pro rata*, with the Trust Preferred Securities, except that upon liquidation of the Trust and in certain circumstances described under "Description of the Trust Securities – Subordination of the Trust Common Security," the rights of the holder of the Trust Common Security to Capital Payments and other payments in respect of the Company Capital Securities will be subordinated to the rights of the holders of the Trust Preferred Securities.

The Property Trustee holds title to the Company Capital Securities for the benefit of the holders of the Trust Securities, and the Property Trustee has the power to exercise all rights, powers and privileges with respect to the Company Capital Securities under the LLC Agreement. In addition, the Property Trustee will maintain exclusive control of a segregated non-interest bearing trust account (the "**Property Account**") to hold all payments made in respect of the Company Capital Securities for the benefit of the holders of the Trust Securities.

The Trust has used all the proceeds derived from the issuance of the Trust Securities to purchase the Company Capital Securities from the Company, and, accordingly, the assets of the Trust consist solely of the Company Capital Securities. The Trust exists exclusively for the purposes of:

- issuing the Trust Securities representing undivided beneficial ownership interests in the assets of the Trust;
- investing the gross proceeds from the issuance of the Trust Securities in the Company Capital Securities; and
- engaging in those other activities necessary or incidental thereto.

The Trust may also, from time to time and without the consent of the holders of the Trust Preferred Securities, issue additional Trust Preferred Securities having the same terms and conditions as the Trust Preferred Securities (or in all respects except for the issue date, the date from which Capital Payments accrue on the Trust Preferred Securities, the issue price, and any other deviations required for compliance with applicable law) so as to form a single series with the Trust Preferred Securities in consideration for the receipt of Company Capital Securities equal to the aggregate liquidation amount of such additional Trust Preferred Securities.

The Company

The Company is a limited liability company formed under the Delaware Limited Liability Company Act, as amended (the "**LLC Act**"), on June 7, 2005, pursuant to a limited liability company agreement of the Company and the filing of a certificate of formation of the Company with the Secretary of State of the State of Delaware. Such limited liability company agreement of the Company has been amended and restated in its entirety (as so amended and restated, the "**LLC Agreement**") prior to the issuance of the Trust Preferred Securities. Pursuant to the LLC Agreement, the Company has issued one class of capital security representing interests in the capital of the Company (the Company Capi-

tal Securities) and one class of a common security representing limited liability company interests in the Company (the Company Common Security). The Company Capital Securities rank senior to the Company Common Security. The Bank holds the Company Common Security. The Company is treated as a partnership for United States federal income tax purposes.

The sole purposes of the Company are:

- to issue the Company Capital Securities and the Company Common Security;
- to invest substantially all of the proceeds thereof in the Initial Obligation;
- upon any redemption of the Initial Obligation prior to the Maturity Date, which does not involve a redemption of the Company Capital Securities, to reinvest the proceeds in Substitute Obligations issued by the Bank or a majority-owned subsidiary that is consolidated with the Bank for German bank regulatory purposes in replacement for the Initial Obligation, so long as any such reinvestment does not result in a Company Special Redemption Event;
- in the event of any default on the Obligations, to enforce its rights for payment of any overdue amounts;
- after the Maturity Date, if the Company Capital Securities have not been redeemed, to invest in Permitted Investments;
- to enter into and, in certain circumstances, to enforce the Support Undertaking for the sole benefit of the holders of the Company Capital Securities; and
- to engage in those other activities necessary or incidental thereto.

The Company may also, from time to time and without the consent of the holders of the Company Capital Securities, issue additional Company Capital Securities having the same terms and conditions as the Company Capital Securities (or in all respects except for the issue date, the date from which Capital Payments accrue on the Company Capital Securities, the issue price, and any other deviations required for compliance with applicable law) so as to form a single series with the Company Capital Securities in consideration for Obligations of a principal amount equal to the aggregate liquidation amount of such additional Company Capital Securities.

The Bank

The Deutsche Bank Group is one of the largest groups of financial and banking institutions in Germany, Europe and the world, as measured by total consolidated assets of € 901 billion on March 31, 2005. The Bank offers a wide variety of investment, financial and related products and services to consumer and corporate clients worldwide through the *Corporate and Investment Bank Group Division*, *Private Clients and Asset Management Group Division* and the *Corporate Investments Group Division*.

The Bank's goal is to take on a leading position in all of its core business lines by offering clients high-quality products and customized financial solutions at competitive conditions.

Summary Consolidated Financial and Other Data of the Deutsche Bank Group

Income Statement Data

	Year ended December 31,		
	2004	2003	2002
	(€ in millions, except per share data)		
Net interest	5,182	€ 5,847	€ 7,186
Provision for loan losses	372	1,113	2,091
Net interest revenues after provision for loan losses	4,810	4,734	5,095
Commissions and fee revenues	3,211	9,332	10,834
Trading revenues, net	6,186	5,611	4,024
Other non-interest revenues	1,044	478	4,503
Total net revenues	16,736	15,421	19,361
Compensation and benefits	10,222	10,495	11,358
Goodwill amortization/impairment	19	114	62
Restructuring activities	400	(29)	583
Other non-interest expenses	6,876	6,819	8,904
Total non-interest expenses	17,517	17,399	20,907
Income before income tax expense (benefit) and cumulative effect of accounting changes	4,029	2,756	3,549
Income tax expense	1,437	1,327	372
Income tax expense (benefit) from the change in effective tax rate and the reversing effect	120 ⁽¹⁾	215 ⁽¹⁾	2,817 ⁽¹⁾
Income before cumulative effect of accounting changes, net of tax	2,472 ⁽¹⁾	1,214 ⁽¹⁾	360 ⁽¹⁾
Cumulative effect of accounting changes, net of tax ⁽²⁾	–	151	37
Net income ⁽²⁾	€ 2,472 ⁽¹⁾	€ 1,365 ⁽¹⁾	€ 397 ⁽¹⁾
Basic earnings per share ⁽³⁾			
Income before cumulative effect of accounting changes, net of tax	€ 5.02 ⁽¹⁾	€ 2.17 ⁽¹⁾	€ 0.58 ⁽¹⁾
Cumulative effect of accounting changes, net of tax ⁽²⁾	–	0.27	0.06
Net income ⁽²⁾	€ 5.02 ⁽¹⁾	€ 2.44 ⁽¹⁾	€ 0.64 ⁽¹⁾
Diluted earnings per share ⁽⁴⁾			
Income before cumulative effect of accounting changes, net of tax	€ 4.53 ⁽¹⁾	€ 2.06 ⁽¹⁾	€ 0.57 ⁽¹⁾
Cumulative effect of accounting changes, net of tax ⁽²⁾	–	0.25	0.06
Net income ⁽²⁾	€ 4.53 ⁽¹⁾	€ 2.31 ⁽¹⁾	€ 0.63 ⁽¹⁾
Dividends paid per share ⁽⁵⁾	€ 1.50	€ 1.30	€ 1.30

⁽¹⁾ These figures reflect the income tax expense (benefit) from changes in effective tax rates pursuant to German tax law and the reversing effect. These changes and their effects are described in note 26 to the Consolidated Financial Statements included herein.

⁽²⁾ These figures reflect the cumulative effect of changes in accounting principle. These changes and their effects on Deutsche Bank Group's Consolidated Statement of Income are described in note 2 to the Consolidated Financial Statements included herein.

⁽³⁾ Basic earnings per share for each period is calculated by dividing net income by the weighted average number of common shares outstanding.

⁽⁴⁾ Diluted earnings per share for each period is calculated by dividing Deutsche Bank Group's net income by the weighted average number of common shares and potential dilutive common shares outstanding.

⁽⁵⁾ Dividends declared and paid in the year.

The following table shows Deutsche Bank Group's income before cumulative effect of accounting changes, Deutsche Bank Group's net income and basic net income per share, in each case excluding the effects of the tax rate changes and the cumulative effect of accounting changes:

	2004	Per Share (basic)	2003	Per Share (basic)	2002	Per Share (basic)
	(€ in millions, except per share amounts)					
Income before cumulative effect of accounting changes, net of tax	€ 2,472	5.02	€ 1,214	€ 2.17	€ 360	€ 0.58
Cumulative effect of accounting changes, net of tax	–	–	151	0.27	37	0.06
Net income	€ 2,472	5.02	€ 1,365	€ 2.44	€ 397	€ 0.64
Income tax expense (benefit) from the change in effective tax rate and the reversing effect	120	0.24	215	0.39	€ 2,817	4.58
Net income without the effect of tax rate changes	€ 2,592	5.26	€ 1,580	2.82	€ 3,214	5.22
Net income before accounting changes and the effect of tax rate changes	€ 2,592	5.26	€ 1,429	2.56	€ 3,177	5.16

Balance Sheet Data

	As of December 31,		
	2004	2003	2002
	(€ in millions)		
Total assets	840,068	803,614	758,355
Loans, net	136,344	144,946	167,303
Deposits	329,469	306,154	327,625
Long-term debt	106,870	97,480	104,055
Common shares	1,392	1,490	1,592
Total shareholders' equity	25,904	28,202	29,991
Tier 1 risk-based capital (BIS(*))	18,727	21,618	22,742
Total risk-based capital (BIS(*))	28,612	29,871	29,862

(*) Bank for International Settlements.

Recent Developments and Outlook for the Bank

On February 3, 2005, the Bank published preliminary and unaudited key figures for the fourth quarter and the full year 2004 for its consolidated group and announced that the Board of Managing Directors recommends a dividend increase of 13% to € 1.70 per share.

On March 10, 2005, the Bank announced that as a result of a settlement reached on such date in the WorldCom class action and its agreement to pay U.S.\$ 325 million to the settlement class, it will reduce the 2004 net income previously announced by € 74 million.

On March 24, 2005, the Bank published its annual report for 2004 and confirmed that its Board of Managing Directors and its Supervisory Board recommended a dividend increase of 13% to € 1.70 per share for the fiscal year 2004.

In February 2003, the Düsseldorf Prosecutor filed charges against Dr. Ackermann and other former members of the Supervisory Board, members of the Board of Managing Directors and one manager of Mannesmann AG at the Düsseldorf District Court (*Landgericht Düsseldorf*). The complaint alleges a breach of trust in connection with payments to former members of the Board of Managing Directors and other managers of Mannesmann AG following the takeover of Mannesmann by Vodafone in Spring 2000. On 22 July 2004 the Düsseldorf District Court acquitted every defendant of such charges. The Düsseldorf Prosecutor filed a notice of appeal to the Federal Supreme Court (*Bundesgerichtshof*) and the Federal Prosecutor announced that it supports the appeal. The Supervisory Board of Deutsche Bank has declared that it supports Dr. Ackermann's defense.

Net income for the quarter was € 1.1 billion, up 17% compared to € 941 million in the first quarter 2004. Adjusted after-tax return on average active equity was 19%, compared to 15% in the first quarter 2004 and 11% for the full year 2004. Diluted earnings per share for the quarter were € 2.09, up 25% compared to € 1.67 per share in the first quarter 2004.

Business Segment Review

This discussion of business segments contains non-U.S. GAAP financial measures, including underlying revenues, total provision for credit losses, operating cost base, underlying pre-tax profit, active average equity and related ratios. Management uses these measures as part of its internal reporting system because it believes that such measures provide it with a more useful indication of the financial performance of the business segments. The Group discloses such measures to provide investors and analysts with further insight into how management operates the Group's businesses to enable them to better understand the Group's results. For definitions of these non-U.S. GAAP financial measures and a reconciliation of these measures to the most directly comparable U.S. GAAP financial measures, see "Reconciliation of Reported to Underlying Results" in the Interim Report for the three months ended March 31, 2005 included herein.

Corporate and Investment Bank Group Division

In the Corporate and Investment Bank (CIB) underlying pre-tax profit was € 1.6 billion for the first quarter 2005, an increase of € 457 million, or 40%, from € 1.1 billion in the first quarter 2004. Underlying revenues of € 4.5 billion increased € 563 million, or 14%, on the same period in 2004, largely driven by debt sales and trading. This significant improvement reflects in part some early benefits from the realignment of the Bank's sales and trading platform but also the highly favorable trading conditions that persisted during the first quarter.

Sales and Trading (Debt and other products) generated record revenues of € 2.4 billion in the first quarter 2005, an increase of € 486 million, or 26%, over the same period in 2004. Deutsche Bank continued to benefit from its global leadership in high value structured products. The Bank's Global Rates business showed exceptional growth based on its ability to develop cutting-edge liability management solutions for corporate and sovereign clients. The Bank's Global Credit business continued to grow volumes and revenues off the back of strong client flows. Similarly, the Bank's Emerging Markets group performed well thanks to the creation of a cross-asset class platform. The Bank's "market

access" businesses, while facing ongoing margin erosion, have nonetheless shown consistent growth in market share. The Bank's FX businesses, for example, topped this year's annual Euro-money Global Foreign Exchange Survey with a market share of 16.7 %, the largest market share ever recorded by a winner of this survey.

Revenues in Sales and Trading (Equity) totaled € 823 million in the quarter, € 31 million, or 4 %, higher than the first quarter 2004. Revenues were driven by a strong performance in the Bank's customer-focused businesses, especially Global Equity Derivatives. In particular, Corporate Derivatives benefited from access to a wider network of client relationships as a result of the recent reorganization. Global Prime Services also had a strong quarter. The Bank's Equity Proprietary business took advantage of the favorable market conditions in the first quarter although overall revenues were down year on year. Difficult market conditions affected Cash Equities' performance while the absolute level of activity in the convertibles market was greatly reduced versus the same period in 2004.

Origination and Advisory generated revenues of € 510 million in the first quarter 2005, an increase of € 56 million, or 12 %, from the same period last year. Origination (Debt) revenues continued to reflect the Bank's strong position in corporate bonds, investment grade and high-yield debt and the good growth this quarter in the European market. Origination (Equity) revenues fell marginally compared to the same period last year reflecting lower levels of activity in the U.S. and Asian issuance markets. Advisory revenues have increased from last year due to market share gains in both Europe and Japan.

Loan Products revenues of € 382 million for the first quarter 2005 were similar to the same period last year. Lending revenues decreased compared to the first quarter of 2004, mainly due to lower loan demand and lower fee income. However, these factors were offset by mark-to-market gains on the Bank's credit risk hedge positions as credit spreads have widened.

Transaction Services revenues in the first quarter 2005, at € 485 million, were slightly below the same period in 2004, which included some revenues from the disposed Global Securities Services business. Trade Finance revenues increased driven by a stronger cross-selling of interest risk and currency risk products while Trust & Securities Services rose slightly as a result of a stronger performance from the Structured Finance Services business.

Provision for credit losses was € 4 million in the first quarter, down from € 72 million in the same period last year, reflecting the quality of the Bank's corporate loan book as well as additional releases from successful workout cases.

CIB's operating cost base in the first quarter totaled € 2.9 billion, a 6 % increase from the comparable period last year. This increase is due entirely to higher performance-related compensation in line with the development of operational performance. Non-performance-related staff costs decreased reflecting headcount reductions announced as part of the Business Realignment Program whereas non-compensation-related expenses dropped € 84 million compared to the first quarter 2004.

In addition to its underlying results, CIB took a restructuring charge of € 122 million, representing its share of the aforementioned Business Realignment Program announced during the fourth quarter of 2004.

Private Clients and Asset Management Group Division

In Private Clients and Asset Management (PCAM), underlying pre-tax profit of € 408 million was in line with the first quarter 2004. Underlying revenues of € 2.0 billion were marginally higher than in the first quarter 2004. The operating cost base of € 1.6 billion was essentially unchanged compared to the first quarter 2004.

Asset and Wealth Management (AWM) delivered underlying pre-tax profit of € 163 million in the first quarter of 2005, a slight increase of 5 % compared to the first quarter 2004. Underlying revenues of € 880 million remained virtually unchanged from the first quarter 2004 as improvements in the Private Wealth Management business were offset by the effect of the strengthening of the Euro on

dollar-denominated revenues and lower revenues in Asset Management. The operating cost base of € 719 million in the first quarter of 2005 was € 14 million lower than in the first quarter 2004.

Revenues from Asset Management activities decreased compared to the first quarter 2004 due to lower investment management fees in the Americas as a result of net asset outflows in the retail business. In addition, the Bank's businesses in the Americas were negatively impacted by the aforementioned effect of the strengthening of the Euro. These declines were partially offset by net gains on the sale of assets in the Bank's real estate business and better performance in Continental Europe. Net asset inflows were € 24 billion during the first quarter 2005. Net inflows in Continental Europe were € 29 billion, of which € 24 billion related to the institutional business and € 5 billion to the retail business. These net inflows were partially offset by net outflows in the UK Institutional, Asia Pacific Institutional, and the Americas Retail business.

Revenues in the Bank's Private Wealth Management business increased compared to the first quarter 2004, mainly reflecting the continuing growth in high-value-added products and services sold to the Bank's clients. Net new assets were € 2 billion in the first quarter 2005.

Private & Business Clients (PBC) generated an underlying pre-tax profit of € 245 million in the first quarter 2005, a decrease of € 10 million compared to last year's first quarter. Revenues of € 1.2 billion were slightly higher than in the first quarter 2004. The operating cost base of € 832 million was € 12 million higher than in the same quarter last year, also reflecting investments in the growth of the Bank's franchise. Provision for credit losses of € 77 million was € 9 million higher than in the first quarter 2004, partly accounted for by loan volume growth.

In addition to its underlying results, PCAM recorded restructuring charges of € 45 million in the first quarter 2005, representing its share of the Business Realignment Program.

Corporate Investments Group Division

Corporate Investments (CI) reported an underlying pre-tax loss of € 44 million in the first quarter of 2005, an improvement of € 63 million compared to a loss of € 107 million in the first quarter 2004. This improvement mainly reflected charges of € 32 million incurred in last year's first quarter, which related to the elimination of excess space resulting from headcount reductions and the sale of businesses.

CI's reported income before income taxes was € 69 million in the first quarter 2005. Major contributors to the difference between reported and underlying results were net gains of € 87 million from the Bank's industrial holdings portfolio, mainly from the sale of the Bank's stake in Südzucker AG, and net gains from other investments of € 27 million. In last year's first quarter, net gains from industrial holdings and other investments together with gains from the disposal of businesses were € 161 million.

The book value of CI's alternative assets declined by 41% to € 1.6 billion at March 31, 2005 from € 2.7 billion at the end of last year's first quarter.

Share Buyback Program

The Group completed its third share buyback program on April 20, 2005. Since July 2004, a total of 45.5 million shares had been repurchased at an average price of € 62.32, for a total consideration of € 2.8 billion. Total shares repurchased under this program account for 8.3% of the Bank's current share capital. Including residual buybacks in June 2004 to complete the second buyback program, this represents a complete utilization of the 10% buyback authorization obtained from the last Annual General Meeting on June 2, 2004. After completion of the third program, the holding of own shares amounts to 33.4 million shares, or 6.1% of shares issued. The difference between the repurchase volume and the current inventory is mainly attributable to the use of treasury shares in February 2005 to hedge share awards granted to Deutsche Bank staff.

At the upcoming Annual General Meeting on May 18, 2005, management the shareholders granted a new authorization to acquire own shares of up to 10% of the current share capital.

Summary Interim Consolidated Financial and Other Data of the Deutsche Bank Group

Income Statement

	Three months ended	
	March 31,	March 31,
	2005	2004
	(€ in millions)	
Net interest revenues	1,443	1,394
Provision for loan losses	94	123
Net interest revenues after provision for loan losses	1,349	1,271
Commissions and fees from fiduciary activities	809	798
Commissions, broker's fees, markups on securities underwriting and other securities activities	918	983
Fees for other customer services	607	622
Trading revenues, net	2,411	2,035
Net gains (losses) on securities available for sale	110	65
Net income (loss) from equity method investments	132	163
Other revenues	153	94
Total non-interest revenues	5,140	4,760
Compensation and benefits	2,998	2,816
Net occupancy expense of premises	245	305
Furniture and equipment	40	45
IT costs	378	450
Agency and other professional service fees	182	170
Communication and data services	147	156
Policyholder benefits and claims	(15)	(50)
Other expenses	548	528
Goodwill impairment	–	–
Restructuring activities	168	–
Total non-interest expenses	4,706	4,470
Income before income tax expense and cumulative effect of accounting changes	1,783	1,561
Income tax expense	649	597
Income tax expense from the reversing effect of the change in effective tax rate	31	23
Income before cumulative effect of accounting changes, net of tax ..	1,103	941
Cumulative effect of accounting changes, net of tax	–	–
Net income	1,103	941

Balance sheet

	March 31, 2005	As of	
		December 31, 2004	September 30, 2004
		(€ in millions)	
Total assets	900,871	840,068	845,053
Loans, net	142,501	136,344	137,457
Liabilities	874,045	814,164	818,787
Total shareholders' equity	26,826	25,904	26,266
Tier I risk-based capital (BIS)	20,786	18,727	19,910
Total risk-based capital (BIS)	31,508	28,612	29,815

Earnings per share**Income Statement**

	Three months ended	
	March 31, 2005	March 31, 2004
	(€ in millions)	
Basic:		
Income before cumulative effect of accounting changes, net of tax	2.36	1.81
Cumulative effect of accounting changes, net of tax	–	–
Reported net income	2.36	1.81
Diluted:		
Income before cumulative effect of accounting changes, net of tax	2.09	1.67
Cumulative effect of accounting changes, net of tax	–	–
Reported net income	2.09	1.67
Denominator for basic earnings per share – weighted-average shares outstanding (in millions)	467.7	521.1
Denominator for diluted earnings per share – adjusted weighted- average shares after assumed conversions (in millions)	509.1	563.2

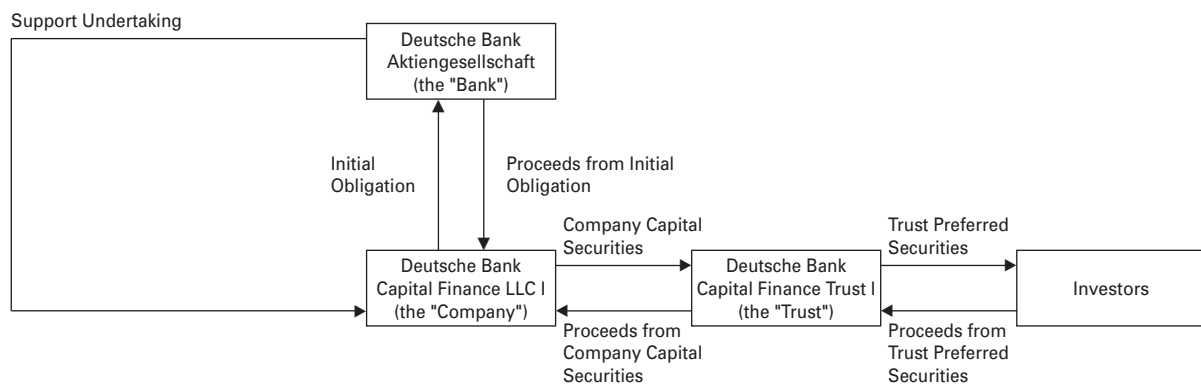
The Formation of the Trust and the Company

Prior to or simultaneously with the completion of the Offering, the Company, the Trust and the Bank engaged in the following transactions: (i) the Company issued to the Bank the Company Common Security; (ii) the Trust issued to the Bank the Trust Common Security; (iii) the Trust issued the Trust Preferred Securities to the Managers, who will sell the Trust Preferred Securities to investors; (iv) the Company issued to the Trust the Company Capital Securities and (v) the Company invested the proceeds from the issuance of the Company Capital Securities in the Initial Obligation.

The Bank or a majority-owned affiliate of the Bank entered into the Services Agreement. The Bank, as the holder of the Company Common Security, elected the Board of Directors, which initially consists of three directors.

Each holder of Company Capital Securities and the Trust Preferred Securities will be a third-party beneficiary of the Support Undertaking.

The following diagram summarizes the relationship among the Company, the Trust, the Bank and investors in the Trust Preferred Securities following completion of the Offering:



THE OFFERING

This section contains a summary of the Company, the Trust, the terms of the Trust Preferred Securities and the Company Capital Securities, as well as information relating to this Offering. For a more complete description of the terms of the Trust Preferred Securities, the Company Capital Securities, the Initial Obligation and the Support Undertaking, see “Description of the Trust Securities,” “Description of the Company Securities,” “Description of the Terms of the Initial Obligation” and “Description of the Support Undertaking,” as well as “Distributable Profits of the Bank.” Capitalized terms used and not otherwise defined below have the meaning given such terms under such headings.

The Trust	Deutsche Bank Capital Finance Trust I is a Delaware statutory trust formed for the purpose of issuing the Trust Securities and investing the proceeds therefrom in the Company Capital Securities, the Capital Payments and redemption payments (if any) on which will be passed through to holders of the Trust Securities.
The Company	Deutsche Bank Capital Finance LLC I, a Delaware limited liability company, is a wholly owned subsidiary of the Bank which will be consolidated with the Bank for German bank regulatory purposes. The Company will hold the Obligations.
Securities Offered	The Trust will offer 300,000 Trust Preferred Securities with a Liquidation Preference Amount of € 1,000 per Trust Preferred Security. The terms of the Trust Preferred Securities will be substantially identical to the terms of the Company Capital Securities.
Use of Proceeds	<p>All the proceeds from the sale of the Trust Securities (aggregating € 300,001,000, including the Trust Common Security) will be invested by the Trust in the Company Capital Securities.</p> <p>The Company will use substantially all of the proceeds from the sale of the Company Capital Securities to invest in the Initial Obligation.</p> <p>The Bank intends to use the proceeds from the sale of the Initial Obligation for general corporate purposes, and the Bank expects to treat the Company Capital Securities as consolidated upper Tier 2 regulatory capital. The Bank will pay certain commissions to the Managers (one of which – the Lead Manager – is an affiliate of the Bank) and reimburse the Managers for certain expenses in connection with the Offering. Accordingly, the net proceeds to the Bank net of commissions to the Managers can be deemed to be € 300,000,000.</p>
Bank’s Support Undertaking	<p>The Bank will execute a Support Undertaking under which it will agree that (i) the Company will at all times be in a position to meet its obligations if and when such obligations are due and payable, including Capital Payments declared (or deemed declared) on the Company Capital Securities, Arrears of Payments and payments due upon redemption of the Company Capital Securities plus, in each case, Additional Amounts thereon, if any, and (ii) in liquidation, the Company will have sufficient funds to pay the liquidation amounts of the Company Capital Securities, plus accrued and unpaid Capital Payments for the then current Payment Period to but excluding the date of liquidation plus Additional Amounts, if any. The Support Undertaking is not a guarantee of any kind that the Company will at any time have sufficient assets to declare a Capital Payment or other distribution.</p> <p>The Bank’s obligations under the Support Undertaking will (i) be subordinated to all senior and subordinated debt obligations of the Bank (including profit participation rights (<i>Genussscheine</i>)), (ii) rank senior to all preference shares and Preferred Tier 1 Securities and the common shares of the Bank, and (iii) unless otherwise expressly provided in the terms thereof, rank <i>pari passu</i> with any instrument or contractual obligation of the Bank ranking junior to any</p>

or contractual obligations of the instruments included in clause (i) and senior to any of the instruments or contractual obligations included in clause (ii).

The holders of the Company Capital Securities will be third-party beneficiaries of the Support Undertaking. If a holder of the Company Capital Securities has notified the Company that the Bank has failed to perform any obligation under the Support Undertaking, and such failure continues for 60 days or more after such notice is given, the holders of the Company Capital Securities will have the right to elect the Independent Enforcement Director (as defined and described herein) who will be required to enforce the rights of the Company under the Support Undertaking without prejudice to the rights of the holders of the Company Capital Securities thereunder.

The Bank will also undertake not to give any guarantee or similar undertaking with respect to, or enter into any other agreement relating to the support of, or payment of any amounts in respect of any Group Capital Securities of any of its affiliates, which guarantee or similar undertaking would rank senior in any regard to the Support Undertaking, unless the Support Undertaking is amended so that it ranks at least *pari passu* with and contains substantially equivalent rights of priority as to payment as any such other guarantee or other support agreement.

TERMS OF THE TRUST PREFERRED SECURITIES AND THE COMPANY CAPITAL SECURITIES

Maturity The Trust Preferred Securities and the Company Capital Securities will not have a maturity date or be subject to any mandatory redemption provisions.

Capital Payments Capital Payments on the liquidation amounts of € 1,000 per Trust Preferred Security and the liquidation amount of € 1,000 per Company Capital Security will be payable annually in arrears on a basis on June 27 of each year, commencing June 27, 2006. Capital Payments payable on each Payment Date will accrue from and including the immediately preceding Payment Date (or June 27, 2005 with respect to Capital Payments payable on June 27, 2006), up to but excluding the relevant Payment Date, at a rate per annum equal to (i) for the first five Payment Periods, 7% and (ii) for each Payment Period thereafter, the Floating Rate for such Payment Period, which shall in no event be less than 1.75% or more than the rate per annum corresponding to the 10 Year EUR CMS Rate for such Payment Period. Capital Payments will be cumulative, as described herein.

For each Payment Period, Capital Payments will be calculated on the basis of the actual number of days elapsed in a year of 365 or 366 days, as the case may be, and rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

Each Capital Payment on the Trust Preferred Securities will be payable to the holders of record of the Trust Preferred Securities as they appear on the books and records of the Trust at the close of business on the corresponding record date. The record dates for the Trust Preferred Securities will be (i) so long as the Trust Preferred Securities remain in book-entry form, at the end of the Business Day immediately preceding the date on which the relevant Capital Payment will be paid, and (ii) in all other cases, 15 Business Days prior to the relevant Payment Date.

If any Payment Date or Redemption Date falls on a day that is not a Business Day, payment of all amounts otherwise payable on such date will be made on the next succeeding Business Day, without adjustment, interest or further payment as a result of such delay in payment.

Capital Payments on the Company Capital Securities will be paid out of the Company's Operating Profits or from payments received by the Company under the Support Undertaking.

If the Company does not declare (and is not deemed to have declared) a Capital Payment on the Company Capital Securities in respect of any Payment Period, the holders of the Company Capital Securities will have no right to receive a Capital Payment in respect of such Payment Period, and the Company will have no obligation to pay a Capital Payment in respect of such Payment Period, whether or not Capital Payments are declared (or deemed to have been declared) and paid in respect of any future Payment Period. In such a case, no Capital Payments will be made on the Trust Preferred Securities in respect of such Payment Period; *however*, any such Capital Payment or portion thereof accrued but not declared (or deemed to have been declared) by the Company in respect of any such Payment Period shall be deferred.

If, however, the Company declares (or is deemed to have declared) a Capital Payment in respect of any Payment Period under circumstances where the Distributable Profits of the Bank for the most recent preceding fiscal year are insufficient to pay such Capital Payment in full as well as capital payments, dividends or other distributions or payments then due on Parity Capital Secu-

rities and Preferred Tier 1 Securities, payment of all or a portion of such Capital Payment on the Company Capital Securities (and, as a result thereof, a corresponding portion of the Capital Payment then due on the Trust Preferred Securities) will be deferred. The portions of such Capital Payments that cannot be paid and have been deferred in such case, together with the portions of Capital Payments that were not declared or deemed to have been declared in respect of any Payment Period and therefore deferred, will be cumulative and will collectively constitute Arrears of Payments with respect to the Company Capital Securities and the Trust Preferred Securities, as applicable. Arrears of Payments will not themselves bear interest.

The Company will pay outstanding Arrears of Payments on the Company Capital Securities on the earliest of:

- the first Payment to the extent that for the most recent preceding fiscal year for which audited financial statements are available the Distributable Profits of the Bank are in an amount exceeding the aggregate of:
 - Capital Payments on the Company Capital Securities due on such Payment Date,
 - capital payments, dividends or other distributions or payments on Parity Capital Securities, if any, due in respect of such fiscal year, and
 - capital payments, dividends or other distributions or payments on Preferred Tier 1 Securities, if any, due in respect of such fiscal year,

in which case, such Arrears of Payments on the Company Capital Securities and any Deferred Payments on Parity Capital Securities will be paid pro rata on the basis of Distributable Profits for such preceding fiscal year, with any Arrears of Payments that cannot be repaid pursuant to the foregoing on such Payment Date continuing to be deferred and to constitute Arrears of Payments;

- the date of any redemption of the Company Capital Securities, in the full amount of outstanding Arrears of Payments; and
- the date on which an order is made for the winding up, liquidation or dissolution of the Company or the Bank (other than for the purposes of or pursuant to an amalgamation, reorganization or restructuring while solvent, where the continuing entity assumes substantially all of the assets and obligations of the Company or the Bank, as the case may be), in the full amount of outstanding Arrears of Payments.

If, as a result of the deferral of Capital Payments, the Company receives payments of interest on the Initial Obligation which exceed Capital Payments declared and paid on the Company Capital Securities on the corresponding Payment Date, such excess will be deposited with the Bank pursuant to the Subordinated Deposit Agreement. The Subordinated Deposit Agreement will provide for the deposit of Arrears of Payments into a deposit account at the Bank bearing interest at a rate of 0.75% per annum. Any interest accumulating in such deposit account will be payable to the holder of the Company Common Security under the circumstances described herein. The Subordinated Deposit Agreement will provide that, subject to the subordination provisions of the Subordinated Deposit Agreement, the subordinated deposit outstanding under the Subordinated Deposit Agreement will be terminated and such deposit repaid to the Company at such time and to the extent as the Company is required to pay Arrears of Payments. The subordinated deposit outstanding at any time pursuant to the Subordinated Deposit Agreement will be subordinated to the same extent as the Support Undertaking.

Capital Payments on the Company Capital Securities are authorized to be declared and paid on any Payment Date to the extent that:

- the Company has an amount of Operating Profits for the Payment Period ending on the day immediately preceding such Payment Date at least equal to the amount of such Capital Payments; and
- the Bank has an amount of Distributable Profits for the next preceding fiscal year of the Bank for which audited financial statements are available at least equal to the aggregate amount of such Capital Payments on the Company Capital Securities and capital payments, dividends or other distributions or payments on Parity Capital Securities and Preferred Tier 1 Securities, if any due in such fiscal year, *pro rata* on the basis of Distributable Profits for such preceding fiscal year; *provided, however*, that if the amount of such Distributable Profits is insufficient to pay all such amounts on the Company Capital Securities, the Parity Capital Securities and the Preferred Tier 1 Securities, the Capital Payment on the Company Capital Securities is authorized to be declared, however, the portion of such Capital Payments that cannot be paid will be deferred and will thereupon constitute Arrears of Payments.

Notwithstanding the foregoing, if the Bank or any of its subsidiaries declares or pays any dividends or makes any other payment or other distribution (other than in respect of Deferred Payments) on any Parity Capital Securities or Preferred Tier 1 Securities in respect of any fiscal year, the Company will be deemed to have declared Capital Payments on the Company Capital Securities on the Payment Date on which Capital Payments based on Distributable Profits for such fiscal year would be payable. If the dividend or other payment or distribution on Parity Capital Securities or Preferred Tier 1 Securities was in the full stated amount payable on such Parity Capital Securities or Preferred Tier 1 Securities in respect of such fiscal year, Capital Payments will be deemed declared at the Stated Rate in full for payment on such Payment Date. If the dividend or other payment or distribution on Parity Capital Securities or Preferred Tier 1 Securities was only a partial payment of the amount so owing, the amount of the Capital Payment deemed declared for payment on such Payment Date will be adjusted proportionally, in which case the portion of such Capital Payment that is not so paid will be deferred and will thereupon constitute Arrears of Payments.

The Company will be deemed to have declared payments in respect of Arrears of Payments if the Bank or any of its subsidiaries makes any payment on any Parity Capital Securities in respect of Deferred Payments. Capital Payments on the Company Capital Securities to be made as a result of such a deemed declaration will be *pro rata* with such payments in respect of Deferred Payments and payable on the first Payment Date falling contemporaneously with or immediately after the date on which such payments in respect of Deferred Payments were made. Any portion of the Arrears of Payments not so paid will continue to constitute Arrears of Payments.

Further, notwithstanding the foregoing, if the Bank or any of its subsidiaries declares or pays any dividend or makes any other payment or distribution on its Junior Securities (other than payments on Junior Securities issued by wholly owned subsidiaries of the Bank, when such Junior Securities are held exclusively by the Bank or by any of its other wholly owned subsidiaries), the Company will be deemed to have declared Capital Payments on the Company Capital Securities for payment on the first Payment Date falling contemporaneously with or immediately following the date on which such dividend was declared or other payment made (i) if such Junior Securities pay dividends annually, in an amount determined by the Stated Rate in full, (ii) if such Junior Securities pay dividends semi-annually, in one half of such amount as a result

of each semi-annual dividend or payment on such Junior Securities, or (iii) if such Junior Securities pay dividends quarterly, in one quarter of such amount as a result of each quarterly dividend or payment on such Junior Securities.

If the Bank or any of its subsidiaries redeems, repurchases or otherwise acquires any Parity Capital Securities, Preferred Tier 1 Securities or Junior Securities (other than Parity Capital Securities, Preferred Tier 1 Securities or Junior Securities issued by wholly-owned subsidiaries of the Bank, when such Parity Capital Securities, Preferred Tier 1 Securities or Junior Securities are held exclusively by the Bank or any of the Bank's wholly-owned subsidiaries) for any consideration except by conversion into or exchange for common stock of the Bank and subject to certain exceptions set forth in "Description of the Company Securities – Company Capital Securities – Capital Payments," the Company will be deemed to have declared Capital Payments on the Company Capital Securities at the Stated Rate in full for payment on the first Payment Date falling contemporaneously with or immediately following the date on which such redemption, repurchase or other acquisition occurred.

Despite sufficient Operating Profits of the Company and sufficient Distributable Profits of the Bank, the Company will not be permitted to make Capital Payments on the Company Capital Securities on any Payment Date (or a date set for redemption or liquidation) if on such date there is in effect an order of the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) (the "**BaFin**") (or any other relevant regulatory authority) prohibiting the Bank from making any distributions of profits.

The Company will have no obligation to make up, at any time, any Capital Payments (including Arrears of Payments) not paid in full by the Company as a result of insufficient Operating Profits of the Company or an order of the BaFin.

In determining the availability of sufficient Distributable Profits of the Bank for any fiscal year to permit Capital Payments to be declared and paid with respect to the Company Capital Securities during the succeeding fiscal year of the Bank, any Capital Payments already paid during the succeeding fiscal year of the Bank on the Company Capital Securities and any capital payments or dividends already paid during the succeeding fiscal year of the Bank on Parity Capital Securities and Preferred Tier 1 Securities, if any, on the basis of Distributable Profits for such fiscal year, will be deducted from such Distributable Profits.

Paying Agents

The Principal Paying Agent is Deutsche Bank Aktiengesellschaft, Frankfurt am Main. The Netherlands Paying Agent is Deutsche Bank AG, Amsterdam Branch.

**Payments of
Additional Amounts**

All payments on the Company Capital Securities and the Trust Preferred Securities, as the case may be, and any amount payable in liquidation or upon redemption thereof, will be made without deduction or withholding for or on account of any present or future taxes, duties or governmental charges of any nature whatsoever imposed, levied or collected by or on behalf of the United States or Germany or, during any period in which any Substitute Obligations are outstanding, the jurisdiction of residence of any obligor on such Substitute Obligations (or any jurisdiction from which payments are made) (each, a "**Relevant Jurisdiction**") or by or on behalf of any political subdivision or authority therein or thereof having the power to tax (collectively, "**Withholding Taxes**"), unless such deduction or withholding is required by law. In such event, the Company or the Trust, as the case may be, will pay, as additional Capital Payments (or Arrears of Payments, as the case may be), such additional amounts ("**Additional Amounts**") as may be necessary in order that the net amounts received by the holders of the Company Capital Securities and the Trust Pre-

ferred Securities, after such deduction or withholding, will equal the amounts that otherwise would have been received had no such deduction or withholding been required. However, no such Additional Amounts will be payable in respect of the Company Capital Securities and the Trust Preferred Securities:

- if and to the extent that the Company is unable to pay such Additional Amounts because such payment would exceed the Distributable Profits of the Bank for the preceding fiscal year (after subtracting from such Distributable Profits the amount of Capital Payments on the Company Capital Securities and dividends or other distributions or payments on Parity Capital Securities and Preferred Tier 1 Securities, if any, already paid on the basis of such Distributable Profits on or prior to the date on which such Additional Amounts will be payable), in which case such Additional Amounts shall be deferred and will thereupon constitute Arrears of Payments;
- with respect to any Withholding Taxes that are payable by reason of a holder or beneficial owner of the Company Capital Securities (other than the Trust) or Trust Preferred Securities having some connection with any Relevant Jurisdiction other than by reason only of the mere holding of the Company Capital Securities or the Trust Preferred Securities; or
- with respect to any Withholding Taxes which are deducted or withheld pursuant to (i) any European Union Directive or Regulation concerning the taxation of interest or similar income, or (ii) any international treaty or understanding relating to such taxation and to which the United States, the European Union or Germany is a party, or (iii) any provision of law implementing, or complying with, or introduced to conform with, such Directive, Regulation, treaty or understanding; or
- to the extent such deduction or withholding can be avoided or reduced if the holder or beneficial owner of the Company Capital Securities (other than the Trust) or the Trust Preferred Securities makes a declaration of non-residence or other similar claim for exemption to the relevant tax authority or complies with any reasonable certification, documentation, information or other reporting requirement imposed by the relevant tax authority; *provided*, such claim for exemption would not be materially more onerous than comparable U.S. tax reporting requirements (such as Internal Revenue Service (“IRS”) Forms 1001, W-8 and W-9).

Company Common Security

The Company Common Security is expected to receive capital payments only to the extent that (i) Capital Payments are not permitted to be paid on the Company Capital Securities in full on any Payment Date due to an order of the BaFin (or any other relevant regulatory authority) prohibiting the Bank from making any distributions of profits (as described above), and (ii) the Company has sufficient Operating Profits.

Ranking

In the event of any voluntary or involuntary liquidation, dissolution, winding up or termination of the Company, the Company Capital Securities will rank senior to the Company Common Security. Any payments made by the Bank pursuant to the Support Undertaking will be payable by the Company solely to the holders of the Company Capital Securities.

Distributions at Liquidation

In the event of any voluntary or involuntary liquidation, dissolution, winding up or termination of the Trust, the holders of the Trust Securities will be entitled to receive the Company Capital Securities. The holders of the Trust Preferred Securities will have a preference over the holder of the Trust Common Security with respect to distributions upon liquidation of the Trust.

Upon liquidation of the Company, the holder of the Company Common Security will be entitled to receive the Obligations or Permitted Investments (including accrued and unpaid interest thereon) as its liquidation distribution. Each holder of the Company Capital Securities will be entitled to receive the sum of (i) the liquidation amount of such Company Capital Securities and accrued and unpaid Capital Payments in respect of the current Payment Period to but excluding the date of liquidation, (ii) outstanding Arrears of Payments, if any, and (iii) Additional Amounts, if any. The Company expects that the liquidation distribution to the holders of the Company Capital Securities will be paid out of funds received from the Bank under the Support Undertaking. Under the terms of the LLC Agreement and to the fullest extent permitted by law, the Company will not be dissolved until all obligations under the Support Undertaking have been paid in full pursuant to its terms.

Redemption

Upon redemption of the Company Capital Securities, the Trust must redeem the Trust Securities. The Company Capital Securities are redeemable at the option of the Company, in whole but not in part, on June 27, 2015 (the **"Initial Redemption Date"**) and on each Payment Date thereafter at a redemption price per Company Capital Security equal to the sum of (i) the liquidation amount thereof, (ii) any accrued and unpaid Capital Payments for the then current Payment Period to but excluding the Redemption Date (the **"Redemption Price"**), (iii) Arrears of Payments, if any, and (iv) Additional Amounts, if any. The Company may exercise its right to redeem the Company Capital Securities only if it has:

- given at least 30 days' prior notice (or such longer period as may be required by the relevant regulatory authorities) to the holders of the Company Capital Securities (and the Trust Securities) of its intention to redeem the Company Capital Securities on the Redemption Date; and
- obtained any required regulatory approvals.

The Company will also have the right to redeem the Company Capital Securities at any time, in whole but not in part, upon the occurrence of a Company Special Redemption Event at the Redemption Price plus outstanding Arrears of Payments, if any, and Additional Amounts, if any. See "Description of the Company Securities – Company Capital Securities – Redemption of the Company Capital Securities".

Upon the occurrence of a Trust Special Redemption Event or in the event of any voluntary or involuntary dissolution, liquidation, winding up or termination of the Trust, holders of the Trust Securities, will be entitled to receive a pro rata amount of the Company Capital Securities. See "Description of the Trust Securities – Redemption". The Company Capital Securities and the Trust Preferred Securities will not have any scheduled maturity date and will not be redeemable at any time at the option of the holders thereof.

See "Description of the Trust Securities – Redemption" for definitions of **"Company Special Redemption Event"** and **"Trust Special Redemption Event"**.

No redemption of the Company Capital Securities for any reason may take place unless on the Redemption Date:

- the Company has sufficient funds (by reason of payments on the Obligations, Permitted Investments or pursuant to the Support Undertaking) to pay the Redemption Price (plus outstanding Arrears of Payments, if any, and Additional Amounts, if any);
- the Bank has an amount of Distributable Profits for the next preceding fiscal year for which audited financial statements are available at least equal

to the Capital Payments on the Company Capital Securities accrued and unpaid as of the Redemption Date plus outstanding Arrears of Payments, if any, and Additional Amounts, if any; and

- no order of the BaFin (or any other relevant regulatory authority) is in effect prohibiting the Bank from making any distributions (including to the holders of Parity Capital Securities, if any).

Voting Rights

Holders of the Trust Preferred Securities will not have any voting rights, except that the holders of a majority of the outstanding Trust Preferred Securities (excluding Trust Preferred Securities held by the Bank or any of its respective affiliates) will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Property Trustee, or direct the exercise of any trust or power conferred upon the Property Trustee under the Trust Agreement, including the right to direct the Property Trustee, as holder of the Company Capital Securities, on how to vote the Company Capital Securities in respect of the matters on which holders of the Company Capital Securities are entitled to vote.

So long as any Company Capital Securities are outstanding, the Company will not, without the affirmative vote of at least 66 ⅔% in aggregate liquidation amount of the Company Capital Securities, voting separately as a class (excluding any Company Capital Securities held by the Bank or any of its affiliates), (i) amend, alter, repeal or change any provision of the LLC Agreement (including the terms of the Company Capital Securities) if such amendment, alteration, repeal or change would materially adversely affect the rights, preferences, powers or privileges of the Company Capital Securities, (ii) agree to modify or amend any provision of, or waive any default in the payment of any amount under the Obligations in any manner that would materially affect the interests of the holders of the Company Capital Securities, or (iii) effect any merger, consolidation, or business combination involving the Company, or any sale of all or substantially all of the assets of the Company, *provided*, that any such merger, consolidation, or business combination involving the Company, or any sale of all or substantially all of the assets of the Company, also must comply with the provisions of the LLC Agreement. For a description of these provisions set forth in the LLC Agreement, see “Description of the Company Securities – Mergers, Consolidations and Sales.”

The Company will not, without the unanimous consent of all the holders of the Company Capital Securities (excluding any Company Capital Securities held by the Bank or any of its affiliates), issue any additional securities of the Company ranking prior to or *pari passu* with the Company Capital Securities as to periodic distribution rights or rights on liquidation or dissolution of the Company, or incur any indebtedness for money borrowed; *provided, however*, that in any event the Company may, from time to time and without the consent of the holders of the Company Capital Securities, issue additional Company Capital Securities having the same terms and conditions as the Company Capital Securities (or in all respects except for the issue date, the date from which Capital Payments accrue on the Company Capital Securities, the issue price, and any other deviations required for compliance with applicable law) so as to form a single series with the Company Capital Securities in consideration for Obligations of a principal amount equal to the aggregate liquidation amount of such additional Company Capital Securities.

Enforcement Rights

If (i) the Company fails to pay and has not deferred Capital Payments (plus any Additional Amounts thereon, if any) on the Company Capital Securities at the Stated Rate in full for two consecutive Payment Periods, or (ii) a holder of the Company Capital Securities has notified the Company that the Bank has failed to perform any obligation under the Support Undertaking and such failure con-

tinues for 60 days after such notice is given, then the holders of the Company Capital Securities will have the right to appoint one independent member of the Board of Directors (the **"Independent Enforcement Director"**). Any Independent Enforcement Director so appointed will vacate office if, in such Independent Enforcement Director's sole determination: (i) Capital Payments (plus Additional Amounts, if any) on the Company Capital Securities have been made on the Company Capital Securities at the Stated Rate in full by the Company for at least two consecutive Payment Periods, and (ii) the Bank is in compliance with its obligations under the Support Undertaking, *provided, however*, that the Company may, from time to time and without the consent of the holders of the Company Capital Securities, issue additional Company Capital Securities having the same terms and conditions as the Company Capital Securities (or in all respects except for the issue date, the date from which Capital Payments accrue on the Company Capital Securities, the issue price, and any other deviations required for compliance with applicable law) so as to form a single series with the Company Capital Securities in consideration for Obligations of a principal amount equal to the aggregate liquidation amount of such additional Company Capital Securities.

Form and Denomination

The Trust Preferred Securities will be initially evidenced by a temporary Global Certificate in registered form in the name of, and deposited on or about the closing date with, Clearstream AG, and its successors, for credit to the accountholders of Clearstream AG, including Euroclear and Clearstream, Luxembourg. Such temporary Global Certificate (a **"Temporary Global Certificate"**) will be exchangeable for a permanent Global Certificate (a **"Permanent Global Certificate"**) and together with the Temporary Global Certificate, the **"Global Certificates"**) not earlier than 40 days after the closing date upon certification of non-U.S. beneficial ownership. The Trust Preferred Securities will be issued in denominations of € 1,000 Liquidation Preference Amount (or greater integral multiples thereof).

Listing

Application has been made to list the Trust Preferred Securities on the Frankfurt Stock Exchange and Euronext Amsterdam.

Clearing and Settlement

It is expected that the Trust Preferred Securities will be ready for delivery in book-entry form only through the facilities of Clearstream AG on or about June 27, 2005 (the **"Closing Date"**) against payment therefor in immediately available funds. Beneficial interests in the Trust Preferred Securities will be shown on, and transfers thereof will be effected only through, records maintained by Clearstream AG.

Notices

For so long as the Trust Preferred Securities are listed on the Frankfurt Stock Exchange, all notices concerning the Trust Preferred Securities will be published in the German Federal Gazette (*Bundesanzeiger*) and in at least one daily newspaper having general circulation in Germany and admitted to carry stock exchange announcements (expected to be the *Börsen-Zeitung*).

For so long as the Trust Preferred Securities are listed on Eurolist by Euronext Amsterdam, and the rules of Euronext Amsterdam so require, all notices concerning the Trust Preferred Securities will be published in a daily newspaper of general circulation in the Netherlands (which is expected to be the *Het Financieele Dagblad*), notice thereof given to Euronext Amsterdam, and publication in the *Officiële Prijscourant*.

Governing Law

The LLC Agreement, including the terms of the Company Common Security and the Company Capital Securities, and the Trust Agreement, including the terms of the Trust Securities, will be governed by Delaware law. The Support Undertaking will be governed by German law.

TERMS OF THE INITIAL OBLIGATION

Maturity	June 27, 2035 (the “ Maturity Date ”).
Principal Amount	€ 300,001,000 (equal to the proceeds from the offer and sale of the Trust Preferred Securities and the resulting issuance of the Company Capital Securities) (the “ Principal Amount ”) of an issue of subordinated obligations of the Bank, subdivided into individual notes, each with a nominal amount of € 1,000.
Interest Payments	<p>Interest will accrue on each individual note comprising a portion of the Principal Amount, and will be payable annually in arrears on June 27 of each year, commencing June 27, 2006 (each such date, an “Interest Payment Date”). Interest Payments payable on each Interest Payment Date will accrue from and including the immediately preceding Interest Payment Date (or June 27, 2005 with respect to Interest Payments payable on June 27, 2006), up to but excluding the relevant Interest Payment Date (each such period, an “Interest Period”), at a rate per annum equal to (i) for the first five Interest Periods, 7% and (ii) for each Interest Period thereafter, the Floating Rate for such Interest Period, which shall in no event be less than 1.75% or more than the 10 Year EUR CMS Rate for such Interest Period.</p> <p>For each Interest Period, Interest Payments will be calculated on the basis of the actual number of days elapsed in a year of 365 or 366 days, as the case may be, and rounding the resulting figure to the nearest cent (half a cent being rounded upwards).</p> <p>If any Interest Payment Date or Obligation Redemption Date falls on a day that is not a Business Day, payment of all amounts otherwise payable on such date will be made on the next succeeding Business Day, without adjustment, interest or further payment as a result of such delay in payment.</p>
Ranking	With respect to payment of interest and principal and any other amounts upon liquidation of the Bank, the Initial Obligation (i) will be subordinated to all debt obligations of the Bank that are not subordinated, (ii) will rank <i>pari passu</i> with other subordinated debt obligations or other instruments, and (iii) will be senior to all junior subordinated debt obligations and to preference shares of the Bank, if any, and the common shares of the Bank.
Redemption	The Initial Obligation will not be redeemable prior to June 27, 2015 (the “ Initial Obligation Redemption Date ”), except upon the occurrence of (1) a Regulatory Event, (2) a Tax Event or (3) an Investment Company Act Event with respect to the Company or in the event of replacement with Substitute Obligations. Subject to having obtained any required regulatory approvals, the Bank may cause the redemption of the Initial Obligation in whole but not in part prior to the Initial Redemption Date, upon: (i) the occurrence of any of the events numbered (1), (2) or (3) above and the election of the Company to redeem the Company Capital Securities and (ii) at least 30 days’ prior notice. The Bank may, at its option, redeem the Initial Obligation, in whole but not in part, on the Initial Obligation Redemption Date and on any Interest Payment Date thereafter, upon at least 30 days’ prior notice, subject to having obtained any required regulatory approvals. Any redemption of the initial obligation will be at a redemption price equal to the Principal Amount, plus accrued and unpaid interest thereon for the then current Interest Period to but excluding the date of redemption, and Additional Interest Amounts (as defined herein), if any. Exercise of the Bank’s redemption right is conditional upon replacement of the principal amount of the Obligation to be redeemed by paying in other, at least equivalent own funds (<i>haftendes Eigenkapital</i>) within the meaning of the German Banking Act (<i>Kreditwesengesetz</i>) (the “ KWG ”), or prior approval of the BaFin or any successor authority of such redemption.

Except as set forth under "Substitution" below, the Initial Obligation may not be redeemed for any reason unless the Company has the right to, and has given notice that it will, redeem the Company Capital Securities.

Substitution

At any time, the Bank will have the right to (i) substitute another obligor on the Initial Obligation, in whole or in part, which obligor will be a branch of the Bank or a Qualified Subsidiary, or (ii) replace the Obligations, in whole or in part, with Substitute Obligations; *provided*, in each case, that (a) such substitution or replacement does not result in a Company Special Redemption Event and (b) the Bank (which may act through a branch) guarantees on a subordinated basis, at least equal to the ranking of the Initial Obligation, the obligations of any such majority-owned subsidiary.

The LLC Agreement provides that after the Maturity Date, if the Company Capital Securities have not been redeemed, the Company will invest in debt obligations of the Bank or one or more majority-owned subsidiaries of the Bank, unconditionally guaranteed by the Bank (which may act through a branch) on a subordinated basis at least equal to the ranking of the Initial Obligation or, in the event such an investment is not available, in U.S. Treasury securities (together, "**Permitted Investments**"); *provided*, in each case, that such investment does not result in a Company Special Redemption Event.

Governing Law

The Initial Obligation is governed by German law.

INVESTMENT CONSIDERATIONS

An investment in the Trust Preferred Securities involves certain risks. An investor should carefully consider the following discussion, in conjunction with the other information contained in this Offering Circular, before deciding whether an investment in the Trust Preferred Securities is suitable.

The Capital Payments Accruing Under the Trust Preferred Securities May Be Lower Than Market Rates

During the initial five years Capital Payments will accrue at a fixed rate of 7% per annum. Thereafter the Capital Payments will accrue on a floating rate basis consisting of ten times the difference between the 10 Year EUR CMS Rate for such Payment Period and the 2 Year EUR CMS Rate for such Payment Period. However, the Floating Rate will not be more than the 10 year EUR CMS Rate for such Payment Period and not less than 1.75% per annum.

After the initial period of five years, the rate at which Capital Payments accrue will depend on the difference between the short term and long term interest rates in the swap market. Therefore, if interest rates increase generally but the difference between short term and long term interest rates does not change or decreases or increases to a lesser extent, Capital Payments will accrue at relatively lower rates than the then prevailing interest rates for investments with a comparable term to maturity. If the difference between the short term and the long term interest rates increases, the rate at which Capital Payments accrue will also increase, but only up to the 10 Year EUR CMS Rate for the relevant Payment Period. Investors should consider that the fixed rate of 7% per annum at which Capital Payments accrue during the initial five years includes the premium for the aforementioned risks.

The tightening of the spread between the 10 Year EUR CMS Rate and the 2 Year EUR CMS Rate may also have a negative effect on the price of the Trust Preferred Securities. The price of the Trust Preferred Securities will start to decline significantly if the market expects the spread to tighten. It may drop to the present market value of a comparable low interest bearing bond of 1.75% per annum if the 2 Year CMS Rate is equal to or higher than the 10 Year EUR CMS Rate.

Due to the fact that investors do not have a right to redeem the Trust Preferred Securities, they might have a long term exposure to the aforementioned risks.

The Company Is Not Required to Make Capital Payments

The declaration of Capital Payments by the Company on the Company Capital Securities (and, accordingly, the payment of Capital Payments on the Trust Preferred Securities by the Trust) is limited by the terms of the LLC Agreement. Although it is the policy of the Company to distribute the full amount of Operating Profits for each Payment Period as Capital Payments to the holders of the Company Capital Securities, any such distribution requires a prior resolution of the Board of Directors to declare Capital Payments (except with respect to deemed declarations which are mandatory). (Capital Payments not made will be deferred.) In addition, even if the Bank has sufficient Distributable Profits, the Company will not be permitted to make Capital Payments on the Company Capital Securities on any Payment Date if on such date there is in effect an order of the BaFin or any other relevant regulatory authority prohibiting the Bank from making any distributions of profits. To the extent the Company is not permitted to make Capital Payments on the Company Capital Securities on any Payment Date, this will reduce the amounts available to the Trust to make Capital Payments on the Trust Preferred Securities. See "Description of the Company Securities – Company Capital Securities – Capital Payments" and "Description of the Trust Securities."

After the Maturity Date of the Initial Obligation, The Company May Not Be Able To Generate Sufficient Operating Profits To Pay Capital Payments At The Stated Rate

There will be no obligation of the Company to make up, at any time, any Capital Payments not paid in full by the Company as a result of insufficient Operating Profits of the Company. Prior to the Maturity Date of the Initial Obligation, the Company's only source of Operating Profits will be the Initial Obligation (or any obligation issued in substitution therefor) which, in accordance with the LLC Agreement, will pay interest to the Company at an interest rate equaling the Stated Rate. After the maturity of the Initial Obligation (or, as applicable, the obligations issued in substitution therefor), which will occur on June 27, 2035, the Company's only source of funds for Operating Profits will be the Permitted Investments. Although the Company is required to attempt to purchase Permitted Investments, to the extent available, on terms that are the best available in relation to providing funds for the payment of Capital Payments payable after the Maturity Date (and any Arrears of Payments due to the deferral thereof), there may be no such investments available that will provide sufficient funds for payment of Capital Payments at the Stated Rate or at any lesser rate. In such a case, the Company would not have sufficient Operating Profits to pay Capital Payments or such Arrears of Payments at the Stated Rate. Any such shortfall would not be deferred and would not constitute Arrears of Payments.

Capital Payments May be Deferred

As described above, the Capital Payments are discretionary (except with respect to circumstances where Capital Payments are deemed to have been declared). The LLC Agreement provides that it is the policy of the Company to distribute all of its Operating Profits; however, even if the Distributable Profits test has been met by the Bank, holders of the Trust Preferred Securities will have no right to receive any Capital Payments in respect of such Payment Period unless the Board of Directors declares (or is deemed to have declared) Capital Payments on the Company Capital Securities for such Payment Period. Moreover, even if a Capital Payment on the Company Capital Securities has been declared (or is deemed to have been declared), all or a portion of such Capital Payment may be deferred if the Distributable Profits are insufficient to pay such Capital Payment in full. See "Description of the Company Securities – Company Capital Securities – Capital Payments" and "Description of the Trust Securities."

No Voting Rights; Relationships with the Bank and Its Affiliates; Certain Conflicts of Interest

The Bank will control the Company through its power to elect a majority of the Board of Directors as holder of the Company Common Security. Generally, the Trust, to the extent that it is the holder of the Company Capital Securities, will have no right to vote to elect members of the Board of Directors. The only exception is that holders will have the right to elect one independent member to the Board of Directors, the Independent Enforcement Director, if: (i) the Company fails to make Capital Payments (and Additional Amounts thereon) on the Company Capital Securities at the Stated Rate in full for two consecutive Payment Periods, or (ii) a holder of the Company Capital Securities has notified the Company that the Bank has failed to perform any obligation under the Support Undertaking and such failure continues for 60 days after such notice is given.

The Company expects that the initial (and all future) directors and officers of the Company and Regular Trustees of the Trust will be officers or employees of the Bank or their affiliates. Under the Services Agreement, the Bank also will provide certain accounting, legal, tax and other support services to the Company and the Trust. In addition, the Bank or affiliates of the Bank will act as Delaware Trustee, Principal Paying Agent, Netherlands Paying Agent, Listing Agent and Registrar. Consequently, conflicts of interest may arise for those officers or employees of the Bank and its affiliates in the discharge of their duties as officers or employees of the Company or Regular Trustees of the Trust or any buyers of such affiliates as such agents.

Special Redemption Risk

Redemption upon Occurrence of a Company Special Redemption Event. The Company Capital Securities (and, consequently, the Trust Preferred Securities) will be redeemable at any time at the option

of the Company, in whole but not in part, upon the occurrence of a Company Special Redemption Event. A Company Special Redemption Event will arise if, as a result of certain changes in law, there are changes in the tax status of the Company; Additional Amounts relating to withholding taxes become applicable to payments on the Company Capital Securities, the Trust Securities or the Obligations; the Bank, as obligor of the Obligations, may not deduct in full interest payments on the Obligations for German corporate income tax purposes; the Bank is not permitted to treat the Company Capital Securities as Tier 2 regulatory capital on a consolidated basis; or the Company will be considered an “investment company” within the meaning of the U.S. Investment Company Act of 1940, as amended (the “1940 Act”). See “Description of the Trust Securities – Redemption”.

Liquidation of the Trust upon Occurrence of a Trust Special Redemption Event. If there has occurred a Tax Event or an Investment Company Act Event (in each case, as defined herein) each solely with respect to the Trust, then the Trust will be dissolved and liquidated. Upon such dissolution and liquidation of the Trust, each holder of the Trust Securities would receive as its liquidation distribution a pro rata amount of the Company Capital Securities. Upon such distribution, holders of the Company Capital Securities and their nominees will become subject to Form K-1 and nominee reporting requirements under the Code. There can be no assurance as to the market price for the Company Capital Securities that would be distributed in exchange for Trust Preferred Securities if a dissolution and liquidation of the Trust were to occur or that such a market for the Company Capital Securities would ever develop. Accordingly, the Company Capital Securities which an investor may subsequently receive on dissolution and liquidation of the Trust may trade at a discount to the price of the Trust Preferred Securities for which they were exchanged.

The Support Undertaking Is Not A Guarantee that Capital Payments Will Be Made

The Bank and the Company have entered into the Support Undertaking for the benefit of the Company and the holders of the Company Capital Securities. However, the Support Undertaking does not represent a guarantee from the Bank that the Company will be authorized to declare and make a Capital Payment for any Payment Period. Furthermore, the obligations of the Bank under the Support Undertaking rank junior to all indebtedness of the Bank with the effect that, if the Bank (and therefore the Company) were liquidated, holders of the Trust Preferred Securities would have the right to receive any payments on the Liquidation Preference Amount, plus any accrued and unpaid Capital Payments for the then current Payment Period to but excluding the date of liquidation and Arrears of Payments and Additional Amounts, if any, pursuant to the Support Undertaking only after the Bank's obligations to the holders of all senior and subordinated debt obligations for the Bank have been satisfied in full. See “Description of the Support Undertaking”.

No Prior Public Market; Resale Restrictions

The Trust Preferred Securities are a new issue of securities. Prior to the Offering, there has been no public market for the Trust Preferred Securities. Application has been made to admit the Trust Preferred Securities to trading and official quotation on the Frankfurt Stock Exchange and Euronext Amsterdam. Such listings of the Trust Preferred Securities are expected to occur shortly after closing. The Trust Preferred Securities may trade at a discount to the price that the investor paid to purchase the Trust Preferred Securities offered by this Offering Circular. There can be no assurance that an active secondary market for the Trust Preferred Securities will develop. The liquidity and the market prices for the Trust Preferred Securities can be expected to vary with changes in market and economic conditions, the financial condition and prospects of the Bank and Deutsche Bank Group and other factors that generally influence the secondary market prices of securities. Such fluctuations may significantly affect liquidity and market prices for the Trust Preferred Securities.

Regulatory Restrictions on the Company's Operations

Because the Company is a subsidiary of the Bank, German bank regulatory authorities could make determinations in the future with respect to the Bank that could adversely affect the Company's ability to make Capital Payments in respect of the Company Capital Securities. In addition, United States

federal or state regulatory authorities, as well as German and European Union regulatory authorities and regulatory authorities in other countries, have regulatory authority over the Bank and/or the Bank's subsidiaries. Under certain circumstances, any of such regulatory authorities could make determinations or take decisions in the future with respect to the Bank and/or any of the Bank's subsidiaries or a portion of their respective operations or assets that could adversely affect the ability of any of them to, among other things, make distributions to their respective securityholders, engage in transactions with affiliates, purchase or transfer assets, pay their respective obligations or make any redemption or liquidation payments to their securityholders.

Risks Associated with the Financial Condition of the Bank and Its Affiliates

If the financial condition of the Bank or its affiliates were to deteriorate, then it could result in: (i) the Bank having insufficient Distributable Profits (as shown in the audited unconsolidated balance sheet of the Bank in accordance with accounting principles generally accepted in the Federal Republic of Germany) for the Company to declare and pay Capital Payments on the Company Capital Securities at the Stated Rate in full, or (ii) the Company receiving reduced payments from the Bank under the Initial Obligation or the Support Undertaking. This could reduce the amounts received by the Trust in respect of the Company Capital Securities, which, in turn, would reduce the amounts available to the Trust for periodic distributions to holders of the Trust Preferred Securities. In addition, if a voluntary or involuntary liquidation, dissolution or winding up of the Bank were to occur, holders of the Trust Preferred Securities may lose all or part of their investment.

Market declines and volatility can materially adversely affect the revenues and profits of the Bank

Changes in the Bank's business in recent years have been causing a shift among the primary risks it assumes. In particular, the Bank has increased its exposure to the financial markets as the Bank has emphasized growth in its investment banking activities, including trading activities. The Bank has been de-emphasizing growth in its traditional lending business. Conditions in the financial markets materially affect its businesses. Market downturns can occur not only as a result of purely economic factors, but also as a result of war, acts of terrorism, natural disasters or other similar events and can cause the Bank's revenues to decline. If the Bank is unable to reduce its expenses at the same pace, its profitability can erode. Volatility can sometimes also adversely affect the Bank.

In particular, this represents the following:

- *The Bank may incur significant losses from its trading and investment activities due to market fluctuations.* The Bank enters into and maintains large trading and investment positions in the fixed income, equity and currency markets, primarily through its Corporate Banking & Securities Corporate Division, many of which include derivative financial instruments. The Bank also has made significant investments in individual companies through its Corporate Investments Group Division. In each of the product and business lines in which the Bank enters into these kinds of positions, the Bank assesses the financial markets and trends in them. The revenues and profits the Bank derives from many of its positions and its transactions in connection with them are dependent on the development of market prices.
- *Protracted market declines can reduce liquidity in the markets, making it harder to sell assets and leading to material losses.* In some of the Bank's businesses, protracted market movements, particularly asset price declines, can reduce the level of activity in the market or reduce market liquidity. These developments can lead to material losses if the Bank cannot close out deteriorating positions in a timely way.
- *Even where losses are for its clients' accounts, they may fail to repay the Bank, leading to material losses for the Bank, and its reputation can be harmed.*
- *The Bank's investment banking revenues in the form of financial advisory and underwriting fees may decline in adverse market or economic conditions.*
- *The Bank may generate lower revenues from brokerage and other commission- and fee-based businesses if market downturns lead to declines in the volume of transactions.* The fees that the Bank charges for managing its clients' portfolios are in many cases based on the value or perform-

ance of those portfolios. A market downturn that reduces the value of its clients' portfolios or increases the amount of withdrawals would reduce the revenues the Bank receives.

The Bank's non-traditional credit businesses materially add to its traditional banking credit risks

Many of the businesses the Bank engages in beyond the traditional lending businesses also expose the Bank to credit risk, such as holding securities of third parties or entering into swap or other derivative contracts. The Bank engages in most of these businesses through its Corporate Banking & Securities Corporate Division entailing credit transactions, frequently ancillary to other transactions.

If the Bank is unable to implement its Business Realignment Program (BRP), it may be unable to achieve cost savings and to increase its return on equity, and its future earnings and share price may be materially and adversely affected

Beginning in 2002, the Bank undertook a variety of measures that have enabled it to reduce costs, lower its risk profile, increase its efficiency and raise its profitability. To further pursue these objectives, the Bank announced the Business Realignment Program (BRP) in the fourth quarter of 2004. The BRP covers five key initiatives: aligning the Bank's sales and trading platforms, aligning its corporate banking efforts, reorganizing its Asset Management Business Division, adding regional focus in Germany and other regions as well as streamlining its infrastructure. The Bank may be unable to achieve cost savings and to increase its return on equity, and its future earnings and share price may be materially and adversely affected, should the Bank fail to implement the BRP initiatives or should the BRP initiatives that are implemented fail to produce the anticipated benefits. A number of internal and external factors could prevent the implementation of these initiatives or the realization of their anticipated benefits, including changes in the markets in which the Bank is active, global, regional and national economic conditions and increased competition for business and employees.

The size of the Bank's clearing operations exposes the Bank to a heightened risk of material losses should these operations fail to function properly

The Bank believes that the sheer scope of its clearing and settlement business heightens the risk that the Bank, its customers or other third parties could lose substantial sums if the Bank's systems fail to operate properly for even short periods. This will be the case even where the reason for the interruption is external to the Bank.

The Bank's risk management policies, procedures and methods may leave the Bank exposed to unidentified or unanticipated risks, which could lead to material losses

The Bank has devoted significant resources to developing its risk management policies, procedures and assessment methods and intends to continue to do so in the future. Nonetheless, the Bank's risk management techniques and strategies may not be fully effective in mitigating its risk exposure in all economic market environments or against all types of risk, including risks that the Bank fails to identify or anticipate.

The Bank may have difficulty in identifying and executing acquisitions, and both making acquisitions and avoiding them could materially harm its results of operations and its share price

The international banking and financial services industries are consolidating rapidly. In recent years there has been substantial consolidation in the United States and Europe, regions in which the Bank generates the majority of its revenues. Even though the Bank reviews the companies it plans to acquire, it is generally not feasible for these reviews to be complete in all respects. As a result, the Bank may assume unanticipated liabilities, or an acquisition may not perform as well as expected. Were the Bank to announce or complete a significant business combination transaction, its share price could decline significantly if investors viewed the transaction as too costly or unlikely to improve the Bank's competitive position. If the Bank avoids entering into additional business combi-

nation transactions or fails to identify attractive companies to acquire, market participants may, especially in the current climate of consolidation, perceive the Bank negatively.

The Bank may have difficulties selling non-core assets at favorable prices, or at all

As part of its efforts to focus on core businesses, the Bank may seek to sell certain non-core assets. Unfavorable business or market conditions may make it difficult for the Bank to sell such assets at favorable prices, or may preclude such a sale altogether.

Events at companies in which the Bank has invested may make it harder to sell its holdings and result in material losses irrespective of market developments

Where the Bank holds significant investments in other companies, the effect of losses and risks at those companies may reduce the value of its holdings considerably, including the value thereof reflected in its financial statements, even where general market conditions are favorable.

Intense competition, especially in the Bank's home market of Germany, where it has the largest single concentration of its businesses, could materially hurt the Bank's revenues and profitability

Competition is intense in all of the Bank's primary business areas in Germany and the other countries in which it conducts large portions of its business, including other European countries and the United States. If the Bank is unable to respond to the competitive environment in Germany or in its other major markets with attractive product and service offerings that are profitable for it, the Bank may lose market share in important areas of its business or incur losses on some or all of its activities. In addition, downturns in the German economy could add to the competitive pressure, through, for example, increased price pressure and lower business volumes for the Bank and its competitors.

Unforeseeable events can interrupt the Bank's operations and cause substantial losses and additional costs

Unforeseeable events like the terrorist attacks in the United States on September 11, 2001 can lead to an abrupt interruption of the Bank's operations which can cause substantial losses. If the Bank's business continuity plans do not address such events or cannot be implemented under the circumstances, such losses may increase.

CAPITALIZATION OF THE COMPANY AND THE TRUST

Capitalization of the Company

The following table sets forth the capitalization of the Company as of June 26, 2005 and as adjusted to reflect the consummation of the sale of 300,000 Trust Preferred Securities and the use of the net proceeds therefrom as described under “General Information – Use of Proceeds”:

	As of June 26, 2005	
	Actual	As Adjusted
	(€)	
Debt		
Total long-term debt	0	0
Securityholders’ Equity		
Company Capital Securities (liquidation preference of € 1,000 per security); none issued and outstanding, actual; and 300,001		
Company Capital Securities authorized, 300,001 Company Capital Securities issued and outstanding, as adjusted	0	300,001,000
Company Common Security, none issued and outstanding, actual; and 1 Company Common Security authorized, 1 Company		
Common Security issued and outstanding, as adjusted	0	1,000
Total securityholders’ interests	0	300,002,000
Total capitalization ⁽¹⁾	<u>0</u>	<u>300,002,000</u>

⁽¹⁾ Except as disclosed in the above table, there has been no material change in the capitalization of the Company since its formation on June 7, 2005.

Capitalization of the Trust

The following table sets forth the capitalization of the Trust as of June 26, 2005 and as adjusted to reflect the consummation of the sale of 300,000 Trust Preferred Securities and the use of the net proceeds therefrom as described under “General Information – Use of Proceeds”:

	As of June 26, 2005	
	Actual	As Adjusted
	(€)	
Debt		
Total long-term debt	0	0
Securityholders’ Interests		
Trust Preferred Securities (liquidation preference of € 1,000 per security); none issued and outstanding, actual; and 300,000 securities authorized, 300,000 securities issued and outstanding, as adjusted	0	300,000,000
Trust Common Security; none issued and outstanding, actual; and 1 Trust Common Security authorized, 1 Trust Common		
Security issued and outstanding, as adjusted	0	1,000
Total securityholders’ interests	0	300,001,000
Total capitalization ⁽¹⁾	<u>0</u>	<u>300,001,000</u>

⁽¹⁾ Except as disclosed in the above table, there has been no material change in the capitalization of the Trust since its creation on June 7, 2005.

DEUTSCHE BANK CAPITAL FINANCE TRUST I

The Trust is a statutory trust formed under the Trust Act pursuant to the trust agreement executed by the Company, as sponsor, the Property Trustee and the Delaware Trustee, and the filing of a certificate of trust with the Secretary of State of the State of Delaware on June 7, 2005. Such trust agreement dated June 6, 2005, will be amended and restated in its entirety prior to the issuance of the Trust Preferred Securities to reflect the terms of the Trust Preferred Securities (as amended and restated on the Closing Date, the “**Trust Agreement**”). The Trust Common Security will rank *pari passu*, and payments thereon will be made *pro rata*, with the Trust Preferred Securities, except that in liquidation and in certain circumstances described under “Description of the Trust Securities – Subordination of the Trust Common Security,” the rights of the holder of the Trust Common Security to periodic distributions and to payments upon liquidation, redemption and otherwise will be subordinated to the rights of the holders of the Trust Preferred Securities. For a complete description of the share capital of the Trust, see “Description of the Trust Securities”.

The Trust will use all the proceeds derived from the issuance of the Trust Securities to purchase the Company Capital Securities from the Company, and, accordingly, the assets of the Trust will consist solely of the Company Capital Securities. The Trust exists for the sole purposes of:

- issuing the Trust Securities representing undivided beneficial ownership interests in the assets of the Trust;
- investing the proceeds from the issuance of the Trust Securities in the Company Capital Securities; and
- engaging in those other activities necessary or incidental thereto.

The Trust may also, from time to time and without the consent of the holders of the Trust Preferred Securities, issue additional Trust Preferred Securities having the same terms and conditions as the Trust Preferred Securities (or in all respects except for the issue date, the date from which Capital Payments accrue on the Trust Preferred Securities, the issue price, and any other deviations required for compliance with applicable law) so as to form a single series with the Trust Preferred Securities in consideration for the receipt of Company Capital Securities equal to the aggregate liquidation amount of such additional Trust Preferred Securities.

Pursuant to the Trust Agreement, there are initially five Trustees of the Trust. Three of the Trustees (the Regular Trustees) will be individuals who are employees or officers of, or who are affiliated with, the Bank. The fourth Trustee, the Property Trustee, will be a financial institution that is unaffiliated with the Bank. The fifth Trustee is the Delaware Trustee. Initially, The Bank of New York will act as Property Trustee, and Deutsche Bank Trust Company Delaware, a Delaware corporation, will act as Delaware Trustee, until, in each case, removed or replaced by the holder of the Trust Common Security.

The Property Trustee will hold title to the Company Capital Securities for the benefit of the holders or beneficial holders of the Trust Securities, and the Property Trustee will have the power to exercise all rights, powers and privileges with respect to the Company Capital Securities under the LLC Agreement. In addition, the Property Trustee will maintain exclusive control of the Property Account to hold all payments made in respect of the Company Capital Securities for the benefit of the holders of the Trust Securities. Funds in the Property Account will remain uninvested until disbursed pursuant to the terms of the Trust Agreement. The Bank, as the holder of the Trust Common Security, will have the right to appoint, remove or replace any of the Trustees and to increase or decrease the number of Trustees, *provided* that at least one Trustee will be the Delaware Trustee, at least one Trustee will be the Property Trustee and at least one Trustee will be a Regular Trustee.

For so long as the Trust Preferred Securities remain outstanding, the Bank will covenant (i) that the Trust Common Security will be held by the Bank or by any one or more subsidiaries of the Bank, (ii) to cause the Trust to remain a statutory trust and not to voluntarily dissolve, wind up, liquidate or be terminated, except as permitted by the Trust Agreement and (iii) to use its commercially reasonable efforts to ensure that the Trust will not be classified as other than a grantor trust for United States federal income tax purposes.

The rights of the holders of the Trust Preferred Securities, including economic rights, rights to information and voting rights, are as set forth in the Trust Agreement and the Trust Act. See “Description of the Trust Securities.”

Under the Services Agreement, the Bank is obligated, among other things, to provide legal, accounting, tax and other general support services to the Trust and the Company, to maintain compliance with all applicable U.S. and German local, state and federal laws, and to provide administrative, recordkeeping and secretarial services for the Company and the Trust. The fees and expenses of the Company (to the extent not paid by the Company) and the fees and expenses of the Trust, including, in each case, any taxes, duties, assessments or governmental charges of whatsoever nature (other than Withholding Taxes) imposed by Germany, the United States or any other taxing authority upon the Company or the Trust, and all other obligations of the Company and the Trust (other than with respect to the Trust Securities or the Company Securities) will be paid by the Bank pursuant to the Services Agreement. See “Description of the Services Agreement.”

The initial Regular Trustees will be John Cipriani, Richard W. Ferguson and Joseph Rice. The address of all Regular Trustees is the principal executive office of the Trust. The location of the principal executive office of the Trust is c/o Deutsche Bank Capital Finance LLC I, 60 Wall Street, New York, New York 10005, and its telephone number is (212) 250-2428.

The location of the offices of the Property Trustee is 101 Barclay Street, Floor 21 West, New York, New York 10286. The location of the offices of the Delaware Trustee is 1011 Centre Road, Suite 200, Wilmington, Delaware 19805.

DEUTSCHE BANK CAPITAL FINANCE LLC I

The Company is a limited liability company that was formed under the LLC Act on June 7, 2005 and pursuant to an initial limited liability company agreement, dated as of June 6, 2005 (as subsequently amended and restated on the Closing Date, the “**LLC Agreement**”) and the filing of a certificate of formation of the Company with the Secretary of State of the State of Delaware. Pursuant to the LLC Agreement, the Company issued one class of capital securities representing interests in the capital of the Company (the Company Capital Securities) and one class of common security representing limited liability company interests in the Company (the Company Common Security). The Property Trustee will initially hold 100% of the issued and outstanding Company Capital Securities. The Bank initially holds the issued and outstanding Company Common Security. For a complete description of the Share Capital of the Company, see “Description of the Company Securities”.

The sole purposes of the Company are:

- to issue the Company Capital Securities and the Company Common Security;
- to invest substantially all of the proceeds thereof in the Initial Obligation;
- upon any redemption of the Initial Obligation prior to the Maturity Date, which does not involve a redemption of the Company Capital Securities, to reinvest the proceeds in Substitute Obligations issued by the Bank or a majority-owned subsidiary that is consolidated with the Bank for German bank regulatory purposes in replacement for the Initial Obligation, so long as any such reinvestment does not result in a Company Special Redemption Event;
- in the event of any default on the Obligations, to enforce its rights for payment of any overdue amounts;
- after the Maturity Date, if the Company Capital Securities have not been redeemed, to invest in Permitted Investments;
- to enter into and, in certain circumstances, to enforce the Support Undertaking for the sole benefit of the holders of the Company Capital Securities; and
- to engage in those other activities necessary or advisable for the carrying out of the foregoing purposes.

The Company may also, from time to time and without the consent of the holders of the Company Capital Securities, issue additional Company Capital Securities having the same terms and conditions as the Company Capital Securities (or in all respects except for the issue date, the date from which Capital Payments accrue on the Company Capital Securities, the issue price, and any other deviations required for compliance with applicable law) so as to form a single series with the Company Capital Securities in consideration for Obligations of a principal amount equal to the aggregate liquidation amount of such additional Company Capital Securities.

For so long as the Company Capital Securities remain outstanding, the LLC Agreement provides that: (i) the Company will remain a limited liability company and, to the fullest extent permitted by law, will not voluntarily or involuntarily liquidate, dissolve, wind up or be terminated, except as permitted by the LLC Agreement; (ii) the Bank and the Company will use their commercially reasonable efforts to ensure that the Company will not be an association or a publicly traded partnership taxable as a corporation for United States federal income tax purposes; (iii) the Bank undertakes that the Bank or one or more other Qualified Subsidiaries of the Bank will maintain sole ownership of the Company Common Security, and the Bank or a Qualified Subsidiary may transfer the Company Common Security only to the Bank or other Qualified Subsidiaries, *provided* that prior to such transfer it has received an opinion of a nationally recognized law firm experienced in such matters to the effect that: (A) the Company will continue to be treated as a partnership, and not as an association or publicly traded partnership taxable as a corporation, for United States federal income tax purposes, (B) such transfer will not cause the Company to be required to register under the 1940 Act, and (C) such transfer will not adversely affect the limited liability of the holders of the Company Capital Securities.

The rights of the holders of the Company Capital Securities, including economic rights, rights to information and voting rights, are set forth in the LLC Agreement and the LLC Act. See “Description of the Company Securities – Company Capital Securities”

The Company’s business and affairs will be conducted by its Board of Directors, which initially will consist of three members, elected by the Bank as initial holder of the Company Common Security. However, in the event that:

- the Company fails to pay Capital Payments (including Additional Amounts thereon) on the Company Capital Securities at the Stated Rate in full for two consecutive Payment Periods; or
- a holder of the Company Capital Securities has notified the Company that the Bank has failed to perform any obligation under the Support Undertaking and such failure continues for 60 days after such notice is given,

then the holders of the Company Capital Securities will have the right to appoint the Independent Enforcement Director. The Independent Enforcement Director’s term will end if, in such Independent Enforcement Director’s sole determination Capital Payments (plus Additional Amounts, if any) have been made on the Company Capital Securities at the Stated Rate in full for at least two consecutive Payment Periods and the Bank is in compliance with its obligations under the Support Undertaking.

So long as any Company Capital Securities are outstanding, the Company will not, without the affirmative vote of at least 66 $\frac{2}{3}$ % in aggregate liquidation amount of the Company Capital Securities, voting separately as a class (excluding any Company Capital Securities held by the Bank or any of its affiliates), (i) amend, alter, repeal or change any provision of the LLC Agreement (including the terms of the Company Capital Securities) if such amendment, alteration, repeal or change would materially adversely affect the rights, preferences, powers or privileges of the Company Capital Securities, (ii) agree to modify or amend any provision of, or waive any default in the payment of any amount under the Obligations in any manner that would materially affect the interests of the holders of the Company Capital Securities or (iii) effect any merger, consolidation, or business combination involving the Company, or any sale of all or substantially all of the assets of the Company, provided, that any such merger, consolidation, or business combination involving the Company, or any sale of all or substantially all of the assets of the Company, also must comply with the requirements set forth under “Description of the Company Securities – Mergers, Consolidations and Sales”

The Company will not, without the unanimous consent of all the holders of the Company Capital Securities (excluding any Company Capital Securities held by the Bank or any of its affiliates), issue any additional equity securities of the Company ranking prior to or *pari passu* with the Company Capital Securities as to periodic distribution rights or rights on liquidation or dissolution of the Company provided, however, that the Company may, from time to time and without the consent of the holders of the Company Capital Securities, issue additional Company Capital Securities having the same terms and conditions as the Company Capital Securities (or in all respects except for the issue date, the date from which Capital Payments accrue on the Company Capital Securities, the issue price, and any other deviations required for compliance with applicable law) so as to form a single series with the Company Capital Securities in consideration for Obligations of a principal amount equal to the aggregate liquidation amount of such additional Company Capital Securities.

After the Maturity Date, if the Company Capital Securities have not been redeemed, the Company will invest in Permitted Investments. The Company will select for purchase Permitted Investments in the following order of priority and within each category on terms that are the best available in relation to providing funds for the payment of Capital Payments, any Additional Amounts and the Redemption Price of the Company Capital Securities:

- first, debt obligations of the Bank or one or more majority-owned subsidiaries of the Bank, unconditionally guaranteed by the Bank (which may act through any of its subsidiaries) on a subordinated basis that ranks at least *pari passu* with the Initial Obligation; or
- second, in the event such an investment is not available, in United States Treasury securities.

The Company has also entered into the Services Agreement with the Trust and the Bank or a majority owned affiliate of the Bank, under which the Bank or a majority owned affiliate of the Bank will be

obligated, among other things, to provide legal, accounting, tax and other general support services to the Company and the Trust, to maintain compliance with all applicable U.S. and German local, state and federal laws, and to provide administrative, recordkeeping and secretarial services for the Company and the Trust. The fees and expenses of the Trust and the Company, including any taxes, duties, assessments or governmental charges of whatever nature (other than Withholding Taxes) imposed by Germany, the United States or any other taxing authority upon the Company or the Trust, and all other obligations of the Company and the Trust (other than with respect to the Trust Securities or the Company Securities) will be paid by the Bank pursuant to the Services Agreement. See “Description of the Services Agreement”.

The holders of the Company Capital Securities are third-party beneficiaries of the Support Undertaking between the Bank and the Company. See “Description of the Support Undertaking”.

The initial directors of the Company will be John Cipriani, Richard W. Ferguson, Jean O’Callaghan and Joseph Rice. The initial officers of the Company will be Richard W. Ferguson as President, John Cipriani as Vice President and Treasurer, Jean O’Callaghan, Joseph Rice and Helmut Mannhardt as Vice Presidents, Sonja K. Olsen as Secretary, and Sandra L. West and James O. Wilhelm as Assistant Secretary. The address of all directors and officers of the company is the principal executive office of the Company. The location of the principal executive offices of the Company is Deutsche Bank Capital Finance LLC I, 60 Wall Street, New York, New York 10005, and its telephone number is (212) 250-2428.

USE OF PROCEEDS

All the proceeds from the sale of the Trust Securities (aggregating € 300,001,000, including the Trust Common Security) are invested by the Trust in the Company Capital Securities. The Company has used substantially all of the funds from the sale of the Company Capital Securities to make an investment in the Initial Obligation. The Bank intends to use the proceeds from the sale of the Initial Obligation for general corporate purposes, and the Bank expects to treat the Company Capital Securities as consolidated upper Tier 2 regulatory capital (supplementary capital). The Bank will pay certain commissions to the Managers (one of which – the Lead Manager – is an affiliate of the Bank) and reimburse the Managers for certain expenses in connection with the Offering. Accordingly, the net proceeds to the Bank net of commission to the Managers can be deemed to be € 300,000,000.

DISTRIBUTABLE PROFITS OF THE BANK

The Company's authority to pay Capital Payments on the Company Capital Securities on any Payment Date depends, among other things, on the Distributable Profits of the Bank for the preceding fiscal year. For the definition of Distributable Profits, see "The Offering – Terms of the Trust Preferred Securities and the Company Capital Securities – Capital Payments". Distributable Profits are determined on the basis of the Bank's audited unconsolidated financial statements prepared in accordance with accounting principles generally accepted in the Federal Republic of Germany as described in the German Commercial Code (*Handelsgesetzbuch*) and other applicable German law then in effect. The German Commercial Code differs in certain respects from U.S. GAAP, in accordance with which the Bank prepares its consolidated financial statements.

Distributable Profits in respect of any fiscal year includes, in addition to annual profit, transfers made by the Bank, in its discretion, of amounts carried on its balance sheet as Other Revenue Reserves. In addition, in determining Distributable Profits for any fiscal year, the amounts shown below as Capital Reserves and Statutory Revenue Reserves Available to Offset an Annual Loss may be transferred in the Bank's discretion to offset any losses which may be incurred by the Bank.

The following table sets forth, as of the end of the years indicated, certain items derived from the Bank's audited unconsolidated balance sheet that relate to the foregoing discussion:

	2004	2003	2002
	(€ in millions)		
Annual profits after allocations to other revenue reserves	925	873	808
Other revenue reserves	2,472	5,598	6,518
	3,397	6,471	7,326
Capital reserves and statutory revenue reserves available to offset an annual loss	11,172	11,075	10,973
	<u>14,569</u>	<u>17,546</u>	<u>18,299</u>

The Bank paid total dividends on its ordinary shares of € 868 million, € 873 million and € 808 million in respect of 2004, 2003 and 2002, respectively.

DESCRIPTION OF THE TRUST SECURITIES

The Trust Securities will be issued pursuant to the terms of the Trust Agreement. The following summary sets forth the material terms and provisions of the Trust Securities. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the terms and provisions of the Trust Agreement and the Trust Act.

General

The Trust Preferred Securities are issued in fully registered form without coupons. The Trust Preferred Securities will not be issued in bearer form. See “– Form, Book-Entry Procedures and Transfer”.

The Trust Agreement authorizes the Regular Trustees of the Trust to issue the Trust Preferred Securities, which represent undivided beneficial ownership interests in the assets of the Trust. Title to the Company Capital Securities will be held by the Property Trustee for the benefit of the holders and beneficial owners of the Trust Preferred Securities. The Trust Agreement does not permit the Trust to acquire any assets other than the Company Capital Securities, issue any securities other than the Trust Preferred Securities or incur any indebtedness provided that, as the Company may, from time to time and without the consent of the Trust as the holder of the Company Capital Securities, issue additional Company Capital Securities having substantially the same terms as the Company Capital Securities (or in all respects except for the issue date, the date from which Capital Payments accrue on the Company Capital Securities, the issue price, and any other deviations required for compliance with applicable law), so as to form a single series with the Company Capital Securities, the Trust, accordingly, may, from time to time and without the consent of the holders of the Trust Preferred Securities, issue additional Trust Preferred Securities having the same terms and conditions as the Trust Preferred Securities (or in all respects except for the issue date, the date from which Capital Payments accrue on the Trust Preferred Securities, the issue price, and any other deviations required for compliance with applicable law) so as to form a single series with the Trust Preferred Securities in consideration for the receipt of additional Company Capital Securities equal to the aggregate liquidation amount of such additional Trust Preferred Securities.

Capital Payments

Capital Payments annually on the Liquidation Preference Amount of € 1,000 per Trust Preferred Security, and will accrue and be payable annually in arrears on June 27 of each year, commencing June 27, 2006. Capital Payments payable on each Payment Date will accrue from and including the immediately preceding Payment Date (or June 27, 2005 with respect to Capital Payments payable on June 27, 2006), up to but excluding the relevant Payment Date, at a rate per annum equal to (i) for the first five Payment Periods, 7% and (ii) for each Payment Period thereafter, the Floating Rate for such Payment Period, which shall in no event be less than 1.75% or more than the 10 Year EUR CMS Rate for such Payment Period. Capital Payments will be cumulative, as described herein.

For each Payment Period, Capital Payments will be calculated on the basis of the actual number of days elapsed in a year of 365 or 366 days, as the case may be, and rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

If any Payment Date or Redemption Date falls on a day that is not a Business Day, payment of all amounts otherwise payable on such date will be made on the next succeeding Business Day, without adjustment, interest or further payment as a result thereof.

Capital Payments on the Trust Preferred Securities are expected to be paid out of Capital Payments received by the Trust from the Company with respect to the Company Capital Securities. Capital Payments on the Company Capital Securities are expected to be paid by the Company out of its Operating Profits or from payments received by the Company under the Support Undertaking. See “Description of the Company Securities – Company Capital Securities – Capital Payments”.

If the Company does not declare (and is not deemed to have declared) a Capital Payment on the Company Capital Securities in respect of any Payment Period, the holders of the Company Capital Securities will have no right to receive a Capital Payment in respect of such Payment Period, and the Company will have no obligation to pay a Capital Payment in respect of such Payment Period, whether or not Capital Payments are declared (or deemed to have been declared) and paid in respect of any future Payment Period. In such a case, no Capital Payments will be made on the Trust Preferred Securities in respect of such Payment Period; *however*, any such Capital Payment or portion thereof accrued but not declared (or deemed to have been declared) by the Company in respect of any such Payment Period shall be deferred.

If, however, the Company declares (or is deemed to have declared) a Capital Payment in respect of any Payment Period under circumstances where the Distributable Profits of the Bank for the most recent preceding fiscal year are insufficient to pay such Capital Payment in full as well as capital payments, dividends or other distributions or payments then due on Parity Capital Securities, payment of all or a portion of such Capital Payment on the Company Capital Securities (and, as a result thereof, a corresponding portion of the Capital Payment then due on the Trust Preferred Securities) will be deferred. The portions of such Capital Payments that cannot be paid and have been deferred in such case, together with the portions of Capital Payments that were not declared or deemed to have been declared in respect of any Payment Period and therefore deferred, will be cumulative and will collectively constitute Arrears of Payments with respect to the Company Capital Securities and the Trust Preferred Securities, as applicable. Arrears of Payments will not themselves bear interest.

The Company will pay outstanding Arrears of Payments on the Company Capital Securities on the earliest of:

- the first Payment Date after such deferral to the extent that for the most recent preceding fiscal year for which audited financial statements are available the Distributable Profits of the Bank are in an amount exceeding the aggregate of:
 - Capital Payments on the Company Capital Securities due on such Payment Date,
 - capital payments, dividends or other distributions or payments on Parity Capital Securities, if any, due in respect of such fiscal year, and
 - capital payments, dividends or other distributions or payments on Preferred Tier 1 Securities, if any, due in respect of such fiscal year,

in which case, such Arrears of Payments on the Company Capital Securities and any Deferred Payments on Parity Capital Securities will be paid pro rata on the basis of Distributable Profits for such preceding fiscal year, with any Arrears of Payments that cannot be repaid pursuant to the foregoing on such Payment Date continuing to be deferred and to constitute Arrears of Payments;

- the date of any redemption of the Company Capital Securities, in the full amount of outstanding Arrears of Payments; and
- the date on which an order is made for the winding up, liquidation or dissolution of the Company or the Bank (other than for the purposes of or pursuant to an amalgamation, reorganization or restructuring while solvent, where the continuing entity assumes substantially all of the assets and obligations of the Company or the Bank, as the case may be), in the full amount of outstanding Arrears of Payments.

If, as a result of the deferral of Capital Payments, the Company receives payments of interest on the Initial Obligation which exceed Capital Payments declared and paid on the Company Capital Securities on the corresponding Payment Date, such excess will be deposited with the Bank pursuant to the Subordinated Deposit Agreement. The Subordinated Deposit Agreement will provide for the deposit of Arrears of Payments into a deposit account at the Bank bearing interest at a rate of 0.75% per annum. Any interest accumulating in such deposit account will be payable to the holder of the Company Common Security under the circumstances described herein. The Subordinated Deposit Agreement will provide that, subject to the subordination provisions of the Subordinated Deposit Agreement, the subordinated deposit outstanding under the Subordinated Deposit Agreement will be terminated and such deposit repaid to the Company at such time and to the extent as the Company is required to pay Arrears of Payments. The subordinated deposit outstanding at any time pur-

suant to the Subordinated Deposit Agreement will be subordinated to the same extent as the Support Undertaking.

Each Capital Payment on the Trust Preferred Securities will be payable to the holders of record of the Trust Preferred Securities as they appear on the books and records of the Trust at the close of business on the corresponding record date. The record dates for the Trust Preferred Securities will be (i) so long as the Trust Preferred Securities remain in book-entry form, at the end of the Business Day immediately preceding the date on which the relevant Capital Payment will be paid, and (ii) in all other cases, 15 Business Days prior to the relevant Payment Date.

Such Capital Payments will be paid through or by the order of the Property Trustee who will hold amounts received in respect of the Company Capital Securities in the Property Account for the benefit of the holders of the Trust Preferred Securities, subject to any applicable laws and regulations and the provisions of the Trust Agreement. Each payment will be made as described in “– Form, Book-Entry Procedures and Transfer”.

The right of the holders of the Trust Preferred Securities to receive Capital Payments is cumulative to the extent described herein. Accordingly, except as described herein, if the Trust does not have funds available for payment of a Capital Payment in respect of any Payment Period, the holders will have no right to receive a Capital Payment in respect of such Payment Period, and the Trust will have no obligation to pay a Capital Payment in respect of such Payment Period, whether or not Capital Payments are paid in respect of any future Payment Period.

Except as described under “– Subordination of the Trust Common Security” below, all Capital Payments and other payments to holders of the Trust Preferred Securities will be distributed among holders of record *pro rata*, based on the proportion that the aggregate Liquidation Preference Amount of the Trust Preferred Securities held by each holder bears to the aggregate Liquidation Preference Amount of all Trust Preferred Securities.

Payments of Additional Amounts

All payments on the Trust Preferred Securities by the Trust, and any amount payable in liquidation or upon redemption thereof, will be made without withholding or deduction for or on account of Withholding Taxes unless such deduction or withholding is required by law. In such event, the Trust will pay, as additional Capital Payments (or Arrears of Payments, as the case may be), such Additional Amounts as may be necessary in order that the net amounts received by the holders of the Trust Preferred Securities, after such deduction or withholding, will equal the amounts that otherwise would have been received had no such deduction or withholding been required. However, no such Additional Amounts will be payable in respect of the Trust Preferred Securities:

- if and to the extent that the Company is unable to pay corresponding amounts in respect of the Company Capital Securities because such payment would exceed the Distributable Profits of the Bank for the fiscal year in respect of which the relevant Capital Payments are payable (after subtracting from such Distributable Profits the amount of the Capital Payments on the Company Capital Securities and dividends or other distributions or payments on Parity Capital Securities and Preferred Tier 1 Securities, if any, already paid on the basis of such Distributable Profits on or prior to the date on which such Additional Amounts will be payable), in which case such Additional Amounts shall be deferred and will thereupon constitute Arrears of Payments;
- with respect to any Withholding Taxes that are payable by reason of a holder or beneficial owner of the Trust Preferred Securities having some connection with any Relevant Jurisdiction other than by reason only of the mere holding of the Trust Preferred Securities; or
- with respect to any Withholding Taxes which are deducted or withheld pursuant to (i) any European Union Directive or Regulation concerning the taxation of interest or similar income, or (ii) any international treaty or understanding relating to such taxation and to which the United States, the European Union or Germany is a party, or (iii) any provision of law implementing, or complying with, or introduced to conform with, such Directive, Regulation, treaty or understanding; or

- to the extent such deduction or withholding can be avoided or reduced if the holder or beneficial owner of the Trust Preferred Securities makes a declaration of non-residence or other similar claim for exemption to the relevant tax authority or complies with any reasonable certification, documentation, information or other reporting requirement imposed by the relevant tax authority; provided, however, that the exclusion set forth in this clause shall not apply in respect of any certification, information, documentation or other reporting requirement if such requirement would be materially more onerous, in form, in procedure or in the substance of information disclosed, to the holder or beneficial owner of Trust Preferred Securities than comparable information or other reporting requirements imposed under U.S. tax law, regulation and administrative practice (such as IRS Forms 1001, W-8 and W-9).

Enforcement Events

The occurrence, at any time, of either of the following (each of which is defined as an “**Enforcement Event**”):

- non-payment of Capital Payments (plus any Additional Amounts thereon, if any) on the Trust Preferred Securities or the Company Capital Securities at the Stated Rate in full, for two consecutive Payment Periods; or
- a default by the Bank in respect of any of its obligations under the Support Undertaking;

will constitute an Enforcement Event under the Trust Agreement with respect to the Trust Securities; *provided*, that, pursuant to the Trust Agreement, the holder of the Trust Common Security will be deemed to have waived any Enforcement Event with respect to the Trust Common Security until all Enforcement Events with respect to the Trust Preferred Securities have been cured, waived or otherwise eliminated. Until such Enforcement Events with respect to the Trust Preferred Securities have been so cured, waived or otherwise eliminated, the Property Trustee will be deemed to be acting solely on behalf of the holders of the Trust Preferred Securities and only the holders of the Trust Preferred Securities will have the right to direct the Property Trustee with respect to certain matters under the Trust Agreement. In the case of non-payment of Capital Payments (plus any Additional Amounts thereon, if any) on the Company Capital Securities referred to above or the continuation of a failure by the Bank to perform any obligation under the Support Undertaking for a period of 60 days after notice thereof has been given to the Company by the Property Trustee or any holder of the Company Capital Securities, holders of the Trust Preferred Securities will have the right to appoint the Independent Enforcement Director. See “Description of the Company Securities – Company Capital Securities – Voting and Enforcement Rights.”

Upon the occurrence of an Enforcement Event, the Property Trustee will have the right to enforce the rights of the holders of the Company Capital Securities, including:

- claims to receive Capital Payments (only if and to the extent declared or deemed to have been declared) on the Company Capital Securities;
- appointment of the Independent Enforcement Director (to the extent that such Enforcement Event results from non-payment of Capital Payments on the Company Capital Securities for two consecutive Payment Periods or the continuation of a failure by the Bank to perform any obligation under the Support Undertaking for a period of 60 days after notice thereof has been given to the Company by the Property Trustee or any holder of the Company Capital Securities); and
- assertion of the rights under the Support Undertaking as it relates thereto.

If the Property Trustee fails to enforce its rights under the Company Capital Securities after a holder of the Trust Preferred Securities has made a written request, such holder of record of the Trust Preferred Securities may directly institute a legal proceeding against the Company to enforce the Property Trustee’s rights under the Company Capital Securities without first instituting any legal proceeding against the Property Trustee, the Trust or any other person or entity.

Redemption

Upon redemption of the Company Capital Securities, the Trust must apply the redemption price received in connection therewith to redeem the Trust Preferred Securities. The Company Capital Securities are redeemable at the option of the Company, in whole but not in part, on the Initial Redemption Date and on each Payment Date thereafter, at the Redemption Price plus Arrears of Payments, if any, and Additional Amounts, if any. The Company may exercise its right to redeem the Company Capital Securities only if it has:

- given at least 30 days' prior notice (or such longer period as required by the relevant regulatory authorities) to the holders of the Company Capital Securities of its intention to redeem the Company Capital Securities on the Redemption Date; and
- obtained any required regulatory approvals.

The Trust Agreement will provide that the Property Trustee will promptly give notice to the holders of the Trust Preferred Securities of the Company's intention to redeem the Company Capital Securities on the Redemption Date. Any such notice will be in accordance with the procedures described below under "– Notices".

The Company will also have a right, at any time, upon at least 30 days' prior notice, to redeem the Company Capital Securities in whole but not in part, upon the occurrence of a Company Special Redemption Event at the Redemption Price plus Arrears of Payments, if any, and Additional Amounts, if any.

In the event the Trust Preferred Securities are in definitive form, any payment due upon redemption thereof will be in accordance with the procedures described under "– Form, Book – Entry Procedures and Transfer".

The Company Capital Securities and the Trust Preferred Securities will not have any scheduled maturity date and will not be redeemable at any time at the option of the holders thereof. Upon any redemption of the Company Capital Securities, the proceeds of such redemption will simultaneously be applied to redeem the Trust Preferred Securities. Any Company Capital Securities or Trust Preferred Securities that are redeemed will be canceled, and not reissued, following their redemption.

Upon the occurrence of a Trust Special Redemption Event or in the event of any voluntary or involuntary liquidation, dissolution, winding up or termination of the Trust, holders of the Trust Securities, will be entitled to receive a pro rata amount of the Company Capital Securities in accordance with the terms of the Trust Agreement.

If, at any time, a Trust Special Redemption Event occurs and is continuing, the Regular Trustees will, within 90 days following the occurrence of such Trust Special Redemption Event, dissolve the Trust upon at least 30 but not more than 60 days' notice to the holders of the Trust Preferred Securities in accordance with the procedures described below under "– Notices" and upon at least 30 but not more than 60 days' notice to, and consultation with Euroclear, Clearstream, Luxembourg and the Property Trustee. After satisfaction of the claims of creditors of the Trust, if any, Company Capital Securities would be distributed on a *pro rata* basis to the holders of the Trust Preferred Securities and the holder of the Trust Common Security in liquidation of such holders' interest in the Trust, *provided, however*, that, if, at such time, the Trust has the opportunity to eliminate, within 90 days of its occurrence, the Trust Special Redemption Event by taking some ministerial action, such as filing a form or making an election, or some other similar reasonable measures, which in the sole judgment of the Bank will cause no adverse effect on the Company, the Trust, the Bank or the holders of the Trust Preferred Securities and will involve no material costs, then the Trust will pursue any such measure in lieu of dissolution.

On the date fixed for any distribution of the Company Capital Securities, upon dissolution of the Trust, (i) the Trust Preferred Securities will no longer be deemed to be outstanding and (ii) certificates representing Trust Preferred Securities will be deemed to represent the Company Capital Securities having a liquidation preference amount equal to the Liquidation Preference Amount of the Trust Pre-

ferred Securities and the liquidation preference amount of the Trust Common Security until such certificates are presented to the Company or its agent for transfer or reissuance.

If the Company Capital Securities are distributed to the holders of the Trust Preferred Securities, the Bank will use its commercially reasonable efforts to cause the Company Capital Securities (i) to be eligible for clearing and settlement through Clearstream AG or a successor clearing agent and (ii) to be listed on the Frankfurt Stock Exchange, Euronext Amsterdam or any other securities exchange or other organization on which the Trust Preferred Securities are then listed.

Redemption Procedures

On the date specified for redemption of any Trust Preferred Securities in a notice of redemption issued by the Trust in respect of any Trust Securities (which notice will be irrevocable and given at least 30 calendar days prior to the Redemption Date), if the Company has paid to the Property Trustee a sufficient amount of cash in connection with the related redemption of the Company Capital Securities, then, by 10:00 a. m., Central European time, on the date specified for redemption, the Trust will irrevocably deposit with the Principal Paying Agent funds sufficient to pay the amount payable on redemption of the Trust Preferred Securities called for redemption. If notice of redemption will have been given and funds are deposited as required, then upon the date of such deposit, all rights of holders of such Trust Securities so called for redemption will cease, except the right of the holders of such Trust Preferred Securities to receive the redemption price, but without interest on such redemption price. If any Redemption Date falls on a day that is not a Business Day, payment of all amounts otherwise payable on such date will be made on the next succeeding Business Day, without adjustment, interest or further payment as a result of such delay in payment.

Purchases of the Trust Preferred Securities

Subject to the foregoing redemption provisions and procedures and applicable law (including, without limitation, U.S. federal securities laws), the Bank or its subsidiaries may at any time and from time to time purchase outstanding Trust Preferred Securities by tender, in the secondary market or by private agreement. Such Trust Preferred Securities remain outstanding and may be resold. If the Bank or any of its affiliates offer or sell, or make a secondary market in, the Trust Preferred Securities, such actions may give rise to limitations with respect to resales in the United States or to U.S. persons of trust preferred securities previously sold in offshore transactions in reliance on Regulation S.

Subordination of the Trust Common Security

Payment of Capital Payments and other distributions on, and amounts on redemption of, the Trust Securities will generally be made *pro rata* based on the liquidation preference amount of the Trust Securities. However, upon the liquidation of the Trust and during the continuance of a default under the Obligations or a failure by the Bank to perform any obligation under the Support Undertaking, holders of the Trust Preferred Securities will have a preference over the holder of the Trust Common Security with respect to payments of Capital Payments and other distributions and amounts upon redemption or liquidation of the Trust. The Trust Preferred Securities constitute direct, unsecured and unsubordinated securities of the Trust and rank *pari passu* without any preference among themselves.

In the case of any Enforcement Event, the holder of the Trust Common Security will be deemed to have waived any such Enforcement Event until all such Enforcement Events with respect to the Trust Preferred Securities have been cured, waived or otherwise eliminated. Until all Enforcement Events with respect to the Trust Preferred Securities have been so cured, waived or otherwise eliminated, the Property Trustee will act solely on behalf of the holders of the Trust Preferred Securities and not on behalf of the holder of the Trust Common Security, and only the holders of the Trust Preferred Securities will have the right to direct the Property Trustee to act on their behalf.

Liquidation Distribution upon Dissolution

Pursuant to the Trust Agreement, the Trust will dissolve:

- upon the bankruptcy, insolvency or dissolution of the Bank;
- upon the filing of a certificate of dissolution with respect to the Company or the filing of a certificate of cancellation with respect to the Trust after having obtained the consent of at least a majority of the outstanding Trust Securities, voting together as a single class, to file such certificate of cancellation;
- when all of the Trust Securities shall have been called for redemption and (i) the amounts necessary for redemption thereof shall have been paid to the holders of the Trust Securities or (ii) all of the Company Capital Securities shall have been distributed to the holders of the Trust Securities in exchange for all of the Trust Securities;
- upon the distribution of all of the Company Capital Securities upon the occurrence of a Trust Special Redemption Event;
- upon the entry of a decree of a judicial dissolution of the Company or the Trust; or
- upon the redemption of all of the Trust Securities.

In the event of any voluntary or involuntary liquidation, dissolution, winding up or termination of the Trust, the holders of the Trust Securities will be entitled to receive the Company Capital Securities. The holders of the Trust Preferred Securities will have a preference over the holder of the Trust Common Security with respect to distributions upon liquidation of the Trust.

Voting Rights

Except as expressly required by applicable law, or except as provided for in the LLC Agreement, the holders of the Trust Preferred Securities will not be entitled to vote on the affairs of the Trust or the Company. So long as the Trust holds any Company Capital Securities, the holders of the Trust Preferred Securities will have the right to direct the Property Trustee to enforce the voting rights attributable to such Company Capital Securities. These voting rights may be waived by the holders of the Trust Preferred Securities by written notice to the Property Trustee and in accordance with applicable laws.

Subject to the requirement of the Property Trustee obtaining a tax opinion as set forth in the last sentence of this paragraph, the holders of a majority of the outstanding Trust Preferred Securities have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Property Trustee, and to direct the exercise of any trust or power conferred upon the Property Trustee under the Trust Agreement, including the right to direct the Property Trustee, as holder of the Company Capital Securities, to (i) exercise the remedies available to it under the LLC Agreement as a holder of the Company Capital Securities, and (ii) consent to any amendment, modification or termination of the LLC Agreement or the Company Capital Securities where such consent will be required; *provided, however*, that, where a consent or action under the LLC Agreement would require the consent or act of the holders of more than a majority of the Company Capital Securities affected thereby, only the holders of the percentage of the aggregate number of the Trust Securities outstanding which is at least equal to the percentage of the Company Capital Securities required to so consent or act under the LLC Agreement, may direct the Property Trustee to give such consent or take such action on behalf of the Trust. See "Description of the Company Securities – Company Capital Securities – Voting and Enforcement Rights". Except with respect to directing the time, method and place of conducting a proceeding for a remedy as described above, the Property Trustee will be under no obligation to take any of the actions described in clause (i) or (ii) above unless the Property Trustee has obtained an opinion of independent tax counsel to the effect that as a result of such action, the Trust will not fail to be classified as a grantor trust for U.S. federal income tax purposes and that after such action each holder of the Trust Securities will continue to be treated as owning an undivided beneficial ownership interest in the Company Capital Securities.

Any required approval or direction of holders of the Trust Preferred Securities may be given at a separate meeting of holders of the Trust Preferred Securities convened for such purpose, at a meeting of all of the holders of the Trust Securities or pursuant to a written consent. The Regular Trustees will cause a notice of any meeting at which holders of the Trust Preferred Securities are entitled to vote, or of any matter upon which action by written consent of such holders is to be taken, to be made in the manner described below under “– Notices”. Each such notice will include a statement setting forth the following information: (i) the date of such meeting or the date by which such action is to be taken; (ii) a description of any resolution proposed for adoption at such meeting on which such holders are entitled to vote or of such matter upon which written consent is sought; and (iii) instructions for the delivery of proxies or consents. No vote or consent of the holders of the Trust Preferred Securities will be required for the Trust to redeem and cancel Trust Preferred Securities or distribute Company Capital Securities in accordance with the Trust Agreement.

Notwithstanding that holders of the Trust Preferred Securities are entitled to vote or consent under any of the circumstances described above, any of the Trust Preferred Securities that are beneficially owned at such time by the Bank or any entity directly or indirectly controlled by, or under direct or indirect common control with, the Bank, will not be entitled to vote or consent and will, for purposes of such vote or consent, be treated as if such Trust Preferred Securities were not outstanding, except for the Trust Preferred Securities purchased or acquired by the Bank or its affiliates in connection with transactions effected by or for the account of customers of the Bank or any of its affiliates or in connection with trading or market-making activities in connection with such Trust Preferred Securities in the ordinary course of business; *provided, however*, that persons (other than affiliates of the Bank) to whom the Bank or any of its affiliates have pledged Trust Preferred Securities may vote or consent with respect to such pledged Trust Preferred Securities pursuant to the terms of such pledge.

The procedures by which holders of the Trust Preferred Securities represented by the Global Certificates may exercise their voting rights are described below. See “– Form, Book – Entry Procedures and Transfer”.

Holders of the Trust Preferred Securities will have no rights to appoint or remove the Regular Trustees, who may be appointed, removed or replaced solely by the Bank, as the holder of the Trust Common Security.

Merger, Consolidation or Amalgamation of the Trust

The Trust may not consolidate, amalgamate, merge with or into, or be replaced by, or convey, transfer or lease its properties and assets substantially as an entirety to, any corporation or other entity, except as described below. The Trust may, with the consent of a majority of the Regular Trustees and without the consent of the holders of the Trust Securities, the Property Trustee or the Delaware Trustee, consolidate, amalgamate, merge with or into, or be replaced by a trust organized as such under the laws of any State of the United States; *provided*, that:

- if the Trust is not the survivor, such successor entity either (x) expressly assumes all of the obligations of the Trust to the holders of the Trust Securities or (y) substitutes for the Trust Securities other securities having substantially the same terms as the Trust Securities (the “**Successor Securities**”), so long as the Successor Securities rank the same as the Trust Securities rank with respect to Capital Payments, distributions and rights upon liquidation, redemption or otherwise;
- the Company expressly acknowledges a trustee of such successor entity possessing the same powers and duties as the Property Trustee as the holder of the Company Capital Securities;
- if applicable, the Successor Trust Securities are listed, or any Successor Trust Securities will be listed upon notification of issuance, on any securities exchange or any other organization on which the Trust Preferred Securities are then listed or quoted;
- such merger, consolidation, amalgamation or replacement does not cause the Trust Preferred Securities (including the Successor Securities) to be downgraded by any nationally recognized rating organization;

- such merger, consolidation, amalgamation or replacement does not adversely affect the rights, preferences and privileges of the holders of the Trust Preferred Securities (including any Successor Securities) in any material respect;
- such successor entity has purposes substantially identical to that of the Trust;
- the obligations of the Bank pursuant to the Support Undertaking will continue in full force and effect; and
- prior to such merger, consolidation, amalgamation or replacement, the Bank has received an opinion of a nationally recognized law firm experienced in such matters to the effect that:
 - such merger, consolidation, amalgamation or replacement will not adversely affect the rights, preferences and privileges of the holders of the Trust Preferred Securities (including the Successor Securities) in any material respect,
 - following such merger, consolidation, amalgamation or replacement, neither the Trust nor such successor entity will be required to register under the 1940 Act,
 - following such merger, consolidation, amalgamation or replacement, the Trust (or such successor trust) will be classified as a grantor trust for U.S. federal income tax purposes and
 - following such merger, consolidation, amalgamation or replacement, the Company will not be classified as an association or a publicly traded partnership taxable as a corporation for United States federal income tax purposes.

Notwithstanding the foregoing, the Trust will not, except with the consent of holders of 100% of the outstanding Trust Preferred Securities (excluding Trust Preferred Securities held by the Bank and its affiliates), consolidate, amalgamate, merge with or into, or be replaced by any other entity or permit any other entity to consolidate, amalgamate, merge with or into, or replace it, if such consolidation, amalgamation, merger or replacement would cause the Trust or the successor entity not to be classified as a grantor trust for United States federal income tax purposes.

Modification of the Trust Agreement

The Trust Agreement may only be modified and amended if approved by a majority of the Regular Trustees (and in certain circumstances the Property Trustee and the Delaware Trustee), *provided*, that, if any proposed amendment provides for, or the Regular Trustees otherwise propose to effect, (i) any action that would materially adversely affect the powers, preferences or special rights of the Trust Securities, whether by way of amendment to the Trust Agreement or otherwise, or (ii) the dissolution, winding up or termination of the Trust other than pursuant to the terms of the Trust Agreement, then the holders of the Trust Securities voting together as a single class will be entitled to vote on such amendment or proposal and such amendment or proposal will not be effective except with the approval of at least a majority of the outstanding Trust Securities affected thereby; *provided further* that, if any amendment or proposal referred to in clause (i) above would adversely affect only the Trust Preferred Securities or the Trust Common Security, then only the affected class will be entitled to vote on such amendment or proposal and such amendment or proposal will not be effective except with the approval of a majority of such class of the Trust Securities outstanding.

The Trust Agreement may be amended without the consent of the holders of the Trust Securities to (i) cure any ambiguity, (ii) correct or supplement any provision in the Trust Agreement that may be defective or inconsistent with any other provision of the Trust Agreement, (iii) add to the covenants, restrictions or obligations of the Bank, (iv) conform to any change in the 1940 Act or the rules or regulations thereunder, (v) modify, eliminate and add to any provision of the Trust Agreement to such extent as may be necessary or desirable; *provided*, that, no such amendment will have a material adverse effect on the rights, preferences or privileges of the holders of the Trust Securities, or (vi) accomplish the issuance, from time to time and without the consent of the holders of the Trust Preferred Securities, of additional Trust Preferred Securities having the same terms and conditions as the Trust Preferred Securities (or in all respects except for the issue date, the date from which Capital Payments accrue on the Trust Preferred Securities, the issue price, and any other deviations required for compliance with applicable law) so as to form a single series with the Trust Preferred Securities in

consideration for the receipt of Company Capital Securities equal to the aggregate liquidation preference amount of such additional Trust Preferred Securities.

Notwithstanding the foregoing, no amendment or modification may be made to the Trust Agreement if such amendment or modification would (i) cause the Trust to fail to be classified as a grantor trust for United States federal income tax purposes, (ii) cause the Company to be classified as an association or publicly traded partnership taxable as a corporation for such purposes, (iii) reduce or otherwise adversely affect the powers of the Property Trustee or (iv) cause the Trust or the Company to be required to register under the 1940 Act.

Form, Book – Entry Procedures and Transfer

The Trust Preferred Securities are issued in fully registered form, without coupons, in denominations of € 1,000 Liquidation Preference Amount (or integral multiples of € 1,000 in excess thereof).

The Trust Preferred Securities are initially evidenced by a Temporary Global Certificate, in fully registered form, interests in which will be exchangeable for interests in the Permanent Global Certificate, in fully registered form, upon the 40th day after the later of the closing date and the completion of the distribution of the Trust Preferred Securities (the **“Distribution Compliance Period”**). The Global Certificates will be deposited upon issuance with, and registered in the name of, Clearstream AG for credit to accountholders of Clearstream AG, including Clearstream, Luxembourg and Euroclear. Definitive certificates representing individual Trust Preferred Securities and coupons shall not be issued. Copies of the Temporary Global Certificate and the Permanent Global Certificate are available free of charge at the specified offices of the Paying Agents. Beneficial interests in the Global Certificates may not be exchanged for Trust Preferred Securities in certificated form.

On or after the expiration of the Distribution Compliance Period, a certificate must be provided by or on behalf of each holder of a beneficial interest in a Temporary Global Certificate to the Paying Agent, certifying that the beneficial owner of the interest in such Temporary Global Certificate is not a U.S. Person. Unless such certificate is provided, (i) the holder of such beneficial interest will not receive any payments of Capital Payments, redemption price or any other payment with respect to such holder's beneficial interest in the Temporary Global Certificate, (ii) such beneficial interest may not be exchanged for a beneficial interest in a Permanent Global Certificate, and (iii) settlement of trades with respect to such beneficial interest will be suspended. In the event that any holder of a beneficial interest in such Temporary Global Certificate fails to provide such certification, exchanges of interests in the Temporary Global Certificate for interests in the Permanent Global Certificate and settlements of trades of all beneficial interests in such Temporary Global Certificate may be temporarily suspended.

Beneficial interests in the Trust Preferred Securities will be shown only on, and transfers thereof will be effected only through, book-entry records maintained by Clearstream AG and, except in the limited circumstances described below, Trust Preferred Securities in certificated form will not be issued. Holders of beneficial interests in the Global Certificates must rely upon the procedures of Clearstream AG, Euroclear and Clearstream, Luxembourg and (if applicable) their respective participants to exercise any rights of a holder under the Global Certificates. Transfers and payments in respect of the Trust Preferred Securities may be effected through the Principal Paying Agent subject to the terms of the Trust Preferred Securities and the operating procedures of Clearstream AG. In the case of transfers between Clearstream participants, between Euroclear participants and between Clearstream participants on the one hand and Euroclear participants on the other hand shall be effected in accordance with procedures established for these purposes by Clearstream and Euroclear, respectively. None of the Bank, the Company and the Trust will have any responsibility or liability for any aspect of the records relating to the payments made on account of beneficial interests in the Global Certificates or for maintaining, supervising or reviewing any records relating to such beneficial interests.

A Permanent Global Certificate will cease to represent the Trust Preferred Securities, and Trust Preferred Securities in definitive registered form will be exchangeable therefor only if (i) Clearstream AG notifies the Company that it is unwilling or unable to continue as depository for such Permanent Global Certificate and no successor depository shall have been appointed or (ii) the Company determines in its sole discretion that such Permanent Global Certificate shall be so exchangeable. Such definitive

Trust Preferred Securities will be in denominations of € 1,000 and will be registered in such names as Clearstream AG shall direct and payments with respect thereto will be made at the offices described below. In addition, in all cases where the Trust Preferred Securities are issued in definitive form, the record dates for Capital Payments thereon will be 15 Business Days prior to the relevant Payment Date. Except as set forth in this paragraph, no definitive securities will be issued.

The Trust Preferred Securities may not be purchased by or transferred to any employee benefit plan subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended, any plan or arrangement subject to Section 4975 of the U.S. Internal Revenue Code of 1986, as amended, or any entity whose underlying assets include the assets of any such employee benefit plans, plans or arrangements.

Payments

Payments in respect of the Trust Preferred Securities will be made to or as directed by Clearstream AG as the registered holder of the Global Certificate representing the Trust Preferred Securities. Payments made to Clearstream AG shall be made by wire transfer, and Clearstream AG, Euroclear or Clearstream, Luxembourg, as applicable, will credit the relevant accounts of their participants on the applicable dates.

All payments on the Trust Preferred Securities by the Trust, and any amount payable in liquidation or upon redemption thereof, will be made without withholding or deduction for or on account of Withholding Taxes unless such deduction or withholding is required by law. In such event, the Trust will pay, as additional Capital Payments, such Additional Amounts as may be necessary in order that the net amounts received by the holders of the Trust Preferred Securities will equal the amounts that otherwise would have been received had no such deduction or withholding been required. However, no such Additional Amounts will be payable in respect of the Trust Preferred Securities under certain circumstances described in “– Payment of Additional Amounts”.

Any claims to Capital Payments, Arrears of Payments or amounts payable upon redemption will become void unless presented for payment within a period of four years, with respect to Capital Payments or Arrears of Payments, or 10 years with respect to amounts payable upon redemption, from the Payment Date or Redemption Date, as applicable.

Registrar, Transfer Agent, and Paying Agents

Deutsche Bank Aktiengesellschaft, Frankfurt am Main, will act as Registrar, Transfer Agent and Principal Paying Agent for the Trust Preferred Securities. Deutsche Bank AG, Amsterdam Branch, will act as Netherlands Paying Agent for the Trust Preferred Securities.

Registration of transfers of the Trust Preferred Securities will be effected without charge by or on behalf of the Trust, but upon payment (with the giving of such indemnity as the Trust or the Bank may require) in respect of any tax or other government charges which may be imposed in relation to it.

The Trust will not be required to register or cause to be registered the transfer of the Trust Preferred Securities after such Trust Preferred Securities have been called for redemption.

Information Concerning the Property Trustee

The Property Trustee, prior to the occurrence of any Enforcement Event and after the curing or waiver of all Enforcement Events that may have occurred, undertakes to perform only such duties as are specifically set forth in the Trust Agreement and, after such default, will exercise the same degree of care as a prudent person would exercise in the conduct of his or her own affairs. Subject to such provisions, the Property Trustee is under no obligation to exercise any of the powers vested in it by the Trust Agreement at the request of any holder of the Trust Preferred Securities, unless offered rea-

sonable indemnity by such holder against the costs, expenses and liabilities which might be incurred thereby. The holders of the Trust Preferred Securities will not be required to offer such indemnity in the event such holders, by exercising their rights, direct the Property Trustee to take any action following an Enforcement Event.

Notices

All notices or communications to a holder of the Trust Preferred Securities will be delivered, telecopied or mailed by first-class, registered or certified mail to such holder's address as shown on the books and records of the Trust.

Notices to the holders of the Trust Preferred Securities will be given by delivery of the relevant notice to Clearstream AG and any other relevant securities clearing system for communication by each of them to entitled participants.

For so long as the Trust Preferred Securities are listed on the Frankfurt Stock Exchange, all notices concerning the Trust Preferred Securities will be published in the German Federal Gazette (*Bundesanzeiger*) and in at least one daily newspaper having general circulation in Germany and admitted to carry stock exchange announcements (expected to be the *Börsen-Zeitung*). Such notices will be deemed to have been given on the date of publication as aforesaid or, if published on different dates, on the date of the first such publication.

For so long as the Trust Preferred Securities are listed on Eurolist by Euronext Amsterdam, and the rules of Euronext Amsterdam so require, all notices concerning the Trust Preferred Securities will be published in a daily newspaper of general circulation in the Netherlands (which is expected to be the *Het Financieele Dagblad*), notice thereof given to Euronext Amsterdam, and publication in the *Officiele Prijscourant*.

Governing Law

The Trust Agreement and the Trust Securities will be governed by, and construed in accordance with, the laws of the State of Delaware.

Miscellaneous

The Regular Trustees are authorized and directed to conduct the affairs of and to operate the Trust in such a way that the Trust will not be required to register under the 1940 Act and will not be characterized as other than a grantor trust for United States federal income tax purposes.

DESCRIPTION OF THE COMPANY SECURITIES

The following summary sets forth the material terms and provisions of the ownership interests in the Company, including the Company Capital Securities. This summary is qualified in its entirety by reference to the terms and provisions of the LLC Agreement.

Upon the execution of the LLC Agreement, the Company issued ownership interests consisting of the Company Common Security and the Company Capital Securities. The Company Common Security is owned directly by the Bank. All of the Company Capital Securities are owned by the Trust. The Bank undertakes to maintain direct or indirect ownership of the Company Common Security so long as any Company Capital Securities remain outstanding.

Company Common Security

Capital payments on the Company Common Security will be payable when, as and if declared by the Board of Directors; such a declaration will occur only to the extent the Board of Directors does not declare Capital Payments on the Company Capital Securities at the Stated Rate in full on any Payment Date. It is expected that the holder of the Company Common Security will receive capital payments only to the extent that (i) Capital Payments are not permitted to be declared on the Company Capital Securities on any Payment Date at the Stated Rate in full due to an order of the BaFin (or any other relevant regulatory authority) prohibiting the Bank from making any distribution of profits, (ii) a declared or deemed Capital Payment on the Company Capital Securities does not become an Arrears of Payments (as defined above) and (iii) the Company has sufficient Operating Profits. Notwithstanding the foregoing, on each Payment Date, the holder of the Company Common Security will also be entitled to receive a distribution corresponding to the amount of any interest then held by the Bank under the Subordinated Deposit Agreement, to the extent the Company has sufficient Operating Profits for such distribution. The Company currently, subject to the above, does not intend to pay capital payments on the Company Common Security. The payment of capital payments on the Company Common Security is not a condition to the payment of Capital Payments on the Company Capital Securities.

The Company Capital Securities rank senior to the Company Common Security, including, in the event of any voluntary or involuntary liquidation, dissolution or winding up or termination of the Company. Any payments made by the Bank pursuant to the Support Undertaking will be payable by the Company solely to the holders of the Company Capital Securities. Upon any such liquidation, the holder of the Company Common Security will be entitled to receive a liquidation distribution of the Obligations or Permitted Investments (including accrued and unpaid interest thereon). In the event of such liquidation of the Company, the Independent Enforcement Director will enforce the Support Undertaking solely for the benefit of the holders of the Company Capital Securities and, in particular with respect to the Company's rights under the Support Undertaking, the Company Capital Securities will rank senior to the Company Common Security and payments thereunder will be distributed by the Company solely to the holders of the Company Capital Securities. In addition, after the payment of all debts and liabilities and after there have been paid or set aside for the holders of all the Company Capital Securities the full amounts to which such holders are entitled, the holder of the Company Common Security will be entitled to receive any remaining assets. For a description of the circumstances under which an Independent Enforcement Director may be elected, see "– Company Capital Securities – Voting and Enforcement Rights"

Company Capital Securities

General

When issued, the Company Capital Securities are validly issued, fully paid and non-assessable. The holders of the Company Capital Securities will have no pre-emptive rights with respect to any other securities of the Company. The Company Capital Securities will not have any scheduled maturity date, will not be redeemable at any time at the option of the holders thereof, will not be convertible into any other securities of the Company and will not be subject to any sinking fund or other obliga-

tion of the Company for their repurchase or redemption. The LLC Agreement prohibits the Company, without the consent of all holders of the Company Capital Securities (excluding any Company Capital Securities held by the Bank or any of its affiliates), from issuing any debt securities or any further class or series of equity securities ranking prior to or *pari passu* with the Company Capital Securities as to periodic distribution rights or rights upon liquidation or dissolution of the Company, provided, however, that the Company may, from time to time and without the consent of the holders of the Company Capital Securities, issue additional Company Capital Securities having the same terms and conditions as the Company Capital Securities (or in all respects except for the issue date, the date from which Capital Payments accrue on the Company Capital Securities, the issue price, and any other deviations required for compliance with applicable law) so as to form a single series with the Company Capital Securities in consideration for Obligations of a principal amount equal to the aggregate liquidation amount of such additional Company Capital Securities.

Capital Payments

Capital Payments on the liquidation amount of € 1,000 per Company Capital Security will be payable annually in arrears on June 27 of each year, commencing June 27, 2006. Capital Payments payable on each Payment Date will accrue from and including the immediately preceding Payment Date (or June 27, 2005 with respect to Capital Payments payable on June 27, 2006), up to but excluding the relevant Payment Date at a rate per annum equal to (i) for the first five Payment Periods, 7% and (ii) for each Payment Period thereafter, the Floating Rate for such Payment Period, which shall in no event be less than 1.75% or more than the 10 Year EUR CMS Rate for such Payment Period. Capital payments will be cumulative, as described herein.

For each Payment Period, Capital Payments will be calculated on the basis of the actual number of days elapsed in a year of 365 or 366 days, as the case may be, and rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

If any Payment Date or Redemption Date falls on a day that is not a Business Day, payment of all amounts otherwise payable on such date will be made on the next succeeding Business Day, without adjustment, interest or further payment as a result thereof.

Capital Payments on the Company Capital Securities will be paid out of the Company's Operating Profits or from payments received by the Company under the Support Undertaking. If the Company does not declare (and is not deemed to have declared) a Capital Payment on the Company Capital Securities in respect of any Payment Period, the holders of the Company Capital Securities will have no right to receive a Capital Payment in respect of such Payment Period, and the Company will have no obligation to pay a Capital Payment in respect of such Payment Period, whether or not Capital Payments are declared (or deemed to have been declared) and paid in respect of any future Payment Period. In such a case, no Capital Payments will be made on the Trust Preferred Securities in respect of such Payment Period. See "Description of the Trust Securities."

If, however, the Company declares (or is deemed to have declared) a Capital Payment in respect of any Payment Period under circumstances where the Distributable Profits of the Bank for the most recent preceding fiscal year are insufficient to pay such Capital Payment in full as well as capital payments, dividends or other distributions or payments then due on Parity Capital Securities and Preferred Tier 1 Securities, payment of all or a portion of such Capital Payment on the Company Capital Securities (and, as a result thereof, a corresponding portion of the Capital Payment then due on the Trust Preferred Securities) will be deferred. The portions of such Capital Payments that cannot be paid and have been deferred in such case, together with the portions of Capital Payments that were not declared or deemed to have been declared in respect of any Payment Period and therefore deferred, will be cumulative and will collectively constitute Arrears of Payments with respect to the Company Capital Securities and the Trust Preferred Securities, as applicable. Arrears of Payments will not themselves bear interest.

The Company will pay outstanding Arrears of Payments on the Company Capital Securities on the earliest of:

- the first Payment Date after such deferral to the extent that for the most recent preceding fiscal year for which audited financial statements are available the Distributable Profits of the Bank are in an amount exceeding the aggregate of:
 - Capital Payments on the Company Capital Securities due on such Payment Date,
 - capital payments, dividends or other distributions or payments on Parity Capital Securities, if any, due in respect of such fiscal year, and
 - capital payments, dividends or other distributions or payments on Preferred Tier 1 Securities, if any, due in respect of such fiscal year,
 in which case, such Arrears of Payments on the Company Capital Securities and any Deferred Payments on Parity Capital Securities will be paid pro rata on the basis of Distributable Profits for such preceding fiscal year, with any Arrears of Payments that cannot be repaid pursuant to the foregoing on such Payment Date continuing to be deferred and to constitute Arrears of Payments;
- the date of any redemption of the Company Capital Securities, in the full amount of outstanding Arrears of Payments; and
- the date on which an order is made for the winding up, liquidation or dissolution of the Company or the Bank (other than for the purposes of or pursuant to an amalgamation, reorganization or restructuring while solvent, where the continuing entity assumes substantially all of the assets and obligations of the Company or the Bank, as the case may be), in the full amount of outstanding Arrears of Payments.

If, as a result of the deferral of Capital Payments, the Company receives payments of interest on the Initial Obligation which exceed Capital Payments declared and paid on the Company Capital Securities on the corresponding Payment Date, such excess will be deposited with the Bank pursuant to the Subordinated Deposit Agreement. The Subordinated Deposit Agreement will provide for the deposit of Arrears of Payments into a deposit account at the Bank bearing interest at a rate of 0.75% per annum. Any interest accumulating in such deposit account will be payable to the holder of the Company Common Security under the circumstances described herein. The Subordinated Deposit Agreement will provide that, subject to the subordination provisions of the Subordinated Deposit Agreement, the subordinated deposit outstanding under the Subordinated Deposit Agreement will be terminated and such deposit repaid to the Company at such time and to the extent as the Company is required to pay Arrears of Payments. The subordinated deposit outstanding at any time pursuant to the Subordinated Deposit Agreement will be subordinated to the same extent as the Support Undertaking.

Capital Payments on the Company Capital Securities will only be authorized to be declared and paid on any Payment Date to the extent that:

- the Company has an amount of Operating Profits for the Payment Period ending on the day immediately preceding such Payment Date at least equal to the amount of such Capital Payments, and
- the Bank has an amount of Distributable Profits for the next preceding fiscal year of the Bank for which audited financial statements are available at least equal to the aggregate amount of such Capital Payments on the Company Capital Securities and capital payments, dividends or other distributions or payments on Parity Capital Securities and Preferred Tier 1 Securities, if any due in such fiscal year, *pro rata* on the basis of Distributable Profits for such preceding fiscal year; *provided, however*, that if the amount of such Distributable Profits is insufficient to pay all such amounts on the Company Capital Securities, the Parity Capital Securities and the Preferred Tier 1 Securities, the Capital Payment on the Company Capital Securities is authorized to be declared. In such case, however, the portion of such Capital Payments that cannot be paid will be deferred and will thereupon constitute Arrears of Payments.

Notwithstanding the foregoing, if the Bank or any of its subsidiaries declares or pays any dividends or makes any other payment or other distribution on any Parity Capital Securities or Preferred Tier 1 Securities in respect of any fiscal year, the Company will be deemed to have declared Capital Payments on the Company Capital Securities on the Payment Date on which Capital Payments based on Distributable Profits for such fiscal years would be payable. If the dividend or other payment or distribution on Parity Capital Securities or Preferred Tier 1 Securities was in the full stated amount pay-

able on such Parity Capital Securities in respect of such fiscal year, Capital Payments will be deemed declared at the Stated Rate in full for payment on such Payment Date. If the dividend or other payment or distribution on Parity Capital Securities or Preferred Tier 1 Securities was only a partial payment of the amount so owing, the amount of the Capital Payment deemed declared for payment on such Payment Date will be adjusted proportionally, in which case the portion of such Capital Payment that is not so paid will be deferred and will thereupon constitute Arrears of Payments.

Further, notwithstanding the foregoing, if the Bank or any of its subsidiaries declares or pays any dividend or makes any other payment or distribution on its Junior Securities (other than payments on Junior Securities issued by wholly owned subsidiaries of the Bank, when such Junior Securities are held exclusively by the Bank or by any of its other wholly owned subsidiaries), the Company will be deemed to have declared Capital Payments on the Company Capital Securities for payment on the first Payment Date falling contemporaneously with or immediately following the date on which such dividend was declared or other payment made:

- (i) if such Junior Securities pay dividends annually, in an amount determined by the Stated Rate in full,
- (ii) if such Junior Securities pay dividends semi-annually, in one half of such amount as a result of each semi-annual dividend or payment on such Junior Securities, or
- (iii) if such Junior Securities pay dividends quarterly, in one quarter of such amount as a result of each quarterly dividend or payment on such Junior Securities.

If the Bank or any of its Subsidiaries redeems, repurchases or otherwise acquires any Parity Capital Securities or Junior Securities (other than Parity Capital Securities, Preferred Tier 1 Securities or Junior Securities issued by wholly-owned subsidiaries of the Bank, when such Parity Capital Securities, Preferred Tier 1 Securities or Junior Securities are held exclusively by the Bank or any of the Bank's wholly-owned subsidiaries) for any consideration except by conversion into or exchange for common stock of the Bank other than:

- in connection with transactions effected by or for the account of customers of the Bank or any of its subsidiaries or in connection with the distribution, trading or market-making in respect of such securities,
- in connection with the satisfaction by the Bank or any of its subsidiaries of its obligations under any employee benefit plans or similar arrangements with or for the benefit of employees, officers, directors or consultants,
- as a result of a reclassification of the capital stock of the Bank or any of its subsidiaries or the exchange or conversion of one class or series of such capital stock for another class or series of such capital stock or
- the purchase of fractional interests in shares of the capital stock of the Bank or any of its majority-owned subsidiaries pursuant to the provisions of any security being converted into or exchanged for such capital stock),

the Company will be deemed to have declared Capital Payments on the Company Capital Securities at the Stated Rate in full for payment on the first Payment Date falling contemporaneously with or immediately following the date on which such redemption, repurchase or other acquisition occurred.

Despite sufficient Operating Profits of the Company and sufficient Distributable Profits of the Bank, the Company will not be permitted to make Capital Payments on the Company Capital Securities on any Payment Date (or a date set for redemption or liquidation) if on such date there is in effect an order of the BaFin (or any other relevant regulatory authority) prohibiting the Bank from making any distribution of profits.

The Company will have no obligation to make up, at any time, any Capital Payments not paid in full by the Company as a result of insufficient Operating Profits of the Company or an order of the BaFin.

In determining the availability of sufficient Distributable Profits of the Bank related to any fiscal year to permit Capital Payments to be declared and paid with respect to the Company Capital Securities, any Capital Payments already paid on the Company Capital Securities and any capital payments or

dividends already paid during the succeeding fiscal year of the Bank on Parity Capital Securities and Preferred Tier 1 Securities, if any, on the basis of such Distributable Profits for such fiscal year will be deducted from such Distributable Profits.

Each Capital Payment declared (or deemed to be declared) on the Company Capital Securities will be payable to the holders of record as they appear on the securities register of the Company at the close of business on the corresponding record date. The record dates for the Company Capital Securities will be:

- for those Company Capital Securities held by the Property Trustee, so long as the Trust Preferred Securities remain in book-entry form, and for Company Capital Securities held in book-entry form, at the end of the Business Day immediately preceding the date on which the relevant Capital Payment will be paid, and
- in all other cases, 15 Business Days prior to the relevant Payment Date.

Payment of Additional Amounts

All payments on the Company Capital Securities, and any amount payable in liquidation or upon redemption thereof, will be made without any deduction or withholding for or on account of Withholding Taxes, unless such deduction or withholding is required by law. The Company will pay, as additional Capital Payments (or Arrears of Payments, as the case may be), such Additional Amounts as may be necessary in order that the net amounts received by the holders of the Company Capital Securities and the Trust Preferred Securities, after such deduction or withholding for or on account of Withholding Taxes, will equal the amounts that otherwise would have been received in respect of the Company Capital Securities and the Trust Preferred Securities, respectively, in the absence of such withholding or deduction.

No such Additional Amounts, however, will be payable in respect of the Company Capital Securities and the Trust Preferred Securities:

- if and to the extent that the Company is unable to pay because such payment would exceed the Distributable Profits of the Bank for the fiscal year in respect of which the relevant Capital Payments are payable (after subtracting from such Distributable Profits the amount of Capital Payments on the Company Capital Securities and any payments on Parity Capital Securities and Preferred Tier 1 Securities, if any, already paid on the basis of such Distributable Profits on or prior to the date on which such Additional Amounts will be payable), in which case such Additional Amounts shall be deferred and will thereupon constitute Arrears of Payments;
- with respect to any Withholding Taxes that are payable by reason of a holder or beneficial owner of the Company Capital Securities (other than the Trust) or Trust Preferred Securities having some connection with the Relevant Jurisdiction other than by reason only of the mere holding of the Company Capital Securities or the Trust Preferred Securities;
- with respect to any Withholding Taxes which are deducted or withheld pursuant to (i) any European Union Directive or Regulation concerning the taxation of interest or similar income, or (ii) any international treaty or understanding relating to such taxation and to which the United States, the European Union or Germany is a party, or (iii) any provision of law implementing, or complying with, or introduced to conform with, such Directive, Regulation, treaty or understanding; or
- to the extent such deduction or withholding can be avoided or reduced if the holder or beneficial owner of the Trust Preferred Securities makes a declaration of non-residence or other similar claim for exemption to the relevant tax authority or complies with any reasonable certification, documentation, information or other reporting requirement imposed by the relevant tax authority; *provided, however*, that the exclusion set forth in this clause shall not apply in respect of any certification, information, documentation or other reporting requirement if such requirement would be materially more onerous, in form, in procedure or in the substance of information disclosed, to the holder or beneficial owner of Trust Preferred Securities than comparable information or other reporting requirements imposed under U.S. tax law, regulation and administrative practice (such as IRS Forms 1001, W-8 and W-9).

Voting and Enforcement Rights

The Company Capital Securities will have no voting rights except as expressly required by applicable law or except as indicated below. In the event the holders of the Company Capital Securities are entitled to vote as indicated below, each Company Capital Security shall be entitled to one vote on matters on which holders of the Company Capital Securities are entitled to vote. In the event that:

- the Company fails to pay Capital Payments (plus Additional Amounts, if any) on the Company Capital Securities at the Stated Rate in full for two consecutive Payment Periods; or
- a holder of the Company Capital Securities has notified the Company that the Bank has failed to perform any obligation under the Support Undertaking and such failure continues for 60 days after such notice is given, then the holders of the Company Capital Securities will have the right to appoint the Independent Enforcement Director.

The Independent Enforcement Director will be appointed by resolution passed by a majority of the holders of the Company Capital Securities entitled to vote thereon, as described in the LLC Agreement, present in person or by proxy at a separate general meeting of the holders of the Company Capital Securities convened for that purpose (which will be called at the request of any holder of a Company Capital Security entitled to vote thereon) or by a consent in writing adopted by a majority of the holders of the Company Capital Securities entitled to vote thereon. Any Independent Enforcement Director so appointed will vacate office if, in such Independent Enforcement Director's sole determination:

- the Capital Payments (plus Arrears of Payments and Additional Amounts thereon, if any) on the Company Capital Securities have been made on the Company Capital Securities at the Stated Rate in full by the Company for at least two consecutive Payment Periods and
- the Bank is in compliance with its obligations under the Support Undertaking.

Any such Independent Enforcement Director may be removed at any time, with or without cause by (and will not be removed except by) the vote of a majority of the holders of the outstanding Company Capital Securities entitled to vote, at a meeting of the Company's securityholders, or of holders of the Company Capital Securities entitled to vote thereon, called for that purpose. If the office of Independent Enforcement Director will become vacant at any time during which the holders of the Company Capital Securities are entitled to appoint an Independent Enforcement Director, the holders of the Company Capital Securities will appoint an Independent Enforcement Director as provided above.

The Independent Enforcement Director will be an additional member of the Board of Directors referred to above and will have the sole authority, right and power to enforce and settle any claim of the Company under the Support Undertaking. However, the Independent Enforcement Director will have no right, power or authority to participate in the management of the business and affairs of the Company by the Board of Directors except for:

- actions related to the enforcement of the Support Undertaking on behalf of the holders of the Company Capital Securities, and
- the distribution of amounts paid pursuant to the Support Undertaking to the holders of the Company Capital Securities.

No director, including the Independent Enforcement Director, will be a resident of the Federal Republic of Germany.

So long as any Company Capital Securities are outstanding, the Company will not, without the affirmative vote of at least 66 $\frac{2}{3}$ % in aggregate liquidation amount of the Company Capital Securities, voting separately as a class (excluding any Company Capital Securities held by the Bank or any of its affiliates), (i) amend, alter, repeal or change any provision of the LLC Agreement (including the terms of the Company Capital Securities) if such amendment, alteration, repeal or change would materially adversely affect the rights, preferences, powers or privileges of the Company Capital Securities, (ii) agree to modify or amend any provision of, or waive any default in the payment of any amount under Obligations in any manner that would materially affect the interests of the holders of Company Capital Securities, or (iii) effect any merger, consolidation, or business combination involving the

Company, or any sale of all or substantially all of the assets of the Company, provided, that any such merger, consolidation, or business combination involving the Company, or any sale of all or substantially all of the assets of the Company, also must comply with the requirements set forth under “–Mergers, Consolidations and Sales”.

The Company will not, without the unanimous consent of all the holders of the Company Capital Securities (excluding any Company Capital Securities held by the Bank or any of its affiliates), issue any additional equity securities of the Company ranking prior to or *pari passu* with the Company Capital Securities as to periodic distribution rights or rights on liquidation or dissolution of the Company provided, however, that the Company may, from time to time and without the consent of the holders of the Company Capital Securities, issue additional Company Capital Securities having the same terms and conditions as the Company Capital Securities (or in all respects except for the issue date, the date from which Capital Payments accrue on the Company Capital Securities, the issue price, and any other deviations required for compliance with applicable law) so as to form a single series with the Company Capital Securities in consideration for Obligations of a principal amount equal to the aggregate liquidation amount of such additional Company Capital Securities.

Notwithstanding that holders of the Company Capital Securities may become entitled to vote or consent under any of the circumstances described in the LLC Agreement or in the by-laws of the Company (the “**By-laws**”), any of the Company Capital Securities that are owned by the Bank, the Company or any of their respective affiliates (other than the Trust), either directly or indirectly, will in such case not be entitled to vote or consent and will, for the purposes of such vote or consent, be treated as if they were not outstanding, except for Company Capital Securities purchased or acquired by the Bank or its subsidiaries or affiliates in connection with transactions effected by or for the account of customers of the Bank or any of its subsidiaries or affiliates or in connection with the distribution or trading of or market-making in connection with such Company Capital Securities in the ordinary course of business. However, certain persons (other than subsidiaries or affiliates of the Bank), excluding the Trust, to whom the Bank or any of its subsidiaries or affiliates have pledged Company Capital Securities may vote or consent with respect to such pledged Company Capital Securities pursuant to the terms of such pledge.

Redemption of the Company Capital Securities

The Company Capital Securities are redeemable at the option of the Company, in whole but not in part, on the Initial Redemption Date and on each Payment Date thereafter, at the Redemption Price plus outstanding Arrears of Payments, if any, and Additional Amounts, if any. The Company may exercise its right to redeem the Company Capital Securities only if it has (i) given at least 30 days’ prior notice (or such longer period as required by the relevant regulatory authorities) to the holders of the Company Capital Securities (and the Trust Preferred Securities) of its intention to redeem the Company Capital Securities on the Redemption Date, and (ii) obtained any required regulatory approvals.

The Company will also have a right to redeem the Company Capital Securities at any time, in whole but not in part, upon the occurrence of a Company Special Redemption Event at the Redemption Price, plus outstanding Arrears of Payments, if any, and Additional Amounts, if any.

No redemption of the Company Capital Securities for any reason may take place unless on the Redemption Date: (i) the Company has sufficient funds (by reason of the Obligations, Permitted Investments or the Support Undertaking) to pay the Redemption Price plus outstanding Arrears of Payments, if any, and Additional Amounts, if any; (ii) the Bank has an amount of Distributable Profits at least equal to the Capital Payments on the Company Capital Securities accrued and unpaid as of the Redemption Date plus outstanding Arrears of Payments, if any, and Additional Amounts, if any; and (iii) no order of the BaFin (or any other relevant regulatory authority) is in effect prohibiting the Bank from making any distributions (including to the holders of Parity Capital Securities, if any).

In the event that payment of any redemption price, in respect of any Company Capital Securities, is improperly withheld or refused and not paid, Capital Payments on such Company Capital Securities will continue to accrue from the Redemption Date to the date of actual payment of such redemption price.

Any redemption of the Company Capital Securities, whether on a Payment Date on or after the Initial Redemption Date or upon the occurrence of a Company Special Redemption Event, will not require the vote or consent of any of the holders of the Company Capital Securities.

Redemption Procedures

Notice of any redemption of the Company Capital Securities (a “**Redemption Notice**”) will be given by the Board of Directors on behalf of the Company by mail to the record holder of each Company Capital Security to be redeemed not fewer than 30 days before the date fixed for redemption, or such other time period as may be required by the relevant regulatory authorities. For purposes of the calculation of the Redemption Date and the dates on which notices are given pursuant to the LLC Agreement, a Redemption Notice will be deemed to be given on the day such notice is first mailed, by first-class mail, postage prepaid, to holders of the Company Capital Securities. Each Redemption Notice will be addressed to the holders of the Company Capital Securities at the address of each such holder appearing in the books and records of the Company. No defect in the Redemption Notice or in the mailing thereof with respect to any holder will affect the validity of the redemption proceedings with respect to any other holder.

If the Company gives a Redemption Notice (which notice will be irrevocable) by 10:00 a.m., Frankfurt time, on the Redemption Date, the Company, if the Company Capital Securities are in book-entry only form, will deposit irrevocably with the Principal Paying Agent funds sufficient to pay all amounts due upon such redemption and will give the Principal Paying Agent irrevocable instructions and authority to pay such amounts in respect of the Company Capital Securities held through Clearstream AG in global form, or if the Company Capital Securities are held in definitive form, will deposit with the Principal Paying Agent funds sufficient to pay all amounts due upon such redemption and will give to the Principal Paying Agent irrevocable instructions and authority to pay such amounts to the holders of the Company Capital Securities, upon surrender of their certificates, by check, mailed to the address of the relevant holder of the Company Capital Securities appearing on the books and records of the Company on the Redemption Date.

However, for so long as the Property Trustee will hold the Company Capital Securities, payment will be made by wire in same day funds to the holder of the Company Capital Securities by 10:00 a.m., Frankfurt time, on the Redemption Date. Upon satisfaction of the foregoing conditions, then immediately prior to the close of business on the date of payment, all rights of the holders of the Company Capital Securities will cease, except the right of the holders to receive the applicable redemption price, but without interest on such redemption price, and from and after the date fixed for redemption, the Company Capital Securities will not accrue Capital Payments or bear interest.

If any Redemption Date falls on a day that is not a Business Day, payment of all amounts otherwise payable on such date will be made on next succeeding Business Day, without adjustment, interest or further payment as a result of such delay in payment.

Liquidation Distribution

Upon liquidation of the Company, the holders of the Company Capital Securities have a claim senior to the holder of the Company Common Security; *provided* that any payments made by the Bank pursuant to the Support Undertaking will be payable by the Company solely to the holders of the Company Capital Securities. The holder of the Company Common Security will be entitled to receive the Obligations (including accrued and unpaid interest thereon) as its liquidation distribution.

In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company, holders of the Company Capital Securities will, subject to the limitations described below, be entitled to receive the liquidation amount of such Company Capital Securities, plus accrued and unpaid Capital Payments in respect of the current Payment Period plus Arrears of Payments, if any, and Additional Amounts, if any. The Company expects that the liquidation distribution to the holders of the Company Capital Securities will be paid out of funds received from the Support Undertaking. The holders of the Company Capital Securities will be entitled to receive their liquidation distribution before any distribution of assets is made to the holder of the Company Common Security. Under the

terms of the LLC Agreement and to the fullest extent permitted by law, the Company will not be dissolved until all obligations under the Support Undertaking have been paid in full pursuant to its terms.

Mergers, Consolidations and Sales

The Company may not consolidate, amalgamate, merge with or into, or be replaced by, or convey, transfer or lease its properties and assets substantially as an entirety to, any corporation or other body, except as described below. The Company may, with the consent of the holders of the Company Capital Securities, consolidate, amalgamate, merge with or into, or be replaced by a limited partnership, limited liability company or trust organized as such under the laws of any State of the United States of America, *provided*, that:

- such successor entity either expressly assumes all of the obligations of the Company under the Company Capital Securities or substitutes for the Company Capital Securities other securities having substantially the same terms as the Company Capital Securities (the “**Company Successor Securities**”) so long as the Company Successor Securities are senior to any equity securities or preference shares of the successor entity, with respect to participation in the profits, distributions and assets of the successor entity;
- the Bank expressly acknowledges such successor entity as the holder of the Obligations and holds, directly or indirectly, all of the voting securities (within the meaning of Rule 3a-5 under the 1940 Act) of such successor entity;
- such consolidation, amalgamation, merger or replacement does not cause the Trust Preferred Securities (or, in the event that the Trust is liquidated, the Company Capital Securities (including any Company Successor Securities)) to be downgraded by any nationally recognized rating organization;
- such consolidation, amalgamation, merger or replacement does not adversely affect the powers, preferences and other special rights of the holders of the Trust Preferred Securities or Company Capital Securities (including any Company Successor Securities) in any material respect;
- such successor entity has a purpose substantially identical to that of the Company;
- prior to such consolidation, amalgamation, merger or replacement, the Company has received an opinion of a nationally recognized law firm experienced in such matters to the effect that:
 - such successor entity will be treated as a partnership, and will not be classified as an association or a publicly traded partnership taxable as a corporation, for United States federal income tax purposes,
 - such consolidation, amalgamation, merger or replacement would not cause the Trust to be classified as other than a grantor trust for United States federal income tax purposes,
 - following such consolidation, amalgamation, merger or replacement, such successor entity will not be required to register under the 1940 Act, and
 - such consolidation, amalgamation, merger or replacement will not adversely affect the limited liability of the holders of the Company Capital Securities;
- the Bank provides an undertaking to the successor entity under the Company Successor Securities equivalent to that provided by the Support Undertaking with respect to the Company Capital Securities.

Book-Entry and Settlement

If the Company Capital Securities are distributed to holders of the Trust Preferred Securities in connection with the involuntary or voluntary liquidation, dissolution, winding up or termination of the Trust, the Company will use reasonable efforts to arrange for the Company Capital Securities to be issued in the form of one or more global certificates (each a “**Global Security**”) registered in the name of Clearstream AG. As of the date of this Offering Circular, the description herein of Clearstream AG’s book-entry system and practices as they relate to purchases, transfers, notices and pay-

ments with respect to the Trust Preferred Securities will apply in all material respects to any Company Capital Securities represented by one or more Global Securities.

Registrar, Transfer Agent and Paying Agent

The Bank will act as registrar, transfer agent and paying agent for the Company Capital Securities. Registration of transfers of the Company Capital Securities will be effected without charge by or on behalf of the Company, but upon payment (with the giving of such indemnity as the Transfer Agent may require) in respect of any tax or other governmental charges that may be imposed in relation to it. The Transfer Agent will not be required to register or cause to be registered the transfer of the Company Capital Securities after such Company Capital Securities have been called for redemption.

Miscellaneous

The Board of Directors is authorized and directed to conduct the affairs of the Company in such a way that (i) the Company will not be deemed to be required to register under the 1940 Act and (ii) the Company will not be treated as an association or as a “publicly traded partnership” (within the meaning of Section 7704 of the Code) taxable as a corporation for United States federal income tax purposes. In this connection, the Board of Directors is authorized to take any action, not inconsistent with applicable law or the LLC Agreement, that the Board of Directors determines in its discretion to be necessary or desirable for such purposes, so long as such action does not adversely affect the interests of the holders of the Company Capital Securities.

The Company Capital Securities may not be purchased by or transferred to any employee benefit plan subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended, any plan or arrangement subject to Section 4975 of the U.S. Internal Revenue Code of 1986, as amended, or any entity whose underlying assets include the assets of any such employee benefit plans, plans or arrangements.

DESCRIPTION OF THE SUPPORT UNDERTAKING

The following summary sets forth the material terms and provisions of the Support Undertaking. This summary is qualified in its entirety by reference to the terms and provisions of such agreement.

The Bank and the Company will enter into the Support Undertaking prior to the issuance of the Company Capital Securities, pursuant to which the Bank will undertake that (i) the Company will at all times be in a position to meet its obligations if and when such obligations are due and payable, including Capital Payments declared (or deemed declared) on the Company Capital Securities and payments due upon redemption of the Company Capital Securities (plus outstanding Arrears of Payments, if any, and Additional Amounts, if any), and (ii) in liquidation, the Company will have sufficient funds to pay the liquidation amounts of the Company Capital Securities, plus any accrued and unpaid Capital Payments for the then current Payment Period to but excluding the date of liquidation, outstanding Arrears of Payments, if any, and Additional Amounts, if any. The Bank will also undertake not to give any guarantee or similar undertaking with respect to, or enter into any other agreement relating to the support of, or payment of any amounts in respect of any ownership interests in the capital of any other affiliated entity that rank senior to the preference shares, if any, of such entity and junior to all other securities of such entity that (i) rank senior to the preference shares, if any, of such entity and (ii) do not, by their terms rank *pari passu* with such ownership interests, which guarantee or similar undertaking would rank senior in any regard to the Support Undertaking unless the Support Undertaking is amended so that it ranks at least *pari passu* with and contains substantially equivalent rights of priority as to payment as any such other guarantee or other support agreement.

So long as any Company Capital Securities remain outstanding, the Support Undertaking may not be modified or terminated without the consent of the holders of the Company Capital Securities except for such modifications that are not adverse to the interests of the holders of the Company Capital Securities. The Support Undertaking is not a guarantee of any kind that the Company will at any time have sufficient assets to declare a Capital Payment or other distribution.

The Bank's obligations under the Support Undertaking will (i) be subordinated to all senior and subordinated debt obligations of the Bank (including profit participation rights (*Genussscheine*)), (ii) rank senior to all preference shares, Preferred Tier 1 Securities and the common shares of the Bank and (iii) unless otherwise expressly provided in the terms thereof, rank *pari passu* with any instrument or contractual obligation of the Bank ranking junior to any of the instruments included in clause (i) and senior to any of the instruments or contractual obligations of the Bank included in clause (ii).

The holders of the Company Capital Securities will be third-party beneficiaries of the Support Undertaking. As titleholder of the Company Capital Securities for the benefit of the holders of the Trust Securities, the Property Trustee will have the power to exercise all rights, powers and privileges with respect to the Company Capital Securities under the Support Undertaking. If a holder of the Company Capital Securities has notified the Company that the Bank has failed to perform any obligation under the Support Undertaking, and such failure continues for 60 days or more after such notice is given, the holders of the Company Capital Securities (and the Trust Preferred Securities representing Company Capital Securities) will have the right to appoint the Independent Enforcement Director, who will be required to enforce the rights of the Company under the Support Undertaking.

All payments under the Support Undertaking will be distributed by the Company *pro rata* to holders of the Company Capital Securities until the holders of the Company Capital Securities receive the full amount payable under the Support Undertaking. So long as the Trust holds Company Capital Securities, the Property Trustee will distribute such payments received by the Trust to the holders of the Trust Preferred Securities *pro rata*.

The Bank will also undertake not to give any guarantee or similar undertaking with respect to, or enter into any other agreement relating to the support of, or payment of any amounts in respect of any Group Capital Securities of any of its affiliates which guarantee or similar undertaking would rank senior in any regard to the Support Undertaking unless the Support Undertaking is amended so that it ranks at least *pari passu* with and contains substantially equivalent rights of priority as to payment as any such other guarantee or other support agreement.

The Support Undertaking will be governed by, and construed in accordance with, German law.

DESCRIPTION OF THE SERVICES AGREEMENT

The following summary sets forth the material terms and provisions of the Services Agreement. This summary is qualified in its entirety by reference to the terms and provisions of such agreement.

Under the Services Agreement, the Bank or a majority-owned affiliate will be obligated, among other things, to provide legal, accounting, tax and other support services to the Trust and the Company, to maintain compliance with all applicable U.S. and German local, state and federal laws, and to provide administrative, recordkeeping and secretarial services for the Company and the Trust. The fees and expenses of the Company and the Trust, including, in each case, any taxes, duties, assessments or governmental charges of whatsoever nature (other than Withholding Taxes) imposed by Germany, the United States or any other taxing authority upon the Company or the Trust, and all other obligations of the Company and the Trust (other than with respect to the Trust Securities or the Company Securities) will be paid by the Bank or a majority-owned affiliate pursuant to the Services Agreement.

The Services Agreement does not prevent the Bank or any of its affiliates or employees from engaging in any other activities. The Services Agreement has an initial term of five years and is renewable automatically for additional five year periods unless the Company delivers a notice of nonrenewal in accordance with the terms of the Services Agreement.

The Services Agreement will be governed by, and construed in accordance with, the laws of the State of Delaware.

DESCRIPTION OF THE TERMS OF THE INITIAL OBLIGATION

The following summary sets forth the material terms and provisions of the Initial Obligation. This summary is qualified in its entirety by reference to the terms and provisions of the Initial Obligation.

General

The Principal Amount of the Initial Obligation is € 300,001,000 (subdivided into individual notes, each with a nominal amount of € 1,000) and is substantially equal to the sum of the aggregate liquidation amount of the Company Capital Securities plus the amount contributed by the Bank in return for the Company Common Security. Substantially all of the proceeds from the issuance of the Company Capital Securities, together with the funds contributed by the Bank in return for the Company Common Security, were used by the Company to purchase the Initial Obligation. The aggregate Principal Amount of the purchased Initial Obligation is such that the aggregate interest income paid on the Initial Obligation on any Interest Payment Date will be sufficient to make the aggregate Capital Payments on the Company Capital Securities on a corresponding Payment Date. The purchase of the Initial Obligation occurred contemporaneously with the issuance of the Company Capital Securities. The Initial Obligation will not be listed on any stock exchange.

The Initial Obligation consists of an issue of subordinated notes issued by the Bank on the Closing Date which will mature on June 27, 2035 (the “**Maturity Date**”). Interest will accrue on each individual note comprising a portion of the Principal Amount, and will be payable annually in arrears on June 27, of each year, commencing June 27, 2006. Interest Payments payable on each Interest Payment Date will accrue from and including the immediately preceding Interest Payment Date (or June 27 2005 with respect to Interest Payments payable on June 27, 2006), up to but excluding the relevant Interest Payment Date, at a rate per annum equal to (i) for the first five Interest Periods, 7% and (ii) for each Interest Period thereafter, the Floating Rate for such Interest Period, which shall in no event be less than 1.75% or more than the 10 Year EUR CMS Rate for such Interest Period.

For each Interest Period, Interest Payments will be calculated on the basis of the actual number of days elapsed in a year of 365 or 366 days, as the case may be, and rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

If any Interest Payment Date or Obligation Redemption Date falls on a day that is not a Business Day, payment of all amounts otherwise payable on such date will be made on the next succeeding Business Day, without adjustment, interest or further payment as a result thereof.

Payment of interest on the Initial Obligation and any repayment upon redemption thereof, will be made without withholding or deduction for or on account of any present or future taxes, duties or governmental charges of any nature whatsoever imposed, levied or collected by or on behalf of Germany or the jurisdiction of any substitute obligor or any potential subdivision thereof or any other jurisdiction from which such payment is made unless such deduction or withholding is required by law. In such event, the Bank or other obligor will pay as additional interest such additional amounts (“**Additional Interest Amounts**”) as may be necessary in order that the net amounts received by the Company will equal the amounts that otherwise would have been received had no such withholding or deduction been required; *provided*, that the obligation of the Bank or such obligor to pay such Additional Interest Amounts shall not apply to:

- any tax which is payable otherwise than by deduction or withholding;
- any tax imposed on the net income of the holder of the Initial Obligation or that is payable by reason of the holder having some connection with the jurisdiction imposing such tax other than by reason only of the mere holding of the Initial Obligation;
- with respect to any Withholding Taxes which are deducted or withheld pursuant to (i) any European Union Directive or Regulation concerning the taxation of interest or similar income, or (ii) any international treaty or understanding relating to such taxation and to which the United States, the European Union or Germany is a party, or (iii) any provision of law implementing, or complying with, or introduced to conform with, such Directive, Regulation, treaty or understanding; or

- any tax to the extent the same would not have been so imposed but for the presentation of any Initial Obligation for payment on a date more than 15 days after the date on which payment became due and payable or the date on which payment thereof is duly provided for, whichever occurs later.

The Initial Obligation will not be redeemable prior to June 27, 2015 except upon the occurrence of a (1) Regulatory Event, (2) a Tax Event or (3) an Investment Company Act Event with respect to the Company, or in the event of replacement with Substitute Obligations. Subject to having obtained any required regulatory approvals, the Bank may cause the redemption of the Initial Obligation in whole but not in part at any time, upon: (i) the occurrence of any of the events numbered (1), (2) or (3) above and the election of the Company to redeem the Company Capital Securities and (ii) at least 30 days' prior notice. Exercise of the Bank's redemption right is conditional upon replacement of the Principal Amount of the Obligation to be redeemed by paying in other, at least equivalent own funds (*haftendes Eigenkapital*) within the meaning of the KWG, or prior approval of the BaFin or any successor authority of such early redemption.

The Bank may, at its option, redeem the Initial Obligation, in whole or in part, on any Interest Payment Date on or after the Initial Obligation Redemption Date (each an "Obligation Redemption Date"), upon at least 30 days' prior notice, subject to having obtained any required regulatory approvals.

Any redemption of the Initial Obligation will be at a redemption price equal to the Principal Amount to be redeemed plus accrued and unpaid interest thereon, and Additional Interest Amounts, if any. The Bank may not cause any redemption of the Initial Obligation prior to the Maturity Date (except upon the occurrence of a Company Special Redemption Event) unless (i) the Initial Obligation are replaced with Substitute Obligations, or (ii) the Company is permitted and has elected to redeem an equivalent liquidation amount of the Company Capital Securities as described above, in accordance with the LLC Agreement.

In the event of any default on the Obligations, the Company will enforce its rights for payment of any overdue amounts, but will not be able to accelerate the maturity of the Initial Obligation.

Subordination

The Initial Obligation is the general unsecured debt obligation of the Bank and in the liquidation of the Bank will rank subordinate and junior to all senior indebtedness of the Bank and *pari passu* with other subordinated obligations of the Bank. In the event of dissolution, liquidation, bankruptcy, composition or other proceedings for the avoidance of bankruptcy of, or against, the Bank, such obligations will be subordinated to the claims of all unsubordinated creditors of the Bank so that in any event no amounts shall be payable under such obligations until the claims of all unsubordinated creditors of the Bank shall have been satisfied in full.

The Company, as the holder of the Initial Obligation, also agreed by its acceptance thereof that it waives any rights it may have to set off claims under the Initial Obligation against claims the Bank may have against it. Pursuant to § 10, subparagraph (5a) of the German Banking Act, if the Bank redeems, repurchases or repays the Initial Obligation prior to a date on which such redemption or repayment is permitted under the terms thereof, notwithstanding any agreements to the contrary, any amounts so paid to a holder of the Initial Obligation must be repaid to the Bank unless a statutory exemption (replacement of the Principal Amount with at least equivalent own funds or prior approval of the BaFin) applies.

The obligations of the Bank under the Initial Obligation may not be secured by any lien, security interest or other encumbrance on any property of the Bank or any other person and, except as permitted by applicable law, the Bank shall not, directly or indirectly, acquire for its own account, finance for the account of any other person the acquisition of, or accept as security for any obligation owed to it, any of the Initial Obligation. The Bank is also prohibited from amending the terms of the Initial Obligation to limit the subordination provisions or change the Initial Obligation Redemption Date to an earlier date.

Substitution; Redemption and Reinvesting of Proceeds

At any time, the Bank will have the right to (i) substitute another obligor on the Obligations, in whole or in part, which obligor will be a branch of the Bank or a majority-owned subsidiary that is consolidated with the Bank for German bank regulatory purposes, or (ii) replace the Obligations, in whole or in part, with Substitute Obligations issued by the Bank or a majority-owned subsidiary that is consolidated with the Bank for German bank regulatory purposes with identical terms to those of the Initial Obligation; *provided*, in each case, that (a) such substitution or replacement does not result in a Company Special Redemption Event and (b) the Bank (which may act through a branch) guarantees on a subordinated basis, at least equal to the ranking of the Initial Obligation, the obligations of the new substitute obligor.

After the Maturity Date, if the Company Capital Securities have not been redeemed, the Company will invest in Permitted Investments. The Company will attempt to purchase Permitted Investments in the following order of priority, to the extent the same are available (and within each category on terms that are the best available in relation to providing funds for the payment of Capital Payments, Arrears of Payments and the redemption of the Company Capital Securities):

- first, obligations of one or more majority-owned subsidiaries of the Bank, unconditionally guaranteed by the Bank (which may act through a branch) on a basis that ranks at least *pari passu* with the Initial Obligation; or
- second, in the event such an investment is not available, in United States Treasury securities.

Governing Law

The Initial Obligation is governed by the laws of Germany.

LEGAL MATTERS

Certain matters of Delaware law relating to the validity of the Trust Preferred Securities and the Company Capital Securities will be passed upon for the Trust, the Company, the Delaware Trustee and the Bank by Richards, Layton & Finger, P.A., Wilmington, Delaware. Certain matters of the law of Germany, New York and the United States of America will be passed upon for the Trust, the Company and the Bank by the legal department of the Bank and for the Managers by Cleary Gottlieb Steen & Hamilton LLP, Frankfurt am Main, Germany.

CAPITALIZATION OF DEUTSCHE BANK GROUP

The following table sets forth the unaudited capitalization of Deutsche Bank Group as of March 31, 2005. For information on the financial condition of the Deutsche Bank Group as of December 31, 2004, see the Consolidated Financial Statements included herein.

	As of March 31, 2005
	Actual
	(€ in millions)
Deposits	348,857
Trading liabilities	171,928
Central bank funds purchased and securities sold under repurchase agreements	113,249
Securities loaned	20,887
Other short-term borrowings	25,295
Other liabilities	74,780
Long-term debt	115,177
Obligation to purchase common shares	3,872
Total liabilities ⁽¹⁾	874,045
Common shares, no par value, nominal value of € 2.56	1,404
Additional paid-in capital	11,314
Retained earnings	20,982
Common shares in treasury, at cost	(1,909)
Equity classified as obligation to purchase common shares	(3,872)
Share awards	1,872
Accumulated other comprehensive income	
Deferred tax on unrealized net gains on securities available for sale relating to 1999 and 2000 tax rate changes in Germany	(2,677)
Unrealized net gains (losses) on securities available for sale, net of applicable tax and other	1,722
Unrealized net gains (losses) on derivatives hedging variability of cash flows, net of tax	33
Minimum pension liability, net of tax	(1)
Foreign currency translation, net of tax	(2,042)
Total accumulated other comprehensive loss	(2,965)
Total shareholders' equity	26,826
Total liabilities and shareholders' equity ⁽¹⁾	900,871

⁽¹⁾ There has been no material change to the capitalization of the Bank since March 31, 2005.

THE BANK

Incorporation, Registered Office and Objectives

The Bank originated from the reunification of Norddeutsche Bank Aktiengesellschaft, Hamburg, Rheinisch-Westfälische Bank Aktiengesellschaft, Düsseldorf and Süddeutsche Bank Aktiengesellschaft, Munich; pursuant to the Law on the Regional Scope of Credit Institutions, these had been disincorporated in 1952 from the Bank, which was founded in 1870. The merger and the name were entered in the Commercial Register of the District Court Frankfurt am Main on May 2, 1957. The Bank is a banking institution and a stock corporation incorporated under the laws of Germany under registration number HRB 30 000. The Bank has its registered office in Frankfurt am Main, Germany. It maintains its head office at Taunusanlage 12, 60325, Frankfurt am Main, and branch offices in Germany and abroad including in London, New York, Sydney, Tokyo and an Asia-Pacific Head Office in Singapore, which serve as hubs for its operations in the respective regions.

The Bank is the parent company of a group consisting of banks, capital market companies, fund management companies, a property finance company, installment financing companies, research and consultancy companies and other domestic and foreign companies (the **“Deutsche Bank Group”**).

The objects of the Bank, as laid down in its Articles of Association, include the transaction of all kinds of banking business, the provision of financial and other services and the promotion of international economic relations. The Bank may realize these objectives itself or through subsidiaries and affiliated companies. To the extent permitted by law, the Bank is entitled to transact all business and to take all steps which appear likely to promote the objectives of the Bank, in particular: to acquire and dispose of real estate, to establish branches at home and abroad, to acquire, administer and dispose of participations in other enterprises, and to conclude enterprise agreements.

The duration of the Bank is unlimited.

In accordance with German law, the Bank has both a Supervisory Board (*Aufsichtsrat*) and a Board of Managing Directors (*Vorstand*). These Boards are separate; no individual may be a member of both. The Supervisory Board appoints the members of the Board of Managing Directors and supervises the activities of this Board. The Board of Managing Directors represents Deutsche Bank and is responsible for its management.

The Board of Managing Directors consists of:

Dr. Josef Ackermann	Spokesman of the Board of Managing Directors
Dr. Clemens Börsig	Chief Financial Officer (CFO) and Chief Risk Officer (CRO)
Dr. Tessen von Heydebreck	Chief Administrative Officer (CAO)
Hermann-Josef Lamberti	Chief Operating Officer (COO)

The Supervisory Board consists of the following 20 members:

Dr. Rolf-E. Breuer	Chairman Frankfurt am Main
Heidrun Förster (*)	Deputy Chairperson Deutsche Bank Privat- und Geschäftskunden AG Berlin
Dr. jur. Dr.-Ing. E. h. Heinrich von Pierer	Chairman of the Supervisory Board of Siemens Aktiengesellschaft Munich
Dr. Karl-Gerhard Eick	Deputy Chairman of the Board of Management of Deutsche Telekom AG Bonn
Klaus Funk (*)	Deutsche Bank Privat- und Geschäftskunden AG Frankfurt am Main

(*) Elected by the staff in Germany.

Ulrich Hartmann	Chairman of the Supervisory Board of E.ON AG Düsseldorf
Sabine Horn (*)	Deutsche Bank AG Frankfurt am Main
Rolf Hunck (*)	Deutsche Bank AG Hamburg
Sir Peter Job	London
Prof. Dr. Henning Kagermann	Chairman and CEO of the Board of Management of SAP AG Walldorf/Baden
Ulrich Kaufmann (*)	Deutsche Bank AG Düsseldorf
Prof. Dr. Paul Kirchhof	Director of the Institute for Finance and Tax Law and Head of the Research Group "Federal Tax Code of Germany" at the University of Heidelberg
Henriette Mark (*)	Deutsche Bank AG Munich
Margret Mönig-Raane (*)	Vice President of the Unified Services Union Berlin
Gabriele Platscher (*)	Deutsche Bank Privat- und Geschäftskunden AG Braunschweig
Karin Ruck (*)	Deutsche Bank AG Bad Soden am Taunus
Tilman Todenhöfer	Managing Partner of Robert Bosch Industrietreuhand KG Stuttgart
Dipl.-Ing. Dr.-Ing. E. h. Jürgen Weber	Chairman of the Supervisory Board of Deutsche Lufthansa AG Hamburg
Dipl.-Ing. Albrecht Woeste	Chairman of the Supervisory Board and the Shareholders' Committee of Henkel KgaA Düsseldorf
Leo Wunderlich (*)	Deutsche Bank AG Mannheim

(*) Elected by the staff in Germany.

The members of the Board of Managing Directors accept membership on the Supervisory Boards of other corporations within the limits prescribed by law.

The business address of each member of the Board of Managing Directors of the Bank is Taunusanlage 12, 60262 Frankfurt am Main, Germany.

Share Capital

As of March 31, 2005, the issued share capital of the Bank amounted to € 1,403,558,410.24 consisting of 548,265,004 ordinary shares without par values. The shares are fully paid up and in registered form. They are listed for trading and official quotation on all the German Stock Exchanges. They are also listed on the Stock Exchanges in Amsterdam, Brussels, London, Luxembourg, New York, Paris, Tokyo, Vienna and Zurich.

Financial Year

The financial year of the Bank is the calendar year.

Auditors

The independent auditors of Deutsche Bank are KPMG Deutsche Treuhand Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft ("**KPMG**"), Marie-Curie-Strasse 30, 60439 Frankfurt am Main, Germany. KPMG audited Deutsche Bank's non-consolidated financial statements for the years ended December 31, 2002, 2003 and 2004, which were prepared in accordance with the German Commercial Code ("**HGB**"). In accordance with § 292a HGB, the consolidated financial statements for the years ended December 31, 2002, 2003 and 2004 were prepared in accordance with United States Generally Accepted Accounting Principles ("**U.S. GAAP**") and audited by KPMG. In each case an unqualified auditor's certificate has been provided.

Litigation

Other than set out herein the Bank is not, or during the last two financial years has not been involved (whether as defendant or otherwise) in, nor does it have knowledge of any threat of any legal, arbitration, administrative or other proceedings the result of which may have, in the event of an adverse determination, a significant effect on its financial condition presented in this Offering Circular.

Research Analyst Independence Investigations

On August 26, 2004, Deutsche Bank Securities Inc. ("**DBSI**"), Deutsche Bank's U.S. broker-dealer subsidiary, reached a settlement with the U.S. Securities and Exchange Commission, the National Association of Securities Dealers, the New York Stock Exchange and state securities regulators ("**U.S. securities regulators**") concerning investigations relating to research analyst independence. The U.S. securities regulators had previously settled similar charges with ten other investment banks. In settling the investigation, DBSI neither admitted nor denied the allegations, and agreed to pay: (i) \$ 50 million, of which \$ 25 million is a civil penalty and \$ 25 million is for restitution to investors; (ii) \$ 25 million over five years (starting in the first quarter of 2005) to provide third-party research to clients; (iii) \$ 5 million over five years to fund investor education programs; and (iv) \$ 7.5 million as a penalty in connection with late production of email in the course of the investigation. In addition, DBSI agreed to adopt certain reforms designed to bolster analyst independence. DBSI had previously implemented many of these reforms. Deutsche Bank has provided for the current exposures in its consolidated financial statements.

IPO Allocation Litigation

DBSI and its predecessor firms, along with numerous other securities firms, have been named as defendants in over 80 putative class action lawsuits pending in the United States District Court for the Southern District of New York. These lawsuits allege violations of securities and antitrust laws in connection with the allocation of shares in a large number of initial public offerings ("**IPOs**") by issuers, officers and directors of issuers, and underwriters of those securities. DBSI is named in these suits as an underwriter. The purported securities class actions allege material misstatements and omissions in registration statements and prospectuses for the IPOs and market manipulation with respect to aftermarket trading in the IPO securities. Among the allegations are that the underwriters tied the receipt of allocations of IPO shares to required aftermarket purchases by customers and to the payment of undisclosed compensation to the underwriters in the form of commissions on securities trades, and that the underwriters caused misleading analyst reports to be issued. The antitrust claims allege an illegal conspiracy to affect the stock price based on similar allegations that the underwriters required aftermarket purchases and undisclosed commissions in exchange for allocation of IPO stocks. In the purported securities class actions, the motions to dismiss the complaints of DBSI and others were denied on February 13, 2003. Plaintiffs' motion to certify six "test" cases as class actions in the securities cases was granted on October 13, 2004, and DBSI and other defendants have filed a petition for permission to appeal that decision to the Court of Appeals for the Second Circuit. Discovery in the securities cases is underway. In the purported antitrust class action, the defendants' motion to dismiss the complaint was granted on November 3, 2003, and the plaintiffs subsequently appealed to the Court of Appeals for the Second Circuit. The appeal has been fully briefed and argued and the parties are awaiting a decision by the court.

Enron Litigation

The Bank and certain of its affiliates are collectively involved in more than 25 lawsuits arising out of their banking relationship with Enron Corp., its subsidiaries and certain Enron-related entities ("**Enron**"). These lawsuits include a series of purported class actions brought on behalf of shareholders of Enron, including the lead action captioned *Newby v. Enron Corp.* The consolidated complaint filed in *Newby* named as defendants, among others, the Bank, several other investment banking firms, a number of law firms, Enron's former accountants and affiliated entities and individuals and other individual defendants, including present and former officers and directors of Enron, and it purported to allege claims against the Bank under federal securities laws. On December 20, 2002, the Court dismissed all of the claims alleged in the *Newby* action against the Bank. Plaintiffs in *Newby* filed a first amended consolidated complaint on May 14, 2003 and reasserted claims against the Bank under federal securities laws and also added similar claims against its subsidiaries DBSI and Deutsche Bank Trust Company Americas ("**DBTCA**"). On March 29, 2004, the Court dismissed in part the claims alleged in the *Newby* action against the Deutsche Bank entities. Plaintiffs in *Newby* have filed a motion seeking reconsideration of the Deutsche Bank entities' partial dismissal, which motion is pending.

Also, an adversary proceeding has been brought by Enron in the bankruptcy court against, among others, the Bank and certain of its affiliates. In this adversary proceeding, Enron seeks damages from the Deutsche Bank entities, as well as the other defendants, for alleged aiding and abetting breaches of fiduciary duty by Enron insiders, aiding and abetting fraud and unlawful civil conspiracy, and also seeks return of alleged fraudulent conveyances and preferences and equitable subordination of their claims in the Enron bankruptcy. The Deutsche Bank entities' motion to partially dismiss the adversary complaint is pending.

In addition to *Newby* and the adversary proceeding described above, there are third-party actions brought by Arthur Andersen in Enron-related cases asserting contribution claims against the Bank, DBSI and many other defendants, and individual and putative class actions brought in various courts by Enron investors and creditors alleging federal and state law claims against the same entities named by Arthur Andersen, as well as DBTCA. Deutsche Bank entities, along with various investors, creditor plaintiffs, the Enron bankruptcy estate and various financial institutions, have participated in court-ordered mediation before the Honorable William C. Conner, Senior United States District Judge for the Southern District of New York.

WorldCom Litigation

The Bank and DBSI are defendants in more than 40 actions filed in federal and state courts arising out of alleged material misstatements and omissions in the financial statements of WorldCom Inc. DBSI was a member of the syndicate that underwrote WorldCom's May 2000 and May 2001 bond offerings, which are among the bond offerings at issue in the actions. Deutsche Bank AG, London branch was a member of the syndicate that underwrote the sterling and euro tranches of the May 2001 bond offering. Plaintiffs are alleged purchasers of these and other WorldCom debt securities. The defendants in the various actions include certain WorldCom directors and officers, WorldCom's auditor and members of the underwriting syndicates for the debt offerings. Plaintiffs allege that the offering documents contained material misstatements and/or omissions regarding WorldCom's financial condition. The claims against the Bank and DBSI are made under federal and state statutes (including securities laws), and under various common law doctrines. The largest of the actions against the Bank and DBSI is a class action litigation in the U.S. District Court in the Southern District of New York, in which the class plaintiffs are the holders of a significant majority of the bonds at issue. On March 10, 2005, the Bank and DBSI reached a settlement agreement, subject to court approval, resolving the class action claims asserted against them, for a payment of approximately \$ 325 million. The settlement of the class action claims does not resolve the individual actions brought by investors who chose to opt out of the federal class action. The financial effects of the class action settlement are reflected in the Bank's 2004 consolidated financial statements.

In the Matter of KPMG LLP Certain Auditor Independence Issues

On November 20, 2003, the SEC requested that the Bank produce certain documents in connection with an ongoing investigation of certain auditor independence issues relating to KPMG LLP. Deutsche Bank is cooperating with the SEC in its inquiry. KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft ("**KPMG DTG**"), a KPMG LLP affiliate, is the Bank's auditor. During all relevant periods, including the present, KPMG DTG has confirmed with the Bank that KPMG DTG was and is "independent" from the Bank under applicable accounting and SEC regulations.

Kirch Litigation

In May 2002, Dr. Leo Kirch personally and as an assignee initiated legal action against Dr. Breuer and the Bank alleging that a statement made by Dr. Breuer (then the Spokesman of the Bank's Board of Managing Directors) in an interview with Bloomberg television on February 4, 2002 regarding the Kirch Group was in breach of laws and financially damaging to Kirch. On February 18, 2003, the Munich District Court No. I issued a declaratory judgment to the effect that the Bank and Dr. Breuer were jointly and severally liable for damages to Dr. Kirch, TaurusHolding GmbH & Co. KG and Print-Beteiligungs GmbH as a result of the interview statement. Upon appeal, the Munich Superior Court on December 10, 2003 reaffirmed the decision of the District Court against the Bank, whereas the case against Dr. Breuer was dismissed. Both Dr. Kirch and the Bank have filed motions with the Supreme Court in Civil Matters to set the judgment of the Superior Court aside. The Supreme Court is expected to hold a hearing on the appeals of both sides in fall 2005. To be awarded a judgment for damages against the Bank, Dr. Kirch would have to file a new lawsuit; in such proceedings he would have to prove that the statement caused financial damages and the amount thereof. In mid 2003 Dr. Kirch instituted legal action in the Supreme Court of the State of New York in which he seeks the award of compensatory and punitive damages based upon Dr. Breuer's interview. Upon referral to the U.S. District Court for the Southern District of New York, the case was dismissed on September 24, 2004. Dr. Kirch appealed this decision.

Philipp Holzmann AG

Philipp Holzmann AG ("**Holzmann**") is a major German construction firm that filed for insolvency in March 2002. The Bank had been a major creditor bank and holder of an equity interest of Holzmann for many decades, and, from April 1997 until April 2000, a former member of the Bank's Board of Managing Directors was the Chairman of its Supervisory Board. When Holzmann had become insolvent at the end of 1999, a consortium of banks led by the Bank participated in late 1999 and early 2000 in a restructuring of Holzmann that included the banks' extension of a credit facility, participation in a capital increase and exchange of debt into convertible bonds. In March 2002, Holzmann and several of its subsidiaries, including in particular imbau Industrielles Bauen GmbH ("**imbau**"), filed for insolvency. As a result of this insolvency, the administrators for Holzmann and for imbau and a group of bondholders have informed the Bank they may assert claims against the Bank because of the Bank's role as lender to the Holzmann group prior to and after the restructuring and as leader of the consortium of banks which supported the restructuring. The purported claims include claims that amounts repaid to the banks constituted voidable preferences that should be returned to the insolvent entities and claims of lender liability resulting from the banks' support for an allegedly infeasible restructuring. Although the Bank is in ongoing discussions, it cannot exclude that some of the parties may file lawsuits against it. To date, the administrator for imbau filed a lawsuit against the Bank in August 2004 alleging that payments received by the Bank in respect of a loan made to imbau in 1997 and 1998 and in connection with a real estate transaction that was part of the restructuring constituted voidable preferences that should be returned to the insolvent entity. Additionally, Gebema N.V. filed a lawsuit in 2000 seeking damages against the Bank alleging deficiencies in the offering documents based on which Gebema N.V. had invested in equity and convertible bonds of Holzmann in 1998.

General

Due to the nature of the Bank's business, the Bank and its subsidiaries is involved in litigation, arbitration and regulatory proceedings in Germany and in a number of jurisdictions outside Germany,

including the United States, arising in the ordinary course of its businesses. Such matters are subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. Although the final resolution of any such matters could have a material effect on the Bank's consolidated operating results for a particular reporting period, the Bank believes that it should not materially affect its consolidated financial position.

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APPENDIX A: SUPPORT UNDERTAKING

This Agreement (the “**Agreement**”), dated June 27, 2005, is entered into between Deutsche Bank Aktiengesellschaft, a German stock corporation, (the “**Bank**”) and Deutsche Bank Capital Finance LLC I, a Delaware limited liability company (the “**Company**”).

WITNESSETH:

WHEREAS, the Bank owns the Common Security of the Company;

WHEREAS, pursuant to the LLC Agreement (as defined below), the Company will issue the Company Capital Securities to the Trust;

WHEREAS, pursuant to the Trust Agreement (as defined below), the Trust will issue the Trust Preferred Securities with the same terms as, and representing corresponding amounts of, the Company Capital Securities;

WHEREAS, the Company intends to use the proceeds from the issuance of the Company Capital Securities to purchase subordinated notes of the Bank;

WHEREAS, the Company may from time to time declare capital payments on the Company Capital Securities pursuant to and in accordance with the LLC Agreement; and

WHEREAS, the Bank wishes to undertake for the benefit of the Company and the holders of the Company Capital Securities that (i) the Bank will maintain direct or indirect ownership of the Common Security, (ii) the Company will at all times be in a position to meet its obligations, including its obligation to pay Capital Payments and amounts due upon redemption of the Company Capital Securities, including in each case, Additional Amounts thereon, if any, and (iii) in liquidation or dissolution, the Company will have sufficient funds to pay the Liquidation Preference Amounts.

NOW, THEREFORE, the parties agree as follows:

Section 1. *Certain Definitions.*

“**Agreement**” has the meaning specified in the preamble.

“**Bank**” has the meaning specified in the preamble.

“**Capital Payments**” mean any capital payments or other distributions at any time after the date hereof declared by the Board of Directors of the Company (or deemed declared in accordance with the LLC Agreement), but not yet paid, on the Company Capital Securities.

“**Common Security**” means the common security, without par value, of the Company.

“**Company**” has the meaning specified in the preamble.

“**Company Capital Securities**” mean the class of securities in the Company representing interests in the capital of the Company, with a liquidation amount of € 1,000 per security.

“**Group Capital Securities**” of any person means any interests in the capital of such person that rank (A) senior to the preference shares, Preferred Tier 1 Securities and common shares of such person and (B) junior to all other obligations of such person that (i) rank senior to the preference shares and Preferred Tier 1 Securities, if any, of such person and (ii) do not by their terms rank *pari passu* with such interests.

“**Independent Enforcement Director**” means the independent member of the board of directors of the Company appointed by the holders of the Company Capital Securities entitled to vote thereon upon the occurrence of certain events in accordance with, and under the terms set forth in, the LLC Agreement.

“Liquidation Preference Amounts” mean the stated liquidation preference amounts of the Company Capital Securities and any other amounts due and payable under the LLC Agreement upon the voluntary or involuntary liquidation, dissolution, winding up or termination of the Company to the holders of the Company Capital Securities.

“LLC Agreement” means the limited liability company agreement of the Company dated as of December 16, 2004, as amended and restated as of June 27, 2005 and as the same may be further amended from time to time in accordance with its terms.

“Payment Period” has the meaning set forth in the LLC Agreement.

“Person” means any individual, corporation, association, partnership (general or limited), joint venture, trust, estate, limited liability company, or other legal entity or organization.

“Preferred Tier 1 Securities” of any person means each class of the most senior ranking preference shares of such person and any other instruments of such person (other than common shares) qualifying as Tier 1 Regulatory Capital and, if such person is the Bank, Preferred Tier 1 Subsidiary Securities.

“Preferred Tier 1 Subsidiary Securities” means the most senior ranking preference shares and any other instruments of any person other than the Bank, which, in each case, qualify as Tier 1 Regulatory Capital and are subject to any agreement of the Bank that guarantees or otherwise provides support of such preference shares or other instruments.

“Tier 1 Regulatory Capital” means core capital (*Kernkapital*) of the Bank on a consolidated basis.

“Trust” means Deutsche Bank Capital Finance Trust I, a Delaware statutory trust established pursuant to a Trust Agreement dated as of December 16, 2004, as amended and restated as of June 27, 2005 and as the same may be further amended from time to time in accordance with its terms.

“Trust Preferred Securities” means the Trust Preferred Securities issued by the Trust.

Section 2. *Support Undertaking.*

- (a) The Bank undertakes to ensure that the Company will at all times be in a position to meet its obligations, including its obligations to pay Capital Payments and amounts due upon redemption of the Company Capital Securities, including in each case, Additional Amounts thereon, if any, and to cause the Company to pay such obligations as and when they become due and payable.
- (b) The Bank undertakes to ensure that in the event of any liquidation of the Company, the Company will have sufficient funds to pay the Liquidation Preference Amounts (including accrued and unpaid Capital Payments for the then current Payment Period to the date of liquidation and Additional Amounts, if any).
- (c) The obligations of the Bank under this Section 2 will (i) be subordinated to all senior and subordinated debt obligations of the Bank (including profit participation rights (*Genussscheine*)), (ii) rank senior to all preference shares, Preferred Tier 1 Securities and the common shares of the Bank and (iii) unless otherwise expressly provided in the terms thereof, rank *pari passu* with any instrument or contractual obligation of the Bank ranking junior to any of the instruments included in clause (i) and senior to any of the instruments or contractual obligations of the Bank included in clause (ii).
- (d) This Agreement shall not constitute a guarantee or undertaking of any kind that the Company will at any time have sufficient assets, or be authorized pursuant to the LLC Agreement, to declare a Capital Payment.

Section 3. *Third Party Beneficiaries and Enforcement of Rights.*

- (a) The parties hereto agree that this Agreement is entered into for the benefit of the Company and all current and future holders of the Company Capital Securities and that the Company and any holder of any such Securities may severally enforce the obligations of the Bank under Section 2.

(b) The parties hereto acknowledge that, as provided in the LLC Agreement, if a holder of Company Capital Securities has given notice to the Company that the Bank has failed to pay any amount then due hereunder and such failure continues for sixty (60) days or more after such notice is given, the holders of the Company Capital Securities shall have the right to appoint the Independent Enforcement Director who will be required to enforce the rights of the Company under this Agreement.

Section 4. *No Exercise of Rights.* The Bank will not exercise any right of set-off, counterclaim or subrogation that it may have against the Company as long as any Company Capital Securities are outstanding.

Section 5. *Burden of Proof.* Any failure of the Company to pay Capital Payments, or the Liquidation Preference Amounts (or any part thereof), plus, in either case, Additional Amounts, if any, shall constitute prima facie evidence of a breach by the Bank of its obligations hereunder. The Bank shall have the burden of proof that the occurrence of such breach results neither from its negligent nor its intentional misconduct.

Section 6. *No Senior Support to Other Subsidiaries.* The Bank undertakes that it shall not give any guarantee or similar undertaking with respect to, or enter into any other agreement relating to the support of, or payment of any amounts in respect of, any Group Capital Securities of any of its affiliates which guarantee or similar undertaking would rank senior in any regard to the Bank's obligations under this Agreement unless this Agreement is amended so that the Bank's obligations under this Agreement rank at least *pari passu* with and contain substantially equivalent rights of priority as to payment as, such guarantee or support.

Section 7. *Continued Ownership of the Company Common Security.* The Bank undertakes to maintain direct or indirect ownership of the Common Security so long as any Company Capital Securities remain outstanding.

Section 8. *No dissolution of the Company.* Under the terms of the LLC Agreement and to the fullest extent permitted by law, the Bank shall not permit the Company to be dissolved until all obligations under the Support Undertaking have been paid in full pursuant to its terms.

Section 9. *Modification and Termination.* So long as any Company Capital Securities remain outstanding, this Agreement may not be modified or terminated without the consent of 100% of the holders of the Company Capital Securities as provided in the LLC Agreement, except for such modifications that are not adverse to the interests of the holders of the Company Capital Securities.

Section 10. *No Assignment.* So long as any Company Capital Securities remain outstanding, the Bank shall not assign its rights or obligations under this Agreement to any Person without the consent of the holders of such Company Capital Securities.

Section 11. *Successors.* This Agreement will be binding upon successors to the parties.

Section 12. *Severability.* Should any provision of this Agreement be found invalid, illegal or unenforceable for any reason, it is to be deemed replaced by the valid, legal and enforceable provision most closely approximating the intent of the parties, as expressed in such provision, and the validity, legality and enforceability of the remainder of this Agreement will in no way be affected or impaired thereby.

Section 13. *Governing Law and Jurisdiction.* This Agreement shall be governed by and construed in accordance with, the laws of the Federal Republic of Germany and the parties irrevocably submit to the non-exclusive jurisdiction of such German courts as have jurisdiction over civil matters arising in Frankfurt am Main.

IN WITNESS WHEREOF, the Bank and the Company have caused this Agreement to be duly executed and delivered by their respective authorized officers as of the date first written above.

DEUTSCHE BANK AKTIENGESELLSCHAFT

By: _____

Name:

Title

By: _____

Name:

Title

DEUTSCHE BANK CAPITAL FINANCE LLC I

By: _____

Name:

Title

By: _____

Name:

Title

FINANCIAL STATEMENTS AND OTHER INFORMATION ON DEUTSCHE BANK GROUP

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Management Report

The following discussion and analysis should be read in conjunction with the consolidated financial statements and the related notes to them. Our consolidated financial statements for the years ended December 31, 2004 and 2003 have been audited by KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft that issued an unqualified opinion.

Executive Summary

In 2004, the global economy was more stable than in 2002 or 2003, despite high oil prices, continued depreciation of the U.S. dollar against the euro and continued concerns over security. We saw strong momentum in the Americas and in the fast-growing Asian economies. On the other hand, growth in the mature Eurozone economies was slower – notably in Germany. In the banking industry, volumes in some of our core businesses remained well below the peak year of 2000. We saw sustained pressure on margins – particularly in more commoditized products, such as foreign exchange. In this environment, we delivered against our targets with a record year in Private & Business Clients (PBC) and in Debt Sales & Trading revenues. We also continued to strengthen our strategic positioning, in Germany and internationally.

Income before income tax expense increased from € 2.8 billion in 2003 to € 4.0 billion, after restructuring charges of € 400 million related to the Business Realignment Program we launched in the fourth quarter of 2004. We reported a pre-tax return on average active equity of 16% – a substantial improvement over 10% in 2003 (pre-tax return on average total shareholders' equity was 15% and 10%, respectively, for such years). Net income for 2004 increased by 81% to € 2.5 billion compared to € 1.4 billion in 2003, and basic earnings per share increased 106% to € 5.02.

Compared to 2003, total net revenues excluding the provision for loan losses increased by € 650 million, or 3%, to € 21.9 billion. Positive revenue factors include improved returns from equity method investments, net gains from investment and premises sales, record total revenues of € 6.3 billion from Sales & Trading (debt and other products), which includes net interest, trading and fee revenues, and Origination and Advisory revenues, which grew to € 1.9 billion. The largest negative factors were lower revenues from proprietary activities in Sales & Trading (equity), a decline in gains on the sale of non-core businesses and the negative impact of exchange rate movements on our non-euro-denominated revenues.

Our total noninterest expenses were € 17.5 billion compared to € 17.4 billion in 2003. Noninterest expenses in 2004 included restructuring expenses of € 400 million. Severance payments were € 282 million in 2004 compared to € 702 million in 2003. Reductions in noninterest expenses due to headcount reductions and other additional measures as well as due to the aforementioned exchange rate movements were offset by higher performance-related bonuses reflecting performance improvements in 2004. Noninterest expenses in 2004 also included charges associated with the settlement agreement of the WorldCom litigation.

Ongoing improvements in the credit environment, together with rigor in the bank's credit risk management activities and releases related to previously impaired loans resulted in lower provisions for credit losses and in an improvement of the quality of the loan book. For the year 2004, provisions for loan losses were € 372 million, down 67% from € 1.1 billion in 2003. Furthermore, at the end of 2004, problem loans were € 4.8 billion, down 27% from € 6.6 billion at the end of 2003.

Looking forward, we expect to benefit from the investments made in our core businesses and from our planned cost savings. Our Business Realignment Program reflects a number of specific initiatives to better integrate business coverage and product units. These initiatives include realigning our sales and trading platforms in Global Markets, closely aligning our corporate finance, corporate banking and transaction banking activities, reorganizing Asset Management, adding regional focus in Germany and other regions, and streamlining our infrastructure.

The following table presents our condensed consolidated statement of income for 2004 and 2003:

in € m.	2004	2003	2004 increase (decrease) from 2003	
			in €	in %
Net interest revenues	5,182	5,847	(665)	(11)
Provision for loan losses	372	1,113	(741)	(67)
Net interest revenues after provision for loan losses	4,810	4,734	76	2
Commissions and fee revenues	9,506	9,332	174	2
Trading revenues, net	6,186	5,611	575	10
Net gains on securities available for sale	235	20	215	N/M
Net income (loss) from equity method investments	388	(422)	810	N/M
Other noninterest revenues	421	880	(459)	(52)
Total noninterest revenues	16,736	15,421	1,315	9
Total net revenues	21,546	20,155	1,391	7
Compensation and benefits	10,222	10,495	(273)	(3)
Goodwill impairment/impairment of intangibles	19	114	(95)	(83)
Restructuring activities	400	(29)	429	N/M
Other noninterest expenses	6,876	6,819	57	1
Total noninterest expenses	17,517	17,399	118	1
Income before income tax expense and cumulative effect of accounting changes	4,029	2,756	1,273	46
Income tax expense	1,437	1,327	110	8
Reversal of 1999/2000 credits for tax rate changes	120	215	(95)	(44)
Income before cumulative effect of accounting changes, net of tax	2,472	1,214	1,258	104
Cumulative effect of accounting changes, net of tax	–	151	(151)	N/M
Net income	2,472	1,365	1,107	81

N/M – Not meaningful

Our net income included the effects of reversing income tax credits related to 1999 and 2000 tax law changes, as described below and the cumulative effect of accounting changes as described in Note [2] to our consolidated financial statements. The following table shows our net income excluding these effects:

in € m. (except per share amounts)	2004	Per share (basic)	Per share (diluted)	2003	Per share (basic)	Per share (diluted)
Net income	2,472	5.02	4.53	1,365	2.44	2.31
Add (deduct):						
Reversal of 1999/2000 credits for tax rate changes	120	0.24	0.23	215	0.39	0.36
Cumulative effect of accounting changes, net of tax	–	–	–	(151)	(0.27)	(0.25)
Net income before reversal of 1999/2000 credits for tax rate changes and cumulative effect of accounting changes, net of tax	2,592	5.26	4.76	1,429	2.56	2.42

Net income above included pre-tax gains of € 140 million in 2004 and € 222 million in 2003 on sales of securities that generated the reversal of the 1999/2000 credits for tax rate changes.

Effects of 1999/2000 German Tax Reform Legislation and Accounting for Income Taxes

The German Tax Reform Act stipulated that profits on the sale of shareholdings in German corporations were exempt from tax beginning January 1, 2002. For our consolidated financial statements for 2000, this meant that the respective deferred tax liability formed in connection with the unrealized gains from equity securities available for sale accumulated in other comprehensive income (OCI) had to be released as a credit in the tax line of the income statement although the gains were still unrealized since the securities were not yet sold.

The release of the deferred tax liability through the income statement did not affect the offset amount in OCI. It remains fixed in the amount determined at the date of the release of the deferred tax liability until such time as the securities are sold.

The following table presents the level of unrealized gains and related effects for available for sale equity securities of DB Investor, which holds most of our industrial holdings.

in € bn.	2004	2003	2002	2001	2000
Market value	5.4	6.3	5.3	14.1	17.5
Cost	4.0	4.6	5.0	5.7	5.6
Unrealized gains in other comprehensive income	1.4	1.7	0.3	8.4	11.9
Less: deferred tax relating to 1999 and 2000 tax rate changes in Germany	2.7	2.8	2.9	5.5	6.5
Other comprehensive income (loss), net	(1.3)	(1.1)	(2.6)	2.9	5.4

As a consequence, the accounting for income tax rate changes related to eligible equity securities may result in significant impacts on our results of operations in periods in which we sell these securities. This effect is illustrated in 2004, 2003, 2002 and 2001 when we sold portions of our eligible equity securities. The gains resulting from most of these sales were not subject to tax. We reversed the deferred taxes which had accumulated in other comprehensive income, through December 31, 2000, in respect of these securities. We recognized these reversals as tax expense of € 120 million in 2004, € 215 million in 2003, € 2.8 billion in 2002 and € 995 million in 2001.

The only tax payable is on 5% of any gain as a result of the 2004 Tax Reform Act which was enacted in December 2003. Under the Act, effective starting in 2004, corporations will effectively become subject to tax on 5% of capital gains from the disposal of foreign and domestic shareholdings irrespective of holding percentage and holding period; losses from a shareholding disposal continue to be non-tax deductible.

Neither the initial release of the deferred tax liability nor the unrealized gains and losses from securities available for sale are included in regulatory core capital or in the calculation of our adjusted return on equity. The entire procedure is a U.S. GAAP specific accounting requirement. We believe that the economic effects of the tax rate changes are not appropriately reflected in the individual periods up to and including the period of the sale.

For more information on this accounting method, see the respective section of our Form 20-F filed March 24, 2005.

Operating Results

You should read the following discussion and analysis in conjunction with the consolidated financial statements.

Net Interest Revenues

The following table sets forth data related to our net interest revenues:

in € m. (except percentages)	2004	2003	2004 increase (decrease) from 2003	
			in €	in %
Total interest revenues	28,023	27,583	440	2
Total interest expenses	22,841	21,736	1,105	5
Net interest revenues	5,182	5,847	(665)	(11)
Average interest-earning assets ¹	751,557	736,046	15,511	2
Average interest-bearing liabilities ¹	695,094	683,127	11,967	2
Gross interest yield ²	3.73%	3.75%	(0.02) ppt	(1)
Gross interest rate paid ³	3.29%	3.18%	0.11 ppt	3
Net interest spread ⁴	0.44%	0.57%	(0.13) ppt	(23)
Net interest margin ⁵	0.69%	0.79%	(0.10) ppt	(13)

ppt – Percentage points

¹ Average balances for each year are calculated based upon month-end balances.

² Gross interest yield is the average interest rate earned on our average interest-earning assets.

³ Gross interest rate paid is the average interest rate paid on our average interest-bearing liabilities.

⁴ Net interest spread is the difference between the average interest rate earned on average interest-earning assets and the average interest rate paid on average interest-bearing liabilities.

⁵ Net interest margin is net interest revenues expressed as a percentage of average interest-earning assets.

Net interest revenues in 2004 were € 5.2 billion, a decline of € 665 million from 2003. A significant factor in the decline was the impact of lower loans outstanding. Although total average interest earning assets increased by € 16 billion, or 2%, in 2004, the average volume of loans, the assets on which we generally earn the highest rate and wide spreads, decreased by € 21 billion to € 144 billion. The reduction of our loan exposure was primarily due to soft demand in the corporate loan book, including the German MidCap business. This was partly offset by greater loan volumes in the retail business. The development in loans year-to-year is the main reason that our overall rate earned in 2004 declined by 2 basis points while our rate paid increased by 11 basis points, in an environment of slightly increasing rates.

In addition, there were a number of other individual factors reflected in our net interest revenues in 2004. In absolute terms, increased average volumes in trading assets and liabilities generated the most significant increase in interest revenues and interest expenses, respectively. Interest and dividend income from securities available for sale and other investments decreased, partly due to less dividend income from our smaller industrial holdings portfolio. Interest revenues in 2004 included € 131 million related to tax refunds resulting from ongoing audits of prior period tax returns.

The development of our net interest revenues is also influenced to a significant extent by the accounting treatment of some of our derivatives transactions. We enter into nontrading derivative transactions as economic hedges of the interest rate risks of our nontrading assets and liabilities. Some of these derivatives qualify as hedges for accounting purposes while others do not. When derivative transactions qualify as hedges for accounting purposes, the interest arising from the derivatives appear in interest revenues and expense, where they compensate the interest flows from the assets and liabilities they are intended to hedge. When derivatives do not qualify for hedge accounting treatment, the interest flows that arose from the derivatives during any period all appear in trading revenues for that period.

Trading revenues, net

The following table sets forth data related to our trading revenues:

in € m. (except percentages)	2004	2003	2004 increase (decrease) from 2003	
			in €	in %
CIB – Sales & Trading (equity)	2,192	2,491	(298)	(12)
CIB – Sales & Trading (debt and other products)	3,666	3,481	185	5
Other trading revenues	328	(361)	689	N/M
Total trading revenues, net	6,186	5,611	575	10

N/M – not meaningful

The decline in trading revenues from CIB – Sales & Trading (equity) was driven by lower returns from proprietary activities, which were partly offset by higher revenues from derivatives and the prime services business.

Trading revenues from Sales & Trading (debt and other products) increased, driven by our market-leading positions in high-value, structured products such as interest rate derivatives, credit derivatives and distressed debt.

Other trading revenues in 2004 primarily included returns from customer-related foreign exchange business in Global Trade Finance and PCAM, mark-to-market gains of € 69 million related to AWM's guaranteed value mutual funds business and losses of € 231 million from credit default swaps used to hedge our investment-grade loan exposure.

In 2003 returns from customer-related foreign exchange business were below 2004 level. In addition, other trading revenues in 2003 included losses of € 285 million from credit default swaps used to hedge our investment-grade loan exposure, losses of € 143 million on hedges of our industrial holdings portfolio, losses related to foreign currency effects on certain liabilities in CIB and mark-to-market losses from hedging capital of certain foreign subsidiaries.

Our trading and risk management businesses include significant activities in interest rate instruments and related derivatives. Under U.S. GAAP, interest revenues earned from trading assets (e.g., coupon and dividend income), and the costs of funding net trading positions are part of net interest revenues. Our trading activities can periodically shift revenues between trading revenues and interest revenues, depending on a variety of factors, including risk management strategies. In order to provide a more business-focused commentary, we discuss the combined net interest and trading revenues by group division and by product within the Corporate and Investment Bank, rather than by type of revenues generated.

The following table sets forth data relating to our combined net interest and trading revenues by group division and product within Corporate and Investment Bank:

in € m.	2004	2003	2004 increase (decrease) from 2003	
			in €	in %
Net interest revenues	5,182	5,847	(665)	(11)
Trading revenues, net	6,186	5,611	575	10
Total net interest and trading revenues	11,368	11,458	(90)	(1)
Breakdown by Group Division/CIB product¹				
Sales & Trading (equity)	1,591	2,286	(695)	(30)
Sales & Trading (debt and other products)	5,370	5,367	4	0
Total Sales & Trading	6,961	7,652	(691)	(9)
Loan products ²	701	664	37	6
Transaction services	828	830	(2)	(0)
Remaining products ³	(246)	(340)	94	28
Total Corporate and Investment Bank	8,244	8,807	(563)	(6)
Private Clients and Asset Management	2,920	2,814	105	4
Corporate Investments	118	(11)	128	N/M
Consolidation & Adjustments	87	(153)	241	N/M
Total net interest and trading revenues	11,368	11,458	(90)	(1)

N/M – Not meaningful

¹ Note that this breakdown reflects net interest and trading revenues only. For a discussion of the group divisions' total revenues by product please refer to "Results of Operations by Segment".

² Includes the traditional net interest spread on loans as well as the results of credit default swaps used to hedge our investment-grade loan exposure in 2003 and 2004.

³ Includes origination, advisory and other products.

Corporate and Investment Bank (CIB). Combined net interest and trading results from sales and trading products decreased by € 691 million to € 7.0 billion. The decrease was largely attributable to a sharp fall of revenues from proprietary activities within Sales & Trading (equity), partly offset by growth in structured equity products, in particular derivatives and prime services. In loan products, net interest and trading revenues increased by € 37 million mainly due to lower losses on credit risk hedge positions, offset by the effect of further reductions in the average size of the loan portfolio. Net interest and trading revenues from remaining products were € 94 million higher than in 2003. The increase was mainly attributable to charges in 2003 which related to foreign currency effects on certain corporate liabilities.

Private Clients and Asset Management (PCAM). Combined net interest and trading revenues increased by € 105 million compared to 2003. Factors contributing to this increase were higher PBC loan volumes and lower re-financing and hedge costs associated with AWM's real estate portfolio.

Corporate Investments (CI). The increase primarily reflected trading losses of € 143 million in 2003 related to the hedging of our industrial holdings portfolio. The result also reflects lower dividend income, partly offset by lower refinancing costs as a result of the sale of industrial holdings.

Consolidation & Adjustments in 2004 included € 131 million of interest income on tax refunds resulting from ongoing audits of prior period tax returns. The remaining increase compared to 2003 primarily reflected lower mark-to-market losses related to the hedging of capital of certain foreign subsidiaries.

Provision for Loan Losses

Our provision for loan losses reflects charges to and releases from the allowance we carry for credit losses on loans. The allowance consists of a specific loss component, which relates to specific loans, and an inherent loss component. The inherent loss component consists of a country risk allowance, an allowance for smaller-balance standardized homogeneous loans and an other inherent loss component

to cover losses in our loan portfolio that have not yet been individually identified, and reflects the imprecisions and uncertainties in estimating our loan loss allowance.

Our provision for loan losses in 2004 was € 372 million, a decline of € 741 million or 67% from 2003, reflecting the improved credit environment witnessed throughout the year, supported by some significant releases and a continuation of our strict credit discipline. In 2004, 73% of our provision related to our smaller-balance standardized homogeneous loan portfolio.

Noninterest Revenues, Excluding Trading Revenues

in € m.	2004	2003	2004 increase (decrease) from 2003	
			in €	in %
Commissions and fee revenues ¹	9,506	9,332	174	2
Insurance premiums	123	112	11	10
Net gains on securities available for sale	235	20	215	N/M
Net income (loss) from equity method investments	388	(422)	810	N/M
Other noninterest revenues	298	768	(470)	(61)
Total noninterest revenues, excluding trading revenues	10,550	9,810	740	8

N/M – Not meaningful

¹ Includes:

Commissions and fees from fiduciary activities:				
Commissions for administration	281	240	41	17
Commissions for assets under management	2,847	2,968	(121)	(4)
Commissions for other securities business	83	65	18	28
Total	3,211	3,273	(62)	(2)
Commissions, broker's fees, mark-ups on securities underwriting and other securities activities:				
Underwriting and advisory fees	1,793	1,638	155	9
Brokerage fees	1,918	1,926	(8)	0
Total	3,711	3,564	147	4
Fees for other customer services	2,584	2,495	89	4
Total commissions and fee revenues	9,506	9,322	174	2

Commissions and Fee Revenues. Total commissions and fee revenues increased by € 174 million in 2004 compared with 2003. Underwriting and advisory fees increased by € 155 million, mainly attributable to improved results from equity origination, high-yield issuances and leveraged lending in CIB. The increase of € 89 million in fees for other customer services was driven by greater sales of insurance products due largely to changes in German tax legislation. The decrease of € 62 million in commissions and fees from fiduciary activities mainly resulted from lower assets under management in our institutional AM business, lower performance fees in AM's hedge funds business and the impact of the strength of the euro on our U.S. dollar-based revenues.

Net Gains on Securities Available for Sale. Results in 2004 included several disposal gains of which the most significant was a € 118 million net gain related to the reduction of our stake in Daimler-Chrysler AG. In 2003, several smaller gains in the € 30-120 million range were almost offset by other-than-temporary impairment charges on various investments, mainly in our industrial holdings portfolio.

Net Income (Loss) from Equity Method Investments. The majority of net income from equity method investments in 2004 was almost equally attributable to investments related to structured transactions in CIB's sales & trading areas and to private equity and other investments in CI. A smaller portion of 2004's income related to real estate investments in AWM. The largest components of the loss in 2003 were the complete write-off on our investment in Gerling-Konzern Versicherungs-Beteiligungs-AG (€ 490 million) and losses on private equity investments in CI. Partly offsetting these losses was income from investments related to structured transactions in CIB's sales & trading businesses and gains from AWM's real estate investments.

Other Noninterest Revenues. Total other noninterest revenues declined by € 470 million in 2004 compared to 2003. The decline primarily resulted from a € 583 million gain from the sale of substantial parts of the Global Securities Services business in 2003. Partially offsetting this effect were higher returns from loans held for sale in 2004.

Noninterest Expenses

The following table sets forth information on our noninterest expenses:

in € m.	2004	2003	2004 increase (decrease) from 2003	
			in €	in %
Compensation and benefits	10,222	10,495	(273)	(3)
Other noninterest expenses ¹	6,616	6,709	(93)	(1)
Policyholder benefits and claims	260	110	150	136
Goodwill impairment/impairment of intangibles	19	114	(95)	(83)
Restructuring activities	400	(29)	429	N/M
Total noninterest expenses	17,517	17,399	118	1

N/M – Not meaningful

¹ Includes:

Net occupancy expense of premises	1,258	1,251	7	1
Furniture and equipment	178	193	(15)	(8)
IT costs	1,726	1,913	(187)	(10)
Agency and other professional service fees ²	824	836	(12)	(1)
Communication and data services	599	626	(27)	(4)
Other expenses ²	2,031	1,890	141	7
Total other noninterest expenses	6,616	6,709	(93)	(1)

² Litigation & registration related legal fees and operational risk related legal fees have been reclassified from other expenses to agency and other professional service fees. Prior periods have been restated to reflect this change.

Compensation and Benefits. The decline of € 273 million in 2004 compared to 2003 reflected several partly offsetting factors:

- Severance payments of € 282 million in 2004 decreased by € 420 million compared to 2003 with more than 60% of the decline attributable to PBC.
- Salaries showed a net decrease reflecting headcount reductions and sales of non-core businesses, partly offset by the effects of headcount increases in selected growth businesses.
- The strength of the euro had a beneficial impact on our compensation and benefits.
- Performance-related compensation increased in 2004 mainly due to improved operating results in our CB&S businesses and, to a lesser extent, a reduction of the proportion of deferred share awards used in our compensation model.

Other Noninterest Expenses. IT costs decreased in 2004 by € 187 million mainly reflecting cost containment efforts, deconsolidation and outsourcing effects, and also a stronger euro. This decrease was partly offset by higher costs for payment and clearing services, mainly on service agreements with the purchaser of our former subsidiary, DB Payments, and other providers in Germany.

Policyholder benefits and claims. The increase in 2004 was due to newly established provisions, including charges associated with the settlement agreement of the WorldCom litigation, partly offset by releases for certain other self-insured risks.

Goodwill Impairment/Impairment of Intangibles. The current year included an impairment loss of € 19 million in Asset and Wealth Management following the termination of certain investment management agreements in the U.K. A charge of € 114 million in CI following decisions related to the private equity fee-based business was recorded in 2003.

Restructuring Activities. In the fourth quarter 2004 we announced our Business Realignment Program which included a restructuring charge of € 400 million in 2004. This reflected restructuring initiatives in our businesses and infrastructure functions, affecting approximately 1,200 staff. For further information on restructuring activities see Note [29] to our consolidated financial statements.

Income Tax Expense. Income tax expense was € 1.6 billion in 2004, nearly unchanged from 2003. Each year includes the impact of German income tax rate changes that were enacted in 1999, 2000, and 2003. Tax expense of € 120 million in 2004 and € 215 million in 2003 was related to the reversal of deferred taxes included in other comprehensive income at December 31, 2000, due to actual sales of equity securities. There will be further reversals of tax expense in future years as additional equity securities are sold. In addition, the German tax law changes in 2003 resulted in a tax expense of € 154 million in 2003. The actual effective tax rates including the impact of German tax rate changes were 39% and 56% in 2004 and 2003, respectively. Excluding the effect of changes in German tax rates, our effective tax rates were 36% in 2004 and 43% in 2003, with the higher effective tax rate in 2003 due mainly to greater non-deductible write-downs on equity method investments.

Results of Operations by Segment

The following discussion shows the result of our business segments, the Corporate and Investment Bank Group Division, the Private Clients and Asset Management Group Division and the Corporate Investments Group Division. See Note [28] to the consolidated financial statements for information regarding

- our organizational structure;
- effects of significant acquisitions and divestitures on segmental results;
- changes in the format of our segment disclosure;
- a discussion of the framework of our management reporting systems;
- consolidating and other adjustments to the total results of operations of our business segments;
- definitions of non-GAAP financial measures that are used with respect to each segment, and
- the rationale for excluding items in deriving the measures.

The following tables show information regarding our business segments. The criterion for segmentation into divisions is our organizational structure as it existed at December 31, 2004. For further discussion of our business segments, see Note [28] to the consolidated financial statements. We prepared these figures in accordance with our management reporting systems.

2004	Corporate and Investment Bank	Private Clients and Asset Management	Corporate Investments	Total Management Reporting	Consolidation & Adjustments	Total Consolidated
in € m. (except percentages)						
Net revenues²	13,331	8,030	621	21,981	(63)	21,918
Provision for loan losses	89	264	19	372	–	372
Provision for off-balance sheet positions	(65)	(1)	–	(65)	–	(65)
Total provision for credit losses	24	263	19	307		
Operating cost base ¹	10,245	6,212	414	16,871		
Policyholder benefits and claims	–	50	–	50	210	260
Minority interest	5	1	(1)	4	(1)	3
Restructuring activities	299	98	3	400	–	400
Goodwill impairment/impairment of intangibles	–	19	–	19	–	19
Total noninterest expenses³	10,549	6,380	416	17,344	238	17,582
Income (loss) before income taxes⁴	2,757	1,387	185	4,330	(301)	4,029
Add (deduct):						
Net (gains) losses from businesses sold/ held for sale	(31)	(8)	(38)	(76)		
Significant equity pick-ups/net (gains) from investments	–	–	(148)	(148)		
Net (gains) on securities available for sale/industrial holdings including hedging	–	–	(176)	(176)		
Net (gains) on the sale of premises	–	–	(20)	(20)		
Restructuring activities	299	98	3	400		
Goodwill impairment/impairment of intangibles	–	19	–	19		
Underlying pre-tax profit (loss)	3,026	1,497	(194)	4,328		
Cost/income ratio in %	79	79	67	79	N/M	80
Underlying cost/income ratio in %	77	78	174	78		
Assets ⁵	729,872	113,818	16,442	832,933	7,135	840,068
Risk-weighted positions (BIS risk positions)	139,124	65,677	10,242	215,044	1,743	216,787
Average active equity ⁶	12,867	6,718	3,933	23,519	1,259	24,778
Return on average active equity in %	21	21	5	18	N/M	16
Underlying return on average active equity in %	24	22	(5)	18		

N/M – Not meaningful

¹ Includes:

Severance payments	170	101	1	272	10	282
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² Net interest revenues and noninterest revenues

³ Excludes provision for off-balance sheet positions (reclassified to provision for credit losses).

⁴ Before cumulative effect of accounting changes.

⁵ The sum of corporate divisions does not necessarily equal the total of the corresponding group division because of consolidation items between corporate divisions, which are to be eliminated on the group division level. The same approach holds true for the sum of group divisions compared to Total Management Reporting.

⁶ See Note [28] to the consolidated financial statements for a description of how average active equity is allocated to the divisions.

2003 in € m. (except percentages)	Corporate and Investment Bank	Private Clients and Asset Management	Corporate Investments	Total Management Reporting	Consolidation & Adjustments	Total Consolidated
Net revenues²	14,193	8,217	(921)	21,490	(223)	21,268
Provision for loan losses	752	325	36	1,113	–	1,113
Provision for off-balance sheet positions	(45)	(3)	(2)	(50)	–	(50)
Total provision for credit losses	707	321	35	1,063		
Operating cost base ¹	9,963	6,699	681	17,343		
Policyholder benefits and claims	–	21	–	21	89	110
Minority interest	13	15	(31)	(3)	–	(3)
Restructuring activities	(29)	(1)	–	(29)	–	(29)
Goodwill impairment	–	–	114	114	–	114
Total noninterest expenses³	9,947	6,735	763	17,445	3	17,449
Income (loss) before income taxes⁴	3,539	1,162	(1,719)	2,982	(225)	2,756
Add (deduct):						
Net (gains) losses from businesses sold/ held for sale	(583)	(51)	141	(494)		
Significant equity pick-ups/net losses from investments	–	–	938	938		
Net losses on securities available for sale/industrial holdings including hedging	–	–	184	184		
Net losses on the sale of premises	–	–	107	107		
Restructuring activities	(29)	(1)	–	(29)		
Goodwill impairment	–	–	114	114		
Underlying pre-tax profit (loss)	2,926	1,109	(236)	3,800		
Cost/income ratio in %	70	82	N/M	81	N/M	82
Underlying cost/income ratio in %	73	82	152	78		
Assets ⁵	681,722	124,606	18,987	795,818	7,796	803,614
Risk-weighted positions (BIS risk positions)	137,615	63,414	13,019	214,048	1,625	215,672
Average active equity ⁶	14,192	7,225	4,900	26,317	1,057	27,374
Return on average active equity in %	25	16	(35)	11	N/M	10
Underlying return on average active equity in %	21	15	(5)	14		

N/M – Not meaningful

¹ Includes:
Severance payments

260 395 20 675 27 702

² Net interest revenues and noninterest revenues

³ Excludes provision for off-balance sheet positions (reclassified to provision for credit losses).

⁴ Before cumulative effect of accounting changes.

⁵ The sum of corporate divisions does not necessarily equal the total of the corresponding group division because of consolidation items between corporate divisions, which are to be eliminated on the group division level. The same approach holds true for the sum of group divisions compared to Total Management Reporting.

⁶ See Note [28] to the consolidated financial statements for a description of how average active equity is allocated to the divisions.

Group Divisions

Corporate and Investment Bank Group Division

The following table sets forth the results of our Corporate and Investment Bank Group Division for the years ended December 31, 2004 and 2003, in accordance with our management reporting systems:

in € m. (except percentages)	2004	2003
Net revenues:		
Sales & Trading (equity)	2,486	3,118
Sales & Trading (debt and other products)	6,299	6,077
Origination (equity)	499	485
Origination (debt)	916	806
Advisory	488	465
Loan products	1,142	1,193
Transaction services	1,862	1,914
Other	(361)	136
Total net revenues	13,331	14,193
Therein: Net interest and trading revenues	8,244	8,807
Provision for credit losses:		
Provision for loan losses	89	752
Provision for off-balance sheet positions	(65)	(45)
Total provision for credit losses	24	707
Noninterest expenses¹:		
Operating cost base	10,245	9,963
Minority interest	5	13
Restructuring activities	299	(29)
Goodwill impairment	-	-
Total noninterest expenses¹	10,549	9,947
Therein: Severance payments	170	260
Income before income taxes	2,757	3,539
Add (deduct):		
Net (gains) losses from businesses sold/held for sale	(31)	(583)
Restructuring activities	299	(29)
Goodwill impairment	-	-
Underlying pre-tax profit	3,026	2,926
Cost/income ratio in %	79%	70%
Underlying cost/income ratio in %	77%	73%
Assets	729,872	681,722
Risk-weighted positions (BIS risk positions)	139,124	137,615
Average active equity ²	12,867	14,192
Return on average active equity in %	21%	25%
Underlying return on average active equity in %	24%	21%

¹ Excludes provision for off-balance sheet positions (reclassified to provision for credit losses).

² See Note [28] to the consolidated financial statements for a description of how average active equity is allocated to the divisions.

In the following paragraphs, we discuss the contribution of the individual corporate divisions to the overall results of the Corporate and Investment Bank Group Division.

Corporate Banking & Securities Corporate Division

The following table sets forth the results of our Corporate Banking & Securities (CB&S) Corporate Division for the years ended December 31, 2004 and 2003, in accordance with our management reporting systems:

in € m. (except percentages)	2004	2003
Net revenues:		
Sales & Trading (equity)	2,486	3,118
Sales & Trading (debt and other products)	6,299	6,077
Origination (equity)	499	485
Origination (debt)	916	806
Advisory	488	465
Loan products	1,142	1,193
Other	(392)	(447)
Total net revenues	11,437	11,697
Provision for credit losses:		
Provision for loan losses	80	750
Provision for off-balance sheet positions	(66)	8
Total provision for credit losses	14	759
Noninterest expenses¹:		
Operating cost base	8,670	8,220
Minority interest	5	13
Restructuring activities	272	(23)
Goodwill impairment	–	–
Total noninterest expenses¹	8,947	8,211
Therein: Severance payments	154	194
Income before income taxes	2,477	2,727
Add (deduct):		
Net (gains) losses from businesses sold/held for sale	–	–
Restructuring activities	272	(23)
Goodwill impairment	–	–
Underlying pre-tax profit	2,749	2,704
Cost/income ratio in %	78%	70%
Underlying cost/income ratio in %	76%	70%
Assets	720,546	693,414
Risk-weighted positions (BIS risk positions)	128,027	127,449
Average active equity ²	11,481	12,776
Return on average active equity in %	22%	21%
Underlying return on average active equity in %	24%	21%

¹ Excludes provision for off-balance sheet positions (reclassified to provision for credit losses).

² See Note [28] to the consolidated financial statements for a description of how average active equity is allocated to the divisions.

Income before income taxes decreased by € 250 million to € 2.5 billion for the year ended December 31, 2004. This decrease was attributable to lower net revenues and increased noninterest expenses, partly offset by lower provision for credit losses. Noninterest expenses in 2004 included a charge for restructuring activities taken in the fourth quarter as a consequence of the Business Re-alignment Program announced in September 2004. Underlying pre-tax profit, at € 2.7 billion, was similar to 2003.

Net revenues of € 11.4 billion in 2004 were € 259 million lower than net revenues of € 11.7 billion in 2003, and include the impact of a more than 9% decline in the average value of the U.S. dollar against the euro over the year.

Sales and trading (debt and other products) revenues were a record € 6.3 billion in 2004, € 222 million higher than 2003. This performance was driven by market-leading positions in high-value, structured products such as interest rate derivatives, securitized products, credit derivatives, high-yield and distressed debt, where our work in these areas has won us awards from major industry publications such as *Risk* and *International Financial Review*. Significant volume growth in other products, particularly foreign exchange, helped offset ongoing margin erosion, with customer activity continuing to predominate.

Sales and trading (equity) revenues of € 2.5 billion were € 632 million lower than in 2003. The reduction was largely attributable to a sharp fall in revenues from proprietary activities. Offsetting this decline was continued strong growth in structured equity products, in particular derivatives and prime services.

Revenues from origination and advisory of € 1.9 billion were € 146 million higher than in 2003. Origination (equity) produced a solid performance. The focus of the business remains one of innovation while at the same time minimizing unprofitable transactions. In origination (debt), high-yield issuance and leveraged lending, particularly in the U.S., also performed well. In advisory, the mergers and acquisitions market improved throughout the year, with announced volumes up globally and in all regions versus 2003.

Revenues from loan products at € 1.1 billion were only marginally lower than in 2003, partly as a consequence of further reductions in the average size of the loan portfolio over the period.

The *provision for credit losses* amounted to € 14 million in 2004 compared to € 759 million in 2003. This reflects the improved credit environment witnessed throughout the year and enhanced credit discipline, as well as releases related to previously impaired loans.

Noninterest expenses in 2004 were € 8.9 billion, an increase of € 736 million compared to € 8.2 billion reported in 2003. Restructuring activities of € 272 million were included for plans initiated in the fourth quarter of 2004. In 2003, € 23 million of restructuring provision previously charged in 2002 was released subsequent to the full implementation of these plans. Excluding these restructuring activities in both years, noninterest expenses in 2004 would have increased by € 441 million. A significant part of this increase was due to performance-related compensation, including the impact of the change in the equity compensation model.

The *cost/income ratio* increased by 8 percentage points in 2004 to 78%, resulting from both the reduced revenues and increased noninterest expenses noted above.

Global Transaction Banking Corporate Division

The following table sets forth the results of our Global Transaction Banking (GTB) Corporate Division for the years ended December 31, 2004 and 2003, in accordance with our management reporting systems:

in € m. (except percentages)	2004	2003
Net revenues	1,893	2,497
Provision for credit losses:		
Provision for loan losses	9	2
Provision for off-balance sheet positions	1	(53)
Total provision for credit losses	11	(51)
Noninterest expenses¹:		
Operating cost base	1,574	1,743
Minority interest	–	–
Restructuring activities	28	(6)
Goodwill impairment	–	–
Total noninterest expenses¹	1,602	1,737
Therein: Severance payments	16	66
Income before income taxes	280	811
Add (deduct):		
Net (gains) losses from businesses sold/held for sale	(31)	(583)
Restructuring activities	28	(6)
Goodwill impairment	–	–
Underlying pre-tax profit	277	222
Cost/income ratio in %	85%	70%
Underlying cost/income ratio in %	85%	91%
Assets	16,639	16,709
Risk-weighted positions (BIS risk positions)	11,097	10,166
Average active equity ²	1,386	1,416
Return on average active equity in %	20%	57%
Underlying return on average active equity in %	20%	16%

¹ Excludes provision for off-balance sheet positions (reclassified to provision for credit losses).

² See Note [28] to the consolidated financial statements for a description of how average active equity is allocated to the divisions.

Income before income taxes decreased by € 531 million to € 280 million for the year ended December 31, 2004. In 2003, we sold a substantial part of our Global Securities Services (GSS) business to State Street Corporation generating a gain of € 583 million on the sale. In 2004 we recognized a further gain of € 55 million on the sale relating to the GSS sale and a charge of € 24 million, representing GTB's share of the loss on the sale of DB Payments. Excluding the net gains on sales, net revenues would have decreased marginally by € 51 million mainly as a result of the absence of revenues from the disposed businesses.

The *provision for credit losses* was a charge of € 11 million in 2004, compared to a net release of € 51 million in 2003.

Noninterest expenses of € 1.6 billion decreased by € 135 million, or 8%, from 2003. Expenses in 2004 included € 28 million for restructuring plans initiated in the fourth quarter 2004. In 2003, € 6 million relating to provisions for restructuring taken in 2002 were released subsequent to the full implementation of these plans. The decrease in noninterest expenses mainly reflected the lower expense base due to the disposal of GSS in the first quarter 2003.

The *cost/income ratio* of 85% was 15 percentage points higher than in 2003 mainly due to the effects of the gains on sale as noted above. After adjusting for these gains and the restructuring activities, the underlying cost/income ratio improved by 6 percentage points from 91% to 85%.

Private Clients and Asset Management Group Division

The following table sets forth the results of our Private Clients and Asset Management Group Division for the years ended December 31, 2004 and 2003, in accordance with our management reporting systems:

in € m. (except where indicated)	2004	2003
Net revenues:		
Portfolio/fund management	2,526	2,615
Brokerage	1,659	1,591
Loans/deposits	2,358	2,330
Payments, account & remaining financial services	915	823
Other	571	858
Total net revenues	8,030	8,217
Therein: Net interest and trading revenues	2,920	2,814
Provision for credit losses:		
Provision for loan losses	264	325
Provision for off-balance sheet positions	(1)	(3)
Total provision for credit losses	263	321
Noninterest expenses¹:		
Operating cost base	6,212	6,699
Policyholder benefits and claims	50	21
Minority interest	1	15
Restructuring activities	98	(1)
Goodwill impairment/impairment of intangibles	19	–
Total noninterest expenses¹	6,380	6,735
Therein: Severance payments	101	395
Income before income taxes	1,387	1,162
Add (deduct):		
Net (gains) losses from businesses sold/held for sale	(8)	(51)
Restructuring activities	98	(1)
Goodwill impairment/impairment of intangibles	19	–
Underlying pre-tax profit	1,497	1,109
Cost/income ratio in %	79%	82%
Underlying cost/income ratio in %	78%	82%
Assets	113,818	124,606
Risk-weighted positions (BIS risk positions)	65,677	63,414
Average active equity ²	6,718	7,225
Return on average active equity in %	21%	16%
Underlying return on average active equity in %	22%	15%
Invested assets (in € bn.) ³	828	865

¹ Excludes provision for off-balance sheet positions (reclassified to provision for credit losses).

² See Note [28] for a description of how average active equity is allocated to the divisions.

³ Numbers are restated for revised invested assets definition. We define invested assets as (a) assets we hold on behalf of customers for investment purposes and/or (b) client assets that are managed by us. We manage invested assets on a discretionary or advisory basis, or these assets are deposited with us.

In the following paragraphs, we discuss the contribution of the individual corporate divisions to the overall results of Private Clients and Asset Management Group Division.

Asset and Wealth Management Corporate Division

The following table sets forth the results of our Asset and Wealth Management (AWM) Corporate Division for the years ended December 31, 2004 and 2003, in accordance with our management reporting systems:

in € m. (except where indicated)	2004	2003
Net revenues:		
Portfolio/fund management (AM)	2,040	2,195
Portfolio/fund management (PWM)	300	281
Total portfolio/fund management	2,339	2,476
Brokerage	668	654
Loans/deposits	132	128
Payments, account & remaining financial services	18	12
Other	334	559
Total net revenues	3,491	3,830
Provision for credit losses:		
Provision for loan losses	(6)	2
Provision for off-balance sheet positions	–	(3)
Total provision for credit losses	(6)	(1)
Noninterest expenses¹:		
Operating cost base	2,925	3,094
Policyholder benefits and claims	50	21
Minority interest	1	13
Restructuring activities	88	–
Goodwill impairment/impairment of intangibles	19	–
Total noninterest expenses¹	3,083	3,128
Therein: Severance payments	51	78
Income before income taxes	415	702
Add (deduct):		
Net (gains) losses from businesses sold/held for sale	(32)	(55)
Restructuring activities	88	–
Goodwill impairment/impairment of intangibles	19	–
Underlying pre-tax profit	490	647
Cost/income ratio in %	88%	82%
Underlying cost/income ratio in %	86%	82%
Assets	34,945	48,138
Risk-weighted positions (BIS risk positions)	11,424	12,170
Average active equity ²	5,038	5,694
Return on average active equity in %	8%	12%
Underlying return on average active equity in %	10%	11%
Invested assets (in € bn.) ³	679	715

AM – Asset Management

PWM – Private Wealth Management

¹ Excludes provision for off-balance sheet positions (reclassified to provision for credit losses).

² See Note [28] to the consolidated financial statements for a description of how average active equity is allocated to the divisions.

³ Numbers are restated for revised invested assets definition. We define invested assets as (a) assets we hold on behalf of customers for investment purposes and/or (b) client assets that are managed by us. We manage invested assets on a discretionary or advisory basis, or these assets are deposited with us.

Income before income taxes of our Asset and Wealth Management Corporate Division was € 415 million in 2004, a decrease of € 288 million from 2003. This decrease reflects the effects of a restructuring charge of € 88 million in the fourth quarter 2004, a € 19 million impairment loss on intangibles related to the termination of certain investment management agreements in the U.K. and € 23 million lower net gains from businesses sold. In 2004 we had net gains of € 32 million on the sales of the Australian real estate business and Scudder Private Investment Counsel, and in 2003 net gains of € 55 million were generated from the sale of most of our Passive Asset Management business. Excluding these items, income before income taxes would have decreased by € 158 million primarily due to a gain on the sale of real estate private equity assets to the Global Real Estate Opportunity fund in 2003.

Net revenues were € 3.5 billion in 2004, a decrease of € 339 million, or 9%, compared to 2003. This decline was partially the result of the above-mentioned gains, as well as declines in portfolio fund management revenues which were not offset by increases in other revenue categories.

In 2004 portfolio/fund management revenues of € 2.0 billion in our Asset Management Business Division declined by € 155 million, or 7%, from 2003. This decrease mainly reflects difficult market conditions, particularly in alternative assets, the impact of the strengthening of the euro, and the effect of invested asset net outflows. The decline was partially offset by the continued success of our German mutual fund company, DWS, which further improved its market share of net mutual fund inflows to over 50% as measured by the German Investment Association, BVI.

Portfolio/fund management revenues in our Private Wealth Management Business Division increased by € 18 million, or 7%, to € 300 million, mainly caused by the enhanced performance in discretionary products.

Brokerage revenues of € 668 million increased € 14 million, or 2%, primarily due to an upswing in transaction-based revenues and successful product launches in alternative investments, especially in Asia, as well as specialized structured products. The strong euro partially offset some of the revenue increase generated in U.S. dollars.

Loans/deposits revenues of € 132 million increased by € 4 million, or 3%, especially due to the sale of margin lending products as clients sought to enhance portfolio performance.

Revenues from other products of € 334 million were € 225 million, or 40%, lower than in 2003 primarily due to the aforementioned gain from the sale of our real estate private equity assets and lower gains on sale of businesses. The remaining decrease was the result of lower earnings from equity method investments, particularly in real estate.

Noninterest expenses were € 3.1 billion in 2004, a decrease of € 45 million, or 1%, from 2003 despite the aforementioned restructuring charge and impairment loss. The decrease was due mainly to declines in most categories of compensation and benefits, particularly severance and bonus payments. Noninterest expenses also benefited comparatively from the impact of the strengthening of the euro.

The *cost/income ratio* was 88% in 2004. The increase of 6 percentage points compared to 2003 is mainly due to the aforementioned decline in revenues, while expenses decreased at a lower rate.

Invested assets decreased by € 36 billion to € 679 billion in 2004. Net outflows within the Asset Management Business Division were € 42 billion during 2004, largely in the institutional business in the UK, in the Americas retail business and in the institutional business in Asia, which accounted for € 20 billion, € 6 billion and € 5 billion of the net outflow, respectively, or a combined 75% of the total net outflow. Net inflows of € 6 billion in the Private Wealth Management Business Division were mainly due to positive developments in Asia/Pacific and Switzerland and in the offshore business. In addition, positive market movements were largely offset by the negative impact of the strengthening of the euro.

Private & Business Clients Corporate Division

The following table sets forth the results of our Private & Business Clients (PBC) Corporate Division for the years ended December 31, 2004 and 2003, in accordance with our management reporting systems:

in € m. (except where indicated)	2004	2003
Net revenues:		
Portfolio/fund management	187	139
Brokerage	991	937
Loans/deposits	2,226	2,202
Payments, account & remaining financial services	898	811
Other	237	299
Total net revenues	4,539	4,388
Provision for credit losses:		
Provision for loan losses	270	322
Provision for off-balance sheet positions	(1)	(1)
Total provision for credit losses	269	322
Noninterest expenses¹:		
Operating cost base	3,287	3,605
Minority interest	–	2
Restructuring activities	10	(1)
Goodwill impairment	–	–
Total noninterest expenses¹	3,297	3,607
Therein: Severance payments	50	317
Income before income taxes	973	459
Add (deduct):		
Net losses from businesses sold/held for sale	24	4
Restructuring activities	10	(1)
Goodwill impairment	–	–
Underlying pre-tax profit	1,007	462
Cost/income ratio in %	73%	82%
Underlying cost/income ratio in %	72%	82%
Assets	78,930	78,477
Risk-weighted positions (BIS risk positions)	54,253	51,244
Average active equity ²	1,681	1,531
Return on average active equity in %	58%	30%
Underlying return on average active equity in %	60%	30%
Invested assets (in € bn.) ³	150	150
Loan volume (in € bn.) ⁴	69	66
Deposit volume (in € bn.) ⁴	63	64

¹ Excludes provision for off-balance sheet positions (reclassified to provision for credit losses).

² See Note [28] to the consolidated financial statements for a description of how average active equity is allocated to the divisions.

³ Numbers are restated for revised invested assets definition. We define invested assets as (a) assets we hold on behalf of customers for investment purposes and/or (b) client assets that are managed by us. We manage invested assets on a discretionary or advisory basis, or these assets are deposited with us.

⁴ Numbers are restated for revised client business volume definition.

Income before income taxes of our Private & Business Clients Corporate Division increased by € 514 million to € 973 million in 2004. Excluding the effects of a loss of € 24 million on the sale of DB Payments attributable to PBC and restructuring expenses of € 10 million, income before income taxes would have been over € 1 billion. With this record result, PBC achieved its ambitious goal in 2004. Pre-tax return on average active equity almost doubled year-over-year to 58%.

Net revenues increased by € 151 million, or 3%, compared to 2003. The increase was driven by higher sales of investment and insurance products, the latter impacted by changes in German tax legislation.

Portfolio/fund management and brokerage revenues increased by € 47 million and € 54 million, respectively. Due to successful product initiatives, such as real estate fund placements and sales of structured products, we were able to broaden our client base and increase client business volume.

Loans/deposits revenues increased by € 24 million largely driven by higher loan volumes.

Payments, account and remaining financial services revenues increased by € 87 million, mainly due to greater revenues from the intermediation of insurance products, which benefited largely from changes in German tax legislation.

Revenues from other products of € 237 million in 2004 decreased by € 62 million compared to the prior year primarily due to the aforementioned loss of € 24 million on the sale of DB Payments in 2004 and gains of € 55 million on sales of securities available for sale in 2003. Excluding these effects, revenues from other products would have increased by € 18 million, mainly related to our activities in asset and liability management.

Provision for credit losses decreased to € 269 million in 2004 reflecting lower default rates, particularly with regard to our portfolio of mortgages and commercial installment loans.

Noninterest expenses were € 3.3 billion in 2004, a decrease of € 310 million, or 9%, as compared to 2003. This decrease is mainly attributable to the decrease of € 267 million in severance payments.

The cost/income ratio was 73% in 2004. This significant improvement of 9 percentage points compared to 2003 reflects the lower severance mentioned above and higher revenues, especially from the intermediation of insurance products.

Invested assets in 2004 were € 150 billion, the same as in 2003. Within the asset classes, lower deposit volumes were offset by higher securities volumes, which benefited from performance returns as securities markets recovered.

Corporate Investments Group Division

The following table sets forth the results of our Corporate Investments Group Division for the years ended December 31, 2004 and 2003, in accordance with our management reporting systems:

in € m. (except percentages)	2004	2003
Net revenues	621	(921)
Therein: Net interest and trading revenues	118	(11)
Provision for credit losses:		
Provision for loan losses	19	36
Provision for off-balance sheet positions	–	(2)
Total provision for credit losses	19	35
Noninterest expenses¹:		
Operating cost base	414	681
Minority interest	(1)	(31)
Restructuring activities	3	–
Goodwill impairment	–	114
Total noninterest expenses¹	416	763
Therein: Severance payments	1	20
Income (loss) before income taxes	185	(1,719)
Add (deduct):		
Net (gains) losses from businesses sold/held for sale	(38)	141
Significant equity pick-ups/net (gains) losses from investments	(148)	938
Net (gains) losses on securities available for sale/ industrial holdings incl. hedging	(176)	184
Net (gains) losses on sale of premises	(20)	107
Restructuring activities	3	–
Goodwill impairment	–	114
Underlying pre-tax loss	(194)	(236)
Cost/income ratio in %	67%	N/M
Underlying cost/income ratio in %	174%	152%
Assets	16,442	18,987
Risk-weighted positions (BIS risk positions)	10,242	13,019
Average active equity ²	3,933	4,900
Return on average active equity in %	5%	(35)%
Underlying return on average active equity in %	(5)%	(5)%

N/M – Not meaningful

¹ Excludes provision for off-balance sheet positions (reclassified to provision for credit losses).

² See Note [28] to the consolidated financial statements for a description of how average active equity is allocated to the divisions.

Our Corporate Investments Group Division reported an *income before income taxes* of € 185 million in 2004 compared to a loss before income taxes of € 1.7 billion in 2003.

Net revenues were € 621 million in 2004, an increase of € 1.5 billion compared to 2003. Net revenues in 2004 included net gains of € 176 million on sales of securities available for sale and from our industrial holdings portfolio. The largest transaction was the reduction of our investment in Daimler-Chrysler AG from 11.8% to 10.4%, which resulted in a net gain of € 118 million. The reduction of our investment in DEUTZ AG from 10.5% to 4.5% and the sale of our investments in Fresenius AG and Motor-Columbus AG also contributed to the overall net gains on securities available for sale and our industrial holdings portfolio in 2004. Net revenues in 2003 included net losses of € 184 million on sales of securities available for sale and from our industrial holdings portfolio, primarily related to impairments deemed other-than-temporary on our positions in EFG Eurobank Ergasias S.A., Fiat S.p.A. and mg technologies ag as well as losses on nontrading derivatives hedging our industrial holdings portfolio. Subsequently these charges were partially offset by gains on the sale of our interests in EFG Euro-

bank Ergasias S.A. and mg technologies ag, as well as gains from sales reducing our holding in Allianz AG and the sale of HeidelbergCement AG.

In 2004, net revenues included net gains of € 38 million from sold businesses related to our remaining North American commercial and consumer finance business. In 2003, net revenues included net losses of € 141 million related to sold businesses, mainly Tele Columbus and parts of our remaining North American commercial and consumer finance business. Net revenues in 2004 also reflected net gains of € 20 million from the disposal of premises and net gains of € 148 million from significant equity method and other investments, including a € 52 million gain from the sale of our 49% stake in DSI Financial Solutions Pte Ltd. Net revenues in 2003 also reflected net losses of € 107 million from the sale of premises and net losses of € 938 million from significant equity method and other investments, including € 490 million for the complete write-off of our equity method investment in Gerling-Konzern Versicherungs-Beteiligungs-AG. The remaining variance in net revenues in 2004 compared to 2003 was attributable to reduced revenues from deconsolidating Center Parcs in the first quarter of 2003, Tele Columbus in the third quarter of 2003 and maxblue Americas in the first quarter of 2004, as well as to lower dividend income from our reduced industrial holdings portfolio.

The *provision for credit losses* was € 19 million in 2004 compared to € 35 million in 2003 with the € 15 million decline due to the reduction of credit exposure in our remaining North American financial services business.

Total *noninterest expenses* decreased in 2004 to € 416 million from € 763 million in 2003. The reduction primarily resulted from the sales of the aforementioned businesses. Noninterest expenses included several negative factors, including € 173 million of vacant office space costs, sublease losses and other costs of eliminating excess space resulting from headcount reductions and the sale of businesses. In 2003, noninterest expenses included € 174 million of these space disposition charges as well as goodwill impairment charges of € 114 million subsequent to decisions regarding the private equity fee-based businesses.

At year-end 2004, the alternative assets portfolio of the Corporate Investments Group Division had a carrying value of € 1.6 billion, of which 38% was private equity direct investments, 27% was real estate investments and 35% was private equity indirect and other investments. We continue to monitor the portfolio on a quarterly basis for any potential impairment. If the public equity and high-yield financing markets were to deteriorate, we might determine that further write-downs and valuation adjustments are necessary.

Consolidation & Adjustments

For a discussion of consolidation and adjustments see Note [28] to the consolidated financial statements.

Off-balance Sheet Arrangements with Unconsolidated Entities

We carry out certain business activities via arrangements with unconsolidated entities. We may provide financial support or otherwise be exposed to risks of loss as a result of these arrangements, typically through guarantees that we provide or subordinated retained interests that we hold. The purposes, risks, and effects of these arrangements are described below. Also, see Note [31] to the consolidated financial statements for disclosure of total outstanding guarantees and lending-related commitments entered into in the normal course of business which give rise to off-balance sheet credit risk.

We provide financial support related to off-balance sheet activities chiefly in connection with asset securitizations, commercial paper programs, commercial real estate leasing vehicles and guaranteed value mutual funds that we manage and that we do not consolidate. With the adoption of FIN 46 and FIN 46(R), some of the vehicles related to these activities have been consolidated and some remain unconsolidated. See Note [2] to the consolidated financial statements for further information regarding the adoption of FIN 46 and FIN 46(R). We are addressing only the unconsolidated portion of these activities in this section. See Note [9] to the consolidated financial statements for financial information regarding both the consolidated and unconsolidated portions of these activities.

We may provide financial support in connection with asset securitizations by retaining a subordinated interest in the assets being securitized. In an asset securitization, we sell financial assets to a securitization vehicle that funds its purchase by issuing debt (asset-backed securities) to investors. We have no control over the securitization vehicle after the sale, and our creditors and we have no claim on the assets that we have sold. Similarly, the investors and the securitization vehicle have no recourse to our other assets if the loans go into default. Asset-backed securities are attractive to investors in what is a deep and liquid market that lowers borrowing costs and increases credit availability to businesses and to consumers.

The securitization vehicles we use in these transactions pose limited liquidity risks since the payments to investors are directly tied to the payments received from the vehicles' assets and are unaffected by changes in our own credit rating or financial situation. A sudden drop in investor demand for asset-backed securities could cause us to restrict our lending thereafter for the types of loans we typically securitize, but we are not dependent on securitizations as a source of funding and such a market shift would not pose any significant additional liquidity risk not already considered in our risk analyses. To the extent we hold senior or subordinated debt issued by a securitization vehicle we have credit risk that is considered as part of our credit risk assessments or market valuations. Note [9] to the consolidated financial statements provides additional information regarding the extent of our retained interests in securitizations and the volume of our asset securitization activities.

Commercial paper programs represent a way for third parties to securitize their financial assets. In commercial paper programs, we do not securitize any of our own financial assets, but act as administrative agent. As administrative agent, we facilitate the sale of loans, other receivables, or securities from various third parties to an unconsolidated special purpose entity. We may also facilitate the transfer of the loans and securities that represent collateral provided by the third parties in return for loans granted by the unconsolidated entity. The entity then issues collateralized commercial paper to the market. In these situations, the commercial paper issuer is restricted from purchasing assets from or making loans to us. Rating agencies typically rate such commercial paper in the highest short-term category because of the collateral and credit support normally provided by a financial institution.

Unlike securitization vehicles, commercial paper programs do pose liquidity risk since the commercial paper issued is short-term whereas the issuer's assets are longer term. We take on this risk whenever we provide a liquidity support facility to the issuer. In 2003, a methodology to incorporate these contingent liabilities in our liquidity risk framework (including stress testing) was developed and approved by the Group Asset and Liability Committee.

We may also guarantee the assets of the issuer as part of the facility, giving us secondary credit risk with the first loss taken by the third parties who sold their assets to the entity.

We sponsor commercial real estate leasing vehicles and closed-end funds where third party investors essentially provide senior financing for the purchase of commercial real estate, which is leased to

other third parties. We typically provide subordinated financing, which exposes us to real estate market risk, and we receive fees for our administrative services.

In the case of guaranteed value mutual funds managed by ourselves, the value of the mutual funds units is being guaranteed. These mutual funds are investment vehicles that were established to provide returns to investors in the vehicles.

The extent of the financial support we provide for certain of the arrangements described above is disclosed in Note [9] to the consolidated financial statements in the disclosure of the Group's maximum exposure to loss as a result of its involvement with unconsolidated variable interest entities in which the Group holds a significant variable interest. The risks from these arrangements are included in our overall assessments of credit, liquidity and market risks.

Tabular Disclosure of Contractual Obligations

The table below shows the cash payment requirements from specified contractual obligations outstanding as of December 31, 2004:

Contractual obligations in € m.	Payment due by period				
	Total	Less than 1 year	1–3 years	3–5 years	More than 5 years
Long-term debt obligations	106,870	15,032	24,781	25,802	41,255
Capital (finance) lease obligations	1,037	73	366	92	506
Operating lease obligations	3,028	533	816	569	1,110
Purchase obligations	4,000	762	1,163	823	1,252
Long-term deposits	25,370	–	8,097	7,227	10,046
Other long-term liabilities	10,748	271	2,034	1,003	7,440
Total	151,053	16,671	37,257	35,516	61,609

Operating lease obligations exclude the benefit on noncancelable sublease rentals of € 682 million. Purchase obligations reflect minimum payments due under long-term real-estate-related obligations, and long-term outsourcing agreements that require payments of either € 10 million or more in one year or € 15 million or more over the entire life of the agreement. Long-term deposits exclude contracts with a remaining maturity of less than one year. Other long-term liabilities consist primarily of obligations to purchase common shares, and insurance policy reserves which are classified in the "More than 5 years" column since the obligations are long term in nature and actual payment dates cannot be specifically determined. See the following notes to the consolidated financial statements for further information: Note [11] regarding lease obligations, Note [15] regarding deposits, Note [17] regarding long-term debt, Note [18] regarding obligation to purchase common shares and Note [24] regarding insurance-related liabilities.

Significant Accounting Policies and Critical Accounting Estimates

We have prepared our consolidated financial statements in accordance with U.S. GAAP. Our significant accounting policies, as described in Note [1] to the Consolidated Financial Statements, are essential to understanding our reported results of operations and financial condition. Certain of these accounting policies require critical accounting estimates that involve complex and subjective judgments and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change. Such critical accounting estimates could change from period to period and have a material impact on financial condition, changes in financial condition or results of operations. Critical accounting estimates could also involve estimates where management could have reasonably used another estimate in the current accounting period. Actual results may differ from these estimates if conditions or underlying circumstances were to change.

We review the selection of these policies and the application of these critical accounting estimates with our Audit Committee. We have identified the following significant accounting policies that involve critical accounting estimates.

Fair Value Estimates

Certain of our financial assets and liabilities are carried at fair value, including trading assets and liabilities, derivatives held for nontrading purposes, securities available for sale and investments held by designated investment companies. In addition, nonmarketable equity investments and investments in venture capital companies, in which the Group does not have a controlling financial interest or significant influence, are carried at historical cost net of declines in fair value below cost that are deemed to be other than temporary. Loans held for sale are carried at the lower of cost or market (LOCOM).

Fair value is defined as the price at which an asset or liability could be exchanged in a current transaction between knowledgeable unrelated willing parties, other than in a forced or liquidation sale. Since the fair value determined might differ from actual net realizable values, the fair value estimates are considered critical accounting estimates for our Corporate Banking & Securities Corporate Division, which trades certain over-the-counter derivatives, some of which may have long terms or complex structures that are valued using financial models. Fair value estimates are also critical for our Corporate Investments Group Division, which holds investments that are not actively traded.

Methods of Determining Fair Value

Quoted market prices in active markets are the most reliable measure of fair value. The majority of our securities carried at fair value are based on quoted market prices. However, quoted market prices for certain instruments, investments and activities, such as loans held for sale, non-exchange traded contracts and venture capital companies and nonmarketable equity securities may not be available.

When quoted market prices are not available, values for financial assets and liabilities are determined based upon discounted cash flow analysis, comparison to similar observable market transactions, or the use of financial models. Discounted cash flow analysis is dependent upon estimated future cash flows and the discount rate used. Valuation using financial models is dependent upon parameters including time value, yield curve, volatility factors, correlation factors, prepayment speeds, default rates, loss severity, current market prices and transaction prices for underlying financial instruments. The valuation process to price financial instruments at fair value includes making adjustments to prices and financial model outputs to consider factors such as close out costs, liquidity and counterparty credit risk.

Where valuation of financial instruments is subjective due to the lack of observable market prices or inputs, management must apply judgment to make estimates and certain assumptions. For example, if prices or inputs to financial models are used for similar financial instruments, judgment is applied to make appropriate adjustments for differences in credit risk, liquidity or other factors. Where fair value is not based upon observable market prices or inputs we defer any trade date profit or loss.

Internal Controls Over Fair Value

To ensure the accuracy of our valuations, we have established certain internal control procedures over the valuation process. The price and parameter input verification process is a primary control over the front office valuation of financial instruments, which is performed either through independent pricing, independent price verification or alternative procedures.

Independent pricing occurs where the prices or parameter inputs are sourced directly from the market by Controlling. This is the preferred method of valuation control and Controlling performs checks on the ongoing data quality including automated checks for stale and missing prices.

Where prices and parameters are input by the front office, Controlling performs *independent price verification* of these inputs against available independent market sources.

The majority of the Group's trading portfolio (including securities and derivatives) and available for sale portfolio are subject to independent pricing or independent price verification procedures.

Where prices or parameter inputs are not observable, then the appropriateness of fair value is subject to *alternative procedures*. Such procedures include assessing the valuations against appropriate proxy instruments, performing sensitivity analysis and considering other benchmarks. These procedures require the application of management judgment.

Other valuation controls include review and analysis of daily profit and loss, validation of valuation through close out profit and loss and Value-at-Risk back-testing. For further discussion on our Value-at-Risk Analysis, see the Risk Report. Where fair value is based on financial models, the assumptions and techniques within the models are independently validated by a specialist group within Controlling.

Allowance for Loan Losses

We maintain an allowance for loan losses that represents our estimate of probable losses in our loan portfolio. Determining the allowance for loan losses requires significant management judgments and assumptions. The components of the allowance for loan losses are a specific loss component and an inherent loss component consisting of the country risk allowance, the smaller-balance standardized homogeneous loan loss allowance and the other inherent loss allowance. We believe that the accounting estimate related to the allowance for loan losses is a critical accounting estimate because the underlying assumptions used for both the specific and inherent loss components of the allowance can change from period to period. Such changes may materially affect our results of operations. The estimate for the allowance for loan losses is a critical accounting estimate for our Corporate Banking & Securities and Private & Business Clients Corporate Divisions.

The specific loss component is the allowance for losses on loans for which management believes that it is probable that we will be unable to collect all of the principal and interest due under the loan agreement. This component comprises the largest portion of our allowance and requires consideration of various underlying factors which include, but are not limited to, the financial strength of our customers, the expected future cash flows, fair value of underlying collateral or the market price of the loan. We regularly re-evaluate all credit exposures that have already been specifically provided for, as well as all credit exposures that appear on our watchlist. Our assumptions are either validated or revised accordingly based on our re-evaluation.

Some of the underlying factors used in determining the inherent loss component, include, but are not limited to, historical loss experience and political, economic and other relevant factors. We determine our country risk allowance based on historical loss experience and current market data affecting a country's financial condition. Our smaller-balance standardized homogeneous portfolio is evaluated for inherent loss on a collective basis and an allowance is established based on analyses of historical loss experience for each product type according to criteria such as past due status and collateral recovery values. The other inherent loss allowance represents our estimate of losses inherent in the portfolio that have not yet been individually identified and reflects the imprecisions and uncertainties in estimating our loan loss allowances.

Significant changes in any of these factors could materially affect our provision for loan losses. For example, if our current assumptions about expected future cash flows used in determining the specific loss component differ from actual results, we may need to make additional provisions for loan losses. In addition, the forecasted financial strength of any given customer may change due to various circum-

stances, such as future changes in the global economy or new information becoming available as to financial strength that may not have existed at the date of our estimates. This new information may require us to adjust our current estimates and make additional provisions for loan losses.

Our provision for loan losses totaled € 372 million and € 1.1 billion for the years ended December 31, 2004 and 2003, respectively.

For further discussion on our allowance for loan losses, see the Risk Report and Notes [7] and [8] to the consolidated financial statements.

Impairment of Assets other than Loans

Certain assets, including equity method and other direct investments (including venture capital companies and nonmarketable equity securities), securities available for sale, goodwill and other intangible assets, are subject to impairment review. We record impairment charges when we believe an asset has experienced an other-than-temporary decline in fair value, or its cost may not be recoverable. Based on our impairment reviews related to these assets, we recorded total impairment charges of € 135 million in 2004 and € 1.5 billion in 2003. Future impairment charges may be required if triggering events occur, such as adverse market conditions, suggesting deterioration in an asset's recoverability or fair value. Assessment of timing of when such declines become other than temporary and/or the amount of such impairment is a matter of significant judgment.

Equity method investments, other equity interests and securities available for sale are evaluated for impairment on a quarterly basis, or more frequently if events or changes in circumstances indicate that these investments are impaired. For example, indications that these investments are impaired could include specific conditions in an industry or geographical area or specific information regarding the financial condition of the company, such as a downgrade in credit rating. If information becomes available after we make our evaluation, we may be required to recognize an other-than-temporary impairment in the future. Because the estimate for other-than-temporary impairment could change from period to period based upon future events that may or may not occur, we consider this to be a critical accounting estimate. Our impairment reviews for equity method investments, other equity interests and securities available for sale resulted in impairment charges of € 96 million in 2004 and € 1.3 billion in 2003. For additional information on securities available for sale, see Note [5] to the consolidated financial statements and for equity method investments and other equity interests, see Note [6] to the consolidated financial statements.

Goodwill and other intangible assets are tested for impairment on an annual basis, or more frequently if events or changes in circumstances, such as an adverse change in business climate, indicate that these assets may be impaired. The fair value determination used in the impairment assessment requires estimates based on quoted market prices, prices of comparable businesses, present value or other valuation techniques, or a combination thereof, necessitating management to make subjective judgments and assumptions. Because these estimates and assumptions could result in significant differences to the amounts reported if underlying circumstances were to change, we consider this estimate to be critical. As of December 31, 2004 and 2003, goodwill had a carrying amount of € 6.4 billion and € 6.7 billion, respectively, and other intangible assets had a carrying amount of € 1.1 billion at each year end. Evaluation of impairment of these assets is a significant estimate for multiple divisions. In 2004, an impairment charge of € 19 million was recorded related to intangible assets in Asset and Wealth Management Corporate Division following the termination of certain investment agreements. In 2003, a goodwill impairment loss of € 114 million related to the Private Equity reporting unit was recorded following decisions relating to the private equity fee-based business including the transfer of certain businesses to the Asset and Wealth Management Corporate Division. For further discussion on goodwill and other intangible assets, see Note [12] to the consolidated financial statements.

Deferred Tax Assets Valuation Allowance

We recognize deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, net operating loss carryforwards and tax credits. At December 31, 2004 and December 31, 2003 our consolidated gross deferred tax assets were € 24.7 billion and € 15.6 billion, respectively, and our consolidated gross deferred tax liabilities were € 22.3 billion and € 12.3 billion, respectively. A valuation allowance is maintained for deferred tax assets that we estimate are more likely than not to be unrealizable based on available evidence at the time the estimate is made. Determining the valuation allowance requires significant management judgments and assumptions. In determining the valuation allowance, we use historical and forecasted future operating results, based upon approved business plans, including a review of the eligible carryforward periods, tax planning opportunities and other relevant considerations. Each quarter, we reevaluate our estimate related to the valuation allowance, including our assumptions about future profitability. At December 31, 2004 and December 31, 2003 our valuation allowance was € 888 million and € 964 million, respectively.

We believe that the accounting estimate related to the valuation allowance is a critical accounting estimate because the underlying assumptions can change from period to period. For example, tax law changes or variances in future projected operating performance could result in a change in the valuation allowance. If we were not able to realize all or part of our net deferred tax assets in the future, an adjustment to our deferred tax assets valuation allowance would be charged to income tax expense in the period such determination was made.

As a result of reviews of the factors discussed above related to the adequacy of the valuation allowance, our income tax expense for the years ended December 31 included a credit of € 7 million for 2004 and charges of approximately € 99 million for 2003. The credit in 2004 was due mainly to an increase in expected realization of operating loss carryforwards and tax credits available to reduce future tax expense.

For further discussion on our deferred taxes and valuation allowance, see Note [26] to the consolidated financial statements.

Legal, Regulatory and Tax Contingencies

The use of estimates is important in determining provisions for potential losses that may arise from litigation and regulatory proceedings and tax audits. We estimate and provide for potential losses that may arise out of litigation and regulatory proceedings and tax audits to the extent that such losses are probable and can be estimated, in accordance with SFAS No. 5, "Accounting for Contingencies." Significant judgment is required in making these estimates and our final liabilities may ultimately be materially different.

Our total liability in respect of litigation and regulatory proceedings is determined on a case-by-case basis and represents an estimate of probable losses after considering, among other factors, the progress of each case, our experience and the experience of others in similar cases, and the opinions and views of legal counsel. Given the inherent difficulty of predicting the outcome of our litigation matters, particularly in cases in which claimants seek substantial or indeterminate damages, we cannot estimate losses or ranges of losses for cases where there is only a reasonable possibility that a loss may have been incurred. See Note [34] to our consolidated financial statements for information on our judicial, regulatory and arbitration proceedings.

Recent Accounting Developments

EITF 04-8

In October 2004, the Financial Accounting Standards Board (FASB) ratified the consensus reached in Emerging Issues Task Force (EITF) Issue No. 04-8, "The Effect of Contingently Convertible Debt on Diluted Earnings Per Share" ("EITF 04-8"). EITF 04-8 requires contingently convertible debt instruments to be included in diluted earnings per share, if dilutive, regardless of whether the contingency has been met. EITF 04-8 is effective for reporting periods ending after December 15, 2004, and requires prior period earnings per share amounts to be restated for comparative purposes. The adoption of EITF 04-8 did not have a material impact on our consolidated financial statements.

EITF 02-14

In July 2004, the FASB ratified the consensus reached in EITF Issue No. 02-14, "Whether an Investor Should Apply the Equity Method of Accounting to Investments Other Than Common Stock" ("EITF 02-14"). EITF 02-14 concludes that an investor that has the ability to exercise significant influence over an investee should apply the equity method of accounting only when it has an investment in common stock and/or an investment that is in-substance common stock. EITF 02-14 addresses the determination of whether an investment is in-substance common stock but does not change existing guidance concerning the assessment of whether an investor has the ability to exercise significant influence over an investee. The consensus in EITF 02-14 is effective for reporting periods beginning after September 15, 2004. The adoption of EITF 02-14 did not have a material impact on our consolidated financial statements.

FSP 106-2

In May 2004, the FASB issued Staff Position No. 106-2, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003" ("FSP 106-2"), which superseded FSP 106-1 issued in January 2004. The Act, signed into law in the U.S. on December 8, 2003, introduces a prescription drug benefit as well as a subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to benefits provided under the Act. FSP 106-2, which is effective for reporting periods beginning after June 15, 2004, provides authoritative guidance on the accounting for the effects of the Act and disclosure guidance related to the federal subsidy provided by the Act. We determined that the effects of the Act were not a significant event requiring an interim remeasurement under SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." Consequently, as permitted by FSP 106-2, net periodic postretirement benefit cost for 2004 does not reflect the effects of the Act. The accumulated postretirement benefit obligation ("APBO") for the postretirement benefit plan was remeasured at September 30, 2004 to reflect the effects of the Act, which resulted in a reduction of the APBO of approximately € 36 million.

FSP 129-1

In April 2004, the FASB issued Staff Position No. 129-1, "Disclosure Requirements under FASB Statement No. 129, Disclosure of Information about Capital Structure, Relating to Contingently Convertible Securities" ("FSP 129-1"). FSP 129-1 requires the disclosure provisions of Statement 129 to apply to all existing and newly created contingently convertible securities and to their potentially dilutive effects on earnings per share. The disclosure requirements of FSP 129-1 did not have a material effect on our consolidated financial statements.

EITF 03-6

In March 2004, the FASB ratified the consensus reached in EITF Issue No. 03-6, "Participating Securities and the Two-Class Method under FASB Statement No. 128, Earnings Per Share" ("EITF 03-6"). EITF 03-6 clarifies what constitutes a participating security and requires the use of the two-class method for computing basic earnings per share when participating securities exist. EITF 03-6 is effective April 1, 2004 and requires retroactive adjustment to earnings per share presented for prior periods. The adoption of EITF 03-6 did not have a material impact on our consolidated financial statements.

SAB 105

Effective April 1, 2004, the Group adopted Staff Accounting Bulletin No. 105, "Application of Accounting Principles to Loan Commitments" ("SAB 105"). SAB 105 clarifies the requirements for the valuation of loan commitments that are accounted for as derivatives in accordance with SFAS 133. The adoption of SAB 105 did not have a material impact on our consolidated financial statements.

FIN 46(R) (Revised December 2003)

Effective March 31, 2004, the Group adopted the revised version of FIN 46, "Consolidation of Variable Interest Entities, an interpretation of ARB No. 51" ("FIN 46(R)"). The FASB modified FIN 46 to address certain technical corrections and implementation issues that had arisen. As a result of the adoption, total assets decreased by € 12.5 billion due to the deconsolidation of guaranteed value mutual funds. The adoption had no impact on net income, however certain offsetting revenues and charges, chiefly trading revenues, net interest revenues and charges against other revenues, are no longer reported in the consolidated statement of income beginning April 1, 2004 due to the deconsolidations.

EITF 03-1 and FSP EITF 03-1-1

In March 2004, the FASB ratified the consensus reached in EITF Issue No. 03-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments" ("EITF 03-1"). The decisions establish a common approach to evaluating other-than-temporary impairment for equity securities accounted for at cost, and debt and equity securities available for sale. In September 2004, the FASB issued a final FASB Staff Position, No. EITF 03-1-1 ("FSP EITF 03-1-1"), which delayed the effective date for the measurement and recognition guidance included in EITF 03-1. The disclosures required by EITF 03-1 have not been delayed and are required beginning December 31, 2004. Once the effective date of the measurement and recognition guidance has been confirmed, management will assess the impact EITF 03-1 will have on our consolidated financial statements.

FSP 109-2

In December 2004, the FASB issued Staff Position No. 109-2, "Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision within the American Jobs Creation Act of 2004" ("FSP 109-2"). The Act, which was signed into law in the U.S. on October 22, 2004, provides for, among other things, a reduced rate of U.S. tax on dividends received from foreign subsidiaries of U.S. taxpayers. FSP 109-2 provides additional time beyond the financial reporting period of the enactment to evaluate the effects of this provision of the Act for purposes of applying SFAS No. 109, "Accounting for Income Taxes." We estimate that approximately € 370 million may be eligible for repatriation under this provision. We are evaluating the effect of such a repatriation but do not expect that this provision will have a material impact on our consolidated financial statements.

SFAS 123 (Revised 2004)

In December 2004, the FASB issued SFAS No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123(R)"). SFAS 123(R) replaces SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"), and supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees". The new standard requires companies to recognize compensation cost relating to share-based payment transactions in their financial statements. That cost is to be measured based on the fair value of the equity or liability instruments issued. Starting January 1, 2003, we accounted for our share-based compensation awards under the fair value method prescribed under SFAS 123. The method was applied prospectively for all employee awards granted, modified or settled after January 1, 2003. Currently, we use a Black-Scholes option pricing model to estimate the fair value of stock options granted to employees and expect to continue to use this option valuation model upon the adoption of SFAS 123(R). SFAS 123(R) also includes some changes regarding the timing of expense recognition, the treatment of forfeitures and the re-measurement of liability classified awards at their current fair value. SFAS 123(R) is effective for reporting periods beginning after June 15, 2005. Management is currently evaluating the transition method to be used and the impact SFAS 123(R) will have on our consolidated financial statements.

SOP 03-3

In December 2003, the American Institute of Certified Public Accountants issued Statement of Position 03-3, "Accounting for Certain Loans or Debt Securities Acquired in a Transfer" ("SOP 03-3"). SOP 03-3 addresses the accounting for differences between contractual and expected cash flows for loans or debt securities acquired in a transfer if those differences are attributable, at least in part, to credit quality. The SOP prohibits the creation of an allowance for loan losses in the initial accounting for all loans within its scope. The SOP also limits the income that can be recognized and specifies the accounting for future changes in expected cash flows on the acquired loans or securities. SOP 03-3 is effective for loans or debt securities acquired in fiscal years beginning after December 15, 2004. SOP 03-3 is not expected to have a material impact on our consolidated financial statements.

IFRS

EU and German regulations require the Group to adopt International Financial Reporting Standards (IFRS) for purposes of preparing consolidated financial statements filed with EU and German regulatory authorities beginning no later than fiscal year 2007 (with 2006 comparative amounts presented). Financial statements prepared according to IFRS are accepted in SEC filings provided a reconciliation to certain U.S. GAAP financial statement amounts is disclosed.

The adoption of IFRS will not result in any adjustment to U.S. GAAP amounts, however there are a number of differences between the two accounting regimes which will cause earnings and balance sheet amounts under IFRS and U.S. GAAP to differ, perhaps significantly. The special transition rules for this adoption require, with some exceptions, that the IFRS in effect at the reporting date be applied in the opening balance sheet. Because of this, future rule changes could have an impact on the opening IFRS balance sheet and thus the difference between U.S. GAAP and IFRS earnings or balance sheet amounts cannot be predicted at this time.

Risk Factors

An investment in our shares involves a number of risks. You should carefully consider the following information about the risks we face, together with the other information in this document when you make investment decisions involving our shares.

Market Declines and Volatility can Materially Adversely Affect our Revenues and Profits.

In recent years we have increased our exposure to the financial markets as we have emphasized growth in our investment banking activities, including trading activities, and de-emphasized growth in our traditional lending business. Accordingly, we believe that we are more at risk from adverse developments in the financial markets than we were when we derived a larger percentage of our revenues from traditional lending activities. Market declines can cause our revenues to decline, and, if we are unable to reduce our expenses at the same pace, can cause our profitability to erode. Volatility can sometimes also adversely affect us.

An overall market downturn can adversely affect our business and financial performance. Market downturns can occur not only as a result of purely economic factors, but also as a result of war, acts of terrorism, natural disasters or other similar events.

In particular, this represents the following:

- *We may incur significant losses from our trading and investment activities due to market fluctuations.* We enter into and maintain large trading and investment positions in the fixed income, equity and currency markets, primarily through our Corporate Banking & Securities Corporate Division, many of which include derivative financial instruments. We also have made significant investments in individual companies through our Corporate Investments Group Division. In each of the product and business lines in which we enter into these kinds of positions, part of our business entails making assessments about the financial markets and trends in them. The revenues and profits we derive from many of our positions and our transactions in connection with them are dependent on market prices.
- *Protracted market declines can reduce liquidity in the markets, making it harder to sell assets and possibly leading to material losses.* In some of our businesses, protracted market movements, particularly asset price declines, can reduce the level of activity in the market or reduce market liquidity. These developments can lead to material losses if we cannot close out deteriorating positions in a timely way.
- *Even where losses are for our clients' accounts, they may fail to repay us, leading to material losses for us, and our reputation can be harmed.*
- *Our investment banking revenues in the form of financial advisory and underwriting fees may decline in adverse market or economic conditions.*
- *We may generate lower revenues from brokerage and other commission- and fee-based businesses if market downturns lead to declines in the volume of transactions.* The fees that we charge for managing our clients' portfolios are in many cases based on the value or performance of those portfolios. A market downturn that reduces the value of our clients' portfolios or increases the amount of withdrawals would reduce the revenues we receive.

Our nontraditional credit businesses materially add to our traditional banking credit risks.

Many of the businesses we engage in beyond the traditional lending businesses also expose us to credit risk, such as holding securities of third parties or entering into swap or other derivative contracts. We engage in most of these businesses through our Corporate Banking & Securities Corporate Division credit transactions, frequently ancillary to other transactions.

If we are unable to implement our Business Realignment Program (BRP), we may be unable to achieve cost savings and to increase our return on equity, and our future earnings and share price may be materially and adversely affected.

Beginning in 2002, we undertook a variety of measures that have enabled us to reduce costs, lower our risk profile, increase efficiency and raise our profitability. To further pursue these objectives, we announced the Business Realignment Program (BRP) in the fourth quarter of 2004. The BRP covers five key initiatives: aligning our sales and trading platforms, aligning our corporate banking efforts, reorganizing our Asset Management Business Division, adding regional focus in Germany and other regions as well as streamlining our infrastructure. We may be unable to achieve cost savings and to increase our return on equity, and our future earnings and share price may be materially and adversely affected, should we fail to implement the BRP initiatives or should the BRP initiatives that are implemented fail to produce the anticipated benefits. A number of internal and external factors could prevent the implementation of these initiatives or the realization of their anticipated benefits, including changes in the markets in which we are active, global, regional and national economic conditions and increased competition for business and employees.

The size of our clearing operations exposes us to a heightened risk of material losses should these operations fail to function properly.

We believe that the sheer scope of our clearing and settlement business heightens the risk that we, our customers or other third parties could lose substantial sums if our systems fail to operate properly for even short periods. This will be the case even where the reason for the interruption is external to us.

Our risk management policies, procedures and methods may leave us exposed to unidentified or unanticipated risks, which could lead to material losses.

We have devoted significant resources to developing our risk management policies, procedures and assessment methods and intend to continue to do so in the future. Nonetheless, our risk management techniques and strategies may not be fully effective in mitigating our risk exposure in all economic market environments or against all types of risk, including risks that we fail to identify or anticipate.

We may have difficulty in identifying and executing acquisitions, and both making acquisitions and avoiding them could materially harm our results of operations and our share price.

We consider business combinations from time to time. Even though we review the companies we plan to acquire, it is generally not feasible for these reviews to be complete in all respects. As a result, we may assume unanticipated liabilities, or an acquisition may not perform as well as expected. Were we to announce or complete a significant business combination transaction, our share price could decline significantly if investors viewed the transaction as too costly or unlikely to improve our competitive position. If we avoid entering into additional business combination transactions or fail to identify attractive companies to acquire, market participants may, especially in the current climate of consolidation, perceive us negatively.

We may have difficulties selling noncore assets at favorable prices, or at all.

Events at companies in which we have invested may make it harder to sell our holdings and result in material losses irrespective of market developments.

Where we hold significant investment in other companies, the effect of losses and risks at those companies may restrict our ability to sell our shareholdings and may reduce the value of our holdings considerably, including the value thereof reflected in our financial statements, even where general market conditions are favorable.

Intense competition, especially in our home market of Germany could materially hurt our revenues and profitability.

Competition is intense in all of our primary business areas. If we are unable to respond to the competitive environment in Germany or in our other major markets, we may lose market share in important areas of our business or incur losses on some or all of our activities. In addition, downturns in the German economy could add to the competitive pressure, through, for example, increased price pressure and lower business volumes for us and our competitors.

Outlook

The global economy began the year 2004 with very strong GDP growth. Because of rising oil prices and the fading policy stimulus in the US, the upswing slowed towards trend growth by the end of last year. At the beginning of 2005, leading indicators for the world economy remain at solid levels and point to a year of average growth. China and the US are likely to remain the engines of the global economy again in 2005. The Chinese economy is expected to expand by 8.5% after 9.5% last year. US growth is set to remain near 4% despite higher central bank interest rates and an absence of additional fiscal stimulus. Corporate sector profitability remains strong and allows additional spending on investment and employment. The modest Euro area upswing should be sustained into 2005 with GDP growth of close to 1.5% and a stronger contribution from private consumption than in previous years. Hampered by substantial structural problems and by a rising Euro, German GDP was again sluggish in 2004 and is likely to grow by just 1% this year.

The risks to the outlook especially for Europe stem primarily from the large US current account deficit and the possibility of a stronger Euro, given that many Asian countries do not allow their currencies to appreciate significantly. In addition, almost all asset prices rose strongly and risk premia declined significantly over the past two years with the help of low official interest rates in the large economies. This fuels the risk of a setback of asset markets and a resulting slowdown in consumption and investment around the world.

During 2004, we delivered sustained profit growth. We continued our 'de-risking' strategy by further reducing our problem loans, provisions for credit losses as well as our exposure to alternative assets while maintaining our strong capitalization with a BIS Tier 1 ratio in the upper half of our target range of 8–9%. We delivered the benefits of ongoing 'transformation' to our shareholders, by both attractive dividends and continued share buybacks. At the same time we continued investing in our core businesses. The successful expansion of our Private & Business Clients Corporate Division, for example, has created a stable, substantial source of earnings for the Bank. Thereby, we laid solid foundations for continued profitable growth in 2005 and beyond.

The Business Realignment Program (BRP), which we announced in the fourth quarter 2004, covers five key initiatives with significant strategic and financial impact: aligning our sales and trading platforms, aligning our corporate banking efforts, reorganizing our Asset Management Business Division, adding regional focus in Germany and other regions as well as streamlining our infrastructure. These initiatives are designed to drive revenue growth in targeted areas from both coverage and product synergies while simultaneously creating cost synergies from rationalization, process reengineering and outsourcing.

- *Aligning our sales and trading platforms.* We have built a world-leading sales and trading platform, based on outstanding people, constant innovation in finding solutions for our clients, and a dynamic organization. Increasingly, clients are seeking integrated solutions which embrace both asset classes, equity and debt, while margin pressure in mature products and markets continues to grow. We will respond by integrating investor coverage platforms, and merging specific product units where synergies are greatest. We are also integrating our Emerging Markets platforms across debt and equity, our research model, and our manufacturing and distribution platform for retail customers.
- *Aligning our corporate banking efforts.* Increasingly, corporate clients also require an integrated approach. In response, we will integrate our corporate coverage teams, serving our clients more efficiently, customizing our products more effectively around the particular needs of each client. This allows us to operate more cost-effectively, both in the business and in the supporting infrastructure units.
- *Reorganizing our Asset Management Business Division.* Our primary focus in 2005 will be configuring an efficient organization to drive maximum cost-effectiveness and reduce operational complexity. In addition, we plan to reposition our business mix by investing in high fee-generating product areas and by expanding DWS into other European countries and into Asia/Pacific. We will continue to focus on improving our investment performance, supported by the new Global CIO and investment platform. A comprehensive global strategic review of all Asset Management units is currently

in process. Specifically, the review of the UK business is looking at all options, including organically growing the business or divesting all or part of it.

- *Adding regional focus in Germany and other regions.* The newly-created Management Committee Germany, which includes representatives from all our businesses and key central functions, will play an important role in deepening our relationships with clients, fostering cross-selling, developing our franchise, and strengthening our dialogue with national, governmental, supervisory and industry-wide bodies. In addition to Germany, we have established comparable committees in the Americas, the Asia-Pacific region and Japan, as well as our key markets in Europe. These committees represent a key component in our objective to strengthen the regional dimension of our management worldwide.
- *Streamlining our infrastructure.* The changes in our front office open up opportunities to further streamline our back office infrastructure. Our goal is to migrate to a new operating model, which leverages smart sourcing opportunities. Smart sourcing includes consolidation of decentralized operations units, outsourcing of processes or parts thereof and taking advantage of diverging cost levels in different locations, e.g. labor costs. We anticipate significant efficiencies in Global Technology and Operations, Credit Risk Management and other back office functions through streamlining and reengineering existing infrastructure and processes, aligned with focused investments in our control environment.

The BRP, together with additional measures in the fourth quarter 2004, will involve a net headcount reduction of approximately 5,200 (on a full-time equivalent basis). The majority of the reduction will arise in infrastructure units. This figure includes the Efficiency and Investment Plan for Germany announced in December 2004. Total expenses related to the BRP and the additional measures recorded in the fourth quarter 2004 and expected in 2005 are estimated to be approximately € 1.3 billion. However, we hope to achieve cost savings of approximately € 1.2 billion in 2005 in relation to the BRP and the additional measures.

Our ambition to further increase our profitability will be supported by continued active management of capital resources. Within our capital allocation process, we are favoring those businesses where we see the highest profitability. We anticipate the completion of our current share buyback program, which was started in July 2004, due to our consistently strong regulatory and economic capitalization. In addition, we plan to seek authorization from our shareholders for a fourth share buyback program at the Annual Shareholders' Meeting in May 2005.

Our strategic objective is to build sustainable leadership positions in our core businesses and increase profitability. This, in turn, allows us to deliver superior returns to our shareholders, and strengthen our strategic autonomy, by placing Deutsche Bank among the world's leading financial institutions by market value.

The year 2005 has started well for us. We have made good progress so far in implementing the measures of our Business Realignment Program, and if the world's economies and financial markets continue to develop positively, we are confident we can achieve our published financial targets.

Consolidated Statement of Income

in € m., except per share data	[Notes]	2004	2003	2002
Net interest revenues:				
Interest revenues	[23], [31]	28,023	27,583	35,781
Interest expense	[23], [31]	22,841	21,736	28,595
Net interest revenues		5,182	5,847	7,186
Provision for loan losses	[6], [7], [8]	372	1,113	2,091
Net interest revenues after provision for loan losses		4,810	4,734	5,095
Noninterest revenues:				
Commissions and fees from fiduciary activities		3,211	3,273	3,926
Commissions, broker's fees, markups on securities underwriting and other securities activities		3,711	3,564	4,319
Fees for other customer services		2,584	2,495	2,589
Insurance premiums		123	112	744
Trading revenues, net	[31]	6,186	5,611	4,024
Net gains on securities available for sale	[5]	235	20	3,523
Net income (loss) from equity method investments	[6]	388	(422)	(887)
Other revenues	[6], [13], [31]	298	768	1,123
Total noninterest revenues		16,736	15,421	19,361
Noninterest expenses:				
Compensation and benefits	[20], [25], [31]	10,222	10,495	11,358
Net occupancy expense of premises		1,258	1,251	1,291
Furniture and equipment		178	193	230
IT costs		1,726	1,913	2,188
Agency and other professional service fees		824	836	1,001
Communication and data services		599	626	792
Policyholder benefits and claims		260	110	759
Other expenses		2,031	1,890	2,643
Goodwill impairment/impairment of intangibles	[12]	19	114	62
Restructuring activities	[29]	400	(29)	583
Total noninterest expenses		17,517	17,399	20,907
Income before income tax expense and cumulative effect of accounting changes		4,029	2,756	3,549
Income tax expense	[26]	1,437	1,327	372
Reversal of 1999/2000 credits for tax rate changes	[26]	120	215	2,817
Income before cumulative effect of accounting changes, net of tax		2,472	1,214	360
Cumulative effect of accounting changes, net of tax	[2]	–	151	37
Net income		2,472	1,365	397
Earnings per common share (in €)	[2], [12], [20], [27]			
Basic				
Income before cumulative effect of accounting changes, net of tax		5.02	2.17	0.58
Cumulative effect of accounting changes, net of tax		–	0.27	0.06
Net income		5.02	2.44	0.64
Diluted				
Income before cumulative effect of accounting changes, net of tax		4.53	2.06	0.57
Cumulative effect of accounting changes, net of tax		–	0.25	0.06
Net income		4.53	2.31	0.63
Cash dividends declared per common share		1.50	1.30	1.30

The accompanying notes are an integral part of the Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income

in € m.	2004	2003	2002
Net income	2,472	1,365	397
Other comprehensive income (loss):			
Reversal of 1999/2000 credits for tax rate changes	120	215	2,817
Unrealized gains (losses) on securities available for sale:			
Unrealized net gains (losses) arising during the year, net of tax and other ¹	12	1,619	(5,596)
Net reclassification adjustment for realized net (gains) losses, net of applicable tax and other ²	(189)	162	(3,527)
Unrealized net gains (losses) on derivatives hedging variability of cash flows, net of tax ³	40	(4)	2
Minimum pension liability, net of tax ⁴	(1)	8	(8)
Foreign currency translation:			
Unrealized net losses arising during the year, net of tax ⁵	(719)	(936)	(1,602)
Net reclassification adjustment for realized net gains, net of tax ⁶	–	(54)	–
Total other comprehensive income (loss)	(737)	1,010	(7,914)
Comprehensive income (loss)	1,735	2,375	(7,517)

¹ Amounts are net of income tax expense (benefit) of € 131 million, € 38 million and € (69) million for the years ended December 31, 2004, 2003 and 2002, respectively, and adjustments to insurance policyholder liabilities and deferred acquisition costs of € 19 million, € 4 million and € (230) million for the years ended December 31, 2004, 2003 and 2002, respectively.

² Amounts are net of applicable income tax expense of € 40 million, € 41 million and € 15 million for the years ended December 31, 2004, 2003 and 2002, respectively, and adjustments to insurance policyholder liabilities and deferred acquisition costs of € 6 million, € (10) million and € 110 million for the years ended December 31, 2004, 2003 and 2002, respectively.

³ Amount is net of an income tax expense of € 7 million for the year ended December 31, 2004, an income tax benefit for the year ended December 31, 2003, and an income tax expense for the year ended December 31, 2002.

⁴ Amount is net of income tax expense (benefit) of € (1) million, € 3 million and € (3) million for the years ended December 31, 2004, 2003 and 2002, respectively.

⁵ Amounts are net of an income tax expense of € 53 million, € 70 million and € 26 million for the years ended December 31, 2004, 2003 and 2002, respectively.

⁶ Amount is net of an income tax expense (benefit) of € 4 million and € (5) million for the years ended December 31, 2004 and 2003, respectively.

The accompanying notes are an integral part of the Consolidated Financial Statements.

Consolidated Balance Sheet

in € m. (except nominal value)	[Notes]	Dec 31, 2004	Dec 31, 2003
Assets			
Cash and due from banks		7,579	6,636
Interest-earning deposits with banks	[33]	18,089	14,649
Central bank funds sold and securities purchased under resale agreements	[33]	123,921	112,419
Securities borrowed	[33]	65,630	72,796
Trading assets of which € 104 billion and € 107 billion were pledged to creditors and can be sold or repledged at December 31, 2004 and 2003, respectively	[4], [10], [33]	373,147	345,371
Securities available for sale of which € 18 million and € 404 million were pledged to creditors and can be sold or repledged at December 31, 2004 and 2003, respectively	[5], [10], [33]	20,335	24,631
Other investments	[6], [33]	7,936	8,570
Loans, net	[7], [8], [9], [10], [32], [33]	136,344	144,946
Premises and equipment, net	[10], [11]	5,225	5,786
Goodwill	[2], [12]	6,378	6,735
Other intangible assets, net	[2], [12]	1,069	1,122
Other assets related to insurance business	[24]	6,733	8,249
Other assets	[14], [26]	67,682	51,704
Total assets		840,068	803,614
Liabilities			
Deposits	[15], [33]	329,469	306,154
Trading liabilities	[4], [33]	169,606	153,234
Central bank funds purchased and securities sold under repurchase agreements	[10], [33]	105,292	102,433
Securities loaned	[10], [33]	12,881	14,817
Other short-term borrowings	[16], [19], [33]	20,118	22,290
Insurance policy claims and reserves	[24]	7,935	9,071
Other liabilities	[14], [19], [25], [26], [29]	58,935	67,623
Long-term debt	[17], [19], [33]	106,870	97,480
Obligation to purchase common shares	[18]	3,058	2,310
Total liabilities		814,164	775,412
Shareholders' equity			
Common shares, no par value, nominal value of € 2.56 Issued: 2004, 543.9 million shares; 2003, 581.9 million shares	[20]	1,392	1,490
Additional paid-in capital		11,147	11,147
Retained earnings		19,814	20,486
Common shares in treasury, at cost: 2004, 26.6 million shares; 2003, 16.8 million shares		(1,573)	(971)
Equity classified as obligation to purchase common shares	[18]	(3,058)	(2,310)
Share awards		1,513	954
Accumulated other comprehensive income (loss)			
Deferred tax on unrealized net gains on securities available for sale relating to 1999 and 2000 tax rate changes in Germany		(2,708)	(2,828)
Unrealized net gains on securities available for sale, net of applicable tax and other		1,760	1,937
Unrealized net gains (losses) on derivatives hedging variability of cash flows, net of tax		37	(3)
Minimum pension liability, net of tax		(1)	–
Foreign currency translation, net of tax		(2,419)	(1,700)
Total accumulated other comprehensive loss		(3,331)	(2,594)
Total shareholders' equity	[20], [22]	25,904	28,202
Total liabilities and shareholders' equity		840,068	803,614
Commitments and contingent liabilities (Notes [11], [31], [34])			

The accompanying notes are an integral part of the Consolidated Financial Statements.

Consolidated Statement of Changes in Shareholders' Equity

in € m.	2004	2003	2002
Common shares			
Balance, beginning of year	1,490	1,592	1,591
Common shares distributed under employee benefit plans	–	–	1
Retirement of common shares	(98)	(102)	–
Balance, end of year	1,392	1,490	1,592
Additional paid-in capital			
Balance, beginning of year	11,147	11,199	11,253
Common shares distributed under employee benefit plans	–	–	21
Net losses on treasury shares sold	–	(36)	(129)
Other	–	(16)	54
Balance, end of year	11,147	11,147	11,199
Retained earnings			
Balance, beginning of year	20,486	22,087	22,619
Net income	2,472	1,365	397
Cash dividends declared and paid	(828)	(756)	(800)
Dividend related to equity classified as obligation to purchase common shares	96	–	–
Net gains (losses) on treasury shares sold	66	(386)	–
Retirement of common shares	(2,472)	(1,801)	–
Other	(6)	(23)	(129)
Balance, end of year	19,814	20,486	22,087
Common shares in treasury, at cost			
Balance, beginning of year	(971)	(1,960)	(479)
Purchases of shares	(34,471)	(25,464)	(30,755)
Sale of shares	30,798	23,903	28,441
Retirement of shares	2,570	1,903	–
Treasury shares distributed under employee benefit plans	501	647	833
Balance, end of year	(1,573)	(971)	(1,960)
Equity classified as obligation to purchase common shares			
Balance, beginning of year	(2,310)	(278)	–
Additions	(1,241)	(2,911)	(330)
Deductions	493	879	52
Balance, end of year	(3,058)	(2,310)	(278)
Share awards – common shares issuable			
Balance, beginning of year	2,196	1,955	1,666
Deferred share awards granted, net	1,270	888	1,098
Deferred shares distributed	(501)	(647)	(809)
Balance, end of year	2,965	2,196	1,955
Share awards – deferred compensation			
Balance, beginning of year	(1,242)	(1,000)	(767)
Deferred share awards granted, net	(1,270)	(888)	(1,098)
Amortization of deferred compensation, net	1,060	646	865
Balance, end of year	(1,452)	(1,242)	(1,000)
Accumulated other comprehensive income (loss)			
Balance, beginning of year	(2,594)	(3,604)	4,310
Reversal of 1999/2000 credits for tax rate changes	120	215	2,817
Change in unrealized net gains on securities available for sale, net of applicable tax and other	(177)	1,781	(9,123)
Change in unrealized net gains/losses on derivatives hedging variability of cash flows, net of tax	40	(4)	2
Change in minimum pension liability, net of tax	(1)	8	(8)
Foreign currency translation, net of tax	(719)	(990)	(1,602)
Balance, end of year	(3,331)	(2,594)	(3,604)
Total shareholders' equity, end of year	25,904	28,202	29,991

The accompanying notes are an integral part of the Consolidated Financial Statements.

Consolidated Statement of Cash Flows

in € m.	2004	2003	2002
Cash flows from operating activities:			
Net income	2,472	1,365	397
Adjustments to reconcile net income to net cash used in operating activities:			
Provision for loan losses	372	1,113	2,091
Restructuring activities	400	(29)	583
Gain on sale of securities available for sale, other investments, loans and other	(476)	(201)	(4,928)
Deferred income taxes, net	838	269	2,480
Impairment, depreciation and other amortization and accretion	1,776	3,072	2,845
Cumulative effect of accounting changes, net of tax	—	(151)	(37)
Share of net loss (income) from equity method investments	(282)	(42)	753
Net change in:			
Trading assets	(42,461)	(37,624)	(4,071)
Other assets	(15,566)	(7,452)	8,627
Trading liabilities	16,380	22,719	11,412
Other liabilities	5,914	8,095	(20,639)
Other, net	682	47	(296)
Net cash used in operating activities	(29,951)	(8,819)	(783)
Cash flows from investing activities:			
Net change in:			
Interest-earning deposits with banks	(4,573)	11,305	7,800
Central bank funds sold and securities purchased under resale agreements	(11,679)	5,378	(14,004)
Securities borrowed	7,166	(35,226)	2,749
Loans	2,908	22,610	16,395
Proceeds from:			
Sale of securities available for sale	21,145	13,620	25,835
Maturities of securities available for sale	3,560	7,511	7,731
Sale of other investments	2,081	2,068	5,089
Sale of loans	10,463	6,882	2,747
Sale of premises and equipment	451	2,628	717
Purchase of:			
Securities available for sale	(25,201)	(19,942)	(22,464)
Other investments	(1,200)	(2,141)	(4,474)
Loans	(4,950)	(9,030)	(2,364)
Premises and equipment	(792)	(991)	(1,696)
Net cash received (paid) for business combinations/divestitures	(223)	2,469	(1,110)
Other, net	116	327	687
Net cash (used in) provided by investing activities	(728)	7,468	23,638
Cash flows from financing activities:			
Net change in:			
Deposits	23,347	(21,423)	(41,278)
Securities loaned and central bank funds purchased and securities sold under repurchase agreements	923	17,751	7,603
Other short-term borrowings	3,399	(4,303)	274
Issuances of long-term debt and trust preferred securities	34,463	43,191	40,245
Repayments and extinguishments of long-term debt and trust preferred securities	(25,773)	(32,366)	(27,201)
Issuances of common shares	—	—	73
Purchases of treasury shares	(34,471)	(25,464)	(30,755)
Sale of treasury shares	30,850	23,389	28,665
Cash dividends paid	(828)	(756)	(800)
Other, net	12	(37)	(455)
Net cash provided by (used in) financing activities	31,922	(18)	(23,629)
Net effect of exchange rate changes on cash and due from banks	(300)	(974)	(635)
Net increase (decrease) in cash and due from banks	943	(2,343)	(1,409)
Cash and due from banks, beginning of the year	6,636	8,979	10,388
Cash and due from banks, end of the year	7,579	6,636	8,979
Interest paid	22,411	22,612	31,349
Income taxes paid, net	199	911	408
Noncash investing activities:			
Transfer from available for sale securities to trading assets	—	—	—
Transfer from trading assets to available for sale securities	—	—	—

The accompanying notes are an integral part of the Consolidated Financial Statements.

[1] Significant Accounting Policies

Deutsche Bank Aktiengesellschaft ("Deutsche Bank" or the "Parent") is a stock corporation organized under the laws of the Federal Republic of Germany. Deutsche Bank together with all entities in which Deutsche Bank has a controlling financial interest (the "Group") is a global provider of a full range of corporate and investment banking, private clients and asset management products and services. For a discussion of the Group's business segment information, see Note [28].

The accompanying consolidated financial statements are stated in euros and have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions regarding the fair valuation of certain financial assets and liabilities, the allowance for loan losses, the impairment of assets other than loans, the valuation allowance for deferred tax assets, legal, regulatory and tax contingencies, as well as other matters. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's estimates. Certain prior period amounts have been reclassified to conform to the current presentation.

The following is a description of the significant accounting policies of the Group.

Principles of Consolidation

The consolidated financial statements include Deutsche Bank together with all entities in which Deutsche Bank has a controlling financial interest. The Group consolidates entities in which it has a majority voting interest when the entity is controlled through substantive voting equity interests and the equity investors bear the residual economic risks of the entity. The Group consolidates those entities that do not meet these criteria when the Group absorbs a majority of the entity's expected losses, or if no party absorbs a majority of the expected losses, when the Group receives a majority of the entity's expected residual returns.

Notwithstanding the above, certain securitization vehicles (commonly known as qualifying special purpose entities) are not consolidated if they are distinct from and not controlled by the entities that transferred the assets into the vehicle, and their activities are legally prescribed, significantly limited from inception, and meet certain restrictions regarding the assets they can hold and the circumstances in which those assets can be sold.

For consolidated guaranteed value mutual funds, in which the Group has only minor equity interests, the obligation to pass the net revenues of these funds to the investors is reported in other liabilities, with a corresponding charge to other revenues.

Prior to January 1, 2003, the Group consolidated all majority-owned subsidiaries as well as special purpose entities that the Group was deemed to control or from which the Group retained the majority of the risks and rewards. Qualifying special purpose entities were not consolidated.

All material intercompany transactions and balances have been eliminated. Issuances of a subsidiary's stock to third parties are treated as capital transactions.

Revenue Recognition

Revenue is recognized when it is realized or realizable, and earned. This concept is applied to the key revenue generating activities of the Group as follows:

Net interest revenues – Interest from interest-bearing assets and liabilities is recognized on an accrual basis over the life of the asset or liability based on the constant effective yield reflected in the terms of the contract and any related net deferred fees, premiums, discounts or debt issuance costs. See the “Loans” section of this footnote for more specific information regarding interest from loans.

Valuation of assets and liabilities – Certain assets and liabilities are required to be revalued each period end and the offset to the change in the carrying amount is recognized as revenue. These include assets and liabilities held for trading purposes, certain derivatives held for nontrading purposes, loans held for sale, and investments accounted for under the equity method. In addition, assets are revalued to recognize impairment losses within revenues when certain criteria are met. See the discussions in the “Trading Assets and Liabilities, and Securities Available for Sale”, “Derivatives”, “Other Investments”, “Allowances for Credit Losses”, “Loans Held for Sale”, and “Impairment” sections of this footnote for more detailed explanations of the valuation methods used and the methods for determining impairment losses for the various types of assets involved.

Fees and commissions – Revenue from the various services the Group performs are recognized when the following criteria are met: persuasive evidence of an arrangement exists, the services have been rendered, the fee or commission is fixed or determinable, and collectibility is reasonably assured. Incentive fee revenues from investment advisory services are recognized at the end of the contract period when the incentive contingencies have been resolved.

Sales of assets – Gains and losses from sales of assets result primarily from sales of financial assets in monetary exchanges, which include sales of trading assets, securities available for sale, other investments, and loans. In addition, the Group records revenue from sales of nonfinancial assets such as real estate, subsidiaries and other assets.

To the extent assets are exchanged for beneficial or ownership interests in those same assets, the exchange is not considered a sale and no gain or loss is recorded. Otherwise, gains and losses on exchanges of financial assets that are held at fair value, and gains on financial assets not held at fair value, are recorded when the Group has surrendered control of those financial assets. Gains on exchanges of nonfinancial assets are recorded once the sale has been closed or consummated, except when the Group maintains certain types of continuing involvement with the asset sold, in which case the gains are deferred. Losses from sales of nonfinancial assets and financial assets not held at fair value are recognized once the asset is deemed held for sale.

Gains and losses from monetary exchanges are calculated as the difference between the book value of the assets given up and the fair value of the proceeds received and liabilities incurred. Gains or losses from nonmonetary exchanges are calculated as the difference between the book value of the assets given up and the fair value of the assets given up and liabilities incurred as part of the transaction, except that the fair value of the assets received is used if it is more readily determinable.

Multiple-deliverable arrangements – In circumstances where the Group contracts to provide multiple products, services or rights to a counterparty, an evaluation is made as to whether separate revenue recognition events have occurred. This evaluation considers the stand-alone value of items already delivered, the verifiability of the fair value of items not yet delivered and, if there is a right of return on delivered items, the probability of delivery of remaining undelivered items.

If it is determined that separation is appropriate, the consideration received is allocated based on the relative fair value of each item, unless there is no objective and reliable evidence of the fair value of the delivered item or an individual item is required to be recognized at fair value according to other U.S. GAAP requirements, in which case the residual method is used.

Foreign Currency Translation

Assets and liabilities denominated in currencies other than an entity's functional currency are translated into its functional currency using the period-end exchange rates, and the resulting transaction gains and losses are reported in trading revenues. Foreign currency revenues, expenses, gains, and losses are recorded at the exchange rate at the dates recognized.

Gains and losses resulting from translating the financial statements of net investments in foreign operations into the reporting currency of the parent entity are reported, net of any hedge and tax effects, in accumulated other comprehensive income within shareholders' equity. Revenues, expenses, gains and losses are translated at the exchange rates at the dates on which those elements are recognized, either individually or by using an appropriately weighted average exchange rate for the period. Assets and liabilities are translated at the period end rate.

Reverse Repurchase and Repurchase Agreements

Securities purchased under resale agreements ("reverse repurchase agreements") and securities sold under agreements to repurchase ("repurchase agreements") are treated as collateralized financings and are carried at the amount of cash disbursed and received, respectively. The party disbursing the cash takes possession of the securities serving as collateral for the financing. Securities purchased under resale agreements consist primarily of OECD country sovereign bonds or sovereign guaranteed bonds. Securities owned and pledged as collateral under repurchase agreements in which the counterparty has the right by contract or custom to sell or repledge the collateral are disclosed on the Consolidated Balance Sheet.

The Group monitors the fair value of the securities received or delivered. For securities purchased under resale agreements, the Group requests additional securities or the return of a portion of the cash disbursed when appropriate in response to a decline in the market value of the securities received. Similarly, the return of excess securities or additional cash is requested when appropriate in response to an increase in the market value of securities sold under repurchase agreements. The Group offsets reverse repurchase and repurchase agreements with the same counterparty under master netting agreements when they have the same maturity date and meet certain other criteria regarding settlement and transfer mechanisms. Interest earned on reverse repurchase agreements and interest incurred on repurchase agreements are reported as interest revenues and interest expense, respectively.

Securities Borrowed and Securities Loaned

Securities borrowed and securities loaned are recorded at the amount of cash advanced or received. Securities borrowed transactions generally require the Group to deposit cash with the securities lender. In a securities loaned transaction, the Group generally receives either cash collateral, in an amount equal to or in excess of the market value of securities loaned, or securities. If the securities received may be sold or repledged, they are accounted for as trading assets and a corresponding liability to return the security is recorded. The Group monitors the fair value of securities borrowed and securities loaned and additional collateral is obtained, if necessary. Fees received or paid are reported in interest revenues and interest expense, respectively. Securities owned and pledged as collateral under securities lending agreements in which the counterparty has the right by contract or custom to sell or repledge the collateral are disclosed on the Consolidated Balance Sheet.

Trading Assets and Liabilities, and Securities Available for Sale

The Group designates debt and marketable equity securities as either held for trading purposes or available for sale at the date of acquisition.

Trading assets and trading liabilities are carried at their fair values and related realized and unrealized gains and losses are included in trading revenues.

Securities available for sale are carried at fair value with the changes in fair value reported in accumulated other comprehensive income within shareholders' equity unless the security is subject to a fair value hedge, in which case changes in fair value resulting from the risk being hedged are recorded in other revenues. The amounts reported in other comprehensive income are net of deferred income taxes and adjustments to insurance policyholder liabilities and deferred acquisition costs.

Declines in fair value of securities available for sale below their amortized cost that are deemed to be other than temporary and realized gains and losses are reported in the Consolidated Statement of Income in net gains on securities available for sale. The amortization of premiums and accretion of discounts are recorded in net interest revenues. Generally, the weighted-average cost method is used to determine the cost of securities sold.

Fair value is based on quoted market prices, price quotes from brokers or dealers, or estimates based upon discounted expected cash flows.

Derivatives

All freestanding contracts that are considered derivatives for accounting purposes are carried at fair value in the balance sheet regardless of whether they are held for trading or nontrading purposes. Derivative features embedded in other contracts that meet certain criteria are also measured at fair value. Fair values for derivatives are based on quoted market prices, discounted cash flow analysis, comparison to similar observable market transactions, or pricing models that take into account current market and contractual prices of the underlying instruments as well as time value and yield curve or volatility factors underlying the positions. Fair values also take into account expected market risks, modeling risks, administrative costs and credit considerations. Derivative assets and liabilities arising from contracts with the same counterparty that are covered by qualifying and legally enforceable master netting agreements are reported on a net basis.

The Group enters into various contracts for trading purposes, including swaps, futures contracts, forward commitments, options and other similar types of contracts and commitments based on interest and foreign exchange rates, equity and commodity prices, and credit risk. The Group also makes commitments to originate mortgage loans that will be held for sale. Such positions are considered derivatives and are carried at their fair values as either trading assets or trading liabilities, and related gains and losses are included in trading revenues. At the inception of a derivative transaction, trading profit is recognized if the fair value of the derivative is obtained from a quoted market price, supported by comparison to observable prices of other current market transactions or supported by other observable data used in the valuation technique. When the fair value of a derivative is not based upon observable market data, the Group defers any trade date profit or loss. This deferral is recognized when the transaction becomes observable, the Group enters into an offsetting transaction that substantially eliminates the derivative's risk, or using a rational method such as over the life of the transaction.

Derivative features embedded in other nontrading contracts are measured separately at fair value when they are not clearly and closely related to the host contract and meet the definition of a derivative. Unless designated as a hedge, changes in the fair value of such an embedded derivative are reported in trading revenues. The carrying amount is reported on the Consolidated Balance Sheet with the host contract.

Certain derivatives entered into for nontrading purposes, not qualifying for hedge accounting, that are otherwise effective in offsetting the effect of transactions on noninterest revenues and expenses are recorded in other assets or other liabilities with changes in fair value recorded in the same noninterest revenues and expense captions affected by the transaction being offset. The changes in fair value of all other derivatives not qualifying for hedge accounting are recorded in trading revenues.

For accounting purposes there are three possible types of hedges, each of which is accounted for differently: (1) hedges of the changes in fair value of assets, liabilities or firm commitments (fair value hedges), (2) hedges of the variability of future cash flows from forecasted transactions and floating rate assets and liabilities (cash flow hedges), and (3) hedges of the translation adjustments resulting from translating the financial statements of net investments in foreign operations into the reporting currency of the parent. Hedge accounting, as described in the following paragraphs, is applied for each of these types of hedges, if the hedge is properly documented at inception and the hedge is highly effective in offsetting changes in fair value, variability of cash flows, or the translation effects of net investments in foreign operations.

For hedges of changes in fair value, the changes in the fair value of the hedged asset or liability due to the risk being hedged are recognized in earnings along with changes in the entire fair value of the derivative. When hedging interest rate risk, for both the derivative and the hedged item any interest accrued or paid is reported in interest revenue or expense and the unrealized gains and losses from the fair value adjustments are reported in other revenues. When hedging the foreign exchange risk in an available-for-sale security, the fair value adjustments related to the foreign exchange exposures are also recorded in other revenues. Hedge ineffectiveness is reported in other revenues and is measured as the net effect of the fair value adjustments made to the derivative and the hedged item arising from changes in the market rate or price related to the risk being hedged.

If a hedge of changes in fair value is canceled because the derivative is terminated or dedesignated, any remaining interest rate-related fair value adjustment made to the carrying amount of a hedged debt instrument is amortized to interest revenue or expense over the remaining life of the hedged item. For other types of fair value adjustments or whenever the hedged asset or liability is sold or terminated, any basis adjustments are included in the calculation of the gain or loss on sale or termination.

For hedges of the variability of cash flows, there is no special accounting for the hedged item and the derivative is carried at fair value with changes in value reported initially in other comprehensive income to the extent the hedge is effective. These amounts initially recorded in other comprehensive income are subsequently reclassified into earnings in the same periods during which the forecasted transaction affects earnings. Thus, for hedges of interest rate risk the amounts are amortized into interest revenues or expense along with the interest accruals on the hedged transaction. When hedging the foreign exchange risk in an available-for-sale security, the amounts resulting from foreign exchange risk are included in the calculation of the gain or loss on sale once the hedged security is sold. Hedge ineffectiveness is recorded in other revenues and is usually measured as the difference between the changes in fair value of the actual hedging derivative and a hypothetically perfect hedge.

When hedges of the variability of cash flows due to interest rate risk are canceled, amounts remaining in accumulated other comprehensive income are amortized to interest revenues or expense over the original life of the hedge. For cancellations of other types of hedges of the variability of cash flows, the related amounts accumulated in other comprehensive income are reclassified into earnings either in the same income statement caption and period as the forecasted transaction, or in other revenues when it is no longer probable that the forecasted transaction will occur.

For hedges of the translation adjustments resulting from translating the financial statements of net investments in foreign operations into the reporting currency of the parent, the portion of the change in fair value of the derivative due to changes in the spot foreign exchange rate is recorded as a foreign currency translation adjustment in other comprehensive income to the extent the hedge is effective; and the remainder is recorded as other revenues.

Hedging derivatives are reported as other assets and other liabilities and any derivative dedesignated as a hedging derivative is transferred to trading assets and liabilities and marked to market with changes in fair value recognized in trading revenues. For any hedging derivative that is terminated, the difference between the derivative's carrying amount and the cash paid or received is recognized as other revenues.

Other Investments

Other investments include investments accounted for under the equity method, holdings of designated consolidated investment companies, and other nonmarketable equity interests and investments in venture capital companies.

The equity method of accounting is applied to investments when the Group does not have a controlling financial interest, but has the ability to significantly influence operating and financial policies of the investee. Generally, this is when the Group has an investment between 20% and 50% of the voting stock of a corporation or 3% or more of limited partnership interests. Other factors that are considered in determining whether the Group has significant influence include representation on the board of directors (supervisory board in the case of German stock corporations) and material intercompany transactions.

Under equity method accounting, the pro-rata share of the investee's income or loss, on a U.S. GAAP basis, as well as disposition gains and losses and charges for other-than-temporary impairments, are included in net income from equity method investments. Equity method losses in excess of the Group's carrying amount of the investment in the enterprise are charged against other assets held by the Group related to the investee. The difference between the Group's cost and its proportional underlying equity in net assets of the investee at the date of investment ("equity method goodwill") is subject to impairment reviews in conjunction with the reviews of the overall investment.

Investments held by designated investment companies that are consolidated are included in other investments, as they are primarily nonmarketable equity securities, and are carried at fair value with changes in fair value recorded in other revenues.

Other nonmarketable equity investments and investments in venture capital companies, in which the Group does not have a controlling financial interest or significant influence, are included in other investments and carried at historical cost, net of declines in fair value below cost that are deemed to be other than temporary. Gains and losses upon sale or impairment are included in other revenues.

Loans

Loans are presented on the balance sheet at their outstanding unpaid principal balances net of charge-offs, unamortized premiums or discounts, deferred fees and costs on originated loans and the allowance for loan losses. Interest revenues are accrued on the unpaid principal balance. Net deferred fees and premiums or discounts are recorded as an adjustment of the yield (interest revenues) over the contractual lives of the related loans. Loan commitment fees related to those commitments that are not accounted for as derivatives are recognized in fees for other customer services over the life of the commitment. Loan commitments that are accounted for as derivatives are carried at fair value.

Loans are placed on nonaccrual status if either the loan has been in default as to payment of principal or interest for 90 days or more and the loan is neither well secured nor in the process of collection; or the loan is not yet 90 days past due, but in the judgment of management the accrual of interest should be ceased before 90 days because it is probable that all contractual payments of interest and principal will not be collected. When a loan is placed on nonaccrual status, any accrued but unpaid interest previously recorded is reversed against current period interest revenues. Cash receipts of interest on nonaccrual loans are recorded as either interest revenues or a reduction of principal according to management's judgment as to the collectibility of principal. Accrual of interest is resumed only once the loan is current as to all contractual payments due and the loan is not impaired.

Leasing Transactions

Lease financing transactions, which include direct financing and leveraged leases, in which a Group entity is the lessor are classified as loans. Unearned income is amortized to interest revenues over the lease term using the interest method. Capital leases in which a Group entity is the lessee are capitalized as assets and reported in premises and equipment.

Allowances for Credit Losses

The allowances for credit losses represent management's estimate of probable losses that have occurred in the loan portfolio and other lending-related commitments as of the date of the consolidated financial statements. The allowance for loan losses is reported as a reduction of loans and the allowance for credit losses on lending-related commitments is reported in other liabilities.

To allow management to determine the appropriate level of the allowance for loan losses, all significant counterparty relationships are reviewed periodically, as are loans under special supervision, such as impaired loans. Smaller-balance standardized homogeneous loans are collectively evaluated for impairment. This review encompasses current information and events related to the counterparty, such as past due status and collateral recovery values, as well as industry, geographic, economic, political, and other environmental factors. This process results in an allowance for loan losses which consists of a specific loss component and an inherent loss component.

The specific loss component represents the allowance for impaired loans. Impaired loans represent loans for which, based on current information and events, management believes it is probable that the Group will not be able to collect all principal and interest amounts due in accordance with the contractual terms of the loan agreement. The specific loss component of the allowance is measured by the excess of the recorded investment in the loan, including accrued interest, over either the present value of expected future cash flows, the fair value of the underlying collateral or the market price of the loan. Impaired loans are generally placed on nonaccrual status.

The inherent loss component is principally for all other loans not deemed to be impaired, but that, on a portfolio basis, are believed to have some inherent loss which is probable of having occurred and is reasonably estimable. The inherent loss component consists of a country risk allowance for transfer and currency convertibility risks for loan exposures in countries where there are serious doubts about the ability of counterparties to comply with the repayment terms due to the economic or political situation prevailing in the respective country of domicile; a smaller-balance standardized homogeneous loan loss allowance for loans to individuals and small business customers of the private and retail business, and an other inherent loss allowance. The other inherent loss allowance represents an estimate of losses inherent in the portfolio that have not yet been individually identified and reflects the imprecisions and uncertainties in estimating the loan loss allowance. This estimate of inherent losses excludes

those exposures that have already been considered when establishing the allowance for smaller-balance standardized homogeneous loans.

Amounts determined to be uncollectible are charged to the allowance. Subsequent recoveries, if any, are credited to the allowance. The provision for loan losses, which is charged to income, is the amount necessary to adjust the allowance to the level determined through the process described above.

The allowance for credit losses on lending-related commitments, which is established through charges to other expenses, is determined using the same measurement techniques as the allowance for loan losses.

Loans Held for Sale

Loans held for sale are accounted for at the lower of cost or market on an individual basis and are reported as other assets. Origination fees and direct costs are deferred until the related loans are sold and are included in the determination of the gains or losses upon sale, which are reported in other revenues. Valuation adjustments related to loans held for sale are reported in other assets and other revenues, and are not included in the allowance for credit losses nor the provision for loan losses.

Asset Securitizations

When the Group transfers financial assets to securitization vehicles, it may retain one or more subordinated tranches, cash reserve accounts, or in some cases, servicing rights or interest-only strips, all of which are retained interests in the securitized assets. The amount of the gain or loss on transfers accounted for as sales depends in part on the previous carrying amounts of the financial assets involved in the transfer, allocated between the assets sold and the retained interests based on their relative fair values at the date of transfer. Retained interests other than servicing rights are classified as trading assets, securities available for sale or other assets depending on the nature of the retained interest and management intent. Servicing rights are classified in intangible assets, carried at the lower of the allocated basis or current fair value and amortized in proportion to and over the period of net servicing revenue.

To obtain fair values, quoted market prices are used if available. However, for securities representing retained interests from securitizations of financial assets, quotes are often not available, so the Group generally estimates fair value based on the present value of future expected cash flows using management's best estimates of the key assumptions (loan losses, prepayment speeds, forward yield curves, and discount rates) commensurate with the risks involved. Interest revenues on retained interests are recognized using the effective yield method.

Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation. Depreciation is generally computed using the straight-line method over the estimated useful lives of the assets. The range of estimated useful lives is 25 to 50 years for premises and 3 to 10 years for furniture and equipment. Leasehold improvements are depreciated on a straight-line basis over the shorter of the term of the lease or the estimated useful life of the improvement, which generally ranges from 3 to 15 years. Depreciation of premises is included in net occupancy expense of premises, while depreciation of equipment is included in furniture and equipment expense and IT costs, as applicable. Maintenance and repairs are charged to expense and improvements are capitalized. Gains and losses on dispositions are reflected in other revenues.

Leased properties meeting certain criteria are capitalized as assets in premises and equipment and depreciated over the terms of the leases.

Eligible costs related to software developed or obtained for internal use are capitalized and depreciated using the straight-line method over a period of 3 to 5 years. Eligible costs include external direct costs for materials and services, as well as payroll and payroll-related costs for employees directly associated with an internal-use software project. Overhead, as well as costs incurred during planning or after the software are ready for use, is expensed as incurred.

Goodwill and Other Intangible Assets

Goodwill, which represents the excess of the cost of an acquired entity over the fair value of net assets acquired at the date of acquisition, is tested for impairment annually, or more frequently if events or changes in circumstances, such as an adverse change in business climate, indicate that the goodwill may be impaired. Mortgage and other loan servicing rights are carried at the lower of cost or current fair value and amortized in proportion to and over the estimated period of net servicing revenue. Other intangible assets that have a finite useful life are amortized over a period of 3 to 15 years; other intangible assets that have an indefinite useful life, primarily investment management agreements related to retail mutual funds, are not amortized. These assets are tested for impairment and their useful lives are reaffirmed at least annually.

Obligation to Purchase Common Shares

Forward purchases of equity shares of a consolidated Group company are reported as obligation to purchase common shares if the number of shares is fixed and physical settlement is required. At inception the obligation is recorded at the fair value of the shares, which is equal to the present value of the settlement amount of the forward. For forward purchases of Deutsche Bank shares, a corresponding charge is made to shareholders' equity and reported as equity classified as obligation to purchase common shares. For forward purchases of minority interest shares, a corresponding reduction to other liabilities is made.

The liability is accounted for on an accrual basis if the purchase price for the shares is fixed, and interest costs on the liability are reported as interest expense. Deutsche Bank common shares subject to such contracts are not considered to be outstanding for purposes of earnings per share calculations. Upon settlement of such forward purchases the liability is extinguished whereas the charge to equity remains but is reclassified to common shares in treasury.

Prior to July 1, 2003, written put options on equity shares of a consolidated Group company that met certain settlement criteria were also reported as obligation to purchase common shares. Beginning July 1, 2003, such written put options are reported as derivatives.

Impairment

Securities available for sale, equity method and direct investments (including investments in venture capital companies and nonmarketable equity securities), and unguaranteed lease residuals are subject to impairment reviews. An impairment charge is recorded if a decline in fair value below the asset's amortized cost or carrying value, depending on the nature of the asset, is deemed to be other than temporary.

Other intangible assets with finite useful lives and premises and equipment are also subject to impairment reviews if a change in circumstances indicates that the carrying amount of an asset may not be recoverable. If estimated undiscounted cash flows relating to an asset held and used are less than its carrying amount, an impairment charge is recorded to the extent the fair value of the asset is less than its carrying amount. For an asset to be disposed of by sale, a loss is recorded based on the lower of the asset's carrying value or fair value less cost to sell. An asset to be disposed of other than by sale is considered held and used and accounted for as such until it is disposed of.

Goodwill and other intangible assets which are not amortized are tested for impairment at least annually and an impairment charge is recorded to the extent the fair market value of the asset is less than its carrying amount.

Expense Recognition

Direct and incremental costs related to underwriting and advisory services and origination of loans are deferred and recognized together with the related revenue. Loan origination costs are netted against loan origination fees and are amortized to interest revenue over the contractual life of the related loans. Other operating costs, including advertising costs, are recognized as incurred.

Income Taxes

The Group recognizes the current and deferred tax consequences of all transactions that have been recognized in the consolidated financial statements using the provisions of the appropriate jurisdictions' tax laws. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, net operating loss carry-forwards and tax credits. The amount of deferred tax assets is reduced by a valuation allowance, if necessary, to the amount that, based on available evidence, management believes will more likely than not be realized.

Deferred tax liabilities and assets are adjusted for the effect of changes in tax laws and rates in the period that includes the enactment date.

Share-Based Compensation

Effective as of January 1, 2003, the Group adopted the fair-value-based method prospectively for all employee awards granted, modified or settled after January 1, 2003. Under the fair-value-based method, compensation cost is measured at the grant date based on the fair value of the share-based award. The fair values of stock option awards are estimated using a Black-Scholes option pricing model. For share awards, the fair value is the quoted market price of the share reduced by the present value of the expected dividends that will not be received by the employee and adjusted for the effect, if any, of restrictions beyond the vesting date. Prior to January 1, 2003, the Group accounted for its share awards under the intrinsic-value-based method of accounting. Under this method, compensation expense is the excess, if any, of the quoted market price of the shares at grant date or other measurement date over the amount an employee must pay, if any, to acquire the shares.

The following table illustrates what the effect on net income and earnings per common share would have been if the Group had applied the fair value method to all share-based awards.

in € m.	Dec 31, 2004	Dec 31, 2003	Dec 31, 2002
Net income, as reported	2,472	1,365	397
Add: Share-based compensation expense included in reported net income, net of related tax effects	696	433	228
Deduct: Share-based compensation expense determined under fair value method for all awards, net of related tax effects	(698)	(346)	(478)
Pro forma net income	2,470	1,452	147
in €			
Earnings per share:			
Basic – as reported	5.02	2.44	0.64
Basic – pro forma	5.02	2.60	0.24
Diluted – as reported	4.53	2.31	0.63
Diluted – pro forma	4.53	2.46	0.23

The Group records its obligations under outstanding deferred share awards and stock option awards in shareholders' equity as share awards – common shares issuable. The related deferred compensation is also included in shareholders' equity. These items are classified in shareholders' equity based on the Group's intent to settle these awards with its common shares. Compensation expense is recorded on a straight-line basis over the period in which employees perform services to which the awards relate. Compensation expense is reversed in the period an award is forfeited. Compensation expense for share-based awards payable in cash is remeasured based on the underlying share price changes and the related obligations are included in other liabilities until paid.

See Note [20] for additional information on specific award provisions and the fair values and significant assumptions used to estimate the fair values of options.

Comprehensive Income

Comprehensive income is defined as the change in equity of an entity excluding transactions with shareholders such as the issuance of common or preferred shares, payment of dividends and purchase of treasury shares. Comprehensive income has two major components: net income, as reported in the Consolidated Statement of Income, and other comprehensive income as reported in the Consolidated Statement of Comprehensive Income. Other comprehensive income includes such items as unrealized gains and losses from translating net investments in foreign operations net of related hedge

effects, unrealized gains and losses from changes in fair value of securities available for sale, net of deferred income taxes and the related adjustments to insurance policyholder liabilities and deferred acquisition costs, minimum pension liability, and the effective portions of realized and unrealized gains and losses from derivatives used as cash flow hedges, less amounts reclassified to earnings in combination with the hedged items. Comprehensive income does not include changes in the fair value of nonmarketable equity securities, traditional credit products and other assets generally carried at cost.

Statement of Cash Flows

For purposes of the Consolidated Statement of Cash Flows, the Group's cash and cash equivalents are cash and due from banks.

Insurance Activities

Insurance Premiums

For the unit-linked business, insurance premiums consist of calculated charges for management services and mortality risk. Insurance premiums from long duration life and participating life insurance contracts are recorded when due from policyholders.

Deferred Acquisition Costs

Acquisition costs that vary with and are primarily related to the acquisition of new and renewed insurance contracts, principally commissions, certain underwriting and agency expenses and the costs of issuing policies, are deferred to the extent that they are recoverable from future earnings. Deferred acquisition costs for nonlife insurance business are amortized over the premium-paying period of the related policies. Deferred acquisition costs for life business are generally amortized over the life of the insurance contract or at a constant rate based upon the present value of estimated gross profits or estimated gross margins expected to be realized. Deferred acquisition costs are reported in other assets related to insurance business.

Unit-Linked Business

Reserves for unit-linked business represent funds for which the investment risk is borne by, and the investment income and investment gains and losses accrue directly to, the contract holders. Reserves for unit-linked business are reported as insurance policy claims and reserves. The assets related to these accounts are legally segregated and are not subject to claims that arise out of any other business of the Group. The separate account assets are carried at fair value as other assets related to insurance business. Deposits received under unit-linked business have been reduced for amounts assessed for management services and risk premiums. Deposits, net investment income, realized and unrealized investment gains and losses for these accounts are excluded from revenues and related liability increases are excluded from expenses.

Other Insurance Policy Claims and Reserves

In addition to the reserve for unit-linked business, the liability for insurance policy claims and reserves includes benefit reserves and other insurance policy provisions and liabilities.

Benefit reserves for life insurance, annuities and health policies are computed based upon mortality, morbidity, persistency and interest rate assumptions applicable to these coverages, including provisions for adverse deviation. These assumptions consider Group experience and industry standards and may be revised if it is determined that future experience will differ substantially from those previously assumed.

Reserves for participating life insurance contracts include provisions for terminal dividends. Unrealized holding gains and losses from investments are included in benefit reserves to the extent that the policyholders will participate in such gains and losses once realized on the basis of statutory or contractual regulations. In determining insurance reserves, the Group performs a continuing review of its overall position, its reserving techniques and possible recoveries. Since the reserves are based on estimates, the ultimate liability may be more or less than carried reserves. The effects of changes in such estimated reserves are included in earnings in the period in which the estimates are changed. Other insurance provisions and liabilities primarily represents liabilities for self-insured risks.

[2] Cumulative Effect of Accounting Changes

SFAS 150

Effective July 1, 2003, the Group adopted SFAS No. 150, "Accounting for Certain Instruments with Characteristics of Both Liabilities and Equity" ("SFAS 150"). SFAS 150 requires that an entity classify as liabilities (or assets in some circumstances) certain financial instruments with characteristics of both liabilities and equity. SFAS 150 applies to certain freestanding financial instruments that embody an obligation for the entity and that may require the entity to issue shares, or redeem or repurchase its shares.

SFAS 150 changed the accounting for outstanding forward purchases of approximately 52 million Deutsche Bank common shares with a weighted-average strike price of € 56.17 which were entered into to satisfy obligations under employee share-based compensation awards. The Group recognized an after-tax gain of € 11 million, net of € 5 million tax expense, as a cumulative effect of a change in accounting principle as these contracts were adjusted to fair value upon adoption of SFAS 150. The contracts were then amended effective July 1, 2003, to allow for physical settlement only. This resulted in a charge to shareholders' equity of € 2.9 billion and the establishment of a corresponding liability classified as obligation to purchase common shares. Settlements of the forward contracts during 2003 reduced the obligation to purchase common shares to € 2.3 billion at December 31, 2003. Since July 1, 2003, the costs of these contracts have been recorded as interest expense instead of as a direct reduction of shareholders' equity.

The accounting for physically settled forward contracts reduces shareholders' equity, which effectively results in the shares being accounted for as if retired or in treasury even though the shares are still outstanding. As such, SFAS 150 also requires that the number of outstanding shares associated with physically settled forward purchase contracts be removed from the denominator in computing basic and diluted earnings per share (EPS). The number of weighted average shares deemed no longer outstanding for EPS purposes for the year ended December 31, 2003, related to the forward purchase contracts described above was 23 million shares.

FIN 46 and FIN 46(R) (Revised December 2003)

FASB Interpretation No. 46, "Consolidation of Variable Interest Entities" ("FIN 46") was issued in January 2003. FIN 46 requires a company to consolidate entities as the primary beneficiary if the equity investment at risk is not sufficient for the entity to finance its activities without additional subordinated financial support from other parties or if the equity investors lack essential characteristics of a controlling financial interest. Securitization vehicles that are qualifying special purpose entities are excluded from the new rule and remain unconsolidated.

The Interpretation was effective immediately for entities established after January 31, 2003, and for interests obtained in variable interest entities after that date. For variable interest entities created before February 1, 2003, FIN 46 was originally effective for the Group on July 1, 2003. In October 2003, the FASB deferred the effective date so that, for the Group, application could be deferred for some or all such variable interest entities until December 31, 2003, pending resolution of various matters and the issuance of clarifying guidance. At July 1, 2003, the Group elected not to apply FIN 46 to a limited number of variable interest entities created before February 1, 2003, which it believed might not require consolidation at December 31, 2003. The Group applied FIN 46 to substantially all other variable interest entities as of July 1, 2003. Consequently, the Group recorded a € 140 million gain as a cumulative effect of a change in accounting principle and total assets increased by € 18 billion. Effective December 31, 2003, the Group fully adopted FIN 46. There was no significant effect from the application of FIN 46 to those variable interest entities for which adoption occurred after July 1, 2003.

The entities consolidated as a result of applying FIN 46 were primarily multi-seller commercial paper conduits that the Group administers in the Corporate and Investment Bank Group Division, and mutual funds offered by the Private Clients and Asset Management Group Division for which the Group guarantees the value of units investors purchase.

Upon adoption at July 1, 2003, € 12 billion of the increase in total assets was due to the consolidation of the multi-seller commercial paper conduits. In the latter half of 2003, certain of these conduits with total assets of € 4 billion were restructured and accordingly deconsolidated.

The beneficial interests of the investors in the guaranteed value mutual funds were reported as other liabilities and totaled € 15 billion at December 31, 2003. The assets of the funds consisted primarily of trading assets in the amount of € 13 billion at December 31, 2003. The net revenues of these funds due to investors totaled € 115 million for the six months ended December 31, 2003. These net revenues of the funds consisted of € 179 million of net interest revenues, negative trading revenues of € 20 million and € 44 million of expenses for fund administration. The obligation to pass the net revenues to the investors was recorded as an increase in the beneficial interest obligation in other liabilities and a corresponding charge to other revenues in the amount of € 115 million for the six months ended December 31, 2003.

Certain entities were deconsolidated as a result of applying FIN 46, primarily investment vehicles and trusts associated with trust preferred securities that the Group sponsors where the investors bear the economic risks. The gain from the application of FIN 46 primarily represents the reversal of the impact on earnings of securities held by the investment vehicles that were deconsolidated.

Effective March 31, 2004, the Group adopted the revised version of FIN 46, "Consolidation of Variable Interest Entities, an interpretation of ARB No. 51" ("FIN 46(R)"). The FASB modified FIN 46 to address certain technical corrections and implementation issues that had arisen. As a result of the adoption, total assets decreased by € 12.5 billion due to the deconsolidation of certain guaranteed value mutual funds. The adoption did not result in a cumulative effect of a change in accounting principle, however certain offsetting revenues and charges, chiefly trading revenues, net interest revenues and charges against other revenues, are no longer reported in the consolidated statement of income beginning April 1, 2004 due to the deconsolidations.

SFAS 141 and 142

Effective January 1, 2002, the Group adopted SFAS No. 141, "Business Combinations" ("SFAS 141") and SFAS No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"). SFAS 141 requires that all business combinations initiated after June 30, 2001 be accounted for by the purchase method and eliminates the use of the pooling-of-interests method. Other provisions of SFAS 141 and SFAS 142 require that, as of January 1, 2002, goodwill no longer be amortized, reclassifications between goodwill and other intangible assets be made based upon certain criteria, and, once allocated to reporting units (the business segment level, or one level below), that tests for impairment of goodwill be performed at least annually. Upon adoption of the requirements of SFAS 142 as of January 1, 2002, the Group discontinued the amortization of goodwill with a net carrying amount of € 8.7 billion. Upon adoption, the Group recognized a € 37 million tax-free gain as a cumulative effect of a change in accounting principle from the write-off of negative goodwill and there were no reclassifications between goodwill and other intangible assets.

[3] Acquisitions and Dispositions

For the years ended December 31, 2004, 2003 and 2002, the Group recorded net gains on dispositions (excluding results from businesses/subsidiaries held for sale) of € 95 million, € 513 million and € 755 million, respectively. The acquisitions and disposals that occurred in 2004 and 2003 had no significant impact on the Group's total assets.

For a discussion of the Group's most significant acquisitions and dispositions for the years ended December 31, 2004 and 2003 see Note [28] Business Segments and Related Information.

[4] Trading Assets and Trading Liabilities

The components of these accounts are as follows:

in € m.	Dec 31, 2004	Dec 31, 2003
Trading assets:		
Bonds and other fixed-income securities	224,536	204,324
Equity shares and other variable-yield securities	73,176	66,306
Positive market values from derivative financial instruments ¹	67,173	65,460
Other trading assets	8,262	9,281
Total trading assets	373,147	345,371
Trading liabilities:		
Bonds and other fixed-income securities	77,080	66,685
Equity shares and other variable-yield securities	20,567	25,382
Negative market values from derivative financial instruments ¹	71,959	61,167
Total trading liabilities	169,606	153,234

¹ Derivatives under master netting agreements are shown net.

[5] Securities Available for Sale

The fair value, amortized cost and gross unrealized holding gains and losses for the Group's securities available for sale follow:

in € m.	Dec 31, 2004			
	Fair value	Gross unrealized holding		Amortized cost
		gains	losses	
Debt securities:				
German government	3,128	66	(16)	3,078
U.S. Treasury and U.S. government agencies	1,460	—	(2)	1,462
U.S. local (municipal) governments	1	—	—	1
Other foreign governments	3,297	41	(100)	3,356
Corporates	4,993	176	(9)	4,826
Other asset-backed securities	6	—	—	6
Mortgage backed securities, including obligations of U.S. federal agencies	41	2	—	39
Other debt securities	770	1	—	769
Total debt securities	13,696	286	(127)	13,537
Equity securities:				
Equity shares	6,010	1,579	(1)	4,432
Investment certificates and mutual funds	549	23	(6)	532
Other equity securities	80	29	—	51
Total equity securities	6,639	1,631	(7)	5,015
Total securities available for sale	20,335	1,917	(134)	18,552

in € m.	Dec 31, 2003			
	Fair value	Gross unrealized holding		Amortized cost
		gains	losses	
Debt securities:				
German government	2,802	52	(23)	2,773
U.S. Treasury and U.S. government agencies	150	—	(1)	151
U.S. local (municipal) governments	2	—	—	2
Other foreign governments	3,294	26	(105)	3,373
Corporates	5,646	173	(45)	5,518
Other asset-backed securities	1,679	—	—	1,679
Mortgage backed securities, including obligations of U.S. federal agencies	2,708	1	—	2,707
Other debt securities	532	—	—	532
Total debt securities	16,813	252	(174)	16,735
Equity securities:				
Equity shares	6,866	1,868	(8)	5,006
Investment certificates and mutual funds	951	29	(10)	932
Other equity securities	1	—	—	1
Total equity securities	7,818	1,897	(18)	5,939
Total securities available for sale	24,631	2,149	(192)	22,674

in € m.	Dec 31, 2002			
	Fair value	Gross unrealized holding		Amortized cost
		gains	losses	
Debt securities:				
German government	396	20	–	376
U.S. Treasury and U.S. government agencies	168	–	–	168
U.S. local (municipal) governments	2	–	–	2
Other foreign governments	2,893	39	(18)	2,872
Corporates	6,400	231	(47)	6,216
Other asset-backed securities	2,977	–	–	2,977
Mortgage backed securities, including obligations of U.S. federal agencies	164	1	–	163
Other debt securities	652	1	(3)	654
Total debt securities	13,652	292	(68)	13,428
Equity securities:				
Equity shares	6,441	757	(596)	6,280
Investment certificates and mutual funds	1,499	10	(55)	1,544
Other equity securities	27	16	–	11
Total equity securities	7,967	783	(651)	7,835
Total securities available for sale	21,619	1,075	(719)	21,263

At December 31, 2004, equity shares issued by DaimlerChrysler AG with a fair value of € 3.7 billion were the only securities of an individual issuer that exceeded 10% of the Group's total shareholders' equity.

The components of net gains on securities available for sale as reported in the Consolidated Statement of Income follow:

in € m.	2004	2003	2002
Debt securities – gross realized gains	58	106	149
Debt securities – gross realized losses ¹	(61)	(35)	(235)
Equity securities – gross realized gains	244	488	4,094
Equity securities – gross realized losses ²	(6)	(539)	(485)
Total net gains on securities available for sale	235	20	3,523

¹ Includes € 20 million, € 7 million and € 156 million of write-downs for other-than-temporary impairment for the years ended December 31, 2004, 2003 and 2002, respectively.

² Includes € 2 million, € 479 million and € 152 million of write-downs for other-than-temporary impairment for the years ended December 31, 2004, 2003 and 2002, respectively.

The following table shows the fair value, remaining maturities, approximate weighted-average yields (based on amortized cost) and total amortized cost by maturity distribution of the debt security components of the Group's securities available for sale at December 31, 2004:

in € m.	Up to one year		More than one year and up to five years		More than five years and up to ten years		More than ten years		Total	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
German government	22	2.45%	219	2.77%	388	3.46%	2,499	4.17%	3,128	3.98%
U.S. Treasury and U.S. government agencies	1,417	1.49%	23	0.17%	–	–	20	1.91%	1,460	1.48%
U.S. local (municipal) governments	1	1.41%	–	–	–	–	–	–	1	1.41%
Other foreign governments	1,206	5.62%	642	5.12%	414	3.80%	1,035	4.25%	3,297	4.85%
Corporates	512	2.95%	1,334	3.66%	942	3.45%	2,205	5.46%	4,993	4.32%
Other asset-backed securities	–	–	6	5.36%	–	–	–	–	6	5.36%
Mortgage-backed securities, principally obligations of U.S. federal agencies	7	1.49%	–	–	–	–	34	5.21%	41	4.61%
Other debt securities	2	3.00%	752	2.84%	12	5.37%	4	3.31%	770	2.88%
Total fair value	3,167	3.30%	2,976	3.67%	1,756	3.55%	5,797	4.65%	13,696	3.99%
Total amortized cost	3,161		2,933		1,696		5,747		13,537	

The following tables show the Group's gross unrealized losses on securities available for sale and the fair value of the related securities, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at December 31, 2004 and 2003, respectively:

December 31, 2004	Less than 12 months		12 months or longer		Total	
in € m.	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Debt securities:						
German government	–	–	1,798	(16)	1,798	(16)
U.S. Treasury and U.S. government agencies	83	(1)	–	(1)	83	(2)
Other foreign governments	625	(1)	846	(99)	1,471	(100)
Corporates	292	(3)	32	(6)	324	(9)
Total debt securities	1,000	(5)	2,676	(122)	3,676	(127)
Equity securities:						
Equity shares	14	(1)	–	–	14	(1)
Investment certificates and mutual funds	26	(2)	45	(4)	71	(6)
Total equity securities	40	(3)	45	(4)	85	(7)
Total temporarily impaired securities	1,040	(8)	2,721	(126)	3,761	(134)

December 31, 2003 in € m.	Less than 12 months		12 months or longer		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Debt securities:						
German government	2,802	(23)	–	–	2,802	(23)
U.S. Treasury and U.S. government agencies	18	(1)	–	–	18	(1)
Other foreign governments	2,191	(105)	–	–	2,191	(105)
Corporates	1,614	(19)	715	(26)	2,329	(45)
Total debt securities	6,625	(148)	715	(26)	7,340	(174)
Equity securities:						
Equity shares	9	(4)	96	(4)	105	(8)
Investment certificates and mutual funds	66	(1)	71	(9)	137	(10)
Total equity securities	75	(5)	167	(13)	242	(18)
Total temporarily impaired securities	6,700	(153)	882	(39)	7,582	(192)

The unrealized losses on investments in debt securities were primarily interest rate related. Since the Group has the intent and ability to hold these investments until a market price recovery or maturity, they are not considered other-than-temporarily impaired. The unrealized losses on investments in equity securities are attributable primarily to general market fluctuations rather than to specific adverse conditions. Based on this and our intent and ability to hold the securities until the market price recovers, these investments are not considered other-than-temporarily impaired.

[6] Other Investments

The following table summarizes the composition of other investments:

in € m.	Dec 31, 2004	Dec 31, 2003
Equity method investments	5,462	6,001
Investments held by designated investment companies	213	181
Other equity interests	2,261	2,388
Total other investments	7,936	8,570

Equity Method Investments

The Group's pro-rata share of the investees' income or loss determined on a U.S. GAAP basis were profits of € 282 million and of € 42 million for the years ended December 31, 2004 and 2003, respectively and a loss of € 753 million for the year ended December 31, 2002. In addition, write-offs for other-than-temporary impairments of € 16 million, € 617 million and € 305 million for the years ended December 31, 2004, 2003 and 2002, respectively, were included in net income (loss) from equity method investments.

Loans to equity method investees, trading assets related to these investees as well as debt securities available for sale issued by these investees amounted to € 3.7 billion and € 5.1 billion at December 31, 2004 and 2003, respectively. At December 31, 2004, loans totaling € 26 million to three equity method investees were on nonaccrual status. At December 31, 2003, loans totaling € 115 million to three equity method investees were on nonaccrual status. The Group issued a financial guarantee to EUROHYPO AG protecting it against losses on loans contributed by the Group when EUROHYPO AG was created in 2002. The guarantee which had an initial maximum amount of € 283 million is still in force with an unutilized amount of € 51 million as of December 31, 2004.

At December 31, 2004, the following investees were significant, representing 75% of the carrying value of equity method investments:

Significant Equity Method Investments

Investment	Ownership
Arrow Property Investments Limited, London	46.18%
Atradius N.V., Amsterdam ¹	33.89%
Blackrock US Low Duration Bond Fund, Drinagh	22.47%
Deutsche European Partners IV, London	25.01%
Deutsche Interhotel Holding GmbH & Co. KG, Berlin	45.51%
DWS Euro-Bonds (Long)	20.17%
EUROHYPO AG, Eschborn	37.72%
Fondo Piramide Globale, Milan	42.33%
LSV Value Equity Fund, Kansas City	25.01%
My Travel Group Plc, Manchester	23.00%
RREEF America REIT III, Inc., Chicago	10.00%
Santorini Investments Limited Partnership, Edinburgh ²	51.00%
Silver Creek Long/Short Ltd., Georgetown	27.27%
Silver Creek Low Vol. Strategies Ltd., Georgetown	25.07%
UFG Ltd., Douglas	40.00%

¹ Formerly, Gerling NCM Credit and Finance AG, Köln.

² The Group does not have a controlling financial interest in this investee.

The following table provides a summary of the aggregated statement of income (on a U.S. GAAP basis) of the Group's aforementioned significant investees (excluding EUROHYPO AG, which is considered on an individual basis below), and is not indicative of the Group's proportionate share of any respective line item.

in € m.	2004	2003	2002
Interest revenues, and commissions and fees, net	183	51	64
Trading revenues, net	92	360	(548)
Gross profits on sales and net income from insurance business	910	644	1,015
Income from other investments and gains on securities available for sale, net	52	(96)	10
Other revenues	83	78	69
Total revenues	1,320	1,037	610
Provision for loan losses	–	–	–
Compensation and benefits	26	27	25
Other expenses	1,444	2,026	1,249
Total expenses	1,470	2,053	1,274
(Loss) before income tax expense and cumulated effects of accounting changes and other	(150)	(1,016)	(664)
Income tax expense	24	17	8
Cumulated effect of accounting changes and other	(1)	–	–
Net (loss)	(175)	(1,033)	(672)

The following table provides a summary of the aggregated balance sheet (on a U.S. GAAP basis) of the Group's aforementioned significant investees (excluding EUROHYPO AG, which is considered on an individual basis below), and is not indicative of the Group's proportionate share of any respective line item.

in € m.	Dec 31, 2004	Dec 31, 2003
Assets		
Cash, deposits with banks and receivables	3,857	3,241
Trading assets	457	488
Securities available for sale and other investments	2,522	2,459
Loans, net	–	1
Property, plant, equipment and inventories	1,175	1,284
Goodwill and other intangible assets	322	509
Other assets	805	776
Total assets	9,138	8,758
Liabilities and equity		
Notes payable to banks	750	850
Deposits received from customers	107	124
Long-term liabilities	2,082	1,742
Other liabilities and provisions	4,236	3,752
Minority interest	5	4
Capital and reserves	2,166	3,280
Accumulated other comprehensive income (loss)	(33)	39
(Loss) of the reporting period	(175)	(1,033)
Total liabilities and equity	9,138	8,758

EUROHYPO AG

The Group's equity method investment in EUROHYPO AG is considered to be significant on an individual basis.

The following table provides a summary of EUROHYPO AG's consolidated statement of income according to German GAAP for the years ended December 31, 2003, 2002 and 2001. Financial statements are not yet publicly available for the year ended December 31, 2004.

in € m.	2003	2002	2001
Net interest, commission and investment income	1,333	1,167	1,166
Other operating income	30	63	210
General administrative expenses	(475)	(399)	(419)
Write-downs, depreciation and value adjustments	(376)	(152)	(297)
Other income/expenses	(411)	(355)	(143)
Net income before tax	101	324	517
Income tax expense	71	30	–
Net income	30	294	517

The following table provides a summary of EUROHYPO AG's consolidated balance sheet according to German GAAP:

in € m.	Dec 31, 2003	Dec 31, 2002
Assets		
Claims on banks	22,869	21,812
Claims on customers	164,320	166,899
Bonds and other fixed-income securities	37,608	36,768
Other assets	2,423	2,988
Total assets	227,220	228,467
Liabilities and shareholders' equity		
Liabilities to banks	31,962	30,974
Liabilities to customers	39,800	41,485
Liabilities in certificate form	143,544	145,289
Provisions and other liabilities	6,165	5,953
Capital and reserves	5,749	4,766
Total liabilities and shareholders' equity	227,220	228,467

Investments Held by Designated Investment Companies

The underlying investment holdings of the Group's designated investment companies are carried at fair value, and totaled € 213 million and € 181 million at December 31, 2004 and 2003, respectively.

Other Equity Interests

Other equity interests totaling € 2.3 billion and € 2.4 billion at December 31, 2004 and 2003, respectively, include investments in which the Group does not have significant influence, including certain venture capital companies and nonmarketable equity securities. The write-offs for other-than-temporary impairments of these investments amounted to € 58 million, € 214 million and € 423 million for the years ended December 31, 2004, 2003 and 2002, respectively.

At December 31, 2004, the aggregate carrying amount for all equity securities accounted for under the cost method of accounting was € 1.5 billion. None of these investments were in an unrealized loss position at December 31, 2004. For equity securities with a carrying amount of € 1 million the fair value was not estimated according to SFAS 107. No impairment indicators were present for these investments.

[7] Loans

The following table summarizes the composition of loans:

in € m.	Dec 31, 2004	Dec 31, 2003
German:		
Banks and insurance	2,047	3,861
Manufacturing	7,364	8,668
Households (excluding mortgages)	14,761	14,161
Households – mortgages	26,175	25,445
Public sector	1,474	1,388
Wholesale and retail trade	3,742	5,133
Commercial real estate activities	11,100	11,629
Lease financing	820	855
Other	11,586	12,736
Total German	79,069	83,876
Non-German:		
Banks and insurance	5,740	6,660
Manufacturing	5,906	7,487
Households (excluding mortgages)	7,023	6,915
Households – mortgages	9,117	8,416
Public sector	1,804	921
Wholesale and retail trade	6,546	6,691
Commercial real estate activities	3,004	1,977
Lease financing	1,726	3,138
Other	18,830	22,327
Total Non-German	59,696	64,532
Gross loans	138,765	148,408
Less: Unearned income	76	181
Loans less unearned income	138,689	148,227
Less: Allowance for loan losses	2,345	3,281
Total loans, net	136,344	144,946

The “other” category included no single industry group with aggregate borrowings from the Group in excess of 10 percent of the total loan portfolio at December 31, 2004.

Certain related third parties have obtained loans from the Group on various occasions. All such loans have been made in the ordinary course of business and on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties. There were € 2,954 million and € 3,047 million of loans to related parties (including loans to equity method investees) outstanding at December 31, 2004 and 2003, respectively.

Nonaccrual loans as of December 31, 2004 and 2003 were € 4.5 billion and € 6.0 billion, respectively. Loans 90 days or more past due and still accruing interest totaled € 247 million and € 380 million as of December 31, 2004 and 2003, respectively.

Additionally, as of December 31, 2004, the Group had € 83 million of loans held for sale that were nonperforming.

Impaired Loans

This table sets forth information about the Group's impaired loans:

in € m.	Dec 31, 2004	Dec 31, 2003	Dec 31, 2002
Total impaired loans ¹	3,516	5,255	8,922
Allowance for impaired loans under SFAS 114 ²	1,654	2,471	3,144
Average balance of impaired loans during the year	4,474	6,712	9,710
Interest income recognized on impaired loans during the year	65	70	166

¹ Included in these amounts are € 2.8 billion, € 4.1 billion and € 6.0 billion as of December 31, 2004, 2003 and 2002, respectively, that require an allowance. The remaining impaired loans do not require an allowance because the present value of expected future cash flows, the fair value of the underlying collateral or the market price of the loan exceeds the recorded investment in these loans.

² The allowance for impaired loans under SFAS 114 is included in the Group's allowance for loan losses.

[8] Allowances for Credit Losses

The allowances for credit losses consist of an allowance for loan losses and an allowance for credit losses on lending-related commitments.

The following table shows the activity in the Group's allowance for loan losses:

in € m.	2004	2003	2002
Allowance at beginning of year	3,281	4,317	5,585
Provision for loan losses	372	1,113	2,091
Net charge-offs			
Charge-offs	(1,394)	(1,894)	(2,728)
Recoveries	152	167	112
Total net charge-offs	(1,242)	(1,727)	(2,616)
Allowance related to acquisitions/divestitures	3	(105)	(421)
Foreign currency translation	(69)	(317)	(322)
Allowance at end of year	2,345	3,281	4,317

The following table shows the activity in the Group's allowance for credit losses on lending-related commitments:

in € m.	2004	2003	2002
Allowance at beginning of year	416	485	496
Provision for credit losses	(65)	(50)	17
Allowance related to acquisitions/divestitures	–	1	(11)
Foreign currency translation	(6)	(20)	(17)
Allowance at end of year	345	416	485

[9] Asset Securitizations and Variable Interest Entities

Asset Securitizations

The Group accounts for transfers of financial assets to securitization vehicles as sales when certain criteria are met; otherwise they are accounted for as secured borrowings. Beneficial interests in the securitization vehicles, primarily in the form of debt instruments, are sold to investors and the proceeds are used to pay the Group for the assets transferred. The cash flows collected from the financial assets transferred to the securitization vehicles are then used to repay the beneficial interests. The third party investors and the securitization vehicles generally have no recourse to the Group's other assets in cases where the issuers of the financial assets fail to perform under the original terms of those assets. The Group may retain interests in the assets created in the securitization vehicles.

For the years ended December 31, 2004, 2003 and 2002, the Group recognized € 219 million, € 146 million and € 91 million, respectively, of gains on securitizations primarily related to residential and commercial mortgage loans.

The following table summarizes certain cash flows received from and paid to securitization vehicles during 2004, 2003 and 2002:

in € m.	Residential and commercial mortgage loans			Commercial loans, excluding mortgages		
	2004	2003	2002	2004	2003	2002
Proceeds from new securitizations	15,822	5,414	5,843	—	—	918
Proceeds from collections reinvested in new securitization receivables	—	—	—	439	1,157	12,177
Servicing fees received	4	5	14	—	1	44
Cash flows received on retained interests	72	82	28	6	13	101
Other cash flows received from (paid to) securitization vehicles	—	—	—	—	—	(42)

Prior to the year ended December 31, 2003, the Group had securitization activities related to marine and recreational vehicle loans. During 2002 and 2003, these commercial and consumer finance businesses were sold.

At December 31, 2004, the weighted-average key assumptions used in determining the fair value of retained interests, including servicing rights, and the impact of adverse changes in those assumptions on carrying amount/fair value are as follows:

in € m. (except percentages)	Residential and commercial mortgage loans	Commercial loans, excluding mortgages
Carrying amount/fair value of retained interests	570	100
Prepayment speed (current assumed)	10.81%	1.37%
Impact on fair value of 10% adverse change	(14)	—
Impact on fair value of 20% adverse change	(26)	—
Default rate (current assumed)	2.91%	0.26%
Impact on fair value of 10% adverse change	(10)	—
Impact on fair value of 20% adverse change	(21)	—
Discount factor (current assumed)	8.37%	7.51%
Impact on fair value of 10% adverse change	(14)	(2)
Impact on fair value of 20% adverse change	(29)	(3)

These sensitivities are hypothetical and should be viewed with caution. As the figures indicate, changes in fair value based on a 10 percent variation in assumptions generally should not be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, in this table, the effect of a variation in a particular assumption on the fair value of the retained interest is calculated without changing any other assumptions; in reality, changes in one factor may result in changes in another (for example, increases in market interest rates may result in lower prepayments and increased credit losses), which might affect the sensitivities. The key assumptions used in measuring the initial retained interests resulting from securitizations completed in 2004 were not significantly different from the current assumptions in the above table.

The key assumptions used in measuring the initial retained interests resulting from securitizations completed in 2003 and 2002 were not significantly different from the key assumptions used in determining the fair value of retained interests, including servicing rights, at December 31, 2003 and 2002, respectively. The weighted-average assumptions used at December 31, 2003 and 2002 were as follows:

in %	Residential and commercial mortgage loans ¹		Commercial loans, excluding mortgages	
	2003	2002	2003	2002
Prepayment speed	33.48	19.20	1.81	1.66
Default rate	3.43	1.02	0.30	0.19
Discount factor	5.89	11.25	8.35	8.19

¹ Excluded from the weighted-average assumptions are retained interests for commercial mortgage interest-only bonds in the amount of € 67 million at December 31, 2002. These are short-duration assets valued using conservative prepayment speeds by assuming all underlying loans within the securitized pool are paid off at the earliest possible point in time after the expiration of contractual limitations.

The following table presents information about securitized loans, including delinquencies (loans which are 90 days or more past due) and credit losses, net of recoveries, for the years ended December 31, 2004 and 2003:

in € m.	Residential and commercial mortgage loans		Commercial loans, excluding mortgages	
	2004	2003	2004	2003
Total principal amount of loans	7,606	14,127	750	1,346
Principal amount of loans 90 days or more past due	128	228	15	33
Net credit losses	20	2	1	3

The table excludes securitized loans that the Group continues to service but otherwise has no continuing involvement.

In July 2003, the Group sold U.S.- and European-domiciled private equity investments with a carrying value of € 361 million as well as € 80 million in liquid investments to a securitization vehicle that was a qualifying special purpose entity. The securitization vehicle issued € 174 million of debt to unaffiliated third parties and the Group received cash proceeds of € 102 million and retained debt and equity interests initially valued at € 306 million. The Group recognized a € 7 million loss on the sale of assets to the securitization vehicle. During 2004 and 2003, respectively, the Group received € 1 million and € 2 million of cash flows from retained interests.

The valuation of the Group's retained interests at December 31, 2004 and December 31, 2003 were based on the fair values of the underlying investments in the securitization vehicle. These fair values were determined by the servicer of the securitization vehicle. The servicer is a Group-related entity. In determining fair value, the servicer utilizes the valuations of the underlying investments as provided by the general partners of those respective investments. The value of securities and other financial instruments are provided by these general partners on a fair value basis of accounting. The servicer may rely upon any valuations provided to it by the general partners of the investments, but is not bound by such valuations. At December 31, 2004 and 2003, respectively, the Group's retained interests were valued at € 302 million and € 303 million.

The private equity investments held by the securitization vehicles are subject to € 49 million funding commitments under their limited partnership agreements. These commitments are automatically funded by the securitization vehicle via the liquid investments.

To hedge its interest rate and currency risk, the securitization vehicle entered into a total rate of return swap with the Group. The Group also provided a liquidity facility to meet € 168 million of servicing, administration, and interest expenses and € 8 million to meet any funding commitments.

Variable Interest Entities

In the normal course of business, the Group becomes involved with variable interest entities primarily through the following types of transactions: asset securitizations, structured finance, commercial paper programs, mutual funds, and commercial real estate leasing and closed-end funds. The Group's involvement includes transferring assets to the entities, entering into derivative contracts with them, providing credit enhancement and liquidity facilities, providing investment management and administrative services, and holding ownership or other investment interests in the entities.

The table below shows the aggregated assets (before consolidating eliminations) of variable interest entities consolidated by type of asset and entity as of December 31, 2004 and December 31, 2003:

	Commercial paper programs		Guaranteed value mutual funds		Asset securitization	
in € m.	2004	2003	2004	2003	2004	2003
Assets						
Interest-earning deposits with banks	238	189	96	1,176	404	404
Trading assets	–	1,739	491	13,988	9,424	7,279
Securities	–	4,298	–	–	–	360
Loans, net	1,060	4,409	–	–	–	4
Other	–	30	35	230	3	4
Total	1,298	10,665	622	15,394	9,831	8,051
	Structured finance and other		Commercial real estate leasing vehicles and closed-end funds			
in € m.	2004	2003	2004	2003		
Assets						
Interest-earning deposits with banks	546	110	57	46		
Trading assets	1,476	1,096	–	–		
Securities	39	–	–	–		
Loans, net	6,689	380	255	310		
Other	5,495	215	736	552		
Total	14,245	1,801	1,048	908		

Substantially all of the consolidated assets of the variable interest entities act as collateral for related consolidated liabilities. The holders of these liabilities have no recourse to the Group, except to the extent the Group guarantees the value of the mutual fund units that investors purchase. The Group's liabilities to pay under these guarantees were not significant as of December 31, 2004 and 2003. The mutual funds that the Group manages are investment vehicles that were established to provide returns to investors in the vehicles.

The commercial paper programs give clients access to liquidity in the commercial paper market. As an administrative agent for the commercial paper programs, the Group facilitates the sale of loans, other receivables, or securities from various third parties to a commercial paper entity, which then issues collateralized commercial paper to the market. The Group provides liquidity facilities to the commercial paper vehicles, but these facilities create only limited credit exposure since the Group is not required to provide funding if the assets of the vehicle are in default. In 2004, conduits with total assets of € 5.8 billion were restructured and accordingly deconsolidated.

For asset securitization, the Group may retain a subordinated interest in the assets the Group securitizes or may purchase interest in the assets securitized by independent third parties. For structured finance and other products, the Group structures VIEs to meet various needs of our clients. For the commercial real estate leasing vehicles and closed-end funds, third party investors essentially provide financing for the purchase of commercial real estate or other assets which are leased to other third parties.

As of December 31, 2004 and December 31, 2003 the total assets and the Group's maximum exposure to loss as a result of its involvement with variable interest entities where the Group holds a significant variable interest, but does not consolidate, are as follows:

in € m.	Aggregated total assets		Maximum exposure to loss	
	2004	2003	2004	2003
Commercial paper programs	17,296	15,008	20,305	16,170
Commercial real estate leasing vehicles and closed-end funds	1,599	1,622	95	336
Structured finance and other	3,212	1,248	579	116
Guaranteed value mutual funds	5,856	–	5,856	–

The Group provides liquidity facilities and, to a lesser extent, guarantees to the commercial paper programs that it has a significant interest in. The Group's maximum exposure to loss from these programs is equivalent to the contract amount of its liquidity facilities since the Group cannot be obligated to fund the liquidity facilities and guarantees at the same time. The liquidity facilities create only limited credit exposure since the Group is not required to provide funding if the assets of the vehicle are in default.

For the commercial real estate leasing vehicles and closed-end funds, the Group's maximum exposure to loss results primarily from investments held in these vehicles. For structured finance and other vehicles, the Group's maximum exposure to loss results primarily from the risk associated with the Group's purchased and retained interests in the vehicles. The maximum exposure to loss related to the significant non-consolidated guaranteed value mutual funds results from the above mentioned guarantees.

[10] Assets Pledged and Received as Collateral

The carrying value of the Group's assets pledged (primarily for borrowings, deposits, and securities loaned) as collateral where the secured party does not have the right by contract or custom to sell or repledge the Group's assets are as follows:

in € m.	Dec 31, 2004	Dec 31, 2003
Trading assets	25,568	16,830
Securities available for sale	8	742
Loans	10,433	11,086
Premises and equipment	636	625
Total	36,645	29,283

At December 31, 2004 and 2003, the Group has received collateral with a fair value of € 298 billion and € 223 billion, respectively, arising from securities purchased under reverse repurchase agreements, securities borrowed, derivatives transactions, customer margin loans and other transactions, which the Group as the secured party has the right to sell or repledge. At December 31, 2004 and 2003, € 124 billion and € 115 billion, respectively, related to collateral that the Group has received and sold or repledged primarily to cover short sales, securities loaned and securities sold under repurchase agreements. These amounts exclude the impact of netting.

[11] Premises and Equipment, Net

An analysis of premises and equipment, including assets under capital leases, follows:

in € m.	Dec 31, 2004	Dec 31, 2003
Land	1,036	1,014
Buildings	3,576	4,058
Leasehold improvements	1,211	1,214
Furniture and equipment	2,344	2,495
Purchased software	347	440
Self-developed software	331	322
Construction-in-progress	144	151
Total	8,989	9,694
Less: Accumulated depreciation	3,764	3,908
Premises and equipment, net¹	5,225	5,786

¹ Amounts at December 31, 2004 and 2003 included € 1.8 billion and € 1.9 billion, respectively, of net book value of premises and equipment held for investment purposes.

The Group is lessee under lease agreements covering real property and equipment. The future minimum lease payments, excluding executory costs, required under the Group's capital leases at December 31, 2004, were as follows:

in € m.	
2005	73
2006	109
2007	257
2008	45
2009	47
2010 and later	506
Total future minimum lease payments	1,037
Less: Amount representing interest	658
Present value of minimum lease payments	379

At December 31, 2004, the total minimum sublease rentals to be received in the future under subleases are € 484 million. Contingent rental income incurred during the year ended December 31, 2004, was € 2 million.

The future minimum lease payments, excluding executory costs, required under the Group's operating leases at December 31, 2004, were as follows:

in € m.	
2005	533
2006	451
2007	365
2008	307
2009	262
2010 and later	1,110
Total future minimum lease payments	3,028
Less: Minimum sublease rentals	682
Net minimum lease payments	2,346

The following shows the net rental expense for all operating leases:

in € m.	2004	2003	2002
Gross rental expense	857	760	869
Less: Sublease rental income	116	61	97
Net rental expense	741	699	772

[12] Goodwill and Other Intangible Assets, Net

Goodwill impairment exists if the net book value of a reporting unit exceeds its estimated fair value. The Group's reporting units are generally consistent with the Group's business segment level, or one level below. The Group performs its annual impairment review during the fourth quarter of each year, beginning in the fourth quarter of 2002. There was no goodwill impairment in 2004, 2003 and 2002 resulting from the annual impairment review.

In 2004, an impairment loss of € 19 million relating to investment management agreements was recorded in the Asset and Wealth Management Corporate Division following the termination of such agreements. The impairment loss was determined based on a discounted cash flow model and is included in the line item Goodwill impairment/impairment of intangibles on the Consolidated Statement of Income.

In 2003, a goodwill impairment loss of € 114 million related to the Private Equity reporting unit was recorded following decisions relating to the private equity fee-based business including the transfer of certain businesses to the Group's Asset and Wealth Management Corporate Division. The fair value of the business remaining in the Private Equity reporting unit was calculated using the discounted cash flow model.

A goodwill impairment loss of € 62 million was recognized in the Private Equity reporting unit during 2002. A significant portion of the reporting unit was classified as held for sale during the fourth quarter of 2002 resulting in an impairment loss of the goodwill related to the remaining reporting unit.

Other Intangible Assets

An analysis of acquired other intangible assets follows:

in € m.	Dec 31, 2004			Dec 31, 2003		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortized intangible assets:						
Customer contracts	59	11	48	75	19	56
Investment management agreements	41	19	22	62	14	48
Mortgage servicing rights	68	3	65	—	—	—
Other customer-related	79	21	58	48	15	33
Other	17	9	8	29	9	20
Total amortized intangible assets	264	63	201	214	57	157
Unamortized intangible assets:						
Retail investment management agreements and other			848			925
Loan servicing rights			20			40
Total other intangible assets			1,069			1,122

For the years ended December 31, 2004 and 2003, the aggregate amortization expense for other intangible assets was € 24 million and € 22 million, respectively. The estimated aggregate amortization expense for each of the succeeding five fiscal years is as follows:

in € m.	
2005	26
2006	20
2007	19
2008	18
2009	16

For the year ended December 31, 2004, the Group acquired the following other intangible assets:

in € m.	Additions in current year	Weighted-average amortization period
Amortized intangible assets:		
Mortgage servicing rights	68	10 years
Other customer-related	19	10 years
Other	11	5 years
Total other intangible assets	98	9 years

These additions are mainly due to the acquisitions of Berkshire Mortgage Finance L.P.'s origination and servicing business as well as Dresdner Bank's German domestic custody business, which contributed € 68 million and € 19 million respectively.

Goodwill

All goodwill has been allocated to reporting units. The changes in the carrying amount of goodwill for the years ended December 31, 2004 and 2003 are as follows:

in € m.	Corporate Banking & Securities	Global Transaction Banking	Asset and Wealth Management	Private & Business Clients	Corporate Investments	Total
Balance as of January 1, 2003	3,731	635	3,165	246	595	8,372
Purchase accounting adjustments	–	–	14	–	–	14
Goodwill acquired during the year	2	1	112	4	–	119
Impairment losses	–	–	–	–	(114)	(114)
Goodwill related to dispositions	–	(133)	(51)	–	(382)	(566)
Effects from exchange rate fluctuations	(572)	(75)	(417)	(16)	(10)	(1,090)
Balance as of December 31, 2003	3,161	428	2,823	234	89	6,735
Purchase accounting adjustments	–	–	(20)	–	–	(20)
Transfers	6	–	(6)	–	–	–
Goodwill acquired during the year	27	36	60	4	–	127
Impairment losses	–	–	–	–	–	–
Goodwill related to dispositions	–	–	(11)	–	–	(11)
Effects from exchange rate fluctuations	(243)	(28)	(178)	(4)	–	(453)
Balance as of December 31, 2004	2,951	436	2,668	234	89	6,378

The additions to goodwill of € 127 million for the year ended December 31, 2004 are mainly due to the acquisitions of the remaining 1.5% third party holding in DWS Holding & Service GmbH, Dresdner Bank's German domestic custody business and Berkshire Mortgage Finance L.P.'s origination and servicing business, which contributed € 57 million, € 36 million and € 26 million, respectively.

The additions to goodwill of € 119 million for the year ended December 31, 2003 are mainly due to the acquisition of Rued, Blass & Cie AG Bankgeschaef, which contributed € 59 million.

[13] Assets Held for Sale

In 2004, the Group signed several contracts to sell real estate in the Asset and Wealth Management and the Corporate Investments segments. The net assets were written down to the lower of their carrying value or fair value less cost to sell resulting in a loss of € 29 million.

During 2003, the Group decided to sell subsidiaries and investments in the Corporate Investments, Global Transaction Banking, Private & Business Clients and Asset and Wealth Management segments. The net assets for these subsidiaries and investments were written down to the lower of their carrying value or fair value less cost to sell resulting in a loss of € 32 million.

During 2002, the Group decided to sell certain businesses in the Global Transaction Banking, Asset and Wealth Management and Corporate Investment segments. The net assets for these businesses, most of which are reported as other investments, were written down to the lower of their carrying value or fair value less cost to sell resulting in a loss of € 217 million for the year ended December 31, 2002.

[14] Other Assets and Other Liabilities

The largest individual component of other assets at December 31, 2004 and December 31, 2003 was pending securities transactions past settlement date of € 8,984 million and € 11,082 million, respectively. Other assets also included loans held for sale, which were € 8,194 million and € 7,110 million at December 31, 2004 and December 31, 2003, respectively. These loans held for sale were acquired in the course of our securitization activities or originated in our loan business. Among other items included in other assets were accrued interest receivable of € 3,854 million and € 3,612 million at December 31, 2004 and December 31, 2003, respectively, and due from customers on acceptances of € 74 million and € 60 million at December 31, 2004 and December 31, 2003, respectively.

Pending securities transactions past settlement date of € 9,562 million and € 10,390 million at December 31, 2004 and December 31, 2003, respectively, were also the largest individual component of other liabilities. Among other items also included in other liabilities were accrued interest payable of € 4,223 million and € 3,793 million at December 31, 2004 and December 31, 2003, respectively, and acceptances outstanding of € 74 million and € 60 million at December 31, 2004 and December 31, 2003, respectively.

[15] Deposits

The components of deposits are as follows:

in € m.	Dec 31, 2004	Dec 31, 2003
German offices:		
Noninterest-bearing demand deposits	20,851	22,371
Interest-bearing deposits		
Demand deposits	31,252	24,787
Certificates of deposit	247	665
Savings deposits	22,572	24,147
Other time deposits	34,505	33,194
Total interest-bearing deposits	88,576	82,793
Total deposits in German offices	109,427	105,164
Non-German offices:		
Noninterest-bearing demand deposits	6,423	5,797
Interest-bearing deposits		
Demand deposits	73,630	57,463
Certificates of deposit	19,056	20,696
Savings deposits	6,314	6,419
Other time deposits	114,619	110,615
Total interest-bearing deposits	213,619	195,193
Total deposits in non-German offices	220,042	200,990
Total deposits	329,469	306,154

Related party deposits amounted to € 1,937 million and € 1,050 million at December 31, 2004 and 2003, respectively.

[16] Other Short-term Borrowings

Short-term borrowings are borrowed funds generally with an original maturity of one year or less. Components of other short-term borrowings include:

in € m.	Dec 31, 2004	Dec 31, 2003
Commercial paper	9,980	13,150
Other	10,138	9,140
Total	20,118	22,290

[17] Long-term Debt

The Group issues fixed and floating rate long-term debt denominated in various currencies, approximately half of which is denominated in euros.

The following table is a summary of the Group's long-term debt:

By remaining maturities in € m.	Due in 2005	Due in 2006	Due in 2007	Due in 2008	Due in 2009	Due after 2009	Dec 31, 2004 total	Dec 31, 2003 total
Senior debt:								
Bonds and notes:								
Fixed rate	8,012	5,345	7,038	3,827	9,072	20,540	53,834	47,364
Floating rate	6,764	4,168	6,343	6,514	4,367	11,307	39,463	37,217
Subordinated debt:								
Bonds and notes:								
Fixed rate	152	928	611	288	1,457	6,069	9,505	10,379
Floating rate	104	–	348	94	183	3,339	4,068	2,520
Total	15,032	10,441	14,340	10,723	15,079	41,255	106,870	97,480

Based solely on the contractual terms of the debt issues, the following table represents the range of interest rates payable on this debt for the periods specified:

	Dec 31, 2004	Dec 31, 2003
Senior debt:		
Bonds and notes:		
Fixed rate ¹	0.00% – 50.00%	0.00% – 31.63%
Floating rate ¹	0.00% – 18.83%	0.00% – 21.11%
Subordinated debt:		
Bonds and notes:		
Fixed rate	0.81% – 10.50%	0.81% – 10.50%
Floating rate	0.74% – 8.00%	0.74% – 8.00%

¹ The lower and higher end of the range of interest rates relate to some transactions where the contractual rates are shown excluding the effect of embedded derivatives.

Fixed rate debt outstanding at December 31, 2004 matures at various dates through 2044. The weighted-average interest rates on fixed rate debt at December 31, 2004 and 2003 were 5.57% and 5.23%, respectively. Floating rate debt outstanding at December 31, 2004 matures at various dates through 2050 excluding € 4.6 billion with undefined maturities. The weighted-average interest rates on floating rate debt at December 31, 2004 and 2003 were 2.84% and 2.58%, respectively. The weighted-average interest rates for total long-term debt were 4.36% and 3.97% at December 31, 2004 and 2003, respectively.

The interest rates for the floating rate debt issues are generally based on EURIBOR, although in certain instances they are subject to minimum interest rates as specified in the agreements governing the respective issues.

The Group enters into various transactions related to the debt it issues. This debt may be traded for market-making purposes or held for a period of time. Purchases of the debt are accounted for as extinguishments; however, the resulting net gains (losses) during 2004 and 2003 were insignificant.

[18] Obligation to Purchase Common Shares

As of December 31, 2004 and 2003, the obligation to purchase common shares amounted to € 3,058 million and € 2,310 million, respectively. The obligation represented forward purchase contracts covering approximately 56.1 million (2003: 44.3 million) Deutsche Bank common shares with a weighted-average strike price of € 54.52 (2003: € 52.18) entered into to satisfy obligations under employee share-based compensation awards. Contracts covering 0.4 million shares (2003: 3.1 million) mature in less than one year. The remaining contracts covering 55.7 million shares (2003: 41.2 million) have maturities between one and five years.

[19] Mandatorily Redeemable Shares and Minority Interests in Limited Life Entities

Other liabilities included € 93 million and € 62 million, representing the settlement amount as of December 31, 2004 and 2003, respectively, for minority interests in limited life subsidiaries and mutual funds. These entities have termination dates between 2007 and 2103.

Included in long-term debt and short-term borrowings were € 3,545 million and € 4,164 million related to mandatorily redeemable shares at December 31, 2004 and 2003, respectively. The amount to be paid if settlement was at December 31, 2004 and 2003 was € 3,548 million and € 4,167 million, respectively. These mandatorily redeemable shares are primarily due between 2005 and 2033. The majority of interest paid on the redeemable shares is at fixed rates between 0.00% – 4.70% with the remainder paid at variable rates, which are based on LIBOR or the tax-adjusted U.S. dollar swap rate.

[20] Common Shares and Share-Based Compensation Plans

Deutsche Bank's share capital consists of common shares issued in registered form without par value. Under German law, no par value shares are deemed to have a "nominal" value equal to the total amount of share capital divided by the number of shares. Therefore, the Group's shares have a nominal value of € 2.56.

Common share activity was as follows:

Number of shares	2004	2003	2002
Common shares outstanding, beginning of year	565,077,163	585,446,954	614,475,625
Shares issued under employee benefit plans	–	–	285,800
Shares retired	(38,000,000)	(40,000,000)	–
Shares purchased for treasury	(536,383,830)	(464,939,509)	(474,184,113)
Shares sold or distributed from treasury	526,576,340	484,569,718	444,869,642
Common shares outstanding, end of year	517,269,673	565,077,163	585,446,954

Shares purchased for treasury consist of shares held for a period of time by the Group as well as any shares purchased with the intention of being resold in the short term. In addition, beginning in 2002, the Group launched share buy-back programs. Shares acquired under these programs are deemed to be retired or used for share-based compensation. The 2002 program was completed in April 2003 resulting in the retirement of 40 million shares. The second program was completed in June 2004 and resulted in the retirement of 38 million shares. The third buy-back program started in July 2004. All such transactions were recorded in shareholders' equity and no revenues and expenses were recorded in connection with these activities.

Authorized and Conditional Capital

Deutsche Bank's share capital may be increased by issuing new shares for cash and in some circumstances for non-cash consideration. At December 31, 2004, Deutsche Bank had authorized but unissued capital of € 584,000,000 which may be issued at various dates through April 30, 2009 as follows:

Authorized capital	Authorized capital excluding shareholders' pre-emptive rights	Expiration date
—	€ 30,000,000	May 31, 2005
€ 128,000,000 ¹	—	April 30, 2006
€ 100,000,000	—	April 30, 2007
€ 128,000,000 ¹	—	April 30, 2008
€ 198,000,000	—	April 30, 2009

¹ Capital increase may be effected for noncash contributions with the intent of acquiring a company or holdings in companies.

Deutsche Bank also had conditional capital of € 275,200,000. Conditional capital includes various instruments that may potentially be converted into common shares.

The Annual General Meeting on June 2, 2004 authorized the Board of Managing Directors to issue once or more than once, bearer or registered participatory notes with bearer warrants and/or convertible participatory notes, bonds with warrants, and/or convertible bonds on or before April 30, 2009. For this purpose share capital was increased conditionally by up to € 150,000,000.

At December 31, 2004, € 51,200,000 of conditional capital was available for option rights available for grant until May 10, 2003 and € 64,000,000 for option rights available for grant until May 20, 2005 under the DB Global Partnership Plan. Also, the Board of Managing Directors was authorized at the Annual General Meeting on May 17, 2001 to issue, with the consent of the Supervisory Board, up to 12,000,000 option rights on Deutsche Bank shares on or before December 31, 2003 of which 3,585,476 option rights were granted and not exercised at December 31, 2004. For this purpose there was a conditional capital of € 10,000,000 of which € 9,178,819 was used under the DB Global Share Plan. These plans are described below.

Share-Based Compensation

Effective January 1, 2003, the Group adopted the fair-value-based method under SFAS 123 prospectively for all employee awards granted, modified or settled after January 1, 2003, excluding those related to the 2002 performance year. Prior to this the Group applied the intrinsic-value-based provisions of APB 25. Compensation expense for share-based awards is included in compensation and benefits on the Consolidated Statement of Income. See Note [1] for a discussion on the Group's accounting for share-based compensation.

In accordance with the requirements of SFAS 123, the pro forma disclosures relating to net income and earnings per common share as if the Group had always applied the fair-value-based method are provided in Note [1].

The Group's share-based compensation plans currently used for granting new awards are summarized in the table below. These plans, and those plans no longer used for granting new awards, are described in more detail in the text that follows.

Plan name	Eligibility	Vesting period*	Expense treatment	Equity or Equity Units	Performance Options/ Partnership Appreciation Rights
Share-based compensation plans					
Restricted Equity Units Plan	Select executives	4.5 years	³	X	
DB Global Partnership Plan					
DB Equity Units					
as bonus grants	Select executives	2 years	²	X	
as retention grants	Select executives	3.5 years	³	X	
Performance Options	Select executives ¹	4 years	²		X
Partnership Appreciation Rights	Select executives ¹	4 years	²		X
DB Share Scheme					
as bonus grants	Select employees	3 years	²	X	
as retention grants	Select employees	3 years	³	X	
DB Key Employee Equity Plan (DB KEEP)	Select executives	5 years	³	X	
DB Global Share Plan 2004	All employees ⁴	1 year	³	X	

* Approximate period after which all portions of the award are no longer subject to the plan specific forfeiture provisions.

¹ Performance options and partnership appreciation rights are granted as a unit.

² The value is recognized during the applicable performance year as part of compensation expense.

³ The value is recognized on a straight-line basis over the vesting period as part of compensation expense.

⁴ A participant must have been working for the Group for at least one year and have had an active employment contract in order to participate.

Share-Based Compensation Plans Currently Used for Granting New Awards

Restricted Equity Units Plan

Under the Restricted Equity Units Plan, the Group grants various employees deferred share awards as retention incentive which provide the right to receive common shares of the Group at specified future dates. The expense related to Restricted Equity Units awarded is recognized on a straight-line basis over the vesting period, which is generally four to five years.

The Group also grants to the same group of employees exceptional awards as a component of the Restricted Equity Units as an additional retention incentive that is forfeited if the participant terminates employment prior to the end of the vesting period. Compensation expense for these awards is recognized on a straight-line basis over the vesting period.

DB Global Partnership Plan

DB Equity Units. DB Equity Units are deferred share awards, each of which entitles the holder to one of the Group's common shares approximately three and a half years from the date of the grant. DB Equity Units granted in relation to annual bonuses are forfeited if a participant terminates employment under certain circumstances within the first two years following the grant. Compensation expense for these awards is recognized in the applicable performance year as part of compensation earned for that year.

The Group also grants exceptional awards of DB Equity Units to a selected group of employees as retention incentive that is forfeited if the participant terminates employment prior to the end of the vesting period. Compensation expense for these awards is recognized on a straight-line basis over the vesting period which is approximately three and a half years.

Performance Options. Performance options are rights to purchase the Group's common shares. Performance Options were granted with an exercise price equal to 120% of the reference price. The reference price is set at the higher of the fair market value of the Group's common shares on the date of grant or an average of the fair market value of the Group's common shares for the ten trading days on the Frankfurt Stock Exchange up to and including the date of the grant.

Performance Options are subject to a minimum vesting period of two years. In general, one-third of the options become exercisable at each of the second, third and fourth anniversaries of the grant date. However, if the Group's common shares trade at more than 130% of the reference price for 35 consecutive trading days, the Performance Options become exercisable on the later of the end of the 35-day trading period or the second anniversary of the award date. This condition was fulfilled for the

Performance Options granted in February 2003 and therefore, all these options became exercisable in February 2005 rather than in three equal tranches.

Under certain circumstances, if a participant terminates employment prior to the vesting date, Performance Option awards will be forfeited. All options not previously exercised or forfeited expire on the sixth anniversary of the grant date.

There were no options awarded for the 2004 performance year. Compensation expense for options awarded for the 2003 performance year was recognized in 2003 in accordance with the fair-value-based method. No compensation expense for options awarded for the 2002 performance year was recognized in 2002, as the market price of the shares on the date of grant did not exceed the exercise price.

Partnership Appreciation Rights. Partnership Appreciation Rights ("PARs") are rights to receive a cash award in an amount equal to 20% of the reference price for Performance Options described above. The vesting of PARs will occur at the same time and to the same extent as the vesting of Performance Options. PARs are automatically exercised at the same time and in the same proportion as the exercise of the Performance Options.

There were no PARs awarded for the 2004 performance year. No compensation expense was recognized for the years ended December 31, 2003 and 2002 as the PARs represent a right to a cash award only with the exercise of Performance Options. This effectively reduces the exercise price of any Performance Option exercised to the reference price described above and is factored into the calculation of the fair value of the option.

DB Share Scheme

Under the DB Share Scheme, the Group grants various employees deferred share awards which provide the right to receive common shares of the Group at a specified future date. Compensation expense for awards granted in relation to annual bonuses is recognized in the applicable performance year as part of compensation earned for that year. Awards granted as retention incentive are expensed on a straight-line basis over the vesting period, which is generally three years.

DB Key Employee Equity Plan

Under the DB Key Employee Equity Plan ("DB KEEP"), the Group grants selected executives deferred share awards which provide the right to receive common shares of the Group at a specified future date. The awards are granted as retention incentive to various employees and are expensed on a straight-line basis over the vesting period as compensation expense. The vesting period is generally five years.

DB Global Share Plan 2004

The DB Global Share Plan 2004 awarded in 2004 is an all employee program which awards eligible employees ten shares of the Group's common shares as part of their annual compensation. A participant must have been working for the Group for at least one year and have had an active employment contract in order to participate. The number of shares granted to part-time employees and those in various categories of extended leave was on a pro rata basis. Awards will ordinarily be forfeited if the participant terminates employment prior to the vesting date which is November 1, 2005.

The expense related to the DB Global Share Plan 2004 is recognized on a straight line basis over the vesting period which is one year from the date of grant.

Share-Based Compensation Plans No Longer Used for Granting New Awards

DB Global Share Plan

Share Purchases. In 2003 and 2002, eligible employees could purchase up to 20 shares and eligible retirees could purchase up to 10 shares of the Group's common shares. German employees and retirees were eligible to purchase these shares at discount. The discount was linked to the Group's prior year's earnings. The participant was fully vested and received all dividend rights for the shares purchased. At the date of purchase, the Group recognized as compensation expense the difference between the quoted market price of a common share at that date and the price paid by the participant.

Performance Options. In 2003 and 2002, employee participants received for each common share purchased five options. Each option entitled the participant to purchase one of the Group's common shares. Options vest approximately two years after the date of grant and expire after six years. Options may be exercised at a strike price equal to 120% of the reference price. The reference price was set at the higher of the fair market value of the Group's common shares on the date of grant or an average of the fair market value of the Group's common shares for the ten trading days on the Frankfurt Stock Exchange up to and including the date of grant.

Generally, a participant must have been working for the Group for at least one year and have had an active employment contract in order to participate. Options are forfeited upon termination of employment. Participants who retire or become permanently disabled prior to vesting may still exercise their rights during the exercise period.

Compensation expense for options awarded for the 2003 performance year is recognized over the vesting period in accordance with the fair-value-based method. No compensation expense was recognized for options awarded for the 2002 performance year as the market price of the shares on the date of grant did not exceed the exercise price.

Global Equity Plan

During 1998, 1999 and 2000, certain key employees of the Group participated in the Global Equity Plan ("GEP") and were eligible to purchase convertible bonds in 1,000 DM denominations at par. On October 16, 2001, the Board of Managing Directors gave approval to buy out the outstanding awards at a fixed price.

As of December 31, 2001, participants holding DM 55,429,000 (€ 28,340,398) bonds convertible into 11,085,800 shares accepted the offer and received cash payments totaling € 490,347,106. Compensation expense relating to participants who accepted the buy-out offer was fully accrued in 2001.

Compensation expense was recorded using variable plan accounting over the vesting period for awards to participants who did not accept the buy-out offer in 2001. In June 2003, the remaining bonds were redeemed at their nominal value since specific performance criteria for conversion were not met. The Group released € 3 million to earnings related to amounts previously accrued for the GEP Plan.

In addition, in connection with the buy-out offer in 2001, the Board authorized a special payment to 93 participants in 2003. These participants could not take part in the buy-out offer due to the conditions of the authorization in 2001. The cash payments, which totaled € 9 million in connection with these bonds, were not included in share-based compensation expense.

Stock Appreciation Rights Plans

The Group has granted stock appreciation rights plans ("SARs") which provide eligible employees of the Group the right to receive cash equal to the appreciation of the Group's common shares over an established strike price. The stock appreciation rights granted can be exercised approximately three years from the date of grant. Stock appreciation rights expire approximately six years from the date of grant.

Compensation expense on SARs, calculated as the excess of the current market price of the Group's common shares over the strike price, is recorded using variable plan accounting. The expense related to a portion of the awards is recognized in the performance year if it relates to annual bonuses earned as part of compensation, while remaining awards are expensed over the vesting periods.

db Share Plan

Prior to the adoption of the DB Global Share Plan, certain employees were eligible to purchase up to 60 shares of the Group's common shares at a discount under the db Share Plan. In addition, for each share purchased, employee participants received one option which entitled them to purchase one share. Options vested over a period of approximately three years beginning on the date of grant. Following the vesting period, options could be exercised if specific performance criteria were met. The exercise price was determined by applying a performance dependent discount to the average quoted price of a common share on the Frankfurt Stock Exchange on the five trading days before the exercise period started.

At the date of purchase of the common shares, the Group recognized as compensation expense the difference between the quoted market price of a common share at that date and the price paid by the participant. Compensation expense for the options was recognized using variable plan accounting over the vesting period, and based upon an estimated exercise price for the applicable three-year period and the current market price of the Group's common shares.

All remaining db Share Plan options expired unexercised in 2003 because the specific performance criteria were not met. In 2003, the Group released € 20 million to earnings related to amounts previously accrued for the options.

Other Plans

The Group has other local share-based compensation plans, none of which, individually or in the aggregate are material to the consolidated financial statements.

Compensation Expense

The Group recognized compensation expense related to its significant share-based compensation plans, described above, as follows:

in € m.	2004	2003	2002
DB Global Partnership Plan ¹	11	8	4
DB Global Share Plan ²	15	3	3
DB Share Scheme/Restricted Equity Units Plan/DB KEEP	997	773	469
Global Equity Plan	–	(3)	(6)
Stock Appreciation Rights Plans ³	81	(13)	35
db Share Plan	–	(20)	(45)
Total	1,104	748	460

¹ Compensation expense for the years ended December 31, 2004, 2003 and 2002 included € 6.6 million, € 5.9 million and € 3.9 million, respectively, related to DB Equity Units granted in February 2005, February 2004 and February 2003, respectively.

² Compensation expense for the year ended December 31, 2004 included € 6.6 million in relation to the DB Global Share Plan 2004.

³ For the years ended December 31, 2004, 2003 and 2002, net (gains) losses of € 81 million, € (13) million and € 226 million, respectively, from non-trading equity derivatives, used to offset fluctuations in employee share-based compensation expense, were included.

The following is a summary of the activity in the Group's current compensation plans involving share and option awards for the years ended December 31, 2004, 2003 and 2002 (amounts in thousands of shares, except exercise prices).

	DB Global Partnership Plan		
	DB Equity Units ¹	Performance Options ²	Weighted-average exercise price
Balance at December 31, 2001	–	–	–
Granted	451	12,156	€ 89.96
Issued	–	–	–
Forfeited	(43)	(392)	€ 89.96
Balance at December 31, 2002	408	11,764	€ 89.96
Granted	122	14,615	€ 47.53
Issued	–	–	–
Forfeited	(3)	(490)	€ 58.58
Balance at December 31, 2003	527	25,889	€ 66.60
Granted	127	115	€ 76.61
Issued	(324)	–	–
Forfeited	–	(152)	€ 89.96
Balance at December 31, 2004	330	25,852	€ 66.51
Weighted-average remaining contractual life at:			
December 31, 2004		3 years 7 months	
December 31, 2003		4 years 8 months	

¹ The weighted-average grant-date fair value per share of deferred share awards granted in 2004, 2003 and 2002 was € 58.11, € 38.62, and € 74.96 respectively.

² The weighted-average grant-date fair value per option, including the PAR, granted during 2004, 2003 and 2002 was € 13.02, € 11.97 and € 21.24 respectively. Performance Options and PARs granted in 2004, 2003 and 2002 related to the 2003, 2002 and 2001 performance year, respectively.

There were no options exercisable under the DB Global Partnership Plan at December 31, 2004. Approximately 14.1 million options under the DB Global Partnership Plan, which have an exercise price of € 47.53 per share, became exercisable in early 2005. Each Global Partnership Plan option was accompanied by a Partnership Appreciation Right entitling the holder to 20% of the reference price upon exercise of the related option. As of February 28, 2005, approximately 2.9 million of these Global Partnership Plan options and PARs had been exercised.

In addition, approximately 111,000 DB Equity Units were granted in February 2005 related to the 2004 performance year and included in compensation expense for the year ended December 31, 2004. Approximately 28,000 DB Equity Units were granted as a retention incentive in February 2005 and not included in compensation expense for the year ended December 31, 2004. The weighted-average grant date fair value per DB Equity Unit was € 59.68.

There were no Performance Options or PARs awarded in relation to the 2004 performance year.

The following table details the distribution of options outstanding for the DB Global Partnership Plan and for the DB Global Share Plan (reported under plans no longer used for granting new awards) as of year ended 2004:

Range of exercise prices	Options outstanding			Options exercisable	
	Options outstanding	Weighted-average exercise price ¹	Weighted-average remaining contractual life (in years)	Options exercisable	Weighted-average exercise price
€ 40.00 – 59.99	16,087	€ 55.33	4.1	–	N/A
€ 60.00 – 79.99	1,699	€ 75.24	5.1	–	N/A
€ 80.00 – 99.99	11,652	€ 87.81	3.1	–	N/A

N/A – Not applicable

¹ The weighted-average exercise price does not include the effect of the PARs for the DB Global Partnership Plan.

The following is a summary of the activity in the Group's compensation plans involving share awards (DB Share Scheme, DB Key Employee Equity Plan, Restricted Equity Units Plan and DB Global Share Plan 2004) for the years ended December 31, 2004, 2003 and 2002 (amounts in thousands of shares) broken into three categories. Expense for bonus awards is recognized in the applicable performance year. Expense for retention awards and DB Global Share Plan 2004 is recognized over the vesting period.

in thousands of shares	Bonus awards ¹	Retention awards ²	Global Share Plan 2004 ³	Total
Balance at December 31, 2001	5,723	13,304	–	19,027
Granted	6,386	12,148	–	18,534
Issued	(5,603)	(4,243)	–	(9,846)
Forfeited	(417)	(1,610)	–	(2,027)
Balance at December 31, 2002	6,089	19,599	–	25,688
Granted	1,036	26,823	–	27,859
Issued	(4,439)	(3,210)	–	(7,649)
Forfeited	(228)	(1,749)	–	(1,977)
Balance at December 31, 2003	2,458	41,463	–	43,921
Granted	2,169	21,848	594	24,611
Issued	(2,832)	(4,938)	–	(7,770)
Forfeited	(231)	(3,091)	–	(3,322)
Balance at December 31, 2004	1,564	55,282	594	57,440

¹ The weighted-average grant-date fair values per share of deferred share awards granted during 2004, 2003 and 2002 were € 61.11, € 39.61 and € 74.96, respectively.

² The weighted-average grant-date fair values per share of deferred share awards granted during 2004, 2003 and 2002 were € 57.71, € 34.62 and € 72.56, respectively. For the outstanding balance at year-end 2004, the weighted-average grant-date fair value per share was € 50.24 and approximately € 1.36 billion were expensed by year-end 2004.

³ The weighted-average grant-date fair values per share of deferred share awards granted during 2004 was € 58.65. For the outstanding balance at year-end 2004, the weighted-average grant-date fair value per share was € 58.65 and approximately € 6.6 million were expensed by year-end 2004.

In addition to the amounts shown in the table above, the Group granted the following equity awards in February 2005:

(a) Approximately 1.5 million shares under the DB Share Scheme with a fair value of € 61.99 per share were awarded as a bonus for the 2004 performance year and included in compensation expense for the year ended December 31, 2004.

(b) Approximately 13.3 million shares under the Restricted Equity Units Plan with an average fair value of € 57.14 were awarded as retention awards.

The following is a summary of the Group's share-based compensation plans (for which there will be no future awards) for the years ended December 31, 2004, 2003 and 2002:

	Global Equity Plan	Stock Appreciation Rights Plans	db Share Plan		DB Global Share Plan		
	Convertible bonds ¹	SARs ²	Shares	Options	Shares	Performance Options ³	Weighted- average exercise price
in thousands of equivalent shares							
Balance at December 31, 2001	607	16,928	N/A	3,476	N/A	175	€ 87.66
Granted	–	3	–	–	–	2,082	€ 55.39
Issued	–	(30)	–	(1,453)	471	–	–
Convertible bonds converted	(286)	–	–	–	–	–	–
Forfeited	(49)	(555)	–	(170)	–	(22)	€ 57.99
Balance at December 31, 2002	272	16,346	N/A	1,853	N/A	2,235	€ 57.90
Granted	–	–	–	–	–	1,691	€ 75.24
Issued	–	–	–	–	396	–	–
Convertible bonds redeemed	(269)	–	–	–	–	–	–
Forfeited	(3)	(175)	–	(14)	–	(81)	€ 57.00
Expired	–	–	–	(1,839)	–	–	–
Balance at December 31, 2003	–	16,171	N/A	–	N/A	3,845	€ 65.54
Granted	–	–	–	–	–	–	–
Issued	–	–	–	–	–	–	–
Exercised	–	(387)	–	–	–	–	–
Forfeited	–	–	–	–	–	(260)	€ 64.02
Expired	–	(451)	–	–	–	–	–
Balance at December 31, 2004	–	15,333	N/A	–	N/A	3,585	€ 65.64
Weighted-average remaining contractual life at:							
December 31, 2004						4 years 4 months	
December 31, 2003						5 years 4 months	

N/A – Not applicable. Participant was fully vested for shares purchased under the db Share Plan.

¹ Convertible bonds were included in long-term debt on the Consolidated Balance Sheet.

² SARs were granted at various strike prices. In October 2001, 16,223,276 SARs with a strike price of € 98 vesting in 2004 and expiring in 2007 were replaced by 10,328,417 rights at a strike price of € 67. The weighted-average strike price of the outstanding SARs at December 31, 2004 is € 69.39 with an average remaining life of two years.

³ The weighted/average grant-date fair value per option granted during 2003 and 2002 was € 9.71 and € 12.35, respectively.

There were no options exercisable under the DB Global Share Plan at December 31, 2004. Approximately 1.8 million options granted under the DB Global Share Plan in 2002, which have an exercise price of € 55.39, became exercisable in early 2005. As of February 28, 2005, approximately 0.2 million of these options had been exercised.

Fair Value of Share Options Assumptions

No options were granted in 2004.

The fair value of share options granted in 2003 and 2002 was estimated at the grant date using a Black-Scholes option pricing model. The information for 2003 is used in accounting for share options under the fair-value-based method which the Group adopted prospectively effective January 1, 2003. The information for 2002 is used to calculate what the effect on net income and earnings per common share would have been if the Group had applied the fair value method as shown in Note [1].

The weighted-average fair value per option and the significant assumptions used to estimate the fair values of options were:

	Dec 31, 2004 ¹	Dec 31, 2003	Dec 31, 2002
Weighted-average fair value per option	N/A	€ 9.92	€ 12.03
Risk free interest rate	N/A	3.52%	3.45%
Expected lives (in years)	N/A	4.0	4.4
Dividend yield	N/A	1.97%	3.22%
Volatility	N/A	26.65%	43.2%

N/A – Not applicable

¹ No options were granted in 2004.

[21] Asset Restrictions and Dividends

Since January 1, 1999, when stage three of the European Economic and Monetary Union was implemented, the European Central Bank has had responsibility for monetary policy and control in all the member countries of the European Monetary Union, including Germany.

The European Central Bank sets minimum reserve requirements for institutions that engage in the customer deposit and lending business. These minimum reserves must equal a certain percentage of the institutions' liabilities resulting from certain deposits, and the issuance of bonds. Liabilities to European Monetary Union national central banks and to other European Monetary Union banking institutions that are themselves subject to the minimum reserve requirements are not included in this calculation. Since January 1, 1999, the European Central Bank has set the minimum reserve rate at 2%. For deposits with a term to maturity or a notice period of more than two years, bonds with a term to maturity of more than two years and repurchase transactions, the minimum reserve rate has been set at 0%. Each institution is required to deposit its minimum reserve with the national central bank of its home country.

Cash and due from banks includes reserve balances that the Group is required to maintain with certain central banks. These required reserves were € 424 million and € 451 million at December 31, 2004 and 2003, respectively.

Under Deutsche Bank's Articles of Association and German law, dividends are based on the results of Deutsche Bank AG as prepared in accordance with German accounting rules. The Board of Managing Directors, which prepares the annual financial statements of Deutsche Bank AG on an unconsolidated basis, and the Supervisory Board, which reviews them, first allocate part of Deutsche Bank's annual surplus (if any) to the statutory reserves and to any losses carried forward, as it is legally required to do. Then they allocate the remainder between profit reserves (or retained earnings) and balance sheet profit (or distributable profit). They may allocate up to one-half of this remainder to profit reserves, and must allocate at least one-half to balance sheet profit. The Group then distributes the amount of the balance sheet profit of Deutsche Bank AG if the Annual General Meeting resolves so.

Certain other subsidiaries are subject to various regulatory and other restrictions that may limit cash dividends and certain advances to Deutsche Bank.

[22] Regulatory Capital

The regulatory capital adequacy guidelines applicable to the Group are set forth by the Basel Committee on Banking Supervision, the secretariat of which is provided by the Bank for International Settlements ("BIS") and by European Council directives, as implemented into German law. The German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*, referred to as *BaFin*) in cooperation with the Deutsche Bundesbank supervises our compliance with such guidelines. Effective December 31, 2001 the BaFin permitted the Group to calculate its BIS capital adequacy ratios on the basis of the consolidated financial statements prepared in accordance with U.S. GAAP.

The BIS capital ratio is the principal measure of capital adequacy for international banks. This ratio compares a bank's regulatory capital with its counterparty risks and market price risks (which the Group refers to collectively as the "risk position"). Counterparty risk is measured for asset and off-balance sheet exposures according to broad categories of relative credit risk. The Group's market risk component is a multiple of its value-at-risk figure, which is calculated for regulatory purposes based on the Group's internal models. These models were approved by the BaFin for use in determining the Group's market risk equivalent component of its risk position. A bank's regulatory capital is divided into three tiers (core or Tier I capital, supplementary or Tier II capital, and Tier III capital). Core or Tier I capital consists primarily of share capital, additional paid-in capital, retained earnings and hybrid capital components, such as noncumulative trust preferred securities and equity contributed on silent partnership interests (*stille Beteiligungen*), less intangible assets (principally goodwill) and the impact from the tax law changes (as described below). Supplementary or Tier II capital consists primarily of profit participation rights (*Genussrechte*), cumulative trust preferred securities, long-term subordinated debt, unrealized gains on listed securities and other inherent loss allowance. Tier III capital consists mainly of certain short-term subordinated liabilities and it may only cover market price risk. Banks may also use Tier I and Tier II capital that is in excess of the minimum required to cover counterparty risk (excess Tier I and Tier II capital) in order to cover market price risk. The minimum BIS total capital ratio (Tier I + Tier II + Tier III) is 8% of the risk position. The minimum BIS core capital ratio (Tier I) is 4% of the risk-weighted positions and 2.29% of the market risk equivalent. The minimum core capital ratio for the total risk position therefore depends on the weighted-average of risk-weighted positions and market risk equivalent. Under BIS guidelines, the amount of subordinated debt that may be included as Tier II capital is limited to 50% of Tier I capital. Total Tier II capital is limited to 100% of Tier I capital. Tier III capital is limited to 250% of the Tier I capital not required to cover counterparty risk.

The effect of the 1999/ 2000 German Tax Reform Legislation on securities available for sale is treated differently for the regulatory capital calculation and financial accounting. For financial accounting purposes, deferred tax provisions for unrealized gains on securities available for sale are recorded directly to other comprehensive income whereas the adjustment to the related deferred tax liabilities for a change in expected effective income tax rates is recorded as an adjustment of income tax expense in current period earnings. The positive impact from the above on retained earnings of the Group from the two important German tax law changes in 1999 and 2000 amounts to approximately € 2.7 billion and € 2.8 billion as of December 31, 2004 and 2003, respectively. For the purpose of calculating the regulatory capital, gross unrealized gains on securities available for sale are excluded from Tier I capital. The adjustment relates to accumulated other comprehensive income (€ (0.9) billion in 2004 and € (0.9) billion in 2003 and the release of deferred tax provisions (€ 2.7 billion in 2004 and € 2.8 billion in 2003) included in retained earnings.

in € m. (except percentages)	Dec 31, 2004	Dec 31, 2003
Risk-weighted positions	206,718	206,142
Market risk equivalent ¹	10,069	9,530
Risk position	216,787	215,672
Core capital (Tier I)	18,727	21,618
Supplementary capital (Tier II)	9,885	8,253
Available Tier III capital	–	–
Total regulatory capital	28,612	29,871
Core capital ratio (Tier I)	8.6%	10.0%
Capital ratio (Tier I + II + III)	13.2%	13.9%

¹ A multiple of the Group's value-at-risk, calculated with a probability level of 99% and a ten-day holding period.

In 2004, the Group's risk position increased by € 1.1 billion to € 216.8 billion on December 31, 2004.

BIS rules and the German Banking Act require the Group to cover its market price risk as of December 31, 2004, with slightly over € 805 million of regulatory capital (Tier I + II + III). The Group met this requirement entirely with Tier I and Tier II capital.

The Group's U.S. GAAP-based total regulatory capital was € 28.6 billion on December 31, 2004, and core capital (Tier I) was € 18.7 billion, compared to € 29.9 billion and € 21.6 billion on December 31, 2003. The Group's supplementary capital (Tier II) of € 9.9 billion on December 31, 2004, amounted to 53% of core capital.

The Group's capital ratio was 13.2% on December 31, 2004, significantly higher than the 8% minimum required by the BIS guidelines. The core capital ratio was 8.6% in relation to the total risk position (including market risk equivalent).

Failure to meet minimum capital requirements can initiate certain mandates, and possibly additional discretionary actions by the BaFin and other regulators that, if undertaken, could have a direct material effect on the consolidated financial statements of the Group.

The components of core and supplementary capital for the Group of companies consolidated for regulatory purposes are as follows at December 31, 2004, according to BIS:

Core capital (in € m.)	Dec 31, 2004
Common shares	1,392
Additional paid-in capital	11,147
Retained earnings, common shares in treasury, equity classified as obligation to purchase common shares, share awards, foreign currency translation	14,277
Minority interests	548
Noncumulative trust preferred securities	2,520
Other (equity contributed on silent partnership interests)	525
Items deducted (principally goodwill and tax effect of available for sale securities)	(11,682)
Total core capital	18,727

Supplementary capital (in € m.)	Dec 31, 2004
Unrealized gains on listed securities (45% eligible)	788
Other inherent loss allowance	453
Cumulative preferred securities	762
Subordinated liabilities, if eligible according to BIS	7,882
Total supplementary capital	9,885

The group of companies consolidated for regulatory purposes includes all subsidiaries in the meaning of the German Banking Act that are classified as credit institutions, financial services institutions and financial enterprises or bank services enterprises. It does not include insurance companies, fund management companies or companies outside the finance sector.

[23] Interest Revenues and Interest Expense

The following are the components of interest revenues and interest expense:

in € m.	2004	2003	2002
Interest revenues			
Interest-earning deposits with banks	797	902	1,469
Central bank funds sold and securities purchased under resale agreements	4,647	4,857	6,579
Securities borrowed	1,668	1,429	2,809
Interest income on securities available for sale and other investments	509	588	1,257
Dividend income on securities available for sale and other investments	300	386	385
Loans	6,896	7,649	11,741
Trading assets	12,596	11,286	11,248
Other	610	486	293
Total interest revenues	28,023	27,583	35,781
Interest expense			
Interest-bearing deposits			
Domestic	1,953	1,918	2,662
Foreign	5,174	4,662	6,657
Trading liabilities	6,866	5,667	4,410
Central bank funds purchased and securities sold under repurchase agreements	4,627	4,595	7,049
Securities loaned	556	430	580
Other short-term borrowings	467	598	705
Long-term debt	3,198	3,766	6,362
Trust preferred securities	–	100	170
Total interest expense	22,841	21,736	28,595
Net interest revenues	5,182	5,847	7,186

[24] Insurance Business

The following are the components of other assets related to insurance business:

in € m.	Dec 31, 2004	Dec 31, 2003
Investment under unit-linked business	6,367	7,967
Deferred acquisition costs	20	21
Other	346	261
Total other assets related to insurance business	6,733	8,249

All other assets of the Group's insurance business, primarily securities available for sale, are included in the respective line item on the Consolidated Balance Sheet.

The following are the components of insurance policy claims and reserves:

in € m.	Dec 31, 2004	Dec 31, 2003
Benefit reserves	561	437
Reserve for unit-linked business	6,367	7,967
Other insurance provisions and liabilities	1,007	667
Total insurance policy claims and reserves	7,935	9,071

[25] Pension and Other Employee Benefit Plans

The Group provides retirement arrangements covering the majority of its subsidiaries and employees working in Germany, the United Kingdom, the United States and other European and Asian countries. The majority of beneficiaries of the retirement arrangements are principally located in Germany. The value of a participant's accrued pension benefit is based primarily on each employee's remuneration and length of service.

Our plans are generally funded.

During 2004, the Group contributed € 71 million to its qualified German pension plan (thereof € 4 million initial funding and € 67 million discretionary funding), € 8 million to its qualified U.K. pension plans and € 40 million to different qualified European pension plans (thereof € 17 million initial funding and € 23 million discretionary funding).

During 2003, the Group contributed € 170 million to its qualified U.K. pension plans and € 196 million to its qualified German pension schemes, € 136 million and € 76 million of which were discretionary contributions, respectively.

In December 2002, the Group began to fund the majority of its pension plans in Germany and contributed € 3.9 billion to a segregated pension trust relating to an accumulated benefit obligation totaling € 3.5 billion. In addition during 2002, the Group contributed to its qualified U.S. and U.K. pension plans approximately € 115 million and € 300 million, respectively.

The Group also sponsors a number of defined contribution plans covering employees of certain subsidiaries. The assets of all the Group's defined contribution plans are held in independently administered funds. Contributions are generally determined as a percentage of salary.

In addition, the Group's affiliates offer unfunded contributory defined benefit postretirement health care plans to a number of retired employees who are located in the United States and the United Kingdom. These plans pay stated percentages of eligible medical and dental expenses of retirees after a stated deductible has been met. The Group funds these plans on a cash basis as benefits are due.

The Group uses a measurement date of September 30 for plans in the United Kingdom and the United States. All other plans have a December 31 measurement date.

All plans are valued using the projected unit credit method. The recognition of actuarial gains and losses is applied by using the 10% "corridor" approach.

The following table provides a reconciliation of the changes in the Group's plans' benefit obligation and fair value of assets over the two-year period ended December 31, 2004 and a statement of the funded status as of December 31 for each year:

in € m.	Pension benefits		Postretirement benefits	
	2004	2003	2004	2003
Change in benefit obligation				
Benefit obligation at beginning of year	6,920	6,653	148	160
Service cost	244	279	7	8
Interest cost	384	375	9	9
Plan amendments	–	4	–	3
Acquisitions/divestitures	(103)	(2)	–	–
Actuarial loss (gain)	499	247	(1)	11
Benefits paid	(320)	(319)	(12)	(12)
Curtailment/settlement/other ¹	50	(46)	–	(2)
Foreign currency exchange rate changes	(82)	(271)	(13)	(29)
Benefit obligation at end of year	7,592	6,920	138	148
Change in plan assets				
Fair value of plan assets at beginning of year	6,801	6,296	–	–
Actual return on plan assets	768	546	–	–
Employer contributions ²	310	560	12	11
Benefits paid	(119)	(295)	(12)	(11)
Curtailment/settlement/other ¹	(35)	(30)	–	–
Foreign currency exchange rate changes	(82)	(276)	–	–
Fair value of plan assets at end of year	7,643	6,801	–	–
Funded status	51	(119)	(138)	(148)
Unrecognized net actuarial loss (gain)	870	838	10	14
Unrecognized prior service cost (benefit)	(8)	9	7	10
Unrecognized transition obligation (assets)	–	14	–	–
Net amount recognized at end of year	913	742	(121)	(124)

¹ Includes beginning balance of first time application of smaller schemes.

² Amount for 2004 includes € 71 million, € 8 million and € 40 million contributed to the Group's German, U.K. and other European pension plans, respectively. Amount for 2003 includes € 170 million and € 196 million contributed to the Group's U.K. and German pension plans, respectively.

The following amounts were recognized in the Consolidated Balance Sheet:

in € m.	Pension benefits		Postretirement benefits	
	2004	2003	2004	2003
Prepaid pension costs	1,094	1,001	–	–
Accrued benefit costs	(180)	(259)	(121)	(124)
Accumulated other comprehensive income	(1)	–	–	–
Net amount recognized	913	742	(121)	(124)

The accumulated benefit obligation for all defined benefit pension plans was € 7.1 billion and € 6.4 billion at December 31, 2004 and 2003, respectively.

The following table shows the information for defined benefit pension plans with an accumulated benefit obligation in excess of the fair value of plan assets:

in € m.	Dec 31, 2004	Dec 31, 2003
Projected benefit obligation	70	374
Accumulated benefit obligation	57	329
Fair value of plan assets	30	103

The information for defined benefit pension plans with a projected benefit obligation in excess of the fair value of plan assets is shown in the following table.

in € m.	Dec 31, 2004	Dec 31, 2003
Projected benefit obligation	239	1,873
Accumulated benefit obligation	203	1,658
Fair value of plan assets	185	1,667

The accumulated postretirement benefit obligation exceeds plan assets for all of the company's other postretirement benefit plans as they are unfunded.

The Group's pension plan weighted-average asset allocations at December 31, 2004 and 2003, by asset category are as follows:

	Target allocation	Percentage of plan assets	
	Dec 31, 2005	Dec 31, 2004	Dec 31, 2003
Asset category			
Equity securities	16%	17%	27%
Debt securities	82%	73%	65%
Real Estate and other	2%	10%	8%
Total	100%	100%	100%

The Group's pension plan investment strategy is to match the maturity profiles of the assets and liabilities in order to reduce the future volatility of pension expense and funding status of the plans. This involves the rebalancing of the investment portfolios to reduce the exposure to equity securities as well as increase the amount and duration of the fixed income portfolio. During 2004, a reduction of the average equity share of the portfolios to 17% was achieved. In the last quarter of 2003, the average equity share of the portfolios had been reduced from 35% to below 30% at year end 2003.

An extension of the average duration of the fixed income portfolio has also occurred during 2004 so that it more closely matches the duration of the liabilities. Implementation of the investment strategy has occurred for the German, United States and United Kingdom plans and will be extended in 2005 to other locations subject to the constraints of the regulatory and legal framework applicable to the particular pension plans. The asset allocation of each of the Group's pension plans is reviewed regularly.

Plan Assets include derivative transactions with the Group for its qualified German and Luxembourg scheme totaling to € 250 million. In addition there are € 2 million of debt securities issued by the Group included in the plan assets.

The Group expects to contribute approximately € 250 million to its pension plans in 2005, representing expected service costs in 2005.

The table below reflects the total benefits expected to be paid from both the plan assets and from the Company's assets, including both the Company's share of the benefit cost and the participants' share of the cost, which is funded by participant contributions to the plan.

Expected benefits to be paid from the plan assets and direct payments from the company to participants' total:

in € m.	Pension Benefits	Postretirement Benefits
2005	290	9
2006	306	9
2007	328	9
2008	342	10
2009	359	10
2010 – 2014	2,144	50

Benefits expense for the years ended December 31, 2004, 2003 and 2002, included the following components:

in € m.	Pension benefits			Postretirement benefits		
	2004	2003	2002	2004	2003	2002
Service cost	244	279	323	7	8	4
Interest cost	384	375	384	9	9	8
Expected return on plan assets	(388)	(409)	(175)	–	–	–
Actuarial loss (gain) recognized	61	66	39	–	–	–
Settlement/curtailment	5	(7)	4	–	–	–
Amortization of unrecognized transition obligation (asset)	17	(9)	(10)	–	–	–
Total defined benefit plans	323	295	565	16	17	12
Defined contribution plans	151	167	228	–	–	–
Net periodic benefit expense	474	462	793	16	17	12

The following actuarial assumptions were calculated on a weighted-average basis and reflect the local economic conditions for each country's respective defined benefit and postretirement benefit plans:

	Pension benefits			Postretirement benefits		
	2004	2003	2002	2004	2003	2002
Discount rate in determining expense	5.5%	5.4%	5.7%	5.9%	6.0%	6.7%
Discount rate in determining benefit obligations at year-end	5.0%	5.5%	5.8%	5.7%	5.9%	6.7%
Rate of increase in future compensation levels for determining expense	3.3%	3.5%	3.0%	N/A	N/A	N/A
Rate of increase in future compensation levels for determining benefit obligations at year-end	3.3%	3.3%	2.0%	N/A	N/A	N/A
Expected long-term rate of return on assets	5.6%	5.6%	6.7%	N/A	N/A	N/A

N/A – Not applicable

The expected return on the Group's defined benefit pension plans' assets is calculated by applying a risk premium which reflects the inherent risks associated with each relevant asset category over a risk-free return. This percentage is applied against the target assets in each category to arrive at an expected total return. Using this so-called "building block" approach globally ensures that the Group has a consistent framework in place. In addition, it allows sufficient flexibility to allow for changes that need to be built in to reflect local specific conditions. The determination of the expected return on plan assets for 2005 was based on the actual asset allocation as of the measurement date. The ten-year government fixed interest bond yield for the country in which each plan is located was used as the basis for

the risk-free return. An additional risk premium was then added to the risk-free return for equities and real estate, respectively. The additional return for debt securities was calculated by reference to the mix of debt securities in each plan with the return representing an appropriate return for each category of debt security. For cash, the Group estimated the expected return to be equivalent to the yield of a short-term (two to three years) bond for the applicable country.

In determining postretirement benefits expense, an annual weighted-average rate of increase of 10.7% in the per capita cost of covered health care benefits was assumed for 2005. The rate is assumed to decrease gradually to 5.0% by 2010 and remain at that level thereafter.

Assumed health care cost trend rates have an effect on the amounts reported for the retiree health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects on the Group's retiree health care plans:

in € m.	One-percentage point increase		One-percentage point decrease	
	2004	2003	2004	2003
Effect on total of service and interest cost components	2	3	(2)	(2)
Effect on accumulated postretirement benefit obligation	22	18	(19)	(16)

In May 2004, the FASB issued Staff Position 106-2, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003" ("FSP 106-2"), which superseded FSP 106-1 issued in January 2004. The Act, signed into law in the U.S. on December 8, 2003, introduces a prescription drug benefit as well as a subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to benefits provided under the Act. FSP 106-2, which is effective for the reporting period beginning after June 15th, 2004, provides authoritative guidance on the accounting for the effects of the Act and disclosure guidance related to the federal subsidy provided by the Act. The Group determined that the effects of the Act were not a significant event requiring an interim remeasurement under SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." Consequently, as permitted by FSP 106-2, net periodic postretirement benefit cost for 2004 does not reflect the effects of the Act. The accumulated postretirement benefit obligation ("APBO") for the postretirement benefit plan was remeasured at September 30, 2004 to reflect the effects of the Act, which resulted in a reduction of the APBO of approximately € 36 million.

[26] Income Taxes

The components of income taxes (benefits) follow:

in € m.	2004	2003	2002
Domestic	(201)	305	215
Foreign	920	968	494
Current taxes	719	1,273	709
Domestic	572	37	2,992
Foreign	266	232	(512)
Deferred taxes	838	269	2,480
Total	1,557	1,542	3,189

The following is an analysis of the difference between the amount that would result from applying the German statutory income tax rate to income before tax and the Group's actual income tax expense:

in € m.	2004	2003	2002
Expected tax expense at German statutory income tax rate of 39.2% (40.5% for 2003 and 39.2% for 2002)	1,579	1,116	1,391
Reversal of 1999/2000 credits for tax rate changes	120	215	2,817
Effect of changes of German tax law	–	154	–
Domestic tax rate differential on dividend distribution	14	1	(65)
Tax-exempt gains on securities and other income	(330)	(637)	(1,824)
Foreign tax-rate differential	(126)	(298)	87
Change in valuation allowance	(7)	99	254
Nondeductible expenses	312	647	223
Goodwill impairment	–	46	24
Tax credit related to domestic dividend received	–	(1)	(7)
Tax rate differential on (income) loss on equity method investments	(80)	171	348
Other	75	29	(59)
Actual income tax expense	1,557	1,542	3,189

The domestic tax rate including corporate tax, solidarity surcharge, and trade tax used for calculating deferred tax assets and liabilities as of December 31, 2004, 2003 and 2002 was 39.2%. For the year 2003 only, the corporate income tax rate was temporarily increased by 1.5% to 26.5% which increased the statutory income tax rate to 40.5%. The applicable statutory income tax rate for temporary differences that reversed after 2003 reverted to 39.2%.

For the years ended December 31, 2004, 2003 and 2002, due to actual sales of equity securities on which there was accumulated deferred tax provision in other comprehensive income, it was necessary to reverse those provisions as income tax expense. This treatment led to income tax expense of € 120 million, € 215 million and € 2,817 million, respectively. This adjustment does not result in actual tax payments and has no net effect on shareholders' equity.

The remaining accumulated deferred tax amounts recorded within other comprehensive income will be reversed as income tax expense in the periods that the related securities are sold. At December 31, 2004 and 2003, the amount of these deferred taxes accumulated within other comprehensive income that will reverse in a future period as tax expense when the securities are sold is approximately € 2.7 billion and € 2.8 billion, respectively.

The enactment of the German Act for the reduction of Tax Allowances and Exemptions (StVergAbG) in May 2003 provided a minimum taxation for trade tax purposes which resulted in a catch-up tax expense of € 107 million. In December 2003, the German Federal Government modified the taxation of capital gains and dividends with the 2004 Tax Reform Act by treating 5% of any tax-exempt dividend and tax-exempt capital gains as non-tax deductible for corporation tax purposes. The new rules applicable from 2004 resulted in an additional deferred tax expense of € 47 million in 2003.

The tax effects of each type of temporary difference and carry-forward that give rise to significant portions of deferred income tax assets and liabilities are the following:

in € m.	Dec 31, 2004	Dec 31, 2003*
Deferred income tax assets:		
Trading activities	20,279	10,589
Net operating loss carry-forwards and tax credits	1,940	2,513
Property and equipment, net	402	521
Other assets	13	1,106
Allowance for loan losses	106	265
Other provisions	1,944	590
Total deferred income tax assets	24,684	15,584
Valuation allowance	(888)	(964)
Deferred tax assets after valuation allowance	23,796	14,620
Deferred income tax liabilities:		
Trading activities	21,232	11,550
Property and equipment, net	412	546
Securities valuation	140	82
Other liabilities	544	74
Total deferred income tax liabilities	22,328	12,252
Net deferred income tax assets	1,468	2,368

* Prior year amounts have been restated to conform to current year presentation.

Included in other assets and other liabilities at December 31, 2004 and 2003 are deferred tax assets of € 3.7 billion and € 3.6 billion and deferred tax liabilities of € 2.2 billion and € 1.3 billion, respectively.

Certain foreign branches and companies in the Group have deferred tax assets related to net operating loss carry-forwards and tax credits available to reduce future tax expense. The net operating loss carry-forwards at December 31, 2004 were € 5.2 billion of which € 3.4 billion have no expiration date and € 1.8 billion expire at various dates extending to 2024. Tax credits were € 158 million of which € 0.8 million will expire in 2005 and € 0.4 million will expire in 2006 and € 157 million have other expiration dates. The Group has established a valuation allowance where it is more likely than not that the deferred tax assets relating to these losses and credits will not be realized.

The Group is under continuous examinations by the tax authorities in various countries. In 2004 a tax audit in the U.S. covering fiscal years until 2000 was settled without material impact on income taxes. Tax reserves have been established, which we believe to be adequate in relation to the potential for additional assessments.

The Group did not provide income taxes or foreign withholding taxes on € 6.8 billion of cumulative earnings of foreign subsidiaries as of December 31, 2004 because these earnings are intended to be indefinitely reinvested in those operations. It is not practicable to estimate the amount of unrecognized deferred tax liabilities for these undistributed earnings. The American Jobs Creation Act of 2004 was signed into law by the President of the United States on October 22, 2004 and provides, in part a reduced rate of U.S. tax on certain dividends received from foreign subsidiaries of U.S. taxpayers. The Group estimates that approximately € 370 million may be eligible for repatriation under this provision. The Group is still evaluating the effect of such a repatriation, and is not yet able to reasonably estimate the income tax effect thereof, but it is not anticipated that such repatriation would have a material impact on the consolidated financial statements.

[27] Earnings Per Common Share

Basic earnings per common share amounts are computed by dividing net income by the average number of common shares outstanding during the year. The average number of common shares outstanding is defined as the average number of common shares issued, reduced by the average number of shares in treasury and by the average number of shares that will be acquired under physically settled forward purchase contracts and increased by undistributed vested shares awarded under deferred share plans.

Diluted earnings per share assumes the conversion into common shares of outstanding securities or other contracts to issue common stock, such as share options, convertible debt, unvested deferred share awards and certain forward contracts.

The following table sets forth the computation of basic and diluted earnings per share:

in € m.	2004	2003	2002
Income before cumulative effect of accounting changes, net of tax	2,472	1,214	360
Cumulative effect of accounting changes, net of tax	–	151	37
Numerator for basic earnings per share – net income	2,472	1,365	397
Effect of dilutive securities			
Forwards	(65)	–	–
Convertible debt	4	–	–
Numerator for diluted earnings per share – net income applicable to common shareholders after assumed conversions	2,411	1,365	397
Number of shares in m.			
Denominator for basic earnings per share – weighted-average shares outstanding	492.6	559.3	615.9
Effect of dilutive securities			
Forwards	9.3	10.4	3.8
Employee stock compensation options	4.9	0.7	0.4
Convertible debt	1.9	–	0.1
Deferred shares	23.0	19.1	6.1
Other (including trading options)	–	0.2	0.2
Dilutive potential common shares	39.1	30.4	10.6
Denominator for diluted earnings per share – adjusted weighted-average shares after assumed conversions	531.7	589.7	626.5

The diluted EPS computations do not include the anti-dilutive effect of the following potential common shares:

Number of shares in m.	2004	2003	2002
Forward purchase contracts	10.0	–	–
Forward sale contracts	–	3.1	26.0
Put options sold	1.5	–	0.4
Call options sold	–	1.3	0.3
Stock compensation awards	13.6	15.5	0.2
Convertible Debt	0.2	–	–

in €	2004	2003	2002
Basic earnings per share			
Income before cumulative effect of accounting changes, net of tax	5.02	2.17	0.58
Cumulative effect of accounting changes, net of tax	–	0.27	0.06
Net income	5.02	2.44	0.64
Diluted earnings per share			
Income before cumulative effect of accounting changes, net of tax	4.53	2.06	0.57
Cumulative effect of accounting changes, net of tax	–	0.25	0.06
Net income	4.53	2.31	0.63

[28] Business Segments and Related Information

The Group's segment reporting follows the organizational structure as reflected in its internal management reporting systems, which are the basis for assessing the financial performance of the business segments and for allocating resources to the business segments.

Organizational Structure

In order to best serve the Group's clients and manage its investments, Deutsche Bank is organized into three Group Divisions, which are further sub-divided into corporate divisions. As of December 31, 2004, the Group Divisions were:

The Corporate and Investment Bank (CIB) combines the Group's corporate banking and securities activities (including sales and trading, corporate finance, global banking and loan exposure management activities), with the Group's transaction banking activities. CIB serves corporate and institutional clients, ranging from medium-sized enterprises to multinational corporations, banks and sovereign organizations.

Private Clients and Asset Management (PCAM) combines the Group's asset management, private wealth management and private and business client activities. Within PCAM, we manage these activities in two global corporate divisions: Asset and Wealth Management (AWM) and Private & Business Clients (PBC)

- AWM comprises two business divisions. Asset Management Business Division (AM), which focuses on managing assets on behalf of institutional clients, including pension funds, and providing mutual funds and other investment vehicles for private individuals, and Private Wealth Management (PWM), which focuses, globally, on the specific needs of demanding high net worth clients, their families and selected institutions.
- PBC serves retail and affluent clients as well as small corporate customers. PBC focuses on three core European markets: Germany, Italy and Spain.

Corporate Investments (CI) combines the management of the Group's industrial holdings, private equity investments, and other corporate principal investment activities.

In addition to these three group divisions, Deutsche Bank's organization includes a Corporate Center, which supports cross-divisional management and leadership.

Significant Changes in Management Responsibility

Management responsibility has changed for a deposit product activity, which was previously reported within the Corporate Banking & Securities Corporate Division and has been transferred to the Global Transaction Banking Corporate Division. In addition, the London based Private Client Services business unit was transferred from the Asset and Wealth Management Corporate Division to the Corporate Banking & Securities Corporate Division.

Prior periods have been restated to conform to the current year's presentation.

Impact of Acquisitions and Divestitures During 2004 and 2003

The effects of significant acquisitions and divestitures on segmental results are described below:

- In December 2004, the Group completed the integration of Dresdner Bank's former institutional custody business in Germany. This business was included in the corporate division Global Transaction Banking.
- In November 2004, the Group signed an agreement with Legg Mason for the sale of a selected portion of the private client unit of Scudder, Scudder Private Investment Counsel (PIC). Under this agreement, Legg Mason will assume all investment advisory agreements and retain the staff from New York, Philadelphia, Chicago and Cincinnati Scudder PIC offices. This transaction closed December 31, 2004.
- In November 2004, the Group completed the acquisition of the remaining minority interests in DWS Holding & Service GmbH.
- In October 2004, the Group completed the acquisition of substantially all of the origination and servicing assets of Berkshire Mortgage Finance L.P., a U.S. commercial mortgage bank specializing in financing for multifamily properties. This business was included in the corporate division Corporate Banking & Securities.
- In September 2004, the Group merged three Australian trusts – Deutsche Diversified Trust, Deutsche Office Trust and Deutsche Industrial Trust – into a new trust, DB RREEF Trust. The merger created Australia's fourth largest listed property trust. In connection with this transaction the Group transferred its Australian fiduciary real estate trust management and property management business into a subsidiary, renamed DB RREEF Holdings. The Group subsequently sold a 50% interest in DB RREEF Holdings and recognized a net gain of € 18 million within the Group's Asset and Wealth Management Corporate Division.
- Effective July 2004, the Group sold its wholly-owned subsidiary DB Payment Projektgesellschaft to the Betriebscenter fuer Banken Deutschland GmbH & Co KG (BCB), a 100% subsidiary of Deutsche Postbank AG. Since then BCB provides payment transaction services to the Group for its German domestic and parts of its foreign payment transactions. Prior to the sale, DB Payment Projektgesellschaft had been managed within the infrastructure groups of the Private Client and Asset Management Group Division. The loss on sale was partly recognized within the Private & Business Clients Division and partly within Global Transaction Banking.

- In June 2004, the Group's wholly-owned subsidiary european transaction bank ag (etb), which had been managed under the Private Clients and Asset Management Group Division, was deconsolidated in the course of entering into a securities processing partnership with Xchanging Holdings, which assumes operational management of securities, funds and derivatives processing. The etb was transferred to Xchanging etb GmbH (formerly Zweite Xchanging GmbH), an equity method investment under the Corporate and Investment Bank Group Division.
- In the first quarter of 2004, the Group completed the sale of its interest in the operations of maxblue Americas, which had been included in Corporate Investments, to Banco do Brazil.
- In January, 2004 the Group completed the purchase of a 40% stake in United Financial Group (UFG). Deutsche Bank and Moscow-based UFG cooperate on research, sales and trading of Russian equities and Russian corporate finance business. This business was included in the corporate division Corporate Banking & Securities.
- In July 2003, the Group sold its investments in Tele Columbus GmbH and in Tele Columbus Ost GmbH (formally SMATcom GmbH), which were included in the Corporate Investments Group Division.
- In March 2003, the Group completed the acquisition of Rued, Blass & Cie AG Bankgeschaef, a Swiss private bank. The majority of the business was included in the corporate division Asset and Wealth Management.
- In February 2003, the Group completed the sale of 80% of its late-stage private equity portfolio, which had been managed under the Corporate Investments Group Division.
- In January 2003, the Group completed the sale of most of its Passive Asset Management business to Northern Trust Corporation.
- In January 2003, the Group sold substantial parts of its Global Securities Services business to State Street Corporation. The completion of the sale of the Italian and Austrian parts of the business occurred in the third quarter of 2003 in a separate but related transaction. The business units included in the sale were Global Custody, Global Funds Services (including Depotbank services) and Agency Securities Lending, which were previously included in the Global Transaction Banking Corporate Division. In addition, the sale included Domestic Custody and Securities Clearing in the U.S. and the United Kingdom.
- In January 2003, the German commercial real estate financing activities were transferred to EUROHYPO AG. This increased the Group's share of EUROHYPO AG to 37.7%. EUROHYPO AG resulted from the merger in 2002 of the Group's former mortgage banking subsidiary "EUROHYPO AG Europäische Hypothekenbank der Deutschen Bank" with the mortgage banking subsidiaries of Dresdner Bank AG and Commerzbank AG. Since the merger, EUROHYPO AG has been included in the Corporate Investments Group Division. The Group has accounted for this investment under the equity method.

Changes in the Format of Segment Disclosure

The revenue breakdown by product for the Corporate and Investment Bank Group Division has been modified to reflect current industry practice. Loan syndication revenues, formerly reported as loan products, have now been included within origination (debt).

Prior periods have been restated to conform to the current year's presentation.

Definitions of Financial Measures Used in the Format of Segment Disclosure

In the segmental results of operations, the following terms with the following meanings are used with respect to each segment:

- **Operating cost base:** Noninterest expenses less provision for off-balance sheet positions (reclassified to provision for credit losses), policyholder benefits and claims, minority interest, restructuring activities and goodwill/intangible impairment.

- **Underlying pre-tax profit:** Income before income taxes less restructuring activities, good-will/intangible impairment and specific revenue items as referred to in the table for such segment.
- **Underlying cost/income ratio in %:** Operating cost base as a percentage of total net revenues excluding the revenue items excluded from the corresponding underlying pre-tax profit figure, net of policyholder benefits and claims. **Cost/income ratio in %**, which is defined as total noninterest expenses less provision for off-balance sheet positions, as a percentage of total net revenues, is also provided.
- **Average active equity:** The portion of adjusted average total shareholders' equity that has been allocated to a segment pursuant to the capital allocation framework. The overriding objective of this framework is to allocate adjusted average total shareholders' equity based on the respective good-will and other intangible assets with indefinite lifetimes as well as the economic risk position of each segment. In determining the total amount of average active equity to be allocated, average total shareholders' equity is adjusted to exclude average unrealized net gains on securities available for sale, net of applicable tax effects, and average dividends.
- **Underlying return on average active equity in %:** Underlying pre-tax profit as a percentage of average active equity. **Return on average active equity in %**, which is defined as income before income taxes as a percentage of average active equity, is also provided. These returns, which are based on average active equity, should not be compared to those of other companies without considering the differences in the calculation of such ratios.

Management uses these measures as part of its internal reporting system because it believes that such measures provide it with a more useful indication of the financial performance of the business segments. The Group discloses such measures to provide investors and analysts with further insight into how management operates the Group's businesses and to enable them to better understand the Group's results. The Group has excluded the following items in deriving the above measures for the following reasons.

- **Net gains (losses) from businesses sold/held for sale:** Gains or losses are excluded from the calculations of underlying results because they do not represent results of the Group's continuing businesses.
- **Net gains (losses) from securities available for sale/industrial holdings (including hedging):** Net gains or losses related to several financial holdings investments and to the Group's portfolio of shareholdings in publicly-listed industrial companies, most of which the Group has held for over 20 years and which the Group is reducing over time. Because these investments do not relate to the Group's customer-driven businesses, the Group excludes all revenues (positive and negative) related to these investments from its underlying results, except for dividend income from the investments, which the Group does not exclude as funding costs associated with the investments are also not excluded.
- **Significant equity pick-ups/net gains and losses from investments:** This item includes significant net gains/ losses from equity method investments and other significant investments. They are excluded in the calculation of underlying results since they reflect results that are not related to the Group's customer-driven businesses.
- **Net gains (losses) on the sale of premises:** This item includes net gains or losses on the sale of premises used for banking purposes. Net losses in 2003 related to the divestiture of non-core activities pursuant to the Group's transformation strategy.

- **Policyholder benefits and claims:** For internal steering purposes, policyholder benefits and claims are reclassified from noninterest expenses to noninterest revenues so as to consider them together with insurance revenues, to which they are related. The reclassification does not affect the calculation of underlying pre-tax profits. Following the disposition of most of the Group's insurance operations in early 2002, the size of this item has decreased significantly.
- **Provision for off-balance sheet positions:** Provision for off-balance sheet positions is reclassified from noninterest expenses to provision for credit losses because provision for off-balance sheet positions and provision for loan losses are managed together. This reclassification does not affect the calculation of underlying pre-tax profit.
- **Change in measurement of other inherent loan loss allowance:** In the third quarter of 2002, the Group took a charge of € 200 million to reflect a refinement in the measurement of the other inherent loss allowance. This change was made in order to make the provision more sensitive to the prevailing credit environment and less based on historical experience. This effect does not affect the calculation of underlying pre-tax profit.
- **Restructuring activities and Goodwill/intangible impairment** are excluded from the calculation of operating cost base and thus underlying pre-tax profit because these items are not considered part of the day-to-day business operations and therefore not indicative of trends.
- **Minority interest:** Minority interest represents the net share of minority shareholders in revenues, provision for loan losses, noninterest expenses and income tax expenses. This net component is reported as a noninterest expense item. This item is not considered to be an operating expense, but as a minority shareholder's portion of net income. Accordingly, such item is excluded in the determination of the operating cost base. Minority interest is reflected in the calculation of underlying pre-tax profit as a separate item.
- **Adjustments to calculate average active equity:** The items excluded from average total shareholders' equity to calculate average active equity result primarily from the portfolio of shareholdings in publicly-listed industrial companies. The Group has held most of its larger participations for over 20 years, and is reducing these holdings over time. Gains and losses on these securities are realized only when the Group sells them. Accordingly, the adjustments the Group makes to average total shareholders' equity to derive the average active equity are to exclude unrealized net gains or losses on securities available for sale, net of applicable tax effects. In addition, the Group adjusts its average total shareholders' equity for the effect of paying a dividend once a year following approval at the Annual General Meeting.

Framework of the Group's Management Reporting Systems

Business segment results are determined based on the Group's internal management reporting process, which reflects the way management views its businesses, and are not necessarily prepared in accordance with the Group's U.S. GAAP consolidated financial statements. This internal management reporting process may be different than the processes used by other financial institutions and therefore should be considered in making any comparisons with those institutions. Since the Group's business activities are diverse in nature and its operations are integrated, certain estimates and judgments have been made to apportion revenue and expense items among the business segments.

The management reporting systems follow the "matched transfer pricing concept" in which the Group's external net interest revenues are allocated to the business segments based on the assumption that all positions are funded or invested via the money and capital markets. Therefore, to create comparability with competitors who have legally independent units with their own equity funding, the Group allocates among the business segments the notional interest credit on its consolidated capital resulting from a method for allocating funding costs. This credit is allocated in proportion to each business segment's allocated average active equity, and is included in the segment's net interest revenues.

In 2004, the Group further refined its economic capital framework. The allocation of the Group's average active equity to the segments, which is driven by their economic capital as well as goodwill and other unamortized intangible assets attributable to them, now also reflects the diversification benefits across credit and market risk categories. As a result, the economic capital and the allocated average active equity of the segments decreased, with a corresponding increase in the average active equity of "Consolidation & Adjustments". For the restated full-year 2003 this meant that € 1.1 billion of average active equity is now recorded in "Consolidation & Adjustments".

Revenues from transactions between the business segments are allocated on a mutually agreed basis. Internal service providers (including the Corporate Center), which operate on a nonprofit basis, allocate their noninterest expenses to the recipient of the service. The allocation criteria are generally contractually agreed and are either determined based upon "price per unit" (for areas with countable services) or "fixed price" or "agreed percentages" (for all areas without countable services).

Segmental Results of Operations

The following tables present the results of the business segments for the years ended December 31, 2004, 2003 and 2002.

2004	Corporate and Investment Bank			Private Clients and Asset Management			Corporate Investments	Total Management Reporting
	Corporate Banking & Securities	Global Transaction Banking	Total	Asset and Wealth Management	Private & Business Clients	Total		
in € m. (except percentages)								
Net revenues ¹	11,437	1,893	13,331	3,491	4,539	8,030	621	21,981
Provision for loan losses	80	9	89	(6)	270	264	19	372
Provision for off-balance sheet positions	(66)	1	(65)	–	(1)	(1)	–	(65)
Total provision for credit losses	14	11	24	(6)	269	263	19	307
Operating cost base ²	8,670	1,574	10,245	2,925	3,287	6,212	414	16,871
Policyholder benefits and claims	–	–	–	50	–	50	–	50
Minority interest	5	–	5	1	–	1	(1)	4
Restructuring activities	272	28	299	88	10	98	3	400
Goodwill impairment/impairment of intangibles	–	–	–	19	–	19	–	19
Total noninterest expenses ⁴	8,947	1,602	10,549	3,083	3,297	6,380	416	17,344
Income (loss) before income taxes ⁵	2,477	280	2,757	415	973	1,387	185	4,330
Add (deduct):								
Net (gains) losses from business sold/held for sale	–	(31)	(31)	(32)	24	(8)	(38)	(76)
Significant equity pick-ups/net (gains) from investments	–	–	–	–	–	–	(148)	(148)
Net (gains) on securities available for sale/industrial holdings including hedging	–	–	–	–	–	–	(176)	(176)
Net (gains) on the sale of premises	–	–	–	–	–	–	(20)	(20)
Restructuring activities	272	28	299	88	10	98	3	400
Goodwill impairment/impairment of intangibles	–	–	–	19	–	19	–	19
Underlying pre-tax profit (loss)	2,749	277	3,026	490	1,007	1,497	(194)	4,328
Cost/income ratio in %	78	85	79	88	73	79	67	79
Underlying cost/income ratio in %	76	85	77	86	72	78	174	78
Assets ^{3, 6}	720,546	16,639	729,872	34,945	78,930	113,818	16,442	832,933
Expenditures for additions to long-lived assets	316	129	445	19	78	97	2	544
Risk-weighted positions (BIS risk positions)	128,027	11,097	139,124	11,424	54,253	65,677	10,242	215,044
Average active equity ⁷	11,481	1,386	12,867	5,038	1,681	6,718	3,933	23,519
Return on average active equity in %	22	20	21	8	58	21	5	18
Underlying return on average active equity in %	24	20	24	10	60	22	(5)	18
¹ Includes:								
Net interest revenues	1,790	628	2,417	214	2,414	2,629	105	5,151
Net revenues from external customers	11,433	1,980	13,414	3,736	4,205	7,941	527	21,881
Net intersegment revenues	4	(87)	(83)	(245)	334	89	94	100
Net income (loss) from equity method investments	156	1	157	65	3	68	160	386
² Includes:								
Depreciation, depletion and amortization	289	76	365	92	154	246	30	640
Severance payments	154	16	170	51	50	101	1	272
³ Includes:								
Equity method investments	1,546	38	1,584	434	33	466	3,298	5,348

2003 in € m. (except percentages)	Corporate and Investment Bank			Private Clients and Asset Management			Corporate Invest- ments	Total Manage- ment Reporting
	Corporate Banking & Securities	Global Trans- action Banking	Total	Asset and Wealth Manage- ment	Private & Business Clients	Total		
Net revenues¹	11,697	2,497	14,193	3,830	4,388	8,217	(921)	21,490
Provision for loan losses	750	2	752	2	322	325	36	1,113
Provision for off-balance sheet positions	8	(53)	(45)	(3)	(1)	(3)	(2)	(50)
Total provision for credit losses	759	(51)	707	(1)	322	321	35	1,063
Operating cost base ²	8,220	1,743	9,963	3,094	3,605	6,699	681	17,343
Policyholder benefits and claims	–	–	–	21	–	21	–	21
Minority interest	13	–	13	13	2	15	(31)	(3)
Restructuring activities	(23)	(6)	(29)	–	(1)	(1)	–	(29)
Goodwill impairment	–	–	–	–	–	–	114	114
Total noninterest expenses⁴	8,211	1,737	9,947	3,128	3,607	6,735	763	17,445
Income (loss) before income taxes⁵	2,727	811	3,539	702	459	1,162	(1,719)	2,982
Add (deduct):								
Net (gains) losses from business sold/held for sale	–	(583)	(583)	(55)	4	(51)	141	(494)
Significant equity pick-ups/net losses from investments	–	–	–	–	–	–	938	938
Net losses on securities available for sale/industrial holdings including hedging	–	–	–	–	–	–	184	184
Net losses on the sale of premises	–	–	–	–	–	–	107	107
Restructuring activities	(23)	(6)	(29)	–	(1)	(1)	–	(29)
Goodwill impairment	–	–	–	–	–	–	114	114
Underlying pre-tax profit (loss)	2,704	222	2,926	647	462	1,109	(236)	3,800
Cost/income ratio in %	70	70	70	82	82	82	N/M	81
Underlying cost/income ratio in %	70	91	73	82	82	82	152	78
Assets ^{3, 6}	693,414	16,709	681,722	48,138	78,477	124,606	18,987	795,818
Expenditures for additions to long-lived assets	391	99	490	38	42	80	141	711
Risk-weighted positions (BIS risk positions)	127,449	10,166	137,615	12,170	51,244	63,414	13,019	214,048
Average active equity ⁷	12,776	1,416	14,192	5,694	1,531	7,225	4,900	26,317
Return on average active equity in %	21	57	25	12	30	16	(35)	11
Underlying return on average active equity in %	21	16	21	11	30	15	(5)	14

N/M – Not meaningful

¹ Includes:								
Net interest revenues	2,495	663	3,158	278	2,379	2,656	138	5,952
Net revenues from external customers	11,587	2,629	14,216	4,041	4,094	8,135	(967)	21,384
Net intersegment revenues	110	(133)	(23)	(212)	294	82	47	106
Net income (loss) from equity method investments	163	(1)	163	166	–	166	(757)	(428)

² Includes:								
Depreciation, depletion and amortization	344	90	434	99	171	270	65	769
Severance payments	194	66	260	78	317	395	20	675

³ Includes:								
Equity method investments	1,889	37	1,927	380	30	410	3,511	5,848

⁴ Excludes provision for off-balance sheet positions (reclassified to provision for credit losses).

⁵ Before cumulative effect of accounting changes.

⁶ The sum of corporate divisions does not necessarily equal the total of the corresponding group division because of consolidation items between corporate divisions, which are to be eliminated on group division level. The same approach holds true for the sum of group divisions compared to Total Management Reporting.

⁷ For management reporting purposes goodwill and other intangible assets with indefinite lives are explicitly assigned to the respective divisions. Average active equity is first allocated to divisions according to goodwill and intangible assets, remaining average active equity is allocated to the divisions in proportion to the economic capital calculated for them.

2002	Corporate and Investment Bank			Private Clients and Asset Management			Corporate Invest- ments	Total Manage- ment Reporting
	Corporate Banking & Securities	Global Trans- action Banking	Total	Asset and Wealth Manage- ment	Private & Business Clients	Total		
in € m. (except percentages)								
Net revenues¹	11,154	2,643	13,797	3,724	5,775	9,499	2,998	26,295
Provision for loan losses	1,706	6	1,712	23	201	224	155	2,091
Provision for off-balance sheet positions	83	(52)	31	–	(1)	(1)	(11)	18
Total provision for credit losses	1,788	(46)	1,742	23	200	223	144	2,110
Operating cost base ²	8,701	2,207	10,908	3,245	3,880	7,125	1,228	19,261
Policyholder benefits and claims	–	–	–	35	650	685	–	685
Minority interest	8	–	8	25	7	32	3	43
Restructuring activities	316	26	341	–	240	240	1	583
Goodwill impairment	–	–	–	–	–	–	62	62
Total noninterest expenses⁴	9,025	2,233	11,258	3,304	4,778	8,082	1,293	20,633
Income (loss) before income taxes⁵	341	456	797	397	797	1,195	1,561	3,552
Add (deduct):								
Net (gains) from business sold/held for sale	–	–	–	(8)	(503)	(511)	(18)	(529)
Significant equity pick-ups/net losses from investments	–	–	–	–	–	–	1,197	1,197
Net (gains) on securities available for sale/industrial holdings including hedging	–	–	–	–	–	–	(3,659)	(3,659)
Change in measurement of other inherent loss allowance	200	–	200	–	–	–	–	200
Restructuring activities	316	26	341	–	240	240	1	583
Goodwill impairment	–	–	–	–	–	–	62	62
Underlying pre-tax profit (loss)	856	482	1,338	389	535	924	(857)	1,405
Cost/income ratio in %	81	84	82	89	83	85	43	78
Underlying cost/income ratio in %	78	84	79	88	84	86	N/M	85
Assets ^{3, 6}	629,975	25,098	642,127	37,642	74,039	109,394	26,536	750,238
Expenditures for additions to long-lived assets	339	103	442	258	27	285	332	1,059
Risk-weighted positions (BIS risk positions)	142,211	12,949	155,160	11,803	47,690	59,493	19,219	233,872
Average active equity ⁷	15,342	2,169	17,511	5,667	1,599	7,266	6,466	31,243
Return on average active equity in %	2	21	5	7	50	16	24	11
Underlying return on average active equity in %	6	22	8	7	33	13	(13)	4

N/M – Not meaningful

¹ Includes:

Net interest revenues	3,513	900	4,413	70	2,656	2,726	42	7,181
Net revenues from external customers	11,110	2,767	13,877	3,857	5,540	9,397	2,907	26,181
Net intersegment revenues	43	(124)	(80)	(133)	236	103	91	114
Net income (loss) from equity method investments	(32)	1	(31)	141	20	162	(1,034)	(903)

² Includes:

Depreciation, depletion and amortization	431	128	559	101	283	385	132	1,076
Severance payments	243	18	261	86	50	136	19	416

³ Includes:

Equity method investments	571	38	609	1,154	19	1,173	3,944	5,725
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⁴ Excludes provision for off-balance sheet positions (reclassified to provision for credit losses).

⁵ Before cumulative effect of accounting changes.

⁶ The sum of corporate divisions does not necessarily equal the total of the corresponding group division because of consolidation items between corporate divisions, which are to be eliminated on group division level. The same approach holds true for the sum of group divisions compared to Total Management Reporting.

⁷ For management reporting purposes goodwill and other intangible assets with indefinite lives are explicitly assigned to the respective divisions. Average active equity is first allocated to divisions according to goodwill and intangible assets, remaining average active equity is allocated to the divisions in proportion to the economic capital calculated for them.

The following tables present the revenue components of the Corporate and Investment Bank Group Division and the Private Clients and Asset Management Group Division for the years ended December 31, 2004, 2003 and 2002, respectively:

in € m.	Corporate and Investment Bank		
	2004	2003	2002
Sales & Trading (equity)	2,486	3,118	2,506
Sales & Trading (debt and other products)	6,299	6,077	5,582
Total Sales & Trading	8,785	9,194	8,088
Origination (equity)	499	485	354
Origination (debt)	916	806	683
Total Origination	1,414	1,291	1,037
Advisory	488	465	546
Loan products	1,142	1,193	1,804
Transaction services	1,862	1,914	2,643
Other	(361)	136	(322)
Total	13,331	14,193	13,797

in € m.	Private Clients and Asset Management		
	2004	2003	2002
Portfolio/fund management	2,526	2,615	2,733
Brokerage	1,659	1,591	1,512
Loan/deposit products	2,358	2,330	2,425
Payments, account & remaining financial services	915	823	843
Other	571	858	1,986
Total	8,030	8,217	9,499

Reconciliation of Segmental Results of Operations to Consolidated Results of Operations According to U.S. GAAP

The following table provides a reconciliation of the total results of operations and total assets of the Group's business segments under management reporting systems to the consolidated financial statements prepared in accordance with U.S. GAAP for the years ended December 31, 2004, 2003 and 2002.

in € m.	2004			2003			2002		
	Total Management Reporting	Consolidation & Adjustments	Total Consolidated	Total Management Reporting	Consolidation & Adjustments	Total Consolidated	Total Management Reporting	Consolidation & Adjustments	Total Consolidated
Net revenues ¹	21,981	(63)	21,918	21,490	(223)	21,268	26,295	253	26,547
Provision for loan losses	372	–	372	1,113	–	1,113	2,091	(1)	2,091
Provision for off-balance sheet positions	(65)	–	(65)	(50)	–	(50)	18	(1)	17
Total provision for credit losses	307			1,063			2,110		
Noninterest expenses ²	17,344	238	17,582	17,445	3	17,449	20,633	257	20,890
Income (loss) before income taxes³	4,330	(301)	4,029	2,982	(225)	2,756	3,552	(3)	3,549
Assets	832,933	7,135	840,068	795,818	7,796	803,614	750,238	8,117	758,355
Risk-weighted positions (BIS risk positions)	215,044	1,743	216,787	214,048	1,625	215,672	233,872	3,606	237,479
Average active equity	23,519	1,259	24,778	26,317	1,057	27,374	31,243	2	31,246

¹ Net interest revenues and noninterest revenues.

² Excludes provision for off-balance sheet positions.

³ Before cumulative effect of accounting changes.

The two primary components recorded in Consolidation & Adjustments are differences in accounting methods used for management reporting versus U.S. GAAP as well as results and balances from activities outside the management responsibility of the business segments.

Loss before income taxes was € 301 million in 2004, € 225 million in 2003 and € 3 million in 2002.

Net revenues included the following items:

- Adjustments related to positions which are marked to market for management reporting purposes and accounted for on an accrual basis under U.S. GAAP were approximately € (150) million in 2004, € (200) million in 2003 and € 100 million in 2002.
- Trading results from the Group's own shares are reflected in the Corporate Banking & Securities Corporate Division. The elimination of such results under U.S. GAAP resulted in credits of approximately € 45 million in 2004 and € 200 million in each of the years 2003 and 2002 within Consolidation & Adjustments.
- Debits related to the elimination of Group-internal rental income were € (101) million in 2004, € (106) million in 2003 and € (115) million in 2002.
- Insurance premiums of € 91 million in 2004 and € 79 million in each of the years 2003 and 2002 were primarily related to the Group's reinsurance subsidiary which is not managed by an individual business segment.
- Interest income on tax refunds from ongoing audits of prior period tax returns was € 131 million in 2004.
- Mark-to-market losses for hedges related to share-based compensation plans were approximately € (100) million in 2002.
- The remainder of net revenues in each year was due to other corporate items outside the management responsibility of the business segments, such as net funding expenses for non-divisionalized assets/liabilities and results from hedging capital of certain foreign subsidiaries.

Provisions for loan losses and provision for off-balance sheet positions included no material items in each of the reported years.

Noninterest expenses reflected the following items:

- Credits related to the elimination of Group-internal rental expenses were € 101 million in 2004, € 106 million in 2003 and € 115 million in 2002.
- Policyholder benefits and claims of € 210 million in 2004, € 89 million in 2003, and € 75 million in 2002 were primarily related to the Group's re-insurance subsidiary which is not managed by an individual business segment. The increase in 2004 was due to newly established provisions, including charges associated with the settlement agreement of the WorldCom litigation, partly offset by releases for certain other self-insured risks.
- Credits related to certain share-based compensation plans of approximately € 100 million in 2002 were not allocated to the business segments.
- The remainder of noninterest expenses in each year was attributable to other corporate items outside the management responsibility of the business segments. 2002 included charges for certain legal-related provisions of approximately € 170 million.

Assets and risk-weighted positions reflect corporate assets outside of the management responsibility of the business segments such as deferred tax assets and central clearing accounts.

Average active equity assigned to Consolidation and Adjustments reflects the refinement of the Group's economic capital framework as described under "Framework of the Group's Management's Reporting Systems" within this Footnote.

Total Net Revenues (before Provision for Loan Losses) by Geographical Location

The following table presents total net revenues (before provision for loan losses) by geographical location:

in € m.	2004	2003 ¹	2002 ¹
Germany			
CIB	2,319	2,539	2,770
PCAM	4,393	4,318	5,451
Total Germany	6,712	6,857	8,221
Rest of Europe			
CIB	4,522	5,032	4,066
PCAM	2,173	2,176	2,295
Total Rest of Europe²	6,695	7,209	6,361
North America (primarily U.S.)			
CIB	4,390	4,603	4,899
PCAM	1,201	1,473	1,460
Total North America	5,591	6,076	6,359
South America			
CIB	72	128	146
PCAM	–	1	16
Total South America	73	130	162
Asia-Pacific			
CIB	2,027	1,891	1,916
PCAM	262	248	277
Total Asia-Pacific	2,289	2,140	2,194
Corporate Investments	621	(921)	2,998
Consolidation & Adjustments	(63)	(223)	253
Consolidated net revenues³	21,918	21,268	26,547

¹ Reclassified to conform to the 2004 presentation.

² The United Kingdom accounted for over one-half of these revenues in 2004, 2003 and 2002. Rest of Europe also includes the Group's African operations.

³ Consolidated total net revenues comprise interest revenues, interest expenses and total noninterest revenues (including net commission and fee revenues). Revenues are attributed to countries based on the location in which the Group's booking office is located. The location of a transaction on our books is sometimes different from the location of the headquarters or other offices of a customer and different from the location of our personnel who entered into or facilitated the transaction. Where we record a transaction involving our staff and customers and other third parties in different locations frequently depends on other considerations, such as the nature of the transaction, regulatory considerations and transaction processing considerations.

[29] Restructuring Activities

Restructuring plans are recorded in conjunction with acquisitions as well as business realignments. Severance includes employee termination benefits related to the involuntary termination of employees. Such costs include obligations resulting from severance agreements, termination of employment contracts and early-retirement agreements. Other costs primarily include amounts for lease terminations and related costs.

The following table presents the activity in the Group's restructuring programs for the years ended December 31, 2004, 2003, and 2002:

in € m.	2004 plan		2002 plans						Total
	Business Realignment Program		Group restructuring		Scudder restructuring		CIB restructuring		
	Severance	Other	Severance	Other	Severance	Other	Severance	Other	
Balance at Dec 31, 2001	–	–	–	–	–	–	–	–	272 ¹
Additions	–	–	235	105	83	3	215	50	691 ²
Utilization	–	–	203	92	57	–	77	27	683 ¹
Releases	–	–	–	–	–	–	–	–	22 ¹
Effects from exchange rate fluctuations	–	–	(2)	(1)	(12)	–	(10)	(4)	(52) ¹
Balance at Dec 31, 2002	–	–	30	12	14	3	128	19	206
Utilization	–	–	30	11	9	3	99	9	161
Releases	–	–	–	–	4	–	21	8	33 ³
Effects from exchange rate fluctuations	–	–	–	(1)	(1)	–	(8)	(2)	(12)
Balance at Dec 31, 2003	–	–	–	–	–	–	–	–	–
Additions	400	–	–	–	–	–	–	–	400
Utilization	170	–	–	–	–	–	–	–	170
Effects from exchange rate fluctuations	–	–	–	–	–	–	–	–	–
Balance at Dec 31, 2004	230	–	–	–	–	–	–	–	230

¹ Totals include activity for the 2001 Group Restructuring Plan which was completed in 2002. Balance at December 31, 2001, utilization, releases and effects from exchange rate fluctuations were € 272 million, € 227 million, € 22 million and € (23) million, respectively.

² Scudder restructuring of € 86 million was recorded as goodwill; net expense, after releases, was € 583 million.

³ Scudder restructuring reserve releases of € 4 million were recorded against goodwill. € 29 million related to the CIB restructuring was released against net income.

2004 Plan

Business Realignment Program ("BRP")

The BRP covers a series of initiatives aimed at revenue growth and cost efficiency. The program, together with additional measures in the fourth quarter 2004, is expected to result in a reduction of approximately 6,400 full-time equivalent headcount. We anticipate that a significant portion of this reduction will arise in the CIB and PCAM Group Divisions as we integrate coverage and product units. The majority of the reduction will arise in infrastructure units. The transfer of jobs to more cost-effective locations will result in additional headcount of approximately 1,200. This gives a net reduction in our headcount of approximately 5,200.

In the fourth quarter, the Group recorded a pre-tax restructuring charge of € 400 million in connection with the BRP of which € 288 million related to severance payments and € 112 million related to stock compensation awards. The charge was attributable to CIB (€ 299 million), PCAM (€ 98 million) and CI (€ 3 million). The underlying restructuring measures affected approximately 1,200 staff. Of the € 400 million restructuring liability, € 170 million were utilized as of December 31, 2004. All actions contemplated in the portion of the plan recorded in 2004 are expected to be completed by the end of

the first quarter of 2005. It is expected that additional expenses of approximately € 750 million will be recorded in 2005 as further actions are taken related to the BRP.

2002 Plans

Group Restructuring

The Group recorded a pre-tax charge of € 340 million in the first quarter of 2002 related to restructuring activities affecting PCAM (€ 246 million), CIB (€ 93 million) and CI (€ 1 million). These restructuring plans affected approximately 2,100 staff and included a broad range of measures primarily to streamline the Group's branch network in Germany, as well as its infrastructure. The plan was completed during the year ended December 31, 2003.

Scudder Restructuring

During 2002, the Group recorded a restructuring liability of € 86 million related to restructuring activities in connection with the acquisition of Zurich Scudder Investments, Inc. Of this amount, approximately € 83 million of severance and other termination-related costs and € 3 million for other costs, primarily related to lease terminations, were recognized as a liability assumed as of the acquisition date and charged directly to goodwill. This restructuring plan affected approximately 1,000 Scudder staff. Reserves of € 4 million were released against goodwill in 2003. The plan was completed during the year ended December 31, 2003.

CIB Restructuring

In the second quarter of 2002, the Group recorded a restructuring liability of € 265 million related to the CIB Group Division. The plan affected approximately 2,000 staff, across all levels of the Group. The restructuring resulted from detailed business reviews and reflected the Group's outlook for the markets in which it operates. It related to banking coverage, execution and relationship management processes; custody; trade finance and other transaction banking activities; and the related technology, settlement, real estate and other support functions. Due primarily to lower headcount, the restructuring program was completed at lower than anticipated costs. Therefore, € 21 million of staff-related reserves and € 8 million of infrastructure-related reserves were released during 2003. The plan was completed during the year ended December 31, 2003.

[30] International Operations

The following table presents asset and income statement information by major geographic area. The information presented has been classified based primarily on the location of the Group's office in which the assets and transactions are recorded. However, due to the highly integrated nature of the Group's operations, estimates and assumptions have been made to allocate items, especially consolidation items, between regions.

2004 in € m.	Total assets	Total gross revenues ¹	Total gross expenses ¹	Income (loss) before taxes	Net income (loss)
International operations:					
Europe (excluding Germany) ²	346,273	16,430	15,424	1,006	511
North America (primarily U.S.)	212,945	12,547	11,570	977	627
South America	2,867	532	440	92	87
Asia-Pacific	71,928	4,016	3,418	598	262
Total international	634,013	33,525	30,852	2,673	1,487
Domestic operations (Germany)	206,055	11,234	9,878	1,356	985
Total	840,068	44,759	40,730	4,029	2,472
International as a percentage of total above	75%	75%	76%	66%	60%

¹ Total gross revenues comprise interest revenues and total noninterest revenues (including net commissions and fee revenues). Total gross expenses comprise interest expense, provision for loan losses and total noninterest expenses.

² Includes balance sheet and income statement data from Africa, which were not material in 2004.

2003 in € m.	Total assets	Total gross revenues ¹	Total gross expenses ¹	Income (loss) before taxes ²	Net income (loss)
International operations:					
Europe (excluding Germany) ³	327,835	17,674	15,954	1,720	837
North America (primarily U.S.)	221,048	10,156	9,853	303	233
South America	1,277	575	575	—	—
Asia-Pacific	60,101	3,389	2,877	512	357
Total international	610,261	31,794	29,259	2,535	1,427
Domestic operations (Germany)	193,353	11,210	10,989	221	(62)
Total	803,614	43,004	40,248	2,756	1,365
International as a percentage of total above	76%	74%	73%	92%	105%

¹ Total gross revenues comprise interest revenues and total noninterest revenues (including net commissions and fee revenues). Total gross expenses comprise interest expense, provision for loan losses and total noninterest expenses.

² Before cumulative effect of accounting changes.

³ Includes balance sheet and income statement data from Africa, which were not material in 2003.

2002 in € m.	Total assets	Total gross revenues ¹	Total gross expenses ¹	Income (loss) before taxes ²	Net income (loss)
International operations:					
Europe (excluding Germany) ³	286,545	18,938	18,618	320	309
North America (primarily U.S.)	205,375	13,352	14,129	(777)	(488)
South America	1,051	963	877	86	52
Asia-Pacific	48,612	3,863	3,271	592	397
Total international	541,583	37,116	36,895	221	270
Domestic operations (Germany)	216,772	18,026	14,698	3,328	127
Total	758,355	55,142	51,593	3,549	397
International as a percentage of total above	71%	67%	72%	6%	68%

¹ Total gross revenues comprise interest revenues and total noninterest revenues (including net commissions and fee revenues). Total gross expenses comprise interest expense, provision for loan losses and total noninterest expenses.

² Before cumulative effect of accounting changes.

³ Includes balance sheet and income statement data from Africa, which were not material in 2002.

[31] Derivative Financial Instruments and Financial Instruments with Off-Balance Sheet Risk

In the normal course of business, the Group enters into a variety of derivative transactions for both trading and nontrading purposes. The Group's objectives in using derivative instruments are to meet customers' needs, to manage the Group's exposure to risks and to generate revenues through trading activities. Derivative contracts used by the Group in both trading and nontrading activities include swaps, futures, forwards, options and other similar types of contracts based on interest rates, foreign exchange rates, credit risk and the prices of equities and commodities (or related indices).

Derivatives Held or Issued for Trading Purposes

The Group trades derivative instruments on behalf of customers and for its own positions. The Group transacts derivative contracts to address customer demands both as a market maker in the wholesale markets and in structuring tailored derivatives for customers. The Group also takes proprietary positions for its own accounts. Trading derivative products include swaps, options, forwards and futures and a variety of structured derivatives which are based on interest rates, equities, credit, foreign exchange and commodities.

Derivatives Held or Issued for Nontrading Purposes

Derivatives held or issued for nontrading purposes primarily consist of interest rate swaps used to manage interest rate risk. Through the use of these derivatives, the Group is able to modify the volatility and interest rate characteristics of its nontrading interest-earning assets and interest-bearing liabilities. The Group is subject to risk from interest rate fluctuations to the extent that there is a gap between the amount of interest-earning assets and the amount of interest-bearing liabilities that mature or re-price in specified periods. The Group actively manages this interest rate risk through, among other things, the use of derivative contracts. Utilization of derivative financial instruments is modified from time to time within prescribed limits in response to changing market conditions, as well as changes in the characteristics and mix of the related assets and liabilities.

The Group also uses cross-currency interest rate swaps to hedge both foreign currency and interest rate risks from securities available for sale.

For these hedges, the Group applies either fair value or cash flow hedge accounting when cost beneficial. When hedging only interest rate risk, fair value hedge accounting is applied for hedges of assets or liabilities with fixed interest rates, and cash flow hedge accounting is applied for hedges of floating interest rates. When hedging both foreign currency and interest rate risks, cash flow hedge accounting is applied when all functional-currency-equivalent cash flows have been fixed; otherwise fair value hedge accounting is applied.

For the years ended December 31, 2004, 2003 and 2002, net hedge ineffectiveness from fair value hedges, which is based on changes in fair value resulting from changes in the market price or rate related to the risk being hedged, and amounts excluded from the assessment of hedge effectiveness resulted in a loss of € 100 million, a loss of € 82 million and a loss of € 81 million, respectively. As of December 31, 2004, the longest term cash flow hedge outstanding, excluding hedges of existing variable rate instruments, matures in 2039.

Derivatives entered into for nontrading purposes that do not qualify for hedge accounting are also classified as trading assets and liabilities. These include interest rate swaps, credit derivatives, foreign exchange forwards and cross currency interest rate swaps used to economically hedge interest, credit and foreign exchange risk, but for which it is not cost beneficial to apply hedge accounting.

Net (gains) losses of € 81 million, € (13) million and € 226 million from nontrading equity derivatives used to offset fluctuations in employee share-based compensation expense were included in compensation and benefits for the years ended December 31, 2004, 2003 and 2002, respectively.

Derivative Financial Instruments Indexed to Our Own Shares

The Group enters into contracts indexed to Deutsche Bank common shares to acquire shares to satisfy employee share-based compensation awards, and for trading purposes.

At December 31, 2004, the Group had outstanding call options to purchase approximately 3.5 million shares at a weighted-average strike price of € 68.29 per share related to employee share-based compensation awards. The options must be net-cash settled and they mature in less than five years. The fair value of these options amounted to € 20.9 million at December 31, 2004. A € 1 decrease in the price of Deutsche Bank common shares would have reduced the fair value of these options by € 1.7 million.

Related to trading activities, the following derivative contracts that are indexed to Deutsche Bank's own shares are outstanding at December 31, 2004.

Type of contract	Settlement alternative	Maturity	Number of issuer's shares to which contracts are indexed	Weighted-average strike price (in €)	Effect of decrease of share price by € 1 (€ in thousands)	Fair value of contract asset (liability) (€ in thousands)
Purchased options	Net-cash	Up to 3 months	12,539,217	69.27	(39)	2,754
		> 3 months – 1 year	7,119,315	67.15	(177)	40,705
		> 1 year – 5 years	6,462,566	63.91	(613)	36,906
Sold options	Net-cash	Up to 3 months	1,515,426	62.27	46	(5,148)
		> 3 months – 1 year	24,193,469	65.34	1,536	(51,366)
		> 1 year – 5 years	5,947,696	65.65	857	(52,549)
Forward purchases	Net-cash	Up to 3 months	7,027	64.30	(7)	8
		> 3 months – 1 year	1,489,928	63.30	(1,490)	(206)
	Deutsche Bank choice Net-cash/ physical ¹	Up to 3 months	16,000,000	58.00	(16,000)	(655)
		> 3 months – 1 year	28,720,220	60.90	(28,720)	111,727
		> 1 year – 5 years	10,000,000	65.00	(10,000)	(4,303)
Forward sales	Net-cash	Up to 3 months	163,894	65.32	164	(22)
		> 3 months – 1 year	1,312,062	65.32	1,312	(63)
	Counterparty choice Net-cash/ physical ¹	> 3 months – 1 year	386,748	54.39	387	(3,636)
		> 1 year – 5 years	55,708,795	54.52	55,709	(383,946)

¹ Fair values do not differ significantly relating to settlement alternatives.

The above contracts related to trading activities are accounted for as trading assets and liabilities and are thus carried at fair value with changes in fair value recorded in earnings.

Financial Instruments with Off-Balance Sheet Risk

The Group utilizes various lending-related commitments in order to meet the financing needs of its customers. The contractual amount of these commitments is the maximum amount at risk for the Group if the customer fails to meet its obligations. Off-balance sheet credit risk amounts are determined without consideration of the value of any related collateral and reflect the total potential loss on undrawn commitments. The table below summarizes the Group's lending-related commitments:

in € m.	Dec 31, 2004	Dec 31, 2003
Commitments to extend credit:		
Fixed rates ¹	27,897	22,318
Variable rates ²	77,268	66,566

¹ Includes commitments to extend commercial letters of credit and guarantees of € 2.4 billion and € 2.3 billion at December 31, 2004 and 2003, respectively.

² Includes commitments to extend commercial letters of credit and guarantees of € 902 million and € 833 million at December 31, 2004 and 2003, respectively.

In addition, as of December 31, 2004 the Group had loan commitments of € 19.2 billion that were revocable at any time. Commitments to enter into reverse repurchase and repurchase agreements amounted to € 58.6 billion and € 41.1 billion, respectively, as of December 31, 2004. As of December 31, 2003, commitments to enter into reverse repurchase and repurchase agreements totaled € 39.3 billion and € 23.5 billion, respectively.

As of December 31, 2004 and 2003, the Group had commitments to contribute capital to equity method and other investments totaling € 324 million and € 399 million, respectively.

The Group also enters regularly into various guarantee and indemnification agreements in the normal course of business. Probable losses under these agreements are provided for as part of other liabilities. The principal guarantees and indemnifications that the Group enters into are the following:

Financial guarantees, standby letters of credit and performance guarantees, including indemnification for the effect of income taxes that may have to be paid by counterparties on certain transactions entered into with the Group, with a carrying amount of € 592 million and € 666 million and with maximum potential payments of € 26.9 billion and € 24.0 billion as of December 31, 2004 and 2003, respectively, generally require the Group to make payments to the guaranteed party based on another's failure to meet its obligations or to perform under an obligating agreement. Most of these guarantees (€ 17.0 billion) mature within five years, for € 3.5 billion the duration is more than five years and € 6.4 billion have revolving terms. These guarantees are collateralized with cash, securities and other collateral of € 11.8 billion and € 5.5 billion as of December 31, 2004 and 2003, respectively.

Upon exercise, written put options effectively require the Group to pay for a decline in market value related to the counterparty's underlying asset or liability. The carrying amount and maximum potential payments of written puts as of December 31, 2004 was € 4.1 billion and € 61.4 billion, respectively. The carrying amount and maximum potential payments of written puts as of December 31, 2003 was € 4.9 billion and € 66.2 billion, respectively. More than half of the puts (€ 36.0 billion) mature within one year, € 22.4 billion have remaining exercise periods of more than one up to five years and € 3.0 billion have remaining terms of more than five years. Additionally, credit derivatives requiring payment by the Group in the event of default of debt obligations have a carrying and maximum potential payment amount of € 473 million and € 4.0 billion, respectively, for those credit derivatives with negative market values and € 486 million and € 2.7 billion, respectively, related to those with positive market values. More than half of the credit derivatives with negative market values (€ 3.4 billion) mature within one year. € 494 million have remaining exercise periods of more than one and up to five years and € 50 million have remaining terms of more than five years. Instruments with positive market values of € 271 million mature within one year, € 2.2 billion have remaining exercise periods of more than one and up to five years and € 249 million have remaining terms of more than five years. These contracts are typically uncollateralized. As of December 31, 2003 the carrying amount and maximum potential payments of credit derivatives related to negative market values was € 1 million and € 53 million, respectively. The credit derivatives related positive market values with a carrying amount and maximum potential payments were € 588 million and € 2.3 billion, respectively.

Securities lending indemnifications require the Group to pay for the replacement costs or market value of securities loaned to third parties in the event the third parties fail to return the securities. The Group had no securities lending indemnifications as of December 31, 2004 as this business was sold to State Street Bank. At December 31, 2003 the Group had maximum potential indemnification payments totaling € 45.3 billion with contract terms up to six months for which it had received collateral, primarily cash, totaling € 45.9 billion. These indemnifications related to clients whose business had not yet been novated and migrated to State Street Bank and/or who had terminated their relationship.

[32] Concentrations of Credit Risk

The Group defines credit exposure as all transactions where losses might occur due to the fact that counterparties may not fulfill their contractual payment obligations. The Group calculates the gross amount of the exposure without taking into account any collateral, other credit enhancement or credit risk mitigating transactions. The tables below show details about the Group's main credit exposures categories, namely, loans, contingent liabilities, over-the-counter ("OTC") derivatives and tradable assets.

- "Loans" are net loans as reported on the balance sheet but before deduction of the allowance for loan losses.
- "Contingent Liabilities" consist of financial and performance guarantees, standby letters of credit and indemnity agreements.
- "OTC Derivatives" are credit exposures from over-the-counter derivative transactions that the Group has entered into. On the Group's balance sheet, these are included in trading assets and, for derivatives entered into for nontrading purposes, in other assets.
- "Tradable Assets" include bonds, loans and other fixed-income products that are in trading assets as well as in securities available for sale.

Although the Group considers them in monitoring credit exposures, the following are not included in the tables below: cash and due from banks, interest-earning deposits with banks, and accrued interest receivables amounting to € 29.5 billion at December 31, 2004 and € 29.4 billion at December 31, 2003; forward committed repurchase and reverse repurchase agreements of € 99.7 billion at December 31, 2004 and € 62.8 billion at December 31, 2003; and lending-related commitments of € 105.2 billion at December 31, 2004 and € 88.9 billion at December 31, 2003. At December 31, 2004, 86% of our lending-related commitments were extended to counterparties rated at the equivalent of investment-grade debt ratings from the major international rating agencies.

The following table breaks down the Group's main credit exposure categories according to the industry sector of the Group's counterparties.

Credit risk profile by industry sector	Loans		Contingent liabilities		OTC derivatives		Tradable assets		Total	
	Dec. 31, 2004	Dec. 31, 2003	Dec. 31, 2004	Dec. 31, 2003	Dec. 31, 2004	Dec. 31, 2003	Dec. 31, 2004	Dec. 31, 2003	Dec. 31, 2004	Dec. 31, 2003
in € m.										
Banks and insurance	7,787	10,521	4,921	4,990	44,450	46,597	51,406	62,480	108,564	124,588
Manufacturing	13,270	16,155	8,028	7,834	1,837	1,997	15,919	18,241	39,054	44,227
Households	57,076	54,937	1,372	862	285	357	–	–	58,733	56,156
Public sector	3,278	2,309	1,630	377	5,838	3,984	140,614	104,648	151,360	111,318
Wholesale and retail trade	10,288	11,824	2,274	2,454	684	691	3,062	3,589	16,308	18,558
Commercial real estate activities	14,102	13,606	313	722	763	300	1,755	1,447	16,933	16,075
Other	32,888 ¹	38,875 ¹	11,357	9,298	7,810	6,545	32,270	38,064	84,325	92,782
Total	138,689	148,227	29,895	26,537	61,667	60,471	245,026	228,469	475,277	463,704

¹ Includes lease financing.

In the following table, exposures have been allocated to regions based on the country of domicile of the Group's counterparties, irrespective of any affiliations the counterparties may have with corporate groups domiciled elsewhere.

Credit risk profile by region	Loans		Contingent liabilities		OTC derivatives		Tradable assets		Total	
	Dec. 31, 2004	Dec. 31, 2003	Dec. 31, 2004	Dec. 31, 2003	Dec. 31, 2004	Dec. 31, 2003	Dec. 31, 2004	Dec. 31, 2003	Dec. 31, 2004	Dec. 31, 2003
in € m.										
Eastern Europe	1,568	1,372	418	491	607	588	3,282	2,840	5,875	5,291
Western Europe	112,139	120,136	18,840	16,283	36,486	35,428	88,450	87,969	255,915	259,816
Africa	288	395	168	192	300	224	1,000	1,086	1,756	1,897
Asia-Pacific	8,258	7,176	2,656	2,624	6,892	7,072	57,680	36,019	75,486	52,891
North America	14,911	17,038	7,469	6,752	15,820	15,495	87,749	94,632	125,949	133,917
Central and South America	1,522	2,075	326	195	688	571	4,607	3,850	7,143	6,691
Other ¹	3	35	18	–	874	1,093	2,258	2,073	3,153	3,201
Total	138,689	148,227	29,895	26,537	61,667	60,471	245,026	228,469	475,277	463,704

¹ Includes supranational organizations and other exposures that have not been allocated to a single region.

[33] Fair Value of Financial Instruments

SFAS No. 107, "Disclosures about Fair Value of Financial Instruments" ("SFAS 107") requires the disclosure of fair value information about financial instruments, whether or not recognized in the balance sheet, for which it is practicable to estimate that value. Quoted market prices, when available, are used as the measure of fair value. In cases where quoted market prices are not available, fair values are based on present value estimates or other valuation techniques. These derived fair values are significantly affected by assumptions used, principally the timing of future cash flows and the discount rate. Because assumptions are inherently subjective in nature, the estimated fair values cannot be substantiated by comparison to independent market quotes and, in many cases, the estimated fair values would not necessarily be realized in an immediate sale or settlement of the instrument. The disclosure requirements of SFAS 107 exclude certain financial instruments and all nonfinancial instruments (e.g., franchise value of businesses). Accordingly, the aggregate fair value amounts presented do not represent management's estimation of the underlying value of the Group.

The following are the estimated fair values of the Group's financial instruments recognized on the Consolidated Balance Sheet, followed by a general description of the methods and assumptions used to estimate such fair values.

in € m.	Carrying amount		Fair value	
	Dec 31, 2004	Dec 31, 2003	Dec 31, 2004	Dec 31, 2003
Financial assets:				
Cash and due from banks	7,579	6,636	7,579	6,636
Interest-earning deposits with banks	18,089	14,649	18,100	14,660
Central bank funds sold and securities purchased under resale agreements and securities borrowed	189,551	185,215	189,610	185,351
Trading assets	373,147	345,371	373,147	345,371
Securities available for sale	20,335	24,631	20,335	24,631
Other investments	2,358	2,398	2,364	2,398
Loans (excluding leases), net	133,801	140,963	136,311	143,014
Other financial assets	67,830	53,812	67,992	53,812
Financial liabilities:				
Noninterest-bearing deposits	27,274	28,168	27,274	28,168
Interest-bearing deposits	302,195	277,986	302,040	278,262
Trading liabilities	169,606	153,234	169,606	153,234
Central bank funds purchased and securities sold under repurchase agreements and securities loaned	118,173	117,250	118,178	117,348
Other short-term borrowings	20,118	22,290	20,115	22,315
Other financial liabilities	60,598	72,132	60,550	72,126
Long-term debt	106,870	97,480	106,602	97,848

Methods and Assumptions

For short-term financial instruments, defined as those with remaining maturities of 90 days or less, the carrying amounts were considered to be a reasonable estimate of fair value. The following instruments were predominantly short-term:

Assets	Liabilities
Cash and due from banks	Interest-bearing deposits
Central bank funds sold and securities purchased under resale agreements and securities borrowed	Central bank funds purchased and securities sold under repurchase agreements and securities loaned
Interest-earning deposits with banks	Other short-term borrowings
Other financial assets	Other financial liabilities

For those components of the above-listed financial instruments with remaining maturities greater than 90 days, fair value was determined by discounting contractual cash flows using rates which could be earned for assets with similar remaining maturities and, in the case of liabilities, rates at which the liabilities with similar remaining maturities could be issued as of the balance sheet date.

Trading assets (including derivatives), trading liabilities and securities available for sale are carried at their fair values.

For short-term loans and variable rate loans which reprice within 90 days, the carrying value was considered to be a reasonable estimate of fair value. For those loans for which quoted market prices were available, fair value was based on such prices. For other types of loans, fair value was estimated by discounting future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities. In addition, the specific loss component of the allowance for loan losses, including recoverable amounts of collateral, was considered in the fair value determination of loans. Other investments consist primarily of investments in equity instruments (excluding, in accordance with SFAS 107, investments accounted for under the equity method).

Other financial assets consisted primarily of accounts receivable, accrued interest receivable, cash and cash margins with brokers and due from customers on acceptances.

Noninterest-bearing deposits do not have defined maturities. Fair value represents the amount payable on demand as of the balance sheet date.

Other financial liabilities consisted primarily of accounts payable, accrued interest payable, accrued expenses and acceptances outstanding.

The fair value of long-term debt was estimated by using market quotes, as well as discounting the remaining contractual cash flows using a rate at which the Group could issue debt with a similar remaining maturity as of the balance sheet date.

The fair value of commitments to extend credit was estimated by using market quotes. On this basis, at December 31, 2004, the fair value of commitments to extend credit approximated the allowance for these commitments of € 107 million.

[34] Litigation

WorldCom Litigation. Deutsche Bank AG and Deutsche Bank Securities Inc., the Group's U.S. broker-dealer subsidiary ("DBSI"), are defendants in more than 40 actions filed in federal and state courts arising out of alleged material misstatements and omissions in the financial statements of WorldCom Inc. DBSI was a member of the syndicate that underwrote WorldCom's May 2000 and May 2001 bond offerings, which are among the bond offerings at issue in the actions. Deutsche Bank AG, London branch was a member of the syndicate that underwrote the sterling and Euro tranches of the May 2001 bond offering. Plaintiffs are alleged purchasers of these and other WorldCom debt securities. The defendants in the various actions include certain WorldCom directors and officers, WorldCom's auditor and members of the underwriting syndicates for the debt offerings. Plaintiffs allege that the offering documents contained material misstatements and/or omissions regarding WorldCom's financial condition. The claims against DBSI and Deutsche Bank AG are made under federal and state statutes (including securities laws), and under various common law doctrines. The largest of the actions against Deutsche Bank AG and DBSI is a class action litigation in the U.S. District Court in the Southern District of New York, in which the class plaintiffs are the holders of a significant majority of the bonds at issue. On March 10, 2005, Deutsche Bank AG and DBSI reached a settlement agreement, subject to court approval, resolving the class action claims asserted against them, for a payment of approximately U.S.\$ 325 million. The settlement of the class action claims does not resolve the individual actions brought by investors who chose to opt out of the federal class action. The financial effects of the class action settlement are reflected in our 2004 consolidated financial statements.

Philipp Holzmann AG. Philipp Holzmann AG ("Holzmann") is a major German construction firm which filed for insolvency in March 2002. The Group had been a major creditor bank and holder of an equity interest of Holzmann for many decades, and, from April 1997 until April 2000, a former member of Deutsche Bank AG's Board of Managing Directors was the Chairman of its Supervisory Board. When Holzmann had become insolvent at the end of 1999, a consortium of banks led by Deutsche Bank participated in late 1999 and early 2000 in a restructuring of Holzmann that included the banks' extension of a credit facility, participation in a capital increase and exchange of debt into convertible bonds. In March 2002, Holzmann and several of its subsidiaries, including in particular imbau Industrielles Bauen GmbH ("imbau"), filed for insolvency. As a result of this insolvency, the administrators for Holzmann and for imbau and a group of bondholders have informed the Group they may assert claims against the Group because of its role as lender to the Holzmann group prior to and after the restructuring and as leader of the consortium of banks which supported the restructuring. The purported claims include claims that amounts repaid to the banks constituted voidable preferences that should be returned to the insolvent entities and claims of lender liability resulting from the banks' support for an allegedly infeasible restructuring. Although the Group is in ongoing discussions, the Group cannot exclude that some of the parties may file lawsuits against it. To date, the administrator for imbau filed a lawsuit against the Group in August 2004 alleging that payments received by the Group in respect of a loan made to imbau in 1997 and 1998 and in connection with a real estate transaction that was part of

the restructuring constituted voidable preferences that should be returned to the insolvent entity. Additionally, Gebema N.V. filed a lawsuit in 2000 seeking damages against the Group alleging deficiencies in the offering documents based on which Gebema N.V. had invested in equity and convertible bonds of Holzmann in 1998.

Due to the nature of its business, the Group is involved in litigation, arbitration and regulatory proceedings in Germany and in a number of jurisdictions outside Germany, including the United States, arising in the ordinary course of business. Such matters are subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. Although the final resolution of any such matters could have a material effect on the Group's consolidated operating results for a particular reporting period, the Group believes that it should not materially affect its consolidated financial position.

[35] Terrorist Attacks in the United States

As a result of the terrorist attacks in the United States on September 11, 2001, several of the Group's office buildings as well as a leased property were severely damaged or destroyed. Costs incurred by the Group as a result of the terrorist attacks include, but are not limited to, write-offs of fixed assets, expenses incurred to replace fixed assets that were damaged, relocation expenses, and expenses incurred to secure and maintain the damaged properties. The Group has and continues to make claims for these costs through its insurance policies.

During 2003, the Group reached a settlement with two of its four insurers. As of December 31, 2004, the Group has partially settled with the other two insurers, including a tri-party agreement in which the Lower Manhattan Development Corporation (LMDC) purchased the land at 130 Liberty Street for U.S.\$ 90 million and will pay for the demolition of the building on the property, subject to a demolition cap agreement that establishes an amount above which costs will be borne by the two insurers. The remaining claim with these two insurers has been directed to a binding arbitration process for resolution.

As of December 31, 2004, the Group received payments from the four insurers totaling U.S.\$ 747 million. These proceeds for the settled portions of its claims exceeded the total amount of the net receivable on the balance sheet for asset write-offs, environmental, consulting, and other costs. As a result, the Group recorded a benefit of € 51 million arising from the net insurance reimbursements and sale of the property at 130 Liberty Street. For the years ended December 31, 2003 and 2002, no losses were recorded by the Group.

[36] Supplementary Information to the Consolidated Financial Statements According to § 292a HGB

As a condition for the exemption under § 292a HGB, group accounts following U.S. GAAP must be prepared in conformity with the disclosure requirements of the European Union. The Consolidated Financial Statements of Deutsche Bank are in accordance with the Directives 83/349/EWG and 86/635/EWG with regard to the following information. These supplementary comments and disclosures do not refer definitely to items of our p&l or balance sheet formats according to U.S. GAAP. E.g. the item "Loans and advances to customers" is composed inter alia of partial amounts of loans, net, securities borrowed, securities purchased under resale agreements, and other assets.

Treasury Bills and Other Bills Eligible for Refinancing with Central Banks

in € m.	Dec 31, 2004	Dec 31, 2003
Treasury bills and similar securities ¹	56,211	45,482
Other bills eligible for refinancing with central banks	326	483
Total	56,537	45,965

¹ Prior year amounts have been restated.

Loans and Advances to Credit Institutions and Customers

in € m.	Dec 31, 2004	Dec 31, 2003
Loans and advances to credit institutions	103,785	91,805
Repayable on demand	46,928	21,994
Remaining maturity of		
up to three months	41,528	52,693
more than three months and up to one year	6,944	6,564
more than one year and up to five years	5,010	5,816
more than five years	3,375	4,738
Loans and advances to customers	301,475	300,108
Remaining maturity of		
up to three months	198,392	191,154
more than three months and up to one year	19,691	22,169
more than one year and up to five years	34,615	38,185
more than five years	48,777	48,600

Debt Securities and Other Fixed-income Securities

in € m.	Dec 31, 2004	Dec 31, 2003
Issued by public-sector issuers ¹	58,696	47,446
Issued by other issuers	123,326	128,209
Total	182,022	175,655

¹ Prior year amounts have been restated.

Structure and Development of Other Investments

in € m.	Equity method investments	Other equity investments	Total
Acquisition cost			
as of Jan 1, 2004	6,043	2,569	8,612
impairment	(16)	(58)	(74)
change in the group of consolidated companies	120	(21)	99
effects of exchange rate changes	(92)	(50)	(142)
additions	1,533	402	1,935
transfers	4	(36)	(32)
disposals	(2,083)	(332)	(2,415)
as of Dec 31, 2004	5,509	2,474	7,983
Amortization			
as of Jan 1, 2004	42	–	42
change in the group of consolidated companies	15	–	15
effects of exchange rate changes	(1)	–	(1)
additions	–	–	–
transfers	–	–	–
disposals	(9)	–	(9)
as of Dec 31, 2004	47	–	47
Book values			
as of Dec 31, 2004	5,462	2,474	7,936

Shareholdings in banks held at equity amounted to € 2,503 million (2003: € 2,544 million). Other equity investments included participating interests in the amount of € 1,062 million (2003: € 1,133 million), of which € 11 million (2003: € 12 million) related to investments in banks.

The list of shareholdings is deposited with the Commercial Register in Frankfurt am Main, but can also be ordered free of charge.

Loans from and Advances and Liabilities to Participating Interests and Investments Held at Equity

Loans from and advances to participating interests and investments held at equity, trading assets related to these investees as well as debt securities available for sale issued by these investees amounted to € 4,541 million (2003: € 5,979 million).

Liabilities to participating interests and investments held at equity as well as trading liabilities related to these investees were € 3,234 million (2003: € 1,869 million).

Intangible Assets and Premises and Equipment

Land and buildings with a book value totaling € 1,923 million (2003: € 2,178 million) were used within the scope of our own activities.

in € m.	Goodwill	Other intangible assets	Premises and equipment	Total
Cost of acquisition/manufacture				
as of Jan 1, 2004	8,999	1,179	9,694	19,872
impairment	–	(19)	(19)	(38)
change in the group of consolidated companies	94	68	344	506
effects of exchange rate changes	(542)	(92)	(185)	(819)
additions	–	30	792	822
transfers	–	–	(26)	(26)
disposals	–	(34)	(1,611)	(1,645)
as of Dec 31, 2004	8,551	1,132	8,989	18,672
Amortization/depreciation				
as of Jan 1, 2004	2,264	57	3,908	6,229
change in the group of consolidated companies	(2)	–	(33)	(35)
effects of exchange rate changes	(89)	(4)	(65)	(158)
additions	–	24	650	674
transfers	–	–	2	2
disposals	–	(14)	(698)	(712)
as of Dec 31, 2004	2,173	63	3,764	6,000
Book value				
as of Dec 31, 2004	6,378	1,069	5,225	12,672

Subordinated Assets

The total amount of subordinated assets was € 3,141 million (2003: € 1,198 million).

Liabilities to Credit Institutions and Customers

in € m.	Dec 31, 2004	Dec 31, 2003
Amounts owed to credit institutions	272,676	238,393
Repayable on demand	175,034	145,241
With agreed maturity date or period of notice		
up to three months	72,602	68,239
more than three months and up to one year	10,800	8,762
more than one year and up to five years	7,150	8,309
more than five years	7,090	7,842
Savings deposits	25,374	27,315
With agreed period of notice		
up to three months	18,633	19,009
more than three months and up to one year	4,927	6,256
more than one year and up to five years	1,788	2,026
more than five years	26	24
Other liabilities to customers	283,882	274,312
Repayable on demand	140,301	117,083
With agreed maturity date or period of notice		
up to three months	114,624	136,064
more than three months and up to one year	9,670	7,096
more than one year and up to five years	11,355	7,893
more than five years	7,932	6,176
Debt securities issued	79,818	74,664
Other liabilities evidenced by paper	35,587	42,335
Remaining maturity of		
up to three months	14,743	19,950
more than three months and up to one year	17,743	18,599
more than one year and up to five years	2,288	2,921
more than five years	813	865

Provisions

in € m.	Dec 31, 2004	Dec 31, 2003
Provisions for pensions and similar obligations	733	893
Provisions for taxes	6,677	5,317
Provisions in insurance business	7,617	8,834
Other provisions	6,472	6,279
Total	21,499	21,323

Subordinated Liabilities

The following table shows the significant subordinated liabilities:

Currency	Amount	Issuer/type	Interest rate	Maturity
EUR	1,100,000,000.–	Deutsche Bank AG, bond of 2003	5.13%	Jan 31, 2013
EUR	1,000,000,000.–	Deutsche Bank AG, bond of 2003	5.33%	Sep 19, 2023
EUR	750,000,000.–	Deutsche Bank Finance N.V., Curaçao, callable note of 2002	5.38%	Mar 27, 2012
U.S.\$	500,000,000.–	Deutsche Bank Finance N.V., Curaçao, callable note of 2002	var. 3.05%	Mar 27, 2012
U.S.\$	1,100,000,000.–	Deutsche Bank Financial Inc., Dover/USA, "Yankee"-bond of 1996	6.70%	Dec 13, 2006
U.S.\$	550,000,000.–	Deutsche Bank Financial Inc., Dover/USA, medium-term note of 2000	7.50%	Apr 25, 2009
U.S.\$	650,000,000.–	DB Capital Funding LLC I, Wilmington/USA, issue proceeds passed on to Deutsche Bank AG	7.87%	Jun 30, 2009
U.S.\$	800,000,000.–	Deutsche Bank Financial Inc., Dover/USA, "Yankee"-bond of 2003	5.38%	Mar 2, 2015
EUR	1,000,000,000.–	Deutsche Bank AG, bond of 2004	var. 3.88%	Jan 16, 2014
EUR	500,000,000.–	Deutsche Bank AG, bond of 2004	var. 2.48%	Sep 20, 2016

For the above subordinated liabilities there is no premature redemption obligation on the part of the issuers. In case of liquidation or insolvency, the claims and interest claims resulting from these liabilities are subordinate to those claims of all creditors of the issuers that are not also subordinated. These conditions also apply to the subordinated borrowings not specified individually.

Foreign Currency

The table shows the effects of exchange rate changes on the balance sheet:

in € m.	Dec 31, 2004	Dec 31, 2003
Foreign currency assets	543,900	402,900
thereof U.S.\$	316,100	232,500
Foreign currency liabilities (excluding capital and reserves)	467,100	433,200
thereof U.S.\$	285,100	258,100
Change in total assets owing to parity changes for foreign currencies ¹	(47,100)	(61,800)
thereof due to U.S.\$	(31,800)	(41,500)

¹ Based on the asset side.

Trust Activities

Trust assets:

in € m.	Dec 31, 2004	Dec 31, 2003
Interest-earning deposits with banks	1,008	640
Securities available for sale	6,461	1,374
Loans	6,676	2,959
Others	3,618	6,884
Total	17,763	11,857

Trust liabilities:

in € m.	Dec 31, 2004	Dec 31, 2003
Deposits	13,914	9,695
Short-term borrowings	1,468	0
Long-term debt	851	779
Others	1,530	1,383
Total	17,763	11,857

Interest Revenues

Interest revenues include interest income from debt securities available for sale and other investments in the amount of € 509 million (2003: € 588 million).

Dividend Income from Securities Available for Sale and Other Investments

Dividend income from securities available for sale and other investments amounted to € 300 million (2003: € 386 million). Included in this figure is dividend income on equity securities available for sale in the amount of € 238 million (2003: € 278 million).

Commission Income

Commissions receivable amounted to € 12,171 million (2003: € 11,817 million) and commissions payable to € 2,665 million (2003: € 2,485 million), especially in securities business and for asset management.

The following administration and agency services were provided for third parties: custodian, asset management, administration of trust assets, referral of mortgages, insurance policies and property finance agreements, as well as mergers & acquisitions.

Staff Costs

in € m.	2004	2003
Wages and salaries	8,512	8,824
Social security costs	1,710	1,671
thereof: those relating to pensions	496	491
Total	10,222	10,495

Other Operating Income and Expenses

Other income from ordinary activities consisted above all of net income from real estate, net income from investment companies as well as income from derivatives used as hedges.

Other current expenses from ordinary activities consisted, among other things, of additions to provisions not relating to lending or securities business, expenses for residential property maintenance of Deutsche Wohnen AG, Eschborn, and other taxes.

Result from Financial Investments

in € m.	2004	2003
Result from securities available for sale	235	20
Result from other investments ¹	21	(100)
Total	256	(80)

¹ Excluding investments held at equity and investments held by designated investment companies.

Extraordinary Items

There are no extraordinary items to be reported for 2004 and 2003.

Board of Managing Directors and Supervisory Board

In 2004, the total compensation of the Board of Managing Directors was € 25,101,614 (2003: € 28,005,459), thereof € 20,901,900 (2003: € 23,693,460) for variable components. Former members of the Board of Managing Directors of Deutsche Bank AG or their surviving dependents received € 17,918,080 (2003: € 31,218,859). In addition to a fixed payment of € 1,124,620 (2003: € 736,117), the Supervisory Board received dividend-related emoluments totaling € 979,910 (2003: € 1,354,264).

Provisions for pension obligations to former members of the Board of Managing Directors and their surviving dependents totaled € 171,093,311 (2003: € 173,794,918).

At the end of 2004, loans and advances granted and contingent liabilities assumed for members of the Board of Managing Directors amounted to € 5,100 (2003: € 95,000) and for members of the Supervisory Board of Deutsche Bank AG to € 400,900 (2003: € 473,000).

Staff

The average number of effective staff employed in 2004 was 66,115 (2003: 69,440) of whom 27,981 (2003: 29,786) were women. Part-time staff is included in these figures proportionately. An average of 37,913 (2003: 38,420) staff members worked abroad.

Other Publications

The list of mandates gives details of mandates in Germany and abroad. It can be obtained free of charge.

Reconciliation Comments

Differences in accounting and measurement methods in the Consolidated Financial Statements: U.S. GAAP compared to German Commercial Code (HGB).

In contrast to German reporting, U.S. Generally Accepted Accounting Principles (U.S. GAAP) seek creditor protection by providing relevant information rather than by conservative reporting and valuation rules. The different objective of U.S. GAAP leads to different accounting and valuation methods or to different reporting in the Consolidated Financial Statements:

Trading Assets. Trading assets include securities held for trading purposes and positive market values from outstanding derivative financial instruments. They are carried at fair value on the balance sheet with the changes in fair value reported in trading revenues. This leads to the recognition of earnings which are qualified as unrealized gains under German law. Furthermore, positive market values from derivative financial instruments are not recognized on the balance sheet under the German Commercial Code.

Netting in trading activities. Trading assets and trading liabilities are netted if there is an enforceable master netting agreement. Similarly, positive and negative market values from derivative financial instruments with the same counterparty are netted under existing master netting agreements. Furthermore, long and short positions in a marketable security are also reported net (so-called "CUSIP/ISIN netting").

Securities Available for Sale. Financial assets classified as securities available for sale are carried at fair value, whereby, unrealized gains and losses are reported within "shareholders' equity" and realized gains and losses are recorded in earnings. Under the German Commercial Code these holdings are carried at lower-of-cost-or-market on the balance sheet.

Goodwill. Under U.S. GAAP, goodwill is not amortized but tested for impairment on an ongoing basis. Under the German Commercial Code and German Accounting Standards, goodwill is amortized over a period of up to 20 years.

Premises and Equipment

Tax bases. Premises and equipment are not reported based on the tax value in the U.S. GAAP financial statements. As a result, premises and equipment are usually carried at a higher value compared with statements prepared under the German Commercial Code.

Software costs. Certain costs for self-developed software are capitalized if the specific conditions of U.S. GAAP are fulfilled. Under the German Commercial Code, all software costs are expensed as incurred.

Trading Liabilities. Trading liabilities comprise short positions and negative market values from derivative financial instruments, unless they have been netted with trading assets. The German Commercial Code requires short positions to be reported under liabilities to banks and/or liabilities to customers. A negative market value from a derivative financial instrument is generally recognized as a provision for imminent losses from pending transactions, unless the negative market value offsets the synthetic compensatory valuation of another balance sheet item, which the derivative financial instrument is linked to (establishment of so-called “valuation units”).

Provisions

for pension plans and similar obligations. Forecasted salary growth is taken into account in the actuarial calculation of pension provisions. Effects of plan amendments on the pension liability are deferred and not fully recognized in P&L immediately. Also, market interest rates are utilized.

In case of pension trusts whose designated trust assets serve solely to secure the long-term pension commitments made by the bank and therefore are segregated from the bank's other operating assets, the pension liabilities are offset with the designated plan assets for reporting purposes. The corresponding profit components are also offset. The German Commercial Code does not allow such offsetting for balance sheet and P&L reporting purposes.

Deferred Taxes. Deferred taxes are recorded in accordance with the balance sheet-related temporary differences concept whereby the carrying amounts of individual assets and liabilities in the balance sheet are compared with the values for tax purposes. Temporary differences between these values result in deferred tax assets or deferred tax liabilities. On the other hand, tax deferrals according to the German Commercial Code are only admissible as timing differences between commercial-law results and the profit to be calculated in accordance with tax regulations.

Own Bonds/Own Shares. Repurchased own bonds are extinguished. Differences between cost and issuing value are recognized in the statement of income.

Own shares (treasury shares) are deducted from shareholders' equity with their acquisition cost. Gains and losses are directly attributed to additional paid-in capital.

Minority Interests. Minority interests are reported as other liabilities.

Trust Business. In accordance with its economic content, trust business which the bank transacts in its own name, but for third-party account, is not reported on the face of the balance sheet.

[37] Corporate Governance

Deutsche Bank AG and its only German listed consolidated subsidiary, Deutsche Wohnen AG, have approved the Declaration of Conformity in accordance with § 161 of the German Corporation Act (AktG) and made it accessible to shareholders.

[38] Board of Managing Directors in the Reporting Year

Josef Ackermann

Spokesman

Clemens Börsig

Tessen von Heydebreck

Hermann-Josef Lamberti

Risk Report

Risk Management

The wide variety of our businesses requires us to identify, measure, aggregate and manage our risks effectively, and to allocate our capital among our businesses appropriately. We manage risk through a framework of risk principles, organizational structures and risk measurement and monitoring processes that are closely aligned with the activities of our Group Divisions.

Risk Management Principles

The following key principles underpin our approach to risk management:

- Our Board of Managing Directors provides overall risk management supervision for our consolidated Group as a whole. Our Supervisory Board regularly monitors our risk profile.
- We manage credit, market, liquidity, operational and business risks in a coordinated manner at all relevant levels within our organization.
- The structure of our risk management function is closely aligned with the structure of our Group Divisions.
- The risk management function is independent of our Group Divisions.

Risk Management Organization

Our Group Chief Risk Officer, who is a member of our Board of Managing Directors, is responsible for our credit, market, operational and business risk management activities within our consolidated Group. The Group Chief Risk Officer chairs our Group Risk Committee, which is responsible for planning, management and control of the aforementioned risks across our consolidated Group.

The Group Risk Committee has delegated some of its tasks to sub-committees, the most significant being the Group Credit Policy Committee. Among others it reviews credit policies, industry reports and country risk limit applications throughout the Group.

For each of our Group Divisions, risk management units are established with the mandate to:

- Ensure that the business conducted within each division is consistent with the risk appetite the Group Risk Committee has set;
- Formulate and implement risk policies, procedures and methodologies that are appropriate to the businesses within each division;
- Approve credit risk and market risk limits;
- Conduct periodic portfolio reviews to ensure that the portfolio of risks is within acceptable parameters; and
- Develop and implement risk management infrastructures and systems that are appropriate for each division.

Group Treasury is responsible for the management of liquidity risk. Our liquidity risk status as well as policies relating to the identification, measurement and management of liquidity risk are reviewed on a regular basis by our Group Asset and Liability Committee, which is chaired by the Board Member responsible for Treasury.

Our controlling, audit and legal departments support our risk management function. They operate independently both of the Group Divisions and of the risk management function. The role of the controlling department is to quantify the risk we assume and ensure the quality and integrity of our risk-related data. Our audit department reviews the compliance of our internal control procedures with internal and regulatory standards. Our legal department provides legal advice and support on topics including collateral arrangements and netting.

Categories of Risk

The most important risks we assume are specific banking risks and risks arising from the general business environment.

Specific Banking Risks

Our risk management processes distinguish among four kinds of specific banking risks: credit risk, market risk, liquidity risk and operational risk.

- **Credit risk** arises from all transactions that give rise to actual, contingent or potential claims against any counterparty, obligor or borrower (which we refer to collectively as “counterparties”). This is the largest single risk we face. We distinguish among three kinds of credit risk:
 - *Default risk* is the risk that counterparties fail to meet contractual payment obligations.
 - *Country risk* is the risk that we may suffer a loss, in any given country, due to any of the following reasons: a possible deterioration of economic conditions, political and social upheaval, nationalization and expropriation of assets, government repudiation of indebtedness, exchange controls and disruptive currency depreciation or devaluation. Country Risk includes transfer risk which arises when debtors are unable to meet their obligations owing to an inability to transfer assets to non-residents due to direct sovereign intervention.
 - *Settlement risk* is the risk that the settlement or clearance of transactions will fail. It arises whenever the exchange of cash, securities and/or other assets is not simultaneous.
- **Market risk** arises from the uncertainty concerning changes in market prices and rates (including interest rates, equity prices, foreign exchange rates and commodity prices), the correlations among them and their levels of volatility.
- **Liquidity risk** is the risk arising from our potential inability to meet all payment obligations when they come due.
- **Operational risk** is the potential for incurring losses in relation to employees, project management, contractual specifications and documentation, technology, infrastructure failure and disasters, external influences and customer relationships. This definition includes legal and regulatory risk, but excludes business risk.

Business Risk

Business risk describes the risk we assume due to potential changes in general business conditions, such as our market environment, client behavior and technological progress. This can affect our earnings if we fail to adjust quickly to these changing conditions.

Insurance Specific Risk

We are not engaged in any activities that result in insurance specific risk material to the Group.

Risk Management Tools

We use a comprehensive range of quantitative tools and metrics for monitoring and managing risks. Some of these tools are common to a number of risk categories, while others are tailored to the particular features of specific risk categories.

As a matter of policy, we continually assess the appropriateness and the reliability of our quantitative tools and metrics in light of our changing risk environment. The following are the most important quantitative tools and metrics we currently use to measure, manage and report our risk:

Expected Loss

We use expected loss as a measure of the default, transfer, and settlement risk elements of our credit risk. Expected loss is a measurement of the loss we can expect within a one-year period on our credit exposure, based on our historical loss experience. When calculating expected loss, we take into account credit risk ratings, collateral, maturities and statistical averaging procedures to reflect the risk characteristics of our different types of exposures and facilities. All parameter assumptions are based on statistical averages of our internal default and loss history as well as external benchmarks. We use expected loss as a tool of our risk management process and as part of our management reporting systems. We also use the applicable results of the expected loss calculations when establishing the other inherent loss allowance included in our financial statements. Applicable results in this context are those that are used to estimate losses inherent in loans and contingent liabilities that are not already considered in the specific loss component of our allowance or our allowance for smaller-balance standardized homogeneous loans.

Economic Capital

Economic capital measures the amount of capital we need to absorb very severe unexpected losses arising from our exposures. "Very severe" in this context means that economic capital is set at a level to cover with a probability of 99.98% the aggregated unexpected losses within one year. We calculate economic capital for the default risk, transfer risk and settlement risk elements of credit risk, for market risk, for operational risk and for general business risk. We use economic capital to show an aggregated view of our risk position from individual business lines up to our consolidated Group level. We also use economic capital (as well as goodwill and other non-amortizing intangibles) in order to allocate our book capital among our businesses. This enables us to assess each business unit's risk-adjusted profitability, which is a key metric in managing our financial resources in order to optimize the value generated for our shareholders. In addition, we consider economic capital, in particular for credit risk, when we measure the risk-adjusted profitability of our client relationships.

Value-at-Risk

We use the value-at-risk approach to derive quantitative measures for our trading book market risks under normal market conditions. Our value-at-risk figures play a role in both internal and external (regulatory) reporting. For a given portfolio, value-at-risk measures the potential future loss (in terms of market value) that, under normal market conditions, will not be exceeded with a defined confidence level in a defined period. The value-at-risk for a total portfolio represents a measure of our diversified market risk (aggregated using pre-determined correlations) in that portfolio.

Stress Testing

We supplement our analysis of market risk with stress testing. We perform stress tests because value-at-risk calculations are based on relatively recent historical data and only purport to estimate risk up to a defined confidence level. Therefore, they only reflect possible losses under relatively normal market conditions. Stress tests help us determine the effects of potentially extreme market developments on the value of our market risk sensitive exposures. We use stress testing to determine the amount of economic capital we need to allocate to cover our market risk exposure under extreme market conditions.

Regulatory Risk Reporting

German banking regulators assess our capacity to assume risk in several ways, which are described in more detail in Note [22] of the consolidated financial statements.

Credit Risk

Credit risk makes up the largest part of our risk exposures. We measure and manage our credit risk following the below principles:

- In all our Group Divisions consistent standards are applied in the respective credit decision processes.
- The approval of credit limits for counterparties and the management of our individual credit exposures must fit within our portfolio guidelines and our credit strategies, and each decision also involves a risk-versus-return analysis.
- Every extension of credit or material change to a credit facility (such as its tenor, collateral structure or major covenants) to any counterparty requires credit approval at the appropriate authority level.
- We assign credit approval authorities to individuals according to their qualifications, experience and training, and we review these periodically.
- We measure and consolidate all our credit exposures to each obligor on a global consolidated basis that applies across our consolidated Group. We define an “obligor” as a group of individual borrowers that are linked to one another by any of a number of criteria we have established, including capital ownership, voting rights, demonstrable control, other indication of group affiliation; or are jointly and severally liable for all or significant portions of the credit we have extended.

Credit Risk Ratings

A primary element of the credit approval process is a detailed risk assessment of every credit exposure associated with an obligor. Our risk assessment procedures consider both the creditworthiness of the counterparty and the risks related to the specific type of credit facility or exposure. This risk assessment not only affects the structuring of the transaction and the outcome of the credit decision, but also influences the level of decision-making authority required to extend or materially change the credit and the monitoring procedures we apply to the ongoing exposure.

We have our own in-house assessment methodologies, scorecards and rating scale for evaluating the creditworthiness of our counterparties. Our granular 26-grade rating scale, which is calibrated on a probability of default measure based upon a statistical analysis of historical defaults in our portfolio, enables us to compare our internal ratings with common market practice and ensures comparability between different sub-portfolios of our institution. While we generally rate all our credit exposures individually, at times we rely on rating averages for measuring risk. When we assign our internal risk ratings, we compare them with external risk ratings assigned to our counterparties by the major international rating agencies, where possible.

Credit Limits

Credit limits set forth maximum credit exposures we are willing to assume over specified periods. They relate to products, conditions of the exposure and other factors. Our credit policies also establish special procedures (including lower approval thresholds and more senior approval personnel) for exceptional cases when we may assume exposures beyond established limits. These exceptions provide a degree of flexibility for unusual business opportunities, new market trends and other similar factors.

Monitoring Default Risk

We monitor all of our credit exposures on a continuing basis using the risk management tools described above. We also have procedures in place to identify at an early stage credit exposures for which there may be an increased risk of loss. Counterparties, that, on the basis of the application of our risk management tools, demonstrate the likelihood of problems, are identified well in advance so that we can effectively manage the credit exposure and maximize the recovery. The objective of this early warning system is to address potential problems while adequate alternatives for action are still available. This early risk detection is a tenet of our credit culture and is intended to ensure that greater attention is paid to such exposures. In instances where we have identified customers where problems might arise, the respective exposure is placed on a watchlist.

Loan Exposure Management Group

In 2003, we significantly modified our approach to managing risk in the corporate loan book within the Corporate and Investment Bank Group Division by creating the Loan Exposure Management Group (LEMG). As part of our overall framework of risk management, LEMG has assisted in managing credit risk within the investment-grade loan portfolio for all loans and lending-related commitments with an original maturity greater than 180 days (excluding medium-sized German companies). During 2004, this approach was extended to include loans and lending-related commitments to medium-sized investment- and noninvestment-grade German companies with an original maturity of greater than 360 days but excluding any legacy business.

Acting as a central pricing reference, LEMG provides the respective Corporate and Investment Bank Group Division businesses with an observed or derived capital market rate for loan applications; however, the decision of whether or not the business can enter into the loan remains with Credit Risk Management.

LEMG is concentrating on two primary initiatives within the new credit risk framework to further enhance risk management discipline, improve returns and use capital more efficiently:

- to reduce single-name and industry credit risk concentrations within the loan portfolio, and
- to manage credit exposures actively by utilizing techniques including loan sales, securitization via collateralized loan obligations, and single-name and portfolio credit default swaps.

LEMG's risk reduction activities are of increasing significance. As of year-end 2004, LEMG held credit derivatives including those embedded in credit linked notes with an underlying notional of € 18.5 billion. This position totaled € 14.0 billion as of December 31, 2003.

The credit derivatives used for our portfolio management activities are accounted for at fair value and do not qualify for hedge accounting under SFAS 133.

LEMG also mitigated the credit risk of € 7.2 billion of loans and lending commitments as of December 31, 2004 by synthetic collateralized loan obligations for which the first loss piece has been sold. This represents an increase of 125% compared to December 31, 2003, when € 3.2 billion of loans and lending commitments were included in synthetic collateralized loan obligations. Credit mitigation by way of synthetic collateralized loan obligations supported by financial guarantee contracts is especially important as it not only addresses the credit risk of the underlying positions but also eliminates the accounting asymmetry issue between the lending positions and credit default swaps, and allows us to manage the risk of illiquid positions.

Credit Exposure

We define our credit exposure as all transactions where losses might occur due to the fact that counterparties may not fulfill their contractual payment obligations. We calculate the gross amount of the exposure without taking into account any collateral, other credit enhancement or credit risk mitigating transactions. In the tables below, we show details about our main credit exposures categories, namely loans, contingent liabilities, over-the-counter ("OTC") derivatives and tradable assets:

- "Loans" are net loans as reported on our balance sheet but before deduction of our allowance for loan losses.
- "Contingent Liabilities" consist of financial and performance guarantees, standby letters of credit and indemnity agreements.
- "OTC Derivatives" are our credit exposures from over-the-counter derivative transactions that we have entered into. On our balance sheet, these are included in trading assets and, for derivatives entered into for nontrading purposes, in other assets.
- "Tradable Assets" include bonds, loans and other fixed-income products that are in our trading assets as well as in securities available for sale.

Although we consider them in monitoring our credit exposures, the following are not included in the tables below: cash and due from banks, interest-earnings deposits with banks, and accrued interest receivables amounting to € 29.5 billion at December 31, 2004 and € 29.4 billion at December 31, 2003; forward committed repurchase and reverse repurchase agreements of € 99.7 billion at December 31, 2004 and € 62.8 billion at December 31, 2003; and lending-related commitments of € 105.2 billion at December 31, 2004 and € 88.9 billion at December 31, 2003. At December 31, 2004, 86% of our lending-related commitments were extended to counterparties rated at the equivalent of investment-grade debt ratings from the major international rating agencies.

The following table breaks down our main credit exposure categories by geographical region. For this table, we have allocated exposures to regions based on the country of domicile of our counterparties, irrespective of any affiliations the counterparties may have with corporate groups domiciled elsewhere.

Credit risk profile by region in € m.	Loans		Contingent liabilities		OTC derivatives		Tradable assets		Total	
	Dec 31, 2004	Dec 31, 2003	Dec 31, 2004	Dec 31, 2003	Dec 31, 2004	Dec 31, 2003	Dec 31, 2004	Dec 31, 2003	Dec 31, 2004	Dec 31, 2003
Eastern Europe	1,568	1,372	418	491	607	588	3,282	2,840	5,875	5,291
Western Europe	112,139	120,136	18,840	16,283	36,486	35,428	88,450	87,969	255,915	259,816
Africa	288	395	168	192	300	224	1,000	1,086	1,756	1,897
Asia-Pacific	8,258	7,176	2,656	2,624	6,892	7,072	57,680	36,019	75,486	52,891
North America	14,911	17,038	7,469	6,752	15,820	15,495	87,749	94,632	125,949	133,917
Central and South America	1,522	2,075	326	195	688	571	4,607	3,850	7,143	6,691
Other ¹	3	35	18	–	874	1,093	2,258	2,073	3,153	3,201
Total	138,689	148,227	29,895	26,537	61,667	60,471	245,026	228,469	475,277	463,704

¹ Includes supranational organizations and other exposures that we have not allocated to a single region.

The following table breaks down our main credit exposure categories according to the industry sectors of our counterparties.

Credit risk profile by industry sector in € m.	Loans		Contingent liabilities		OTC derivatives		Tradable assets		Total	
	Dec 31, 2004	Dec 31, 2003	Dec 31, 2004	Dec 31, 2003	Dec 31, 2004	Dec 31, 2003	Dec 31, 2004	Dec 31, 2003	Dec 31, 2004	Dec 31, 2003
Banks and insurance	7,787	10,521	4,921	4,990	44,450	46,597	51,406	62,480	108,564	124,588
Manufacturing	13,270	16,155	8,028	7,834	1,837	1,997	15,919	18,241	39,054	44,227
Households	57,076	54,937	1,372	862	285	357	–	–	58,733	56,156
Public sector	3,278	2,309	1,630	377	5,838	3,984	140,614	104,648	151,360	111,318
Wholesale and retail trade	10,288	11,824	2,274	2,454	684	691	3,062	3,589	16,308	18,558
Commercial real estate activities	14,102	13,606	313	722	763	300	1,755	1,447	16,933	16,075
Other	32,888 ¹	38,875 ¹	11,357	9,298	7,810	6,545	32,270	38,064	84,325	92,782
Total	138,689	148,227	29,895	26,537	61,667	60,471	245,026	228,469	475,277	463,704

¹ Includes lease financing.

We also classify our credit exposure under two broad headings: corporate credit exposure and consumer credit exposure.

- Our corporate credit exposure consists of all exposures not defined as consumer credit exposure.
- Our consumer credit exposure consists of our smaller-balance standardized homogeneous loans, primarily in Germany, Italy and Spain, which include personal loans, residential and nonresidential mortgage loans, overdrafts and loans to self-employed and small business customers of our private and retail business.

Corporate Credit Exposure

The following table breaks down our main corporate credit exposure categories according to the creditworthiness categories of our counterparties.

This table illustrates the continued reduction in our corporate loan book, which mainly took place in Germany and, to a lesser extent, in the U.S., as well as a general improvement in the credit quality of our lending-related credit exposures. The change in the creditworthiness of our corporate loan book in 2004 compared to 2003 is primarily a consequence of our enhanced credit discipline and the improved credit environment witnessed throughout the year. This is evidenced by the portion of our corporate loan book carrying an investment-grade rating increasing from 58% at December 31, 2003 to 60% at December 31, 2004 with a corresponding reduction in the portion of our corporate loan book being classified as sub-investment grade.

Creditworthiness category in € m.	Loans		Contingent liabilities		OTC derivatives		Tradable assets		Total	
	Dec 31, 2004	Dec 31, 2003	Dec 31, 2004	Dec 31, 2003	Dec 31, 2004	Dec 31, 2003	Dec 31, 2004	Dec 31, 2003	Dec 31, 2004	Dec 31, 2003
AAA–AA	12,363	12,167	3,209	2,992	27,885	27,014	133,839	126,010	177,296	168,183
A	10,852	13,871	8,045	5,627	18,194	17,195	32,217	33,383	69,308	70,076
BBB	22,794	26,265	10,242	7,886	10,087	11,750	38,264	32,676	81,387	78,577
BB	21,375	25,292	6,058	6,573	4,675	3,784	28,436	23,417	60,544	59,066
B	4,778	5,749	1,707	1,799	649	621	8,830	6,756	15,964	14,925
CCC and below	4,107	6,947	634	1,660	177	107	3,440	6,227	8,358	14,941
Total	76,269	90,291	29,895	26,537	61,667	60,471	245,026	228,469	412,857	405,768

Consumer Credit Exposure

The table below presents our total consumer credit exposure, consumer loan delinquencies in terms of loans that are 90 days or more past due, and net credit costs, which are the net provisions charged during the period, after recoveries. Loans 90 days or more past due and net credit costs are both expressed as a percentage of total exposure.

	Total exposure (in € m.)		90 days or more past due as a % of total exposure		Net credit costs as a % of total exposure	
	Dec 31, 2004	Dec 31, 2003	Dec 31, 2004	Dec 31, 2003	Dec 31, 2004	Dec 31, 2003
Consumer credit exposure Germany	47,395	45,167	2.20%	2.38%	0.42%	0.53%
Consumer and small business financing	10,060	10,550	2.48%	2.54%	1.36%	1.36%
Mortgage lending	37,335	34,617	2.12%	2.33%	0.17%	0.28%
Consumer credit exposure other Europe	15,025	12,769	1.21%	1.54%	0.47%	0.52%
Total consumer credit exposure	62,420	57,936	1.96%	2.19%	0.43%	0.53%

The volume of our consumer credit exposure rose by € 4.5 billion, or 7.7%, from 2003 to 2004, driven mainly by the inclusion of DB Bauspar AG in the homogeneous portfolio contributing € 1.4 billion and the growth of our portfolio in Italy (up by € 1.4 billion) and Spain (up by € 0.7 billion). Total net credit costs decreased from 0.53% of our total exposure in 2003 to 0.43% in 2004, driven by better customer performance. In Germany, loans delinquent by 90 days or more decreased from 2.38% to 2.20% reflecting decreased delinquencies in both consumer and small business financing as well as mortgage lending. The lower percentage of delinquent loans in other Europe is mainly a reflection of accelerated charge-offs in Poland and Italy due to refinement of processes and procedures.

Credit Exposure from Derivatives

To reduce our derivatives-related credit risk, we regularly seek the execution of master agreements (such as the International Swap Dealers Association contract for swaps) with our clients. A master agreement allows the offsetting of the obligations arising under all of the derivatives contracts that the agreement covers upon the counterparty's default, resulting in one single net claim against the counterparty (called "close-out netting"). We also enter into "payment netting" agreements under which we net non-simultaneous settlement of cash flows, reducing our principal risk. We frequently enter into these agreements in our foreign exchange business.

For internal credit exposure measurement purposes, we only apply netting when we believe it is legally enforceable for the relevant jurisdiction and counterparty. Also, we enter into collateral support agreements to reduce our derivatives-related credit risk. These collateral arrangements generally provide risk mitigation through periodic (usually daily) margining of the covered portfolio or transactions and termination of the master agreement if the counterparty fails to honor a collateral call. As with netting, when we believe the collateral agreement is enforceable we reflect this in our exposure measurement.

As the replacement values of our portfolios fluctuate with movements in market rates and with changes in the transactions in the portfolios, we also estimate the potential future replacement costs of the portfolios over their lifetimes or, in case of collateralized portfolios, over appropriate unwind periods. We measure our potential future exposure against separate limits, which can be a multiple of the credit limit. We supplement our potential future exposure analysis with stress tests to estimate the immediate impact of extreme market events on our exposures (such as event risk in our Emerging Markets portfolio).

Treatment of Default Situations under Derivatives

Unlike in the case of our standard loan assets, we generally have more options to manage the credit risk in our OTC derivatives when movement in the current replacement costs of the transactions and the behavior of our counterparty indicate that there is the risk that upcoming payment obligations under the transactions might not be honored. In these situations, we are frequently able to obtain additional collateral or terminate the transactions or the related master agreement.

When our decision to terminate transactions or the related master agreement results in a residual net obligation of the counterparty, we restructure the obligation into a nonderivative claim and manage it through our regular workout process. As a consequence, we do not show any nonperforming derivatives.

The following table shows the notional amounts and gross market values of OTC and exchange-traded derivative contracts we held for trading and nontrading purposes as of December 31, 2004.

Dec. 31, 2004	Notional amount maturity distribution				Positive market value	Negative market value	Net market value
in € m.	Within one year	> 1 and ≤ 5 years	After five years	Total			
Interest-rate-related transactions:							
OTC products:							
FRA's	1,142,075	66,308	1,811	1,210,194	565	(884)	(319)
Interest rate swaps (single currency)	3,663,495	5,141,770	3,889,726	12,694,991	191,570	(189,289)	2,281
Purchased interest rate options	469,424	405,518	465,565	1,340,507	25,540	–	25,540
Written interest rate options	362,540	459,100	495,247	1,316,887	–	(27,674)	(27,674)
Other interest rate trades	–	–	–	–	–	–	–
Exchange-traded products:							
Interest rate futures	461,919	4,090	23	466,032	–	–	–
Purchased interest rate options	56,100	–	–	56,100	61	–	61
Written interest rate options	83,692	–	–	83,692	–	(38)	(38)
Sub-total	6,239,245	6,076,786	4,852,372	17,168,403	217,736	(217,885)	(149)
Currency-related transactions:							
OTC products:							
Forward exchange trades	413,924	24,583	2,339	440,846	7,466	(9,370)	(1,904)
Cross currency swaps	1,361,758	264,895	151,340	1,777,993	48,510	(44,234)	4,276
Purchased foreign currency options	355,334	32,650	4,414	392,398	9,098	–	9,098
Written foreign currency options	359,385	38,198	2,588	400,171	–	(9,001)	(9,001)
Exchange-traded products:							
Foreign currency futures	6,521	5	–	6,526	–	–	–
Purchased foreign currency options	907	–	–	907	20	–	20
Written foreign currency options	994	–	–	994	–	(16)	(16)
Sub-total	2,498,823	360,331	160,681	3,019,835	65,094	(62,621)	2,473
Equity/index-related transactions:							
OTC products:							
Equity forward	77	13	–	90	–	(20)	(20)
Equity/index swaps	50,538	38,652	4,881	94,071	2,812	(3,841)	(1,029)
Purchased equity/index options	56,387	81,177	6,998	144,562	13,104	–	13,104
Written equity/index options	58,335	89,942	12,028	160,305	–	(14,850)	(14,850)
Exchange-traded products:							
Equity/index futures	39,040	–	–	39,040	–	–	–
Equity/index purchased options	51,516	29,310	2,065	82,891	5,358	–	5,358
Equity/index written options	49,203	30,764	4,398	84,365	–	(5,398)	(5,398)
Sub-total	305,096	269,858	30,370	605,324	21,274	(24,109)	(2,835)
Credit derivatives	35,501	400,964	111,455	547,920	10,036	(15,260)	(5,224)
Other transactions:							
OTC products:							
Precious metal trades	22,499	22,772	4,017	49,288	2,743	(1,613)	1,130
Other trades	72,627	57,171	1,555	131,353	7,653	(6,794)	859
Exchange-traded products:							
Futures	8,801	112	8	8,921	–	–	–
Purchased options	4,830	–	–	4,830	381	–	381
Written options	5,279	–	–	5,279	–	(383)	(383)
Sub-total	114,036	80,055	5,580	199,671	10,777	(8,790)	1,987
Total OTC business	8,423,899	7,123,713	5,153,964	20,701,576	319,097	(322,830)	(3,733)
Total exchange-traded business	768,802	64,281	6,494	839,577	5,820	(5,835)	(15)
Total	9,192,701	7,187,994	5,160,458	21,541,153	324,917	(328,665)	(3,748)
Positive market values after netting agreements					67,486		

Country Risk

We manage country risk through a number of risk measures and limits, the most important being:

- *Total Counterparty Exposure.* All credit extended and OTC derivatives exposure to counterparties domiciled in a given country that we view as being at risk due to economic or political events (“country risk event”). It includes non-guaranteed subsidiaries of foreign entities and offshore subsidiaries of local clients.
- *Transfer Risk Exposure.* Credit risk arising where an otherwise solvent and willing debtor is unable to meet its obligations due to the imposition of governmental or regulatory controls restricting its ability either to obtain foreign exchange or to transfer assets to nonresidents (a “transfer risk event”). It includes all of our credit extended and OTC derivatives exposure from one of our offices in one country to a counterparty in a different country.
- *Highly-Stressed Event Risk Scenarios.* We use stress testing to measure potential market risk on our trading positions and view these as market risks.

Country Risk Ratings

Our country risk ratings represent a key tool in our management of country risk. They are established by an independent country risk research function within our Credit Risk Management function and include:

- *Sovereign Rating.* An estimate of the probability of the sovereign defaulting on its foreign or local currency obligations, respectively.
- *Transfer Risk Rating.* An estimate of the probability of a “transfer risk event” (usually as part of a country risk event).
- *Event Risk Rating.* For further details see “Market Risk” below.

All sovereign and transfer risk ratings are reviewed, at least annually, by the Group Credit Policy Committee. Our country risk research group also reviews, at least quarterly, our ratings for the major Emerging Markets countries. Ratings for countries that we view as particularly volatile, as well as all event risk ratings, are subject to continuous review.

We also regularly compare our internal risk ratings with the ratings of the major international rating agencies.

Country Risk Limits

We manage our exposure to country risk through a framework of limits. The bank specifically limits and monitors its exposure to Emerging Markets. For this purpose, Emerging Markets are defined as including all countries in Latin America (including the Caribbean), Asia (excluding Japan), Eastern Europe, the Middle East and Africa. Limits are reviewed at least annually, in conjunction with the review of country risk ratings. Country limits are set by either our Board of Managing Directors or by our Group Credit Policy Committee, pursuant to delegated authority.

Monitoring Country Risk

We charge our Group Divisions with the responsibility of managing their country risk within the approved limits. The regional units within Credit Risk Management monitor our country risk based on information provided by our controlling function. Our Group Credit Policy Committee also reviews data on transfer risk.

Country Risk Exposure

The following tables show the development of total Emerging Markets net counterparty exposure (net of collateral), and the utilized Emerging Markets net transfer risk exposure (net of collateral) by region.

Emerging Markets Net Counterparty Exposure in € m.	Dec 31, 2004	Dec 31, 2003
Total Net Counterparty Exposure	7,085	7,296
Total Net Counterparty Exposure (excluding OTC Derivatives)	5,089	5,329

Excluding irrevocable commitments and exposures to non-Emerging Markets bank branches.

Emerging Markets Net Transfer Risk Exposure in € m.	Dec 31, 2004	Dec 31, 2003
Africa	336	361
Asia (excluding Japan)	998	1,243
Eastern Europe	598	641
Latin America	790	938
Middle East	877	1,070
Total Emerging Markets Net Transfer Risk Exposure	3,599	4,253

Excluding irrevocable commitments and exposures to non-Emerging Markets bank branches.

At December 31, 2004, our net transfer risk exposure to Emerging Markets (excluding irrevocable commitments and exposures to non-Emerging Markets bank branches) amounted to € 3.6 billion, reduced by 15% or € 654 million from December 31, 2003.

Problem Loans

Our problem loans are comprised of nonaccrual loans, loans 90 days or more past due and still accruing and troubled debt restructurings. All loans where known information about possible credit problems of borrowers causes management to have serious doubts as to the ability of such borrowers to comply with the present loan repayment terms are included in our problem loans.

Additionally, as of December 31, 2004, the Group had € 83 million of loans held for sale that were non-performing. These amounts are not included in our total problem loans.

The following table presents the components of our 2004 and 2003 problem loans:

in € m.	Dec 31, 2004			Dec 31, 2003		
	Impaired loans ¹	Non-performing homogeneous loans	Total	Impaired loans ¹	Non-performing homogeneous loans	Total
Nonaccrual loans	3,401	1,098	4,499	4,980	1,062	6,042
Loans 90 days or more past due and still accruing	26	221	247	74	306	380
Troubled debt restructurings	89	–	89	201	–	201
Total problem loans	3,516	1,319	4,835	5,255	1,368	6,623

¹ Loans for which we determine that it is probable that we will be unable to collect all principal and interest due according to the contractual terms of the loan agreements.

The € 1.8 billion decrease in our total problem loans in 2004 is due to € 1.4 billion of gross charge-offs, a € 0.1 billion reduction as a result of exchange rate movements and a € 0.3 billion net reduction of problem loans. Included in the € 1.3 billion nonperforming smaller-balance standardized homogeneous loans, as of December 31, 2004, are € 1.2 billion of loans that are 90 days or more past due as well as € 0.1 billion of loans that are less than 90 days past due but in the judgment of management the accrual of interest should be ceased.

Our commitments to lend additional funds to debtors with problem loans amounted to € 201 million as of December 31, 2004, of which € 15 million had been committed to debtors whose loan terms have been modified in a troubled debt restructuring.

The following table illustrates our total problem loans split between German and non-German counterparties based on the country of domicile of our counterparty for the last two years.

in € m.	Dec 31, 2004	Dec 31, 2003
Nonaccrual loans:		
German	3,146	3,448
Non-German	1,353	2,594
Total nonaccrual loans	4,499	6,042
Loans 90 days or more past due and still accruing:		
German	236	335
Non-German	11	45
Total loans 90 days or more past due and still accruing	247	380
Troubled debt restructurings:		
German	71	20
Non-German	18	181
Total troubled debt restructurings	89	201

Nonaccrual Loans

We place a loan on nonaccrual status if:

- the loan has been in default as to payment of principal or interest for 90 days or more and the loan is neither well secured nor in the process of collection, or
- the accrual of interest should be ceased according to management's judgment as to collectibility of contractual cash flows.

When a loan is placed on nonaccrual status, any accrued but unpaid interest previously recorded is reversed against current period interest revenue. Cash receipts of interest on nonaccrual loans are recorded as either interest revenue or a reduction of principal according to management's judgment as to collectibility of principal.

As of December 31, 2004, our nonaccrual loans totaled € 4.5 billion, a net decrease of € 1.5 billion, or 26%, from 2003. The net decrease in nonaccrual loans was mainly driven by charge-offs and net exposure reductions.

As of December 31, 2003, our nonaccrual loans totaled € 6.0 billion, a net decrease of € 4.1 billion, or 40%, from 2002. The net decrease in nonaccrual loans was due to charge-offs, deconsolidations, exchange rate movements, refinements in processes and procedures, net exposure reductions and improved credit quality.

Loans Ninety Days or More Past Due and Still Accruing

These are loans in which contractual interest or principal payments are 90 days or more past due but on which we continue to accrue interest. These loans are well secured and in the process of collection.

In 2004, our 90 days or more past due and still accruing interest loans decreased by € 133 million, or 35% to € 247 million. This decrease was mainly due to the placing of loans on nonaccrual status and charge-offs.

In 2003, our 90 days or more past due and still accruing interest loans totaled € 380 million, a net decrease of € 129 million, or 25% to 2002. This decrease was mainly due to the placing of loans on nonaccrual status.

Troubled Debt Restructurings

Troubled debt restructurings are loans that we have restructured due to a deterioration in the borrower's financial position comprising concessions that we would not otherwise consider.

If a borrower performs satisfactorily for one year under a restructured loan, we no longer consider that borrower's loan to be a troubled debt restructuring, unless at the time of restructuring the new interest rate was lower than the market rate for similar credit risks.

In 2004, the volume of troubled debt restructurings decreased by € 112 million or 56% to € 89 million as of December 31, 2004. This decrease is mainly due to the placing of loans on nonaccrual status and a debt for securities swap.

In 2003, our troubled debt restructurings remained materially unchanged compared with December 31, 2002.

Credit Loss Experience and Allowance for Loan Losses

We establish an allowance for loan losses that represents our estimate of probable losses in our loan portfolio. The responsibility for determining our allowance for loan losses rests with Credit Risk Management. The components of this allowance are:

Specific Loss Component

The specific loss component relates to all loans deemed to be impaired, following an assessment of the counterparty's ability to repay. A loan is considered to be impaired when we determine that it is probable that we will be unable to collect all interest and principal due in accordance with the terms of the loan agreement. We determine the amount, if any, of the specific provision we should make, taking into account the present value of expected future cash flows, the fair value of the underlying collateral or the market price of the loan.

We regularly re-evaluate all credit exposures that have already been specifically provided for, as well as all credit exposures that appear on our watchlists.

Inherent Loss Component

The inherent loss component relates principally to all other loans we do not consider impaired but which we believe to have incurred some inherent loss on a portfolio basis and is comprised of:

Country Risk Allowance. We establish a country risk allowance for loan exposures in countries where according to management's judgment a "transfer risk event" is probable. We determine the percentage rates for our country risk allowance on the basis of historical loss experience and current market data, such as economic, political and other relevant factors affecting a country's financial condition. In making our decision we focus primarily on the transfer risk ratings that we assign to a country and the amount and type of collateral.

Smaller-Balance Standardized Homogeneous Loan Loss Allowance. Our smaller-balance standardized homogeneous portfolio includes smaller-balance personal loans, residential and nonresidential mortgage loans, overdrafts, loans to self-employed and small business customers of our private and retail business. These loans are evaluated for inherent loss on a collective basis, based on analyses of historical loss experience from each product type according to criteria such as past due status and collateral recovery values. The resulting allowance encompasses the loss inherent both in performing loans, as well as in nonperforming loans within the smaller-balance standardized homogeneous loan portfolio.

Other Inherent Loss Allowance. The other inherent loss allowance represents our estimate of losses inherent in our loan book that have not yet been individually identified, and reflects the imprecisions and uncertainties in estimating our loan loss allowances. This estimate of inherent losses excludes those exposures we have already considered when establishing our allowance for smaller-balance standardized homogeneous loans. It incorporates the expected loss results, which we generate as part of our economic capital calculations, outlined above.

Charge-off Policy

We take charge-offs based on Credit Risk Management's assessment when we determine that the loans are uncollectible. We generally charge off a loan when all economically sensible means of recovery have been exhausted. Our determination considers information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation, or that the proceeds from collateral will not be sufficient to pay the loan. For our smaller-balance standardized homogeneous loans we generally take charge-offs when a product specific past due status has been reached.

Allowance for Loan Losses

The following table illustrates the components of our allowance for loan losses by industry of the borrower, and the percentage of our total loan portfolio accounted for by those industry classifications, on the dates specified. The breakdown between German and non-German borrowers is based on the country of domicile of our borrowers.

in € m. (except percentages)	Dec 31, 2004		Dec 31, 2003	
German:				
Specific loan loss allowance:				
Banks and insurance	–	1%	38	3%
Manufacturing	271	5%	338	6%
Households (excluding mortgages)	55	11%	68	10%
Households – mortgages	17	19%	17	17%
Public sector	–	1%	–	1%
Wholesale and retail trade	161	3%	154	3%
Commercial real estate activities	345	8%	350	8%
Other	278	9%	378	9%
Specific German total	1,127		1,343	
Inherent loss allowance	417		472	
German total	1,544	57%	1,815	57%
Non-German:				
Specific loan loss allowance	527		1,128	
Inherent loss allowance	273		338	
Non-German total	800	43%	1,466	43%
Total allowance for loan losses	2,345	100%	3,281	100%
Total specific allowance	1,654		2,471	
Total inherent loss allowance	691		810	
Total allowance for loan losses	2,345		3,281	

Movements in the Allowance for Loan Losses

We record increases to our allowance for loan losses as an expense on our Consolidated Statement of Income. If we determine that we no longer require allowances we have previously established, we decrease our allowance and record the amount as a reduction of the provision on our Consolidated Statement of Income. Charge-offs reduce our allowance while recoveries increase the allowance without affecting the Consolidated Statement of Income.

The following table sets forth a breakdown of the movements in our allowance for loan losses for the periods specified.

in € m. (except percentages)	2004	2003
Allowance at beginning of year	3,281	4,317
Charge-offs		
German:		
Banks and insurance	3	3
Manufacturing	80	57
Households (excluding mortgages)	185	169
Households – mortgages	39	30
Public sector	–	–
Wholesale and retail trade	78	41
Commercial real estate activities	106	59
Lease financing	–	–
Other	231	217
German total	722	576
Non-German:		
Excluding lease financing	672	1,318
Lease financing only	–	–
Non-German total	672	1,318
Total charge-offs	1,394	1,894
Recoveries		
German:		
Banks and insurance	1	–
Manufacturing	12	7
Households (excluding mortgages)	37	48
Households – mortgages	–	–
Public sector	–	–
Wholesale and retail trade	12	6
Commercial real estate activities	3	2
Lease financing	–	–
Other	37	36
German total	102	99
Non-German:		
Excluding lease financing	50	67
Lease financing only	–	1
Non-German total	50	68
Total recoveries	152	167
Net charge-offs	1,242	1,727
Provision for loan losses	372	1,113
Other changes (currency translation and allowance related to acquisitions/divestitures)	(66)	(422)
Allowance at end of year	2,345	3,281
Percentage of total net charge-offs to average loans for the year	0.86%	1.04%

Our allowance for loan losses as of December 31, 2004 was € 2.3 billion, 29% lower than the € 3.3 billion at the end of 2003. The decrease in our allowance balance was principally due to charge-offs exceeding our net provisions.

Our gross charge-offs amounted to € 1.4 billion in 2004, a decrease of € 500 million, or 26%, from 2003 charge-offs. Of the charge-offs for 2004, € 945 million were related to our corporate credit exposure, mainly driven by our American and German portfolios, and € 449 million were related to our consumer credit exposure.

Our provision for loan losses in 2004 was € 372 million, a decrease of € 741 million or 67% from the prior year, reflecting the improved credit environment witnessed throughout the year, supported by some significant releases, and a continuation of our strict credit discipline. This amount was composed of both net specific and inherent loan loss provisions. In 2004, 73% of our provision related to our smaller-balance standardized homogeneous loan portfolio.

Our specific loan loss allowance was € 1.7 billion as of December 31, 2004, a decrease of € 817 million, or a 33% reduction from 2003. The change in our allowance includes a net specific loan loss provision of € 134 million, which includes a € 18 million net release for non-German clients. The provision was 85% lower than the previous year and was more than offset by net charge-offs of € 889 million. Notably, the specific loan loss allowance is the largest component of our total allowance for loan losses.

Our inherent loan loss allowance totaled € 691 million as of December 31, 2004, a decrease of € 119 million, or 15%, from the level at the end of 2003. A major driver of the net reduction was € 353 million net charge-offs in our smaller-balance standardized homogeneous loan portfolio, offset by € 270 million net provision. Furthermore, in 2004 we recorded a net reduction of € 35 million in our other inherent loss allowance.

Our allowance for loan losses as of December 31, 2003 was € 3.3 billion, 24% lower than the € 4.3 billion at the end of 2002. The decrease in our allowance balance was principally due to charge-offs exceeding our net provisions. This is as a result of exposures being provided largely in 2002 and subsequently written-off in 2003, predominantly in the telecommunications industry. Also, € 422 million of the overall reduction in our allowance for loan losses can be attributed both to exchange rate movements and to deconsolidations.

Our gross charge-offs amounted to € 1.9 billion in 2003, a decrease of € 834 million, or 31%, from 2002 charge-offs. Of the charge-offs for 2003, € 1.3 billion were related to our corporate credit exposure, mainly driven by our American and German portfolios, and € 579 million were related to our consumer credit exposure.

Our provision for loan losses in 2003 was € 1.1 billion, a decrease of 47% from the prior year, reflecting the overall improved credit quality of our corporate loan book as evidenced by the increase in the portion of our loans carrying an investment-grade rating. This amount was composed of both net specific and inherent loan loss provisions. The provision for the year was primarily due to specific loan loss provisions required against a wide range of industry sectors, the two largest being Utilities and Manufacturing and Engineering.

Our specific loan loss allowance was € 2.5 billion as of December 31, 2003, a decrease of € 673 million, or a 21% reduction from 2002. The change in our allowance includes a net specific loan loss provision of € 918 million, 70% of which related to non-German clients. The provision was 53% lower than the previous year and was more than offset by net charge-offs of € 1.2 billion. Notably, the specific loan loss allowance is the largest component of our total allowance for loan losses. Consequently, the net reduction in our specific loan loss allowance for 2003 is also driven by charge-offs exceeding our net provisions. This is a result of exposures being provided largely in 2002 and subsequently written-off in 2003, predominantly in the telecommunications industry. The overall reduction in our specific loan loss allowance can also be attributed to exchange rate movements and to deconsolidations.

Our inherent loan loss allowance totaled € 810 million as of December 31, 2003, a decrease of € 363 million, or 31%, from the level at the end of 2002. A major driver of the net reduction was € 506 million net charge-offs in our smaller-balance standardized homogeneous loan portfolio, which included € 240 million due to refinements of processes and procedures. The change also reflected a net provision for smaller-balance standardized homogeneous loans of € 308 million. Furthermore, in 2003 we recorded a net reduction of € 158 million in our other inherent loss allowance due to the ongoing reduction of our corporate loan exposure, including loan sales and deconsolidations, as well as the overall improved credit quality of our corporate loan book and effects from currency translations.

Non-German Component of the Allowance for Loan Losses

The following table presents an analysis of the changes in the non-German component of the allowance for loan losses. As of December 31, 2004, 34% of our total allowance was attributable to international clients.

in € m.	2004	2003
Allowance at beginning of year	1,466	2,446
Charge-offs	672	1,318
Recoveries	50	68
Net charge-offs	622	1,250
Provision for loan losses	25	590
Other changes (currency translation and allowance related to acquisitions/divestitures)	(69)	(320)
Allowance at end of year	800	1,466

Allowance for off-balance sheet positions

The following table presents an analysis of the changes in our allowance for off-balance sheet positions.

in € m.	2004	2003
Allowance at beginning of year	416	485
Provision for credit losses	(65)	(50)
Other changes (currency translation and allowance related to acquisitions/divestitures)	(6)	(19)
Allowance at end of year	345	416

Settlement Risk

Our trading activities may give rise to risk at the time of settlement of those trades. Settlement risk is the risk of loss due to the failure of a counterparty to honor its obligations to deliver cash, securities or other assets as contractually agreed.

For many types of transactions, we mitigate settlement risk by closing the transaction through a clearing agent, which effectively acts as a stakeholder for both parties, only settling the trade once both parties have fulfilled their sides of the bargain.

Where no such settlement system exists, as is commonly the case with foreign exchange trades, the simultaneous commencement of the payment and the delivery parts of the transaction is common practice between trading partners (free settlement). In these cases, we may seek to mitigate our settlement risk through the execution of bilateral payment netting agreements. We are also an active participant in industry initiatives to reduce settlement risks. Acceptance of settlement risk on free settlement trades requires approval from our credit risk personnel, either in the form of pre-approved settlement risk limits, or through transaction-specific approvals. We do not aggregate settlement risk limits with other credit exposures for credit approval purposes, but we take the aggregate exposure into account when we consider whether a given settlement risk would be acceptable.

Market Risk

Substantially all of our businesses are subject to the risk that market prices and rates will move and result in profits or losses for us. We distinguish among four types of market risk:

- Interest rate risk;
- Equity price risk;
- Foreign exchange risk; and
- Commodity price risk.

The interest rate and equity price risks consist of two components each. The general risk describes value changes due to general market movements, while the specific risk has issuer-related causes.

Market Risk Management Framework

We assume market risk in both our trading and our nontrading activities. We assume risk by making markets and taking positions in debt, equity, foreign exchange, other securities and commodities as well as in equivalent derivatives.

We use a combination of risk sensitivities, value-at-risk, stress testing and economic capital metrics to manage market risks and establish limits. Economic capital is the metric we use to describe and aggregate all our market risks, both in trading and nontrading portfolios. Value-at-risk is a common metric we use in the management of our trading market risks.

Our Board of Managing Directors and Group Risk Committee, supported by Group Market Risk Management, which is part of our independent risk management function, set a Group-wide value-at-risk limit for the market risks in the trading book. Group Market Risk Management sub-allocates this overall limit to our Group Divisions. Below that, limits are allocated to specific business lines and trading portfolio groups and geographical regions.

Our value-at-risk disclosure for the trading businesses is based on our own internal value-at-risk model. In October 1998, the German Banking Supervisory Authority (now the BaFin) approved our internal value-at-risk model for calculating market risk capital for our general and specific market risk. It confirmed its approval in 2000 and the approval was renewed in 2002.

Our value-at-risk disclosure is intended to ensure consistency of market risk reporting for internal risk management, for external disclosure and for regulatory purposes. The overall value-at-risk limit for our Corporate and Investment Bank Group Division was € 80 million in the time period from January 1 to March 9, 2004 and € 90 million from March 10 to December 31, 2004 (with a 99% confidence level, as we describe below, and a one-day holding period). For the respective periods the value-at-risk limit for our consolidated Group trading positions was € 82 million and € 92 million. Four temporary excesses to the Group limit were approved by our Board of Managing Directors in 2004.

Specifics of Market Risk Reporting under German Banking Regulations

German banking regulations stipulate specific rules for market risk reporting, which concern in particular the consolidation of entities, the calculation of the overall market risk position, as well as the determination of which assets are trading assets and which are nontrading assets:

Consolidation. For German regulatory purposes we do not consolidate entities other than credit institutions, financial services institutions, financial enterprises or bank service enterprises. However, we do consolidate a number of these companies under U.S. GAAP. These companies include our insurance companies and certain investment companies, which manage their market risks independently pursuant to their respective regulations. At year-end 2004, these companies held € 10.0 billion of nontrading assets, whilst the amount of trading assets held was not material.

Overall Market Risk Position. We do not include in our market risk disclosure the foreign exchange risk arising from currency positions that German banking regulations permit us to exclude from market risk reporting. These are currency positions which are fully deducted from, or covered by, equity capital recognized for regulatory reporting as well as shares in affiliated companies that we record in foreign currency and value at historical cost (structural currency positions). At year-end 2004, these positions had a total book value of € 12.3 billion and were denominated mainly in U.S. dollars (64%), pounds sterling (17%) and Japanese yen (8%).

Definition of Trading Assets and Nontrading Assets. We hold assets that are included in the value-at-risk of the trading units even though they are not trading assets under U.S. GAAP. These assets typically consist of tradable loans and money market loans and are assigned primarily to our Global Corporate Finance and Global Markets business divisions. At year-end 2004, € 2.1 billion of loans were classified as trading assets for regulatory reporting. Conversely, we also have positions that are classified as nontrading assets for regulatory reporting even though they are trading assets under U.S. GAAP. At year-end 2004, these positions included derivatives classified as non-qualifying hedges under U.S. GAAP with a total positive and negative market value of € 1.1 billion and € 1.5 billion, respectively.

Value-at-Risk Analysis

The value-at-risk approach derives a quantitative measure for our trading book market risks under normal market conditions, estimating the potential future loss (in terms of market value) that will not be exceeded in a defined period of time and with a defined confidence level. The value-at-risk measure enables us to apply a constant and uniform measure across all of our trading businesses and products. It also facilitates comparisons of our market risk estimates both over time and against our daily trading results.

We calculate value-at-risk for both internal and regulatory reporting using a 99% confidence level, in accordance with BIS rules. For internal reporting, we use a holding period of one day. For regulatory reporting, the holding period is ten days.

We believe that our value-at-risk model takes into account all material risk factors assuming normal market conditions. Examples of these factors are interest rates, equity prices, foreign exchange rates and commodity prices, as well as their implied volatilities. The model incorporates both linear and, especially for derivatives, nonlinear effects of the risk factors on the portfolio value. The statistical parameters required for the value-at-risk calculation are based on a 261 trading day history (corresponding to at least one calendar year of trading days) with equal weighting being given to each observation. We generally calculate value-at-risk using the Monte Carlo simulation technique and assuming that changes in risk factors follow a normal or logarithmic normal distribution. However, we still utilize a variance-covariance approach to calculate specific interest rate risk for some portfolios, such as in our integrated credit trading and securitization businesses.

To determine our aggregated value-at-risk, we use historically observed correlations between the different general market risk classes. However, when aggregating general and specific market risks, we assume that there is zero correlation between them.

Back-Testing

We use back-testing in our trading units to verify the predictive power of the value-at-risk calculations. In back-testing, we compare actual income as well as hypothetical daily profits and losses under the buy-and-hold assumption (in accordance with German regulatory requirements) with the estimates from our value-at-risk model.

A back-testing committee meets on a quarterly basis to discuss back-testing results of the Group as a whole and of individual businesses. The committee consists of risk managers, risk controllers and business area controllers. They analyze performance fluctuations and assess the predictive power of our value-at-risk model, which in turn allows us to improve the risk estimation process.

Stress Testing and Economic Capital

While value-at-risk, calculated on a daily basis, supplies forecasts for potential large losses under normal market conditions, we also perform stress tests in which we value our trading portfolios under extreme market scenarios not covered by the confidence interval of our value-at-risk model.

The quantification of market risk under extreme stress scenarios forms the basis of our assessment of the economic capital that we estimate is needed to cover the market risk in all of our positions. Underlying risk factors (market parameters) applicable to the different products are stressed, meaning that we assume a sudden change, according to pre-defined scenarios. We derive the stress scenarios from historic worst case scenarios adjusted for structural changes in current markets.

For example, we calculate country-specific event risk scenarios for all Emerging Markets and assess these event risk results daily. A committee reviews the country risk ratings and scenario loss limits bi-weekly.

In addition to the country-specific event risk scenarios for Emerging Markets, we also run regular market stress scenarios on the positions of every major portfolio. This is done weekly for the trading portfolios and monthly for the nontrading portfolios.

Our stress test scenarios include:

- Price and volatility risks for interest rates, equity prices, foreign exchange and commodity prices for industrialized countries. This covers both trading and nontrading securities and investments, as well as trading book derivatives portfolios and includes many basis risks.
- Emerging Markets' risks, including equity price declines, strong interest rate movements and currency devaluations.
- Credit spread risks for bonds, credit derivatives and traded loans of both industrialized and Emerging Markets countries.
- Underwriting risks in debt and equity capital markets.

We calculate economic capital by aggregating losses from those stress scenarios using correlations that reflect stressed market conditions (rather than the normal market correlations used in the value-at-risk model).

In 2004, we continued to refine and improve our stress testing processes and their parameterization. Our economic capital usage for market risk arising from the trading units totaled € 1.6 billion at year-end 2004 (and on average € 1.5 billion for all of December 2004), compared with € 1.0 billion at year-end 2003. However, a substantial part of the increase in trading market risk economic capital is related to our refined stress testing parameterization introduced in 2004. Applying the previously implemented parameters to year-end 2004 data on a pro forma basis leads to a year-on-year increase in trading market risk economic capital of € 0.2 billion instead of € 0.6 billion.

Limitations of Our Proprietary Risk Models

Although we believe that our proprietary market risk models are of a high standard, we are committed to their ongoing development and allocate substantial resources to reviewing and improving them.

Our stress testing results and economic capital estimations are necessarily limited by the number of stress tests executed and that not all downside scenarios can be predicted and simulated. While the risk managers have used their best judgment to define worst case scenarios based upon the knowledge of past extreme market moves, it is possible for our market risk positions to lose more value than even our economic capital estimates.

Our value-at-risk analyses should also be viewed in the context of the limitations of the methodology we use and are therefore not maximum amounts that we can lose on our market risk positions. The limitations of the value-at-risk methodology include the following:

- The use of historical data as a proxy for estimating future events may not capture all potential events, particularly those that are extreme in nature.
- The assumption that changes in risk factors follow a normal or logarithmic normal distribution. This may not be the case in reality and may lead to an underestimation of the probability of extreme market movements.
- The use of a holding period of one day (or ten days for regulatory value-at-risk calculations) assumes that all positions can be liquidated or hedged in that period of time. This assumption does not fully capture the market risk arising during periods of illiquidity, when liquidation or hedging in that period of time may not be possible. This is particularly the case for the use of a one-day holding period.
- The use of a 99% confidence level does not take account of, nor makes any statement about, any losses that might occur beyond this level of confidence.
- We calculate value-at-risk at the close of business on each trading day. We do not subject intra-day exposures to intra-day value-at-risk calculations.
- Value-at-risk does not capture all of the complex effects of the risk factors on the value of positions and portfolios and could, therefore, underestimate potential losses. For example, the way sensitivities are represented in our value-at-risk model may only be exact for small changes in market parameters.

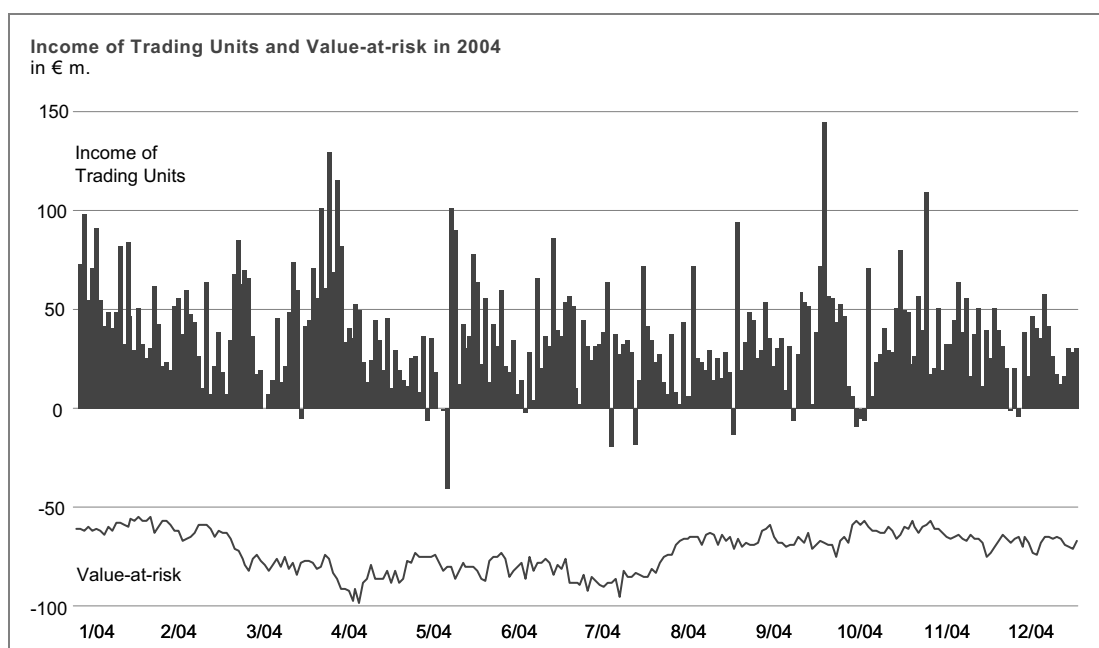
The aggregate value-at-risk estimates for our trading market risk are conservative risk estimates when measured against our back-testing procedures (as shown by the number of hypothetical buy-and-hold portfolio losses against the predicted value-at-risk). However, we acknowledge the limitations in the value-at-risk methodology by supplementing the value-at-risk limits with other position and sensitivity limit structures, as well as with stress testing, both on individual portfolios and on a consolidated basis.

Value-at-Risk of the Trading Units of Our Corporate and Investment Bank Group Division

The following table shows the value-at-risk (with a 99% confidence level and a one-day holding period) of the trading units of our Corporate and Investment Bank Group Division. Our trading market risk outside of these units is immaterial. "Diversification effect" reflects the fact that the total value-at-risk on a given day will be lower than the sum of the values-at-risk relating to the individual risk classes. Simply adding the value-at-risk figures of the individual risk classes to arrive at an aggregate value-at-risk would imply the assumption that the losses in all risk categories occur simultaneously.

Value-at-risk of Trading Units in € m.	Total		Diversification effect		Interest rate risk		Equity price risk		Foreign exchange risk		Commodity price risk	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Average	71.6	48.4	(38.4)	(33.5)	61.7	45.9	30.8	21.9	10.6	7.7	7.0	6.4
Maximum	97.9	72.1	(61.5)	(57.3)	91.1	64.1	45.1	37.0	25.9	17.5	10.8	16.7
Minimum	54.5	32.3	(28.1)	(21.9)	39.7	27.6	19.9	13.0	2.9	3.2	3.8	3.3
Year-end	66.3	60.0	(39.8)	(33.8)	41.1	52.6	42.6	27.3	17.2	6.8	5.1	7.1

The following graph shows the daily aggregate value-at-risk of our trading units in 2004, including diversification effects, and actual incomes of the trading units throughout the year.

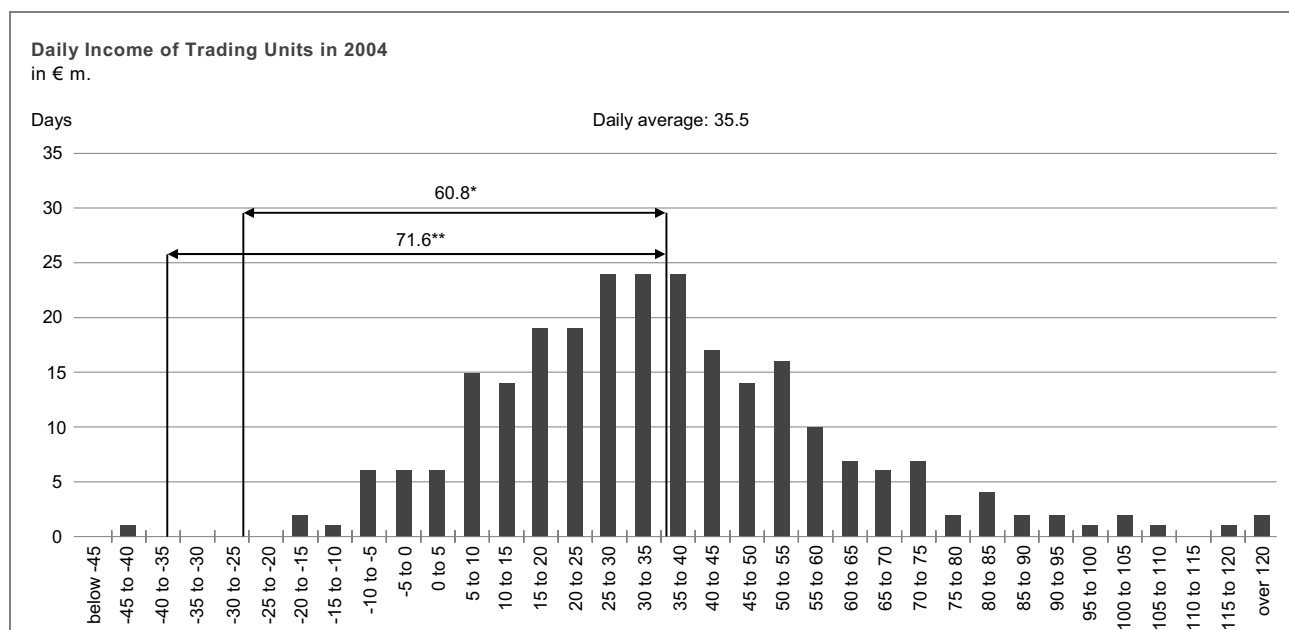


The higher value-at-risk levels in the middle of the year were mainly the result of increased position taking and smaller diversification benefits. Our value-at-risk levels at the beginning and at the end of 2004 were similar to the level at year-end 2003. In 2003 our value-at-risk increased over the year from an average of € 37.3 million in the first quarter to an average of € 62.6 million in the fourth quarter, which is higher than the average for the full year 2003.

Our trading units achieved a positive income for over 93% of the trading days in 2004 (over 96% in 2003). On no trading day in either year did they incur an actual loss that exceeded the value-at-risk estimate for that day.

Also, there was no hypothetical buy-and-hold loss that exceeded our value-at-risk estimate for the trading units as a whole in 2004 and 2003. This is below the expected two to three outliers a year that a 99% confidence level value-at-risk model ought to predict, showing that our risk estimates are conservative.

The following histogram shows the distribution of actual daily income of our trading units in 2004. The histogram indicates the number of trading days on which we reached each level of trading income shown on the horizontal axis in millions of euro.



* 99th percentile of actual daily income distribution.

** Average value-at-risk (confidence level 99%; one-day holding period).

In addition to our back-testing, the comparison of the distribution of actual daily income with the average value-at-risk also enables us to ascertain the reasonableness of our value-at-risk estimate. The histogram shows that the distribution of our trading units' actual daily income produces a 99th percentile of only € 60.8 million below the average daily income level of € 35.5 million, which is less than the average value-at-risk estimate of € 71.6 million.

Market Risk in Our Nontrading Portfolios

The market risk in our nontrading portfolios constitutes the largest portion of the market risk of our consolidated Group.

Assessment of Market Risk in Our Nontrading Portfolios

We assess the market risk in our nontrading portfolios through the use of stress testing procedures that are particular to each risk class and which consider, among other factors, large historically observed market moves as well as the liquidity of each asset class. This assessment forms the basis of our economic capital estimates which enable us to actively monitor and manage the nontrading market risk positions using a methodology which is consistent with that used for the trading market risk positions. As an example, for our industrial holdings we apply individual price shocks between 24% and 37%, which are based on historically observed market moves. In addition, we consider value reductions between 10% and 15% to reflect liquidity constraints. For private equity exposures, all our positions are stressed using our standard credit risk economic capital model as well as market price shocks up to 100%, depending on the individual asset. See also section "Risk Management Tools – Economic Capital" and "Market Risk – Stress Testing and Economic Capital."

We do not use value-at-risk as the primary metric to assess the market risk in our nontrading portfolios because of the nature of these positions as well as the lack of transparency of some of the pricing.

Nontrading Market Risk by Risk Class

The biggest market risk in our nontrading portfolios is equity price risk which is further discussed below. The vast majority of the interest rate and foreign exchange risks arising from our nontrading asset and liability positions has been transferred through internal hedges to our Global Finance business line within our Corporate and Investment Bank Group Division and is thus managed on the basis of value-at-risk as reflected in our trading value-at-risk numbers.

Nontrading Market Risk by Group Division

There is nontrading market risk held and managed in each of our Group Divisions. The nontrading market risk in our Corporate Investments Group Division remains by far the biggest in the Group and is mainly incurred through industrial holdings, other corporate investments and private equity investments. Our Private Clients and Asset Management Group Division primarily assumes nontrading market risk through its proprietary investments in real estate, mutual funds and hedge funds, which support the client asset management businesses. In our Corporate and Investment Bank Group Division, which has the smallest amount of nontrading market risk, the most significant part arises from a few strategic investments.

Carrying Value and Economic Capital Usage for Our Nontrading Portfolios

The below table shows the carrying values and economic capital usages separately for our major industrial holdings, other corporate investments (which include EUROHYPO AG and Atradius N.V.) and alternative assets. Our economic capital usage for these nontrading asset portfolios totaled € 3.9 billion at year-end 2004, which is € 1.0 billion or 21% below our economic capital usage at year-end 2003. This decrease reflects the continued reduction of our alternative assets portfolios and our industrial holdings, mainly driven by sales of private equity primary funds, venture portfolio assets and real estate investments as well as by the reduction of our capital share in DaimlerChrysler AG. In our total economic capital figures no diversification benefits between the different asset categories (e.g., between industrial holdings, private equity, real estate, etc.) are taken into account.

Nontrading Portfolios in € bn.	Carrying Value		Economic Capital Usage	
	Dec 31, 2004	Dec 31, 2003	Dec 31, 2004	Dec 31, 2003 ¹
Major Industrial Holdings	5.5	6.4	1.2	1.3
Other Corporate Investments	5.2	5.4	1.8	1.8
Alternative Assets	2.6	4.3	0.9	1.8
Private Equity	1.1	2.0	0.6	1.3
Real Estate	1.3	2.0	0.2	0.4
Hedge Funds	0.2	0.3	0.1	0.1
Total	13.3	16.1	3.9	4.9

¹ To ensure consistency with the 2004 asset categorization, € 0.2 billion economic capital for certain alternative assets has been reassigned to other corporate investments.

We define alternative assets as direct investments in private equity (including venture capital, mezzanine debt and leveraged buy-out funds), real estate principal investments (including mezzanine debt), and hedge funds. Our alternative assets portfolio continues to be dominated by real estate and private equity investments and is well diversified. Approximately half of our private equity investments were held in funds managed by external managers.

We carry private equity, venture capital and real estate investments on our balance sheet at their costs of acquisition (less write-downs, if applicable) or fair value. In certain circumstances, depending on our ownership percentage or management rights, we apply the equity method of accounting to our investments. In some situations, we consolidate investments made by the private equity business. We account for our investments in leveraged buy-out funds using the equity method and carry hedge fund investments at current market value.

Management of Our Nontrading Portfolios

To ensure a coordinated investment strategy, a consistent risk management process and appropriate portfolio diversification, our Group Corporate Investments/Alternative Assets Governance Committee supervises all of our nontrading asset portfolios. Our Global Head of Group Market Risk Management is also the Chief Risk Officer for Corporate Investments and alternative assets and is a member of the committee. The committee defines investment strategies, determines risk-adjusted return requirements, sets limits and allocates economic capital among the alternative assets classes. It approves policies, procedures and methodologies for managing alternative assets risk and receives monthly portfolio reports showing performance, estimated market values, economic capital estimates and risk profiles of the portfolios. The committee also oversees the portfolio of industrial holdings and other corporate investments held in our Corporate Investments Group Division.

The following table shows the total shares of capital and market values of our major industrial holdings which were directly and/or indirectly attributable to us at year-end 2004 and 2003. Our Corporate Investments Group Division, which is responsible for administering and restructuring our industrial holdings portfolio, currently plans to continue selling most of its publicly listed holdings over the next few years, subject to the legal environment and market conditions.

Major industrial holdings		Share of capital (in %)		Market value (in € m.)	
Name	Country of domicile	Dec 31, 2004	Dec 31, 2003	Dec 31, 2004	Dec 31, 2003
DaimlerChrysler AG	Germany	10.4	11.8	3,706	4,445
Allianz AG	Germany	2.5	2.5	935	965
Linde AG	Germany	10.0	10.0	544	509
Südzucker AG	Germany	4.8	4.8	128	126
Fiat S.p.A.	Italy	1.0	1.0	59	61
DEUTZ AG	Germany	4.5	10.5	12	31
Other	N/M	N/M	N/M	106	242
Total				5,490	6,379

N/M – Not meaningful

Liquidity Risk

Liquidity Risk Management safeguards the ability of the bank to meet all payment obligations when they come due. Our liquidity risk management framework has been instrumental in maintaining adequate liquidity and a healthy funding profile during the year 2004.

Liquidity Risk Management Framework

Group Treasury is responsible for the management of liquidity risk. Our liquidity risk management framework is designed to identify, measure and manage the liquidity risk position. The underlying policies are reviewed on a regular basis by the Group Asset and Liability Committee and finally approved by the Board Member responsible for Group Treasury. The policies define the methodology which is applied to the Group, its branches and its subsidiaries.

Our liquidity risk management approach starts at the intraday level (operational liquidity) managing the daily payment queue, forecasting cash flows and our access to Central Banks. It then covers tactical liquidity risk management dealing with the access to unsecured funding sources and the liquidity characteristics of our asset inventory (Asset Liquidity). Finally, the strategic perspective comprises the maturity profile of all assets and liabilities (Funding Matrix) on our balance sheet and our Issuance Strategy.

We have developed a cash flow based reporting tool (Lima System) which provides daily liquidity risk information to global and regional management.

Our liquidity position is subject to stress testing and scenario analysis to evaluate the impact of sudden stress events. The scenarios are either based on historic events, case studies of liquidity crises or models using hypothetical events.

Short-term Liquidity

Our reporting tool tracks cash flows on a daily basis over an eighteen months horizon. This scheme allows management to assess our short-term liquidity position in any location, region and globally on a by-currency, by-product, and by-division basis. The system captures all of our cash flows from transactions on our balance sheet, as well as liquidity risks resulting from off-balance sheet transactions. We model products that have no specific contractual maturities using statistical methods to capture the actual behavior of their cash flows. Liquidity outflow limits (MCO Limits), which have been set to limit cumulative global and regional net cash outflows, are monitored on a daily basis and ensure our access to liquidity.

Unsecured Funding

Unsecured funding is a finite resource. Total unsecured funding represents the amount of external liabilities, which we take from the market irrespective of instrument, currency or tenor. Unsecured funding is measured on a regional basis by currency and aggregated to a global utilization report. The Group Asset and Liability Committee has set limits by business divisions to protect our access to unsecured funding at attractive levels.

Asset Liquidity

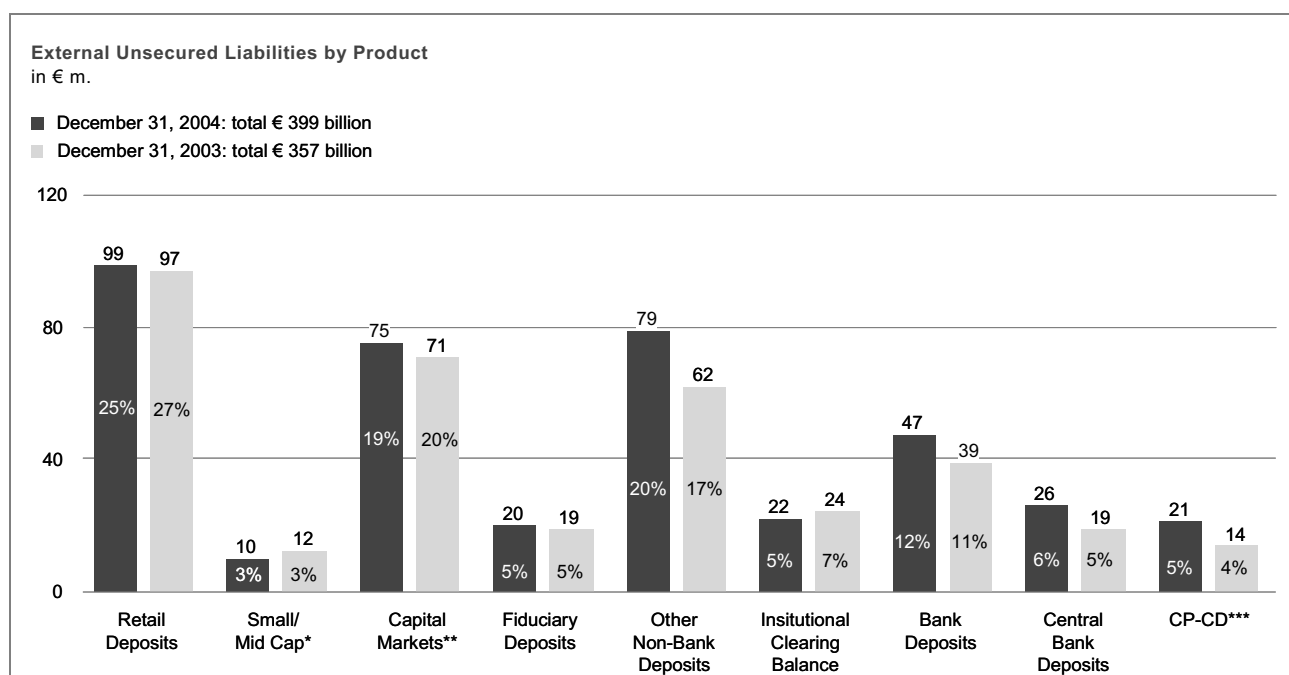
The Asset Liquidity component tracks the volume and booking location within our consolidated inventory of unencumbered, liquid assets which we can use to raise funds either in the repurchase agreement markets or by selling the assets. Securities inventories include a wide variety of different securities. In a first step, we segregate illiquid and liquid securities in each inventory. Subsequently we assign liquidity values to different classes of liquid securities.

The liquidity of these assets is an important element in protecting us against short-term liquidity squeezes. In addition, we maintained a € 27.2 billion portfolio of highly liquid securities in major currencies around the world to supply collateral for cash needs associated with clearing activities in euro, U.S. dollar and other major currencies.

Funding Diversification

Diversification of our funding profile in terms of investor types, regions, products and instruments is an important element of our liquidity risk management framework. Our core funding resources, such as retail, small/mid-cap and fiduciary deposits as well as long-term capital markets funding, form the cornerstone of our liability profile. Customer deposits, funds from institutional investors and interbank funding are additional sources of funding. We use interbank deposits primarily to fund liquid assets.

The following chart shows the composition of our external unsecured liabilities as of December 31, 2004 and December 31, 2003 both in euro billion and as a percentage of our total unsecured liabilities.



* Small/Mid Cap: refers to deposits by small and medium-sized German corporates.

** Capital Markets: harmonization of the definition of Capital Markets issuances resulted in the exclusion of issuances under our X-markets product label.

*** CP-CD: Commercial Paper/Certificates of Deposit.

Funding Matrix

We have mapped all funding relevant assets and liabilities into time buckets corresponding to their maturities to compile a maturity profile (Funding Matrix). Given that trading assets are typically more liquid than their contractual maturities suggest, we have divided them into liquid assets (assigned to the time bucket one year and under) and illiquid assets (assigned in equal installments to time buckets two to five years). We have taken assets and liabilities from the retail bank that show a behavior of being renewed or prolonged regardless of capital market conditions (mortgage loans and retail deposits) and assigned them to time buckets reflecting the expected prolongation. Wholesale banking products are included with their contractual maturities.

The Funding Matrix identifies the excess or shortfall of assets over liabilities in each time bucket and thus allows us to identify and manage open liquidity exposures. We have also developed a tool, which enables us to predict whether any excess or shortfall will grow or decline over time. The Funding Matrix is a key input parameter for our annual capital market issuance plan, which upon approval of the Group Asset and Liability Committee establishes issuing targets for securities by tenor, volume and instrument.

The Funding Matrix indicates that at year-end 2004 we were structurally long funded.

Stress Testing and Scenario Analysis

We employ stress testing and scenario analysis to evaluate the impact of sudden stress events on our liquidity position. The scenarios are either based on historic events (such as the stock market crash of 1987, the U.S. liquidity crunch of 1990 and the terrorist attacks of September 11, 2001) or modeled using hypothetical events. The latter include internal scenarios such as operational risk events, merger or acquisition, a rating downgrade of the bank by 1 and 3 notches respectively as well as external scenarios such as a market risk event, Emerging Markets crises, systemic shock and prolonged global recession. Under each of these scenarios we assume that all maturing loans to customers will need to be rolled over and require funding whereas rollover of liabilities will be partially impaired resulting in a

funding gap. We then model the steps we would take to counterbalance the resulting net shortfall in funding needs. Action steps would include selling assets, switching from unsecured to secured funding and adjusting the price we would pay for liabilities (gap closure).

This analysis is fully integrated within the existing liquidity risk management framework. We track contractual cash flows per currency and product over an eight-week horizon (the most critical time span in a liquidity crisis) and apply the relevant stress case to each product. Asset Liquidity complements the analysis.

Our stress testing analysis provides guidance as to our ability to generate sufficient liquidity under critical conditions and is a valuable input parameter when defining our target liquidity risk position. The analysis is performed monthly. The following report is illustrative for our stress testing results as of December 31, 2004. For each scenario, the table shows what our maximum funding gap would be over an eight-week horizon after occurrence of the triggering event. We analyze whether the risk to our liquidity would be immediate and whether it would improve or worsen over time. We determine how much liquidity we believe we would have been able to generate at the time to close the gap.

Scenario	Funding gap ¹ (in € bn.)	Liquidity impact	Gap closure ² (in € bn.)
Market risk	9.1	Gradually increasing	96.0
Emerging markets	13.5	Gradually increasing	98.8
Prolonged global recession	19.2	Gradually increasing	101.6
Systemic shock	13.8	Immediate, duration 2 weeks	101.5
DB downgrade to A1/P1 (short term) and A1/A+ (long term)	11.2	Gradually increasing	96.0
Operational risk	10.2	Immediate, duration 2 weeks	96.0
Merger & Acquisition	35.8	Gradually increasing, pay-out in week 6	96.0
DB downgrade to A2/P2 (short term) and A3/A- (long term)	52.3	Gradually increasing	103.1

¹ Funding gap after assumed partially impaired rollover of liabilities.

² Maximum liquidity generation based on counterbalancing and asset liquidity opportunities.

With the increasing importance of liquidity management in the financial industry, we consider it important to contribute to financial stability by regularly addressing central banks, supervisors, rating agencies, and market participants on liquidity risk-related topics. We participate in a number of working groups regarding liquidity and participate in efforts to create industry-wide standards that are appropriate to evaluate and manage liquidity risk at financial institutions.

In addition to our internal liquidity management systems, the liquidity exposure of German banks is regulated by the German Banking Act and regulations issued by the BaFin. We are in compliance with all applicable liquidity regulations.

Operational Risk

The Basel Committee on Banking Supervision in 2004 published the final version of the new capital adequacy framework which is broadly known as "Basel II" and the EU Commission published the draft of its equivalent Capital Adequacy Directive which is currently going through EU parliamentary procedures. Discussions between the banking industry and the regulators are continuing with regard to specific issues as well as interpretation of both the new accord and directive. On the basis of this regulatory discussion we define operational risk as the potential for incurring losses in relation to employees, project management, contractual specifications and documentation, technology, infrastructure failure and disasters, external influences and customer relationships. This definition includes legal and regulatory risk, but excludes business risk.

Organizational Set-up

Operational Risk Management is an independent risk management function within Deutsche Bank. The Chief Risk Officer for Credit and Operational Risk with Group-wide responsibility reports directly to the Group Chief Risk Officer. The Global Head of Operational Risk Management reports to the Chief Risk Officer for Credit and Operational Risk and both are represented on the Group Risk Committee. The Operational Risk Management Committee is a permanent sub-committee of the Group Risk Committee and is composed of the Operational Risk Management team. It is our main decision making committee for all operational risk management matters and approves group standards for identification, assessment, reporting and monitoring of operational risk.

Operational Risk Management is responsible for defining the operational risk framework and related policies while the responsibility for implementing the framework as well as the day-to-day operational risk management lies with our Business Divisions. Based on this business partnership model we ensure a close monitoring and high awareness for operational risk. Operational Risk Management is structured into regional and functional teams: the regional teams ensure consistent implementation of the overall operational risk management framework and pro-active management of operational risks and the functional teams focus on the development and implementation of the operational risk management toolset and reporting, monitoring regulatory requirements, value-added analysis and the setting of loss thresholds.

Managing Our Operational Risk

It is our objective to pro-actively manage operational risks on a Group-wide basis. For this reason we have implemented a Group-wide consistent operational risk framework that enables us to determine our operational risk profile and to define risk mitigating measures and priorities.

In order to efficiently manage the operational risk we have developed and implemented four different infrastructure elements:

- We perform bottom-up operational risk “self-assessments” using the db-SAT tool. This results in a specific operational risk profile for the business lines clearly highlighting the areas with high risk potential.
- We collect losses arising from operational risk events in our db-Incident Reporting System database.
- We capture and monitor qualitative operational risk indicators in our tool db-Score returning early warning signals.
- We capture action points resulting from risk assessments or db-Score in db-Track. Within db-Track we will monitor the progress of the operational risk action points on an ongoing basis.

The calculation of economic capital for operational risk for December 31, 2004 is based on a statistical model using internal and external loss data with certain top-down adjustments. In 2005, we plan to further develop our economic capital calculation for operational risk and implement a process compatible with the advanced measurement approach under “Basel II”.

Based on the organizational set-up, the systems in place to identify and manage the operational risk and the support of control functions responsible for specific operational risk types (e.g. Compliance, Business Continuity Management) we seek to optimize operational risk. Future operational risks – identified through forward looking analysis – are managed via mitigation strategies such as the development of back-up systems and emergency plans. Where appropriate, we purchase insurance against operational risks.

Overall Risk Position

The table below shows the overall risk position of the Group at year-end 2004 and 2003 as measured by the economic capital calculated for credit, market, business and operational risk; it does not include liquidity risk.

Economic capital usage in € m.	Dec 31, 2004	Dec 31, 2003
Credit risk	5,971	7,363
Market risk	5,476	5,912
Trading market risk	1,581	972
Nontrading market risk	3,895	4,940
Diversification benefit across credit and market risk	(870)	(1,152)
Sub-total credit and market risk	10,577	12,123
Business risk	381	1,117
Operational risk	2,243	2,282
Total economic capital usage	13,201	15,522

To determine our overall (nonregulatory) risk position, we generally add the individual economic capital estimates for the various types of risk. When aggregating credit and market risk, however, we consider the diversification benefit across these risk types, which we estimate as € 870 million as of December 31, 2004 and € 1.2 billion as of December 31, 2003. The diversification benefit across all risk types has not yet been calculated.

On December 31, 2004 our economic capital usage totaled € 13.2 billion, which is € 2.3 billion or 15% below the € 15.5 billion economic capital usage as of December 31, 2003.

The reduction in credit risk economic capital primarily reflects the overall reduction in our lending-related credit exposures as well as the improved credit quality of our loan book. The reduction in total market risk economic capital is mainly caused by the decrease in nontrading market risk from alternative assets as well as lower risk from industrial holdings, which was partially offset by the increase in trading market risk economic capital. However, a substantial part of the increase in trading market risk economic capital is related to our refined stress testing parameterization introduced in 2004. Applying the previously implemented parameters to year-end 2004 data on a pro forma basis leads to a year-on-year increase in trading market risk economic capital of € 0.2 billion compared to the € 0.6 billion increase shown in the table. The reduction in business risk economic capital reflects an improved market outlook and our increasing ability to adjust costs in a market downturn.

The allocation of economic capital may change from time to time to reflect refinements in our risk measurement methodology.

Statement by the Board of Managing Directors

The Board of Managing Directors of Deutsche Bank AG is responsible for the Consolidated Financial Statements. They have been prepared in accordance with accounting principles generally accepted in the United States of America and thus fulfil the conditions of § 292a German Commercial Code for exemption from preparation of consolidated financial statements in accordance with German commercial law. In addition, the disclosure requirements of the European Union are satisfied.

The responsibility for correct accounting requires 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, enlarged risk controlling for default and market risks as well as the segregation of duties. It covers all business transactions, assets and records. Deutsche Bank's audit is carried out in accordance with the extensive audit plans covering all divisions of the Group and also including compliance with the organizational terms of reference.

KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft audited the Consolidated Financial Statements in accordance with German auditing regulations, and in supplementary compliance with auditing standards generally accepted in the United States of America and issued an unqualified opinion. KPMG Deutsche Treuhand-Gesellschaft and the Audit Department of Deutsche Bank had 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 15, 2005
Deutsche Bank AG



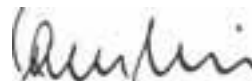
Josef Ackermann



Clemens Börsig



Tessen von Heydebreck



Hermann-Josef Lamberti

Independent Auditors' Report

We have audited the consolidated financial statements, comprising the balance sheet, the income statement, the statement of comprehensive income and the statements of changes in shareholders' equity and cash flows as well as the notes to the financial statements prepared by Deutsche Bank AG for the business year from January 1, 2004 to December 31, 2004. The preparation and the content of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit of the consolidated financial statements in accordance with German auditing regulations and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (German Institute of Auditors), and in supplementary compliance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit such that it can be assessed with reasonable assurance whether the consolidated financial statements are free of material misstatements. The evidence supporting the amounts and disclosures in the consolidated financial statements is examined on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the net assets, financial position, results of operations and cash flows of the Group for the business year in accordance with accounting principles generally accepted in the United States of America.

Our audit, which also extends to the structured presentation of additional disclosures with regard to the Group's position required by Article 36 of the 7th EU Directive prepared by the Company's management for the business year from January 1, 2004 to December 31, 2004, has not led to any reservations. In our opinion on the whole the structured presentation, together with the other disclosures in the consolidated financial statements, provides a suitable understanding of the Group's position and suitably presents the risks of future development. In addition, we confirm that the consolidated financial statements and the structured presentation of additional disclosures with regard to the Group's position for the business year from January 1, 2004 to December 31, 2004 satisfy the conditions required for the Company's exemption from its duty to prepare consolidated financial statements and the group management report in accordance with German law.

Frankfurt am Main, March 16, 2005
KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft



Wiedmann
Wirtschaftsprüfer



Becker
Wirtschaftsprüfer

**Interim Report for the three months
ended March 31, 2005**

Discussion of Results

Deutsche Bank reported income before income taxes of € 1.8 billion for the first quarter 2005, after restructuring expenses of € 168 million. Pre-tax return on average active equity was 30%, compared to 24% in the prior year first quarter. Before restructuring expenses, pre-tax return on average active equity was 33%. This figure compares with the Group's published target of 25% for 2005 (for the RoE target definition see page 29).

Net income for the quarter was € 1.1 billion, up 17% compared to € 941 million in the first quarter 2004. Adjusted after-tax return on average active equity was 19%, compared to 15% in the first quarter 2004 and 11% for the full year 2004. Diluted earnings per share for the quarter were € 2.09, up 25% compared to € 1.67 per share in the first quarter 2004.

The Group also announced progress on the Business Realignment Program: all significant organisational changes have been implemented, investments in growth areas have been made, and cost-efficiency measures are underway. Restructuring expenses in connection with the Business Realignment Program were lower than anticipated. However, the original targets of the program remain on track.

Group Highlights

Income before income taxes for the first quarter 2005 was € 1.8 billion, after restructuring expenses of € 168 million, up € 222 million, or 14%, compared to last year. Pre-tax return on average active equity improved from 24% in last year's first quarter to 30% in the first quarter 2005. The negative impact of restructuring expenses on the current quarter's pre-tax return on average active equity was 3 percentage points.

Net income for the quarter was € 1.1 billion, up 17% compared to € 941 million for the first quarter 2004. Earnings per share (diluted) improved by 25% to € 2.09. The effective tax rate was 38%, compared to 39% for the full year 2004, both including the reversal of 1999/2000 credits for tax rate changes.

Revenues for the first quarter 2005 were € 6.6 billion, up € 429 million, or 7%, compared to the prior year first quarter. Debt Sales and Trading registered a record quarter with total revenues up 26% to € 2.4 billion, driven by the bank's global leadership in high-value structured products.

Noninterest expenses for the first quarter 2005 were € 4.7 billion, compared to € 4.5 billion in the prior year first quarter. The current quarter included restructuring charges of € 168 million.

The operating cost base (which excludes restructuring charges) was € 4.5 billion, up 3% compared to € 4.4 billion in last year's first quarter. The increase was mainly due to higher performance-related compensation resulting from the improved operating results. Non-compensation operating costs were 4% below the first quarter 2004. The operating cost base was favourably impacted by cost savings achieved from the Business Realignment Program.

Provision for credit losses was € 81 million in the first quarter 2005, down 42% from € 141 million in the prior year first quarter, mainly reflecting the low level of provisions required for our corporate loan book. Problem loans were € 4.8 billion, down 23% from € 6.3 billion at the end of the first quarter 2004.

The Group completed its third share buyback program on April 20, 2005. Since July 2004 a total of 45.5 million shares had been repurchased at an average price of € 62.32, for a total consideration of € 2.8 billion. However, our BIS Tier 1 capital ratio increased to 9.2% at the end of the first quarter, compared to 8.6% at the end of the fourth quarter 2004.

Business Segment Review

Corporate and Investment Bank Group Division

In the Corporate and Investment Bank (CIB) underlying pre-tax profit was € 1.6 billion for the first quarter 2005, an increase of € 457 million, or 40%, from € 1.1 billion in the first quarter 2004. Underlying revenues of € 4.5 billion increased € 563 million, or 14%, on the same period in 2004, largely driven by debt sales and trading. This significant improvement reflects in part some early benefits from the realignment of our sales and trading platform but also the highly favourable trading conditions that persisted during the first quarter.

Sales and Trading (Debt and other products) generated record revenues of € 2.4 billion in the first quarter, an increase of € 486 million, or 26%, over the same period in 2004. Deutsche Bank continued to benefit from its global leadership in high-value structured products. Our Global Rates business showed exceptional growth based on its ability to develop cutting-edge liability management solutions for corporate and sovereign clients. Our Global Credit business continued to grow volumes and revenues off the back of strong client flows. Similarly, our Emerging Markets group performed well thanks to the creation of a cross-asset class platform. Our “market access” businesses, while facing ongoing margin erosion, have nonetheless shown consistent growth in market share. Our FX businesses, for example, topped this year’s annual Euromoney Global Foreign Exchange Survey with a market share of 16.7%, the largest market share ever recorded by a winner of this survey.

Revenues in Sales and Trading (Equity) totaled € 823 million in the quarter, € 31 million, or 4%, higher than the first quarter 2004. Revenues were driven by a strong performance in our customer-focused businesses, especially Global Equity Derivatives. In particular, Corporate Derivatives benefited from access to a wider network of client relationships as a result of the recent reorganisation. Global Prime Services also had a strong quarter. Our Equity Proprietary business took advantage of the favourable market conditions in the first quarter although overall revenues were down year on year. Difficult market conditions affected Cash Equities’ performance while the absolute level of activity in the convertibles market was greatly reduced versus the same period in 2004.

Origination and Advisory generated revenues of € 510 million in the first quarter 2005, an increase of € 56 million, or 12%, from the same period last year. Origination (Debt) revenues continued to reflect our strong position in corporate bonds, investment grade and high-yield debt and the good growth this quarter in the European market. Origination (Equity) revenues fell marginally compared to the same period last year reflecting lower levels of activity in the U.S. and Asian issuance markets. Advisory revenues have increased from last year due to market share gains in both Europe and Japan.

Loan Products revenues of € 382 million for the first quarter 2005 were similar to the same period last year. Lending revenues decreased compared to the first quarter of 2004, mainly due to lower loan demand and lower fee income. However, these factors were offset by mark-to-market gains on our credit risk hedge positions as credit spreads have widened.

Transaction Services revenues in the first quarter 2005, at € 485 million, were slightly below the same period in 2004 which included some revenues from the disposed Global Securities Services business. Trade Finance revenues increased driven by a stronger cross-selling of interest risk and currency risk products while Trust & Securities Services rose slightly as a result of a stronger performance from the Structured Finance Services business.

Provision for credit losses was € 4 million in the first quarter, down from € 72 million in the same period last year, reflecting the quality of our corporate loan book as well as additional releases from successful workout cases.

CIB's operating cost base in the first quarter totaled € 2.9 billion, a 6% increase from the comparable period last year. This increase is due entirely to higher performance-related compensation in line with the development of operational performance. Non-performance-related staff costs decreased reflecting headcount reductions announced as part of the Business Realignment Program whereas non-compensation-related expenses dropped € 84 million compared to the first quarter 2004.

In addition to its underlying results, CIB took a restructuring charge of € 122 million, representing its share of the aforementioned Business Realignment Program announced during the fourth quarter of 2004.

Private Clients and Asset Management Group Division

In Private Clients and Asset Management (PCAM), underlying pre-tax profit of € 408 million was in line with the first quarter 2004. Underlying revenues of € 2.0 billion were marginally higher than in the first quarter 2004. The operating cost base of € 1.6 billion was essentially unchanged compared to the first quarter 2004.

Asset and Wealth Management (AWM) delivered underlying pre-tax profit of € 163 million in the first quarter of 2005, a slight increase of 5% compared to the first quarter 2004. Underlying revenues of € 880 million remained virtually unchanged from the first quarter 2004 as improvements in the Private Wealth Management business were offset by the effect of the strengthening of the Euro on dollar-denominated revenues and lower revenues in Asset Management. The operating cost base of € 719 million in the first quarter of 2005 was € 14 million lower than in the first quarter 2004.

Revenues from Asset Management activities decreased compared to the first quarter 2004 due to lower investment management fees in the Americas as a result of net asset outflows in the retail business. In addition, our businesses in the Americas were negatively impacted by the aforementioned effect of the strengthening of the Euro. These declines were partially offset by net gains on the sale of assets in our real estate business and better performance in Continental Europe. Net asset inflows were € 24 billion during the first quarter 2005. Net inflows in Continental Europe were € 29 billion, of which € 24 billion related to the institutional business and € 5 billion to the retail business. These net inflows were partially offset by net outflows in the UK Institutional, Asia Pacific Institutional, and the Americas Retail business.

Revenues in our Private Wealth Management business increased compared to the first quarter 2004, mainly reflecting the continuing growth in high-value-added products and services sold to our clients. Net new assets were € 2 billion in the first quarter 2005.

Private & Business Clients (PBC) generated an underlying pre-tax profit of € 245 million in the first quarter 2005, a decrease of € 10 million compared to last year's first quarter. Revenues of € 1.2 billion were slightly higher than in the first quarter 2004. The operating cost base of € 832 million was € 12 million higher than in the same quarter last year, also reflecting investments in the growth of our franchise. Provision for credit losses of € 77 million was € 9 million higher than in the first quarter 2004, partly accounted for by loan volume growth.

In addition to its underlying results, PCAM recorded restructuring charges of € 45 million in the first quarter 2005, representing its share of the Business Realignment Program.

Corporate Investments Group Division

Corporate Investments (CI) reported an underlying pre-tax loss of € 44 million in the first quarter of 2005, an improvement of € 63 million compared to a loss of € 107 million in the first quarter 2004. This improvement mainly reflected charges of € 32 million incurred in last year's first quarter, which related to the elimination of excess space resulting from headcount reductions and the sale of businesses.

CI's reported income before income taxes was € 69 million in the first quarter 2005. Major contributors to the difference between reported and underlying results were net gains of € 87 million from our industrial holdings portfolio, mainly from the sale of our stake in Südzucker AG, and net gains from other investments of € 27 million. In last year's first quarter, net gains from industrial holdings and other investments together with gains from the disposal of businesses were € 161 million.

The book value of CI's alternative assets declined by 41% to € 1.6 billion at March 31, 2005 from € 2.7 billion at the end of last year's first quarter.

Share buyback program

The Group completed its third share buyback program on April 20, 2005. Since July 2004, a total of 45.5 million shares had been repurchased at an average price of € 62.32, for a total consideration of € 2.8 billion. Total shares repurchased under this program account for 8.3% of the Bank's current share capital. Including residual buybacks in June 2004 to complete the second buyback program, this represents a complete utilization of the 10% buyback authorization obtained from the last Annual General Meeting on June 2, 2004. After completion of the third program, the holding of own shares amounts to 33.4 million shares, or 6.1% of shares issued. The difference between the repurchase volume and the current inventory is mainly attributable to the use of treasury shares in February 2005 to hedge share awards granted to Deutsche Bank staff.

At the upcoming Annual General Meeting on May 18, 2005, management will seek new authorization to acquire own shares of up to 10% of the current share capital.

Report of Independent Registered Public Accounting Firm

To the Supervisory Board of Deutsche Bank Aktiengesellschaft

We have reviewed the accompanying consolidated balance sheet of Deutsche Bank Aktiengesellschaft and subsidiaries (Deutsche Bank Group) as of March 31, 2005, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for the three month periods ended March 31, 2005 and 2004. These condensed consolidated financial statements are the responsibility of Deutsche Bank Group's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying condensed consolidated financial statements for them to be in conformity with U. S. generally accepted accounting principles.

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft Wirtschaftsprüfungsgesellschaft

Frankfurt am Main (Germany), April 28, 2005

Consolidated Statement of Income

Income Statement

in € m.	Three months ended	
	Mar 31, 2005	Mar 31, 2004
Interest revenues	8,907	6,728
Interest expense	7,464	5,334
Net interest revenues	1,443	1,394
Provision for loan losses	94	123
Net interest revenues after provision for loan losses	1,349	1,271
Commissions and fees from fiduciary activities	809	798
Commissions, broker's fees, markups on securities underwriting and other securities activities	918	983
Fees for other customer services	607	622
Trading revenues, net	2,411	2,035
Net gains on securities available for sale	110	65
Net income from equity method investments	132	163
Other revenues	153	94
Total noninterest revenues	5,140	4,760
Compensation and benefits	2,998	2,816
Net occupancy expense of premises	245	305
Furniture and equipment	40	45
IT costs	378	450
Agency and other professional service fees	182	170
Communication and data services	147	156
Other expenses	548	528
Goodwill impairment/impairment of intangibles	–	–
Restructuring activities	168	–
Total noninterest expenses	4,706	4,470
Income before income tax expense and cumulative effect of accounting changes	1,783	1,561
Income tax expense	649	597
Reversal of 1999/2000 credits for tax rate changes	31	23
Income before cumulative effect of accounting changes, net of tax	1,103	941
Cumulative effect of accounting changes, net of tax	–	–
Net income	1,103	941

Earnings per Share

in €	Three months ended	
	Mar 31, 2005	Mar 31, 2004
Earnings per common share		
Basic		
Income before cumulative effect of accounting changes, net of tax	2.36	1.81
Cumulative effect of accounting changes, net of tax	–	–
Net income	2.36	1.81
Diluted		
Income before cumulative effect of accounting changes, net of tax ¹	2.09	1.67
Cumulative effect of accounting changes, net of tax	–	–
Net income	2.09	1.67
Number of shares in m.		
Denominator for basic earnings per share – weighted-average shares outstanding	467.7	521.1
Denominator for diluted earnings per share – adjusted weighted-average shares after assumed conversions	509.1	563.2

¹ Including numerator effect of assumed conversions. The effect for the three months ended March 31, 2005 was € (0.08).

Consolidated Statement of Comprehensive Income

in € m.	Three months ended	
	Mar 31, 2005	Mar 31, 2004
Net income	1,103	941
Other comprehensive income (loss):		
Reversal of 1999/2000 credits for tax rate changes	31	23
Unrealized gains (losses) on securities available for sale:		
Unrealized net gains (losses) arising during the period, net of tax and other	59	(413)
Net reclassification adjustment for realized net (gains) losses, net of applicable tax and other	(97)	(57)
Unrealized net gains (losses) on derivatives hedging variability of cash flows, net of tax	(4)	16
Foreign currency translation:		
Unrealized net gains arising during the period, net of tax	378	350
Net reclassification adjustment for realized net (gains) losses, net of tax	(1)	6
Total other comprehensive income (loss)	366	(75)
Comprehensive income	1,469	866

Consolidated Balance Sheet

Assets

in € m.	Mar 31, 2005	Dec 31, 2004
Cash and due from banks	8,263	7,579
Interest-earning deposits with banks	21,004	18,089
Central bank funds sold and securities purchased under resale agreements	131,335	123,921
Securities borrowed	85,652	65,630
Bonds and other fixed-income securities	229,633	224,536
Equity shares and other variable-yield securities	81,201	73,176
Positive market values from derivative financial instruments	65,142	67,173
Other trading assets	8,799	8,262
Total trading assets	384,775	373,147
Securities available for sale	24,113	20,335
Other investments	7,644	7,936
Loans, net	142,501	136,344
Premises and equipment, net	5,035	5,225
Goodwill	6,643	6,378
Other intangible assets, net	1,116	1,069
Other assets	82,790	74,415
Total assets	900,871	840,068

Liabilities and Shareholders' Equity

in € m.	Mar 31, 2005	Dec 31, 2004
Noninterest-bearing deposits	29,594	27,274
Interest-bearing deposits	319,263	302,195
Total deposits	348,857	329,469
Bonds and other fixed-income securities	78,461	77,080
Equity shares and other variable-yield securities	26,069	20,567
Negative market values from derivative financial instruments	67,398	71,959
Total trading liabilities	171,928	169,606
Central bank funds purchased and securities sold under repurchase agreements	113,249	105,292
Securities loaned	20,887	12,881
Other short-term borrowings	25,295	20,118
Other liabilities	74,780	66,870
Long-term debt	115,177	106,870
Obligation to purchase common shares	3,872	3,058
Total liabilities	874,045	814,164
Common shares, no par value, nominal value of € 2.56	1,404	1,392
Additional paid-in capital	11,314	11,147
Retained earnings	20,982	19,814
Common shares in treasury, at cost	(1,909)	(1,573)
Equity classified as obligation to purchase common shares	(3,872)	(3,058)
Share awards	1,872	1,513
Accumulated other comprehensive income (loss)		
Deferred tax on unrealized net gains on securities available for sale relating to 1999 and 2000 tax rate changes in Germany	(2,677)	(2,708)
Unrealized net gains on securities available for sale, net of applicable tax and other	1,722	1,760
Unrealized net gains on derivatives hedging variability of cash flows, net of tax	33	37
Minimum pension liability, net of tax	(1)	(1)
Foreign currency translation, net of tax	(2,042)	(2,419)
Total accumulated other comprehensive loss	(2,965)	(3,331)
Total shareholders' equity	26,826	25,904
Total liabilities and shareholders' equity	900,871	840,068

Consolidated Statement of Changes in Shareholders' Equity

in € m.	Three months ended	
	Mar 31, 2005	Mar 31, 2004
Common shares		
Balance, beginning of year	1,392	1,490
Common shares issued under employee benefit plans	12	–
Balance, end of period	1,404	1,490
Additional paid-in capital		
Balance, beginning of year	11,147	11,147
Common shares issued under employee benefit plans	167	–
Balance, end of period	11,314	11,147
Retained earnings		
Balance, beginning of year	19,814	20,486
Net income	1,103	941
Net gains on treasury shares sold	64	80
Other	1	(3)
Balance, end of period	20,982	21,504
Common shares in treasury, at cost		
Balance, beginning of year	(1,573)	(971)
Purchases of shares	(8,650)	(7,752)
Sale of shares	8,311	8,067
Treasury shares distributed under employee benefit plans	3	–
Balance, end of period	(1,909)	(656)
Equity classified as obligation to purchase common shares		
Balance, beginning of year	(3,058)	(2,310)
Additions	(814)	(1,241)
Deductions	–	–
Balance, end of period	(3,872)	(3,551)
Share awards – common shares issuable		
Balance, beginning of year	2,965	2,196
Deferred share awards granted, net	904	1,231
Deferred shares distributed	(3)	–
Balance, end of period	3,866	3,427
Share awards – deferred compensation		
Balance, beginning of year	(1,452)	(1,242)
Deferred share awards granted, net	(904)	(1,231)
Amortization of deferred compensation, net	362	355
Balance, end of period	(1,994)	(2,118)
Accumulated other comprehensive loss		
Balance, beginning of year	(3,331)	(2,594)
Reversal of 1999/2000 credits for tax rate changes	31	23
Change in unrealized net gains on securities available for sale, net of applicable tax and other	(38)	(470)
Change in unrealized net gains/losses on derivatives hedging variability of cash flows, net of tax	(4)	16
Foreign currency translation, net of tax	377	356
Balance, end of period	(2,965)	(2,669)
Total shareholders' equity, end of period	26,826	28,574

Consolidated Statement of Cash Flows

in € m.	Three months ended	
	Mar 31, 2005	Mar 31, 2004
Net income	1,103	941
Adjustments to reconcile net income to net cash used in operating activities:		
Provision for loan losses	94	123
Restructuring activities	168	–
Gain on sale of securities available for sale, other investments, loans and other	(198)	(145)
Deferred income taxes, net	312	213
Impairment, depreciation and other amortization and accretion	489	630
Cumulative effect of accounting changes, net of tax	–	–
Share of net income from equity method investments	(117)	(69)
Net change in:		
Trading assets	(11,268)	(34,216)
Other assets	(8,023)	(8,428)
Trading liabilities	2,176	17,310
Other liabilities	7,641	7,970
Other, net	(887)	284
Net cash used in operating activities	(8,510)	(15,387)
Net change in:		
Interest-earning deposits with banks	(2,911)	(7,435)
Central bank funds sold and securities purchased under resale agreements	(7,415)	(9,849)
Securities borrowed	(20,022)	(31,511)
Loans	(5,897)	262
Proceeds from:		
Sale of securities available for sale	1,659	9,994
Maturities of securities available for sale	1,088	838
Sale of other investments	662	287
Sale of loans	2,682	2,762
Sale of premises and equipment	36	23
Purchase of:		
Securities available for sale	(6,145)	(12,031)
Other investments	(503)	(283)
Loans	(1,855)	(1,918)
Premises and equipment	(167)	(102)
Net cash paid for business combinations/divestitures	–	(33)
Other, net	21	12
Net cash used in investing activities	(38,767)	(48,984)
Net change in:		
Deposits	19,384	44,852
Securities loaned and central bank funds purchased and securities sold under repurchase agreements	15,962	20,178
Other short-term borrowings	5,177	(96)
Issuances of long-term debt	15,782	6,560
Repayments and extinguishments of long-term debt	(8,485)	(7,509)
Common shares issued under employee benefit plans	179	–
Purchases of treasury shares	(8,650)	(7,752)
Sale of treasury shares	8,380	8,141
Cash dividends paid	–	–
Other, net	33	14
Net cash provided by financing activities	47,762	64,388
Net effect of exchange rate changes on cash and due from banks	199	109
Net increase in cash and due from banks	684	126
Cash and due from banks, beginning of period	7,579	6,636
Cash and due from banks, end of period	8,263	6,762
Interest paid	6,994	5,680
Income taxes paid, net	298	535

Basis of Presentation

The accompanying consolidated financial statements as of March 31, 2005 and 2004 and for the three months then ended are unaudited and include the accounts of Deutsche Bank AG and its subsidiaries (collectively, the Deutsche Bank Group or the Company). In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the results of operations, financial position and cash flows have been reflected. Certain prior period amounts have been reclassified to conform to the current presentation. The results reported in these financial statements, which include supplementary information, should not be regarded as necessarily indicative of results that may be expected for the entire year. The financial statements included in this Interim Report should be read in conjunction with the consolidated financial statements and related notes included in the Company's 2004 Financial Report and Form 20-F. Certain financial statement information that is normally included in annual financial statements prepared in accordance with U.S. GAAP has been condensed or omitted. Following is supplementary information on the impact of changes in accounting principles, segment information, supplementary information on the income statement, the balance sheet, other financial information and other information.

Impact of Changes in Accounting Principles

EITF 03-1 and FSP EITF 03-1-1

In March 2004, the FASB ratified the consensus reached in EITF Issue No. 03-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments" ("EITF 03-1"). The decisions establish a common approach to evaluating other-than-temporary impairment for equity securities accounted for at cost, and debt and equity securities available for sale. In September 2004, the FASB issued a final FASB Staff Position, No. EITF 03-1-1 ("FSP EITF 03-1-1"), which delayed the effective date for the measurement and recognition guidance included in EITF 03-1. The disclosure requirements under EITF 03-1 were effective beginning December 31, 2004. Once the effective date of the measurement and recognition guidance has been confirmed, management will assess the impact EITF 03-1 will have on our consolidated financial statements.

FSP 109-2

In December 2004, the FASB issued Staff Position No. 109-2, "Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision within the American Jobs Creation Act of 2004" ("FSP 109-2"). The Act, which was signed into law in the U.S. on October 22, 2004, provides for, among other things, a reduced rate of U.S. tax on dividends received from foreign subsidiaries of U.S. taxpayers. FSP 109-2 provides additional time beyond the financial reporting period of the enactment to evaluate the effects of this provision of the Act for purposes of applying SFAS No. 109, "Accounting for Income Taxes." We estimate that approximately U.S.\$ 500 million may be eligible for repatriation under this provision. We are evaluating the effect of such a repatriation but do not expect that this provision will have a material impact on our consolidated financial statements.

SFAS 123 (Revised 2004)

In December 2004, the FASB issued SFAS No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123(R)"). SFAS 123(R) replaces SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"), and supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees". The new standard requires companies to recognize compensation cost relating to share-based payment transactions in their financial statements. That cost is to be measured based on the fair value of the equity or liability instruments issued. Starting January 1, 2003, we accounted for our share-based compensation awards under the fair value method prescribed under SFAS 123. The method was applied prospectively for all employee awards granted, modified or settled after January 1, 2003. Currently, we use a Black-Scholes option pricing model to estimate the fair value of stock options granted to employees and expect to continue to use this option valuation model upon the adoption of SFAS 123(R). SFAS 123(R) also includes some changes regarding the timing of expense recognition, the treatment of forfeitures and the re-measurement of liability classified awards at their current fair value. SFAS 123(R) indicates that it is effective for reporting periods beginning after June 15, 2005.

In March 2005, the SEC released Staff Accounting Bulletin No. 107, "Share-Based Payment" ("SAB 107"), which provides interpretive guidance related to the interaction between SFAS 123(R) and certain SEC rules and regulations. It also provides the SEC staff's views regarding valuation of share-based payment arrangements. In April 2005, the SEC amended the compliance dates for SFAS 123(R), to allow companies to implement the standard at the beginning of their next fiscal year, instead of the next reporting period beginning after June 15, 2005.

Management is currently evaluating the transition method to be used and the impact SFAS 123(R) will have on our consolidated financial statements. Management intends to adopt SFAS 123(R) effective January 1, 2006, as permitted by the SEC, and is assessing the impact of SAB 107 on our implementation.

SOP 03-3

In December 2003, the American Institute of Certified Public Accountants issued Statement of Position 03-3, "Accounting for Certain Loans or Debt Securities Acquired in a Transfer" ("SOP 03-3"). SOP 03-3 addresses the accounting for differences between contractual and expected cash flows for loans or debt securities acquired in a transfer if those differences are attributable, at least in part, to credit quality. The SOP prohibits the creation of an allowance for loan losses in the initial accounting for all loans within its scope. The SOP also limits the income that can be recognized and specifies the accounting for future changes in expected cash flows on the acquired loans or securities. SOP 03-3 is effective for loans or debt securities acquired in fiscal years beginning after December 15, 2004. The adoption did not have a material impact on our consolidated financial statements.

IFRS

EU and German regulations require the Group to adopt International Financial Reporting Standards (IFRS) for purposes of preparing consolidated financial statements filed with EU and German regulatory authorities beginning no later than fiscal year 2007 (with 2006 comparative amounts presented). Financial statements prepared according to IFRS are accepted in SEC filings provided a reconciliation to certain U.S. GAAP financial statement amounts is disclosed.

The adoption of IFRS will not result in any adjustment to U.S. GAAP amounts, however there are a number of differences between the two accounting regimes which will cause earnings and balance sheet amounts under IFRS and U.S. GAAP to differ, perhaps significantly. The special transition rules for this adoption require, with some exceptions, that the IFRS in effect at the reporting date be applied in the opening balance sheet. Because of this, future rule changes could have an impact on the opening IFRS balance sheet and thus the difference between U.S. GAAP and IFRS earnings or balance sheet amounts cannot be predicted at this time.

Segment Information

The Group's segment reporting follows the organizational structure as reflected in its internal management reporting systems, which are the basis for assessing the financial performance of the business segments and for allocating resources to the business segments.

In the first quarter 2005, the Group implemented structural changes associated with the Business Realignment Program. Most of the revisions related to organizational changes below the business segment level. Since January 1, 2005, the business support areas formerly reported as part of CIB, PCAM and CI were centralized into one infrastructure group (which also covers the Corporate Center functions). As a group-internal service provider, the infrastructure group acts on a non-profit basis and allocates its total noninterest expenses to the recipients of the services (i.e. the business segments) as part of their non-compensation expenses. Within the group divisions (CIB, PCAM, CI) employee numbers and compensation and benefits expenses declined due to this organizational change. This was, however, offset by a corresponding increase in non-compensation expenses, due to higher allocated costs from the infrastructure group. Total noninterest expenses of the group divisions, therefore, remained essentially unchanged compared to previous periods.

All prior periods have been restated to conform to the current year's presentation.

Effective January 3, 2005, the Group acquired asset manager Wilhelm von Finck AG as it continues to expand its Private Wealth Management franchise in Germany. Wilhelm von Finck AG covers large and complex sets of private and family assets in the areas of discretionary portfolio investment and wealth controlling.

Segmental Results of Operations

Three months ended Mar 31, 2005	Corporate and Investment Bank			Private Clients and Asset Management			Corporate Investments	Total Management Reporting
	Corporate Banking & Securities	Global Transaction Banking	Total	Asset and Wealth Management	Private & Business Clients	Total		
in € m. (except percentages)								
Net revenues	4,052	485	4,537	891	1,154	2,045	112	6,694
Underlying revenues	4,052	485	4,537	880	1,154	2,034	(2)	6,570
Provision for loan losses	9	6	16	1	78	78	(0)	94
Provision for off-balance sheet positions ¹	(1)	(11)	(11)	(0)	(1)	(1)	(0)	(12)
Total provision for credit losses	8	(4)	4	0	77	77	(0)	81
Operating cost base	2,587	336	2,924	719	832	1,550	42	4,516
Minority interest	10	–	10	(1)	0	(1)	1	10
Restructuring activities	107	15	122	34	11	45	0	168
Goodwill impairment/impairment of intangibles	–	–	–	–	–	–	–	–
Policyholder benefits and claims	–	–	–	11	–	11	–	11
Provision for off-balance sheet positions ¹	(1)	(11)	(11)	(0)	(1)	(1)	(0)	(12)
Total noninterest expenses	2,704	341	3,045	762	842	1,604	43	4,692
Income before income taxes	1,339	138	1,477	129	234	363	69	1,908
Add (deduct):								
Net gains on securities available for sale/industrial holdings including hedging	–	–	–	–	–	–	(87)	(87)
Significant equity pick-ups/net gains from investments ²	–	–	–	–	–	–	(27)	(27)
Net (gains) losses from businesses sold/held for sale	–	–	–	–	–	–	–	–
Restructuring activities	107	15	122	34	11	45	0	168
Goodwill impairment/impairment of intangibles	–	–	–	–	–	–	–	–
Underlying pre-tax profit (loss)	1,446	153	1,599	163	245	408	(44)	1,962
Cost/income ratio in %	67	72	67	86	73	78	39	70
Underlying cost/income ratio in %	64	69	64	82	72	76	N/M	69
Assets ³	771,742	19,615	785,153	37,916	79,392	117,263	16,409	893,563
Risk-weighted positions (BIS risk positions)	135,774	11,628	147,402	12,415	55,450	67,864	10,099	225,366
Average active equity	11,469	1,317	12,786	4,835	1,713	6,548	3,328	22,663
Pre-tax return on average active equity in %	47	42	46	11	55	22	8	34
Underlying pre-tax return on average active equity in %	50	46	50	13	57	25	(5)	35

N/M – Not meaningful

¹ Provision for off-balance sheet positions is reclassified from "Noninterest expenses" to "Total provision for credit losses".

² Includes net gains/losses from significant equity method investments and other significant investments.

³ The sum of corporate divisions does not necessarily equal the total of the corresponding group division because of consolidation items between corporate divisions, which are to be eliminated on the group division level. The same approach holds true for the sum of group divisions compared to Total Management Reporting.

Three months ended Mar 31, 2004 in € m. (except percentages)	Corporate and Investment Bank			Private Clients and Asset Management			Corporate Investments	Total Management Reporting
	Corporate Banking & Securities	Global Transaction Banking	Total	Asset and Wealth Management	Private & Business Clients	Total		
Net revenues	3,480	516	3,996	907	1,142	2,049	158	6,204
Underlying revenues	3,480	494	3,974	883	1,142	2,025	(3)	5,995
Provision for loan losses	57	(4)	53	(5)	69	64	6	123
Provision for off-balance sheet positions ¹	19	–	19	(1)	(1)	(1)	–	18
Total provision for credit losses	76	(4)	72	(5)	68	63	6	141
Operating cost base	2,362	396	2,758	732	819	1,551	99	4,408
Minority interest	1	–	1	1	–	1	(1)	2
Restructuring activities	–	–	–	–	–	–	–	–
Goodwill impairment/impairment of intangibles	–	–	–	–	–	–	–	–
Policyholder benefits and claims	–	–	–	25	–	25	–	25
Provision for off-balance sheet positions ¹	19	–	19	(1)	(1)	(1)	–	18
Total noninterest expenses	2,382	396	2,778	757	819	1,576	98	4,452
Income before income taxes	1,041	124	1,165	155	255	409	54	1,628
Add (deduct):								
Net gains on securities available for sale/industrial holdings including hedging	–	–	–	–	–	–	(50)	(50)
Significant equity pick-ups/net gains from investments ²	–	–	–	–	–	–	(89)	(89)
Net gains from businesses sold/held for sale	–	(23)	(23)	–	–	–	(22)	(45)
Restructuring activities	–	–	–	–	–	–	–	–
Goodwill impairment/impairment of intangibles	–	–	–	–	–	–	–	–
Underlying pre-tax profit (loss)	1,041	101	1,142	155	255	409	(107)	1,444
Cost/income ratio in %	68	77	69	84	72	77	62	71
Underlying cost/income ratio in %	68	80	69	83	72	77	N/M	74
Assets (as of Dec 31, 2004) ³	720,596	16,589	729,872	34,945	78,930	113,818	16,442	832,933
Risk-weighted positions (BIS risk positions)	129,716	11,848	141,564	11,909	51,958	63,867	12,031	217,462
Average active equity	11,561	1,260	12,822	4,990	1,573	6,562	3,956	23,339
Pre-tax return on average active equity in %	36	39	36	12	65	25	5	28
Underlying pre-tax return on average active equity in %	36	32	36	12	65	25	(11)	25

N/M – Not meaningful

¹ Provision for off-balance sheet positions is reclassified from “Noninterest expenses” to “Total provision for credit losses”.

² Includes net gains/losses from significant equity method investments and other significant investments.

³ The sum of corporate divisions does not necessarily equal the total of the corresponding group division because of consolidation items between corporate divisions, which are to be eliminated on the group division level. The same approach holds true for the sum of group divisions compared to Total Management Reporting.

The following tables present the revenue components of the Corporate and Investment Bank Group Division and the Private Clients and Asset Management Group Division for the first quarter of 2005 and 2004:

Revenue components of the Corporate and Investment Bank Group Division

in € m.	Three months ended	
	Mar 31, 2005	Mar 31, 2004
Origination (equity)	128	130
Origination (debt)	268	229
Total Origination	396	359
Sales & Trading (equity)	823	792
Sales & Trading (debt and other products)	2,380	1,894
Total Sales & Trading	3,202	2,686
Advisory	114	95
Loan products	382	384
Transaction services	485	494
Other	(42)	(21)
Total	4,537	3,996

Revenue components of the Private Clients and Asset Management Group Division

in € m.	Three months ended	
	Mar 31, 2005	Mar 31, 2004
Portfolio/fund management	623	613
Brokerage	464	454
Loan/deposit	586	590
Payments, account & remaining financial services	212	199
Other	160	193
Total	2,045	2,049

Reconciliation of Segmental Results of Operations to Consolidated Results of Operations According to U.S. GAAP

in € m.	Three months ended					
	Mar 31, 2005			Mar 31, 2004		
	Total Management Reporting	Consolidation & Adjustments	Total Consolidated	Total Management Reporting	Consolidation & Adjustments	Total Consolidated
Net revenues	6,694	(110)	6,583	6,204	(49)	6,154
Provision for loan losses	94	–	94	123	–	123
Noninterest expenses	4,692	15	4,706	4,452	18	4,470
Income (loss) before income taxes¹	1,908	(125)	1,783	1,628	(67)	1,561
Total assets	893,563	7,308	900,871	832,933 ²	7,135 ²	840,068 ²
Risk-weighted positions (BIS risk positions)	225,366	1,439	226,804	217,462	1,589	219,050
Average active equity	22,663	957	23,620	23,339	2,252	25,591

¹ Income (loss) before income tax expense and cumulative effect of accounting changes.

² As of December 31, 2004.

Consolidation & Adjustments includes adjustments for differences in accounting methods used for management reporting versus U.S. GAAP and adjustments related to activities that are not the responsibility of the business segments.

In Consolidation & Adjustments, loss before income taxes was € 125 million versus € 67 million in the first quarter 2004. The increase is mainly due to higher charges related to the effects of asymmetrical accounting for non-trading derivatives used for hedging purposes. These hedges, although economically effective, do not qualify for hedge accounting under SFAS 133.

Information on the Income Statement

Net Interest and Trading Revenues

in € m.	Three months ended	
	Mar 31, 2005	Mar 31, 2004
Net interest revenues	1,443	1,394
Trading revenues, net	2,411	2,035
Total net interest and trading revenues	3,854	3,429
Breakdown by Group Division/CIB product:		
Sales & Trading (equity)	588	522
Sales & Trading (debt and other products)	2,217	1,653
Total Sales & Trading	2,805	2,175
Loan products ¹	226	227
Transaction services	221	208
Remaining products ²	1	19
Total Corporate and Investment Bank	3,253	2,628
Private Clients and Asset Management	694	876
Corporate Investments	(39)	(40)
Consolidation & Adjustments	(53)	(35)
Total net interest and trading revenues	3,854	3,429

¹ Includes the net interest spread on loans as well as the results of credit default swaps used to hedge our loan exposure.

² Includes net interest and trading revenues of origination, advisory and other products.

Pensions and Other Postretirement Benefits

in € m.	Pension benefits		Postretirement benefits	
	Three months ended		Three months ended	
	Mar 31, 2005	Mar 31, 2004	Mar 31, 2005	Mar 31, 2004
Service cost	65	63	1	2
Interest cost	96	97	2	3
Expected return on plan assets	(97)	(97)	–	–
Actuarial loss recognized	11	17	–	–
Settlement/curtailment	2	–	–	–
Amortization of unrecognized transition obligation (asset) in accordance with SFAS 87	–	3	–	–
Total defined benefit plans	77	83	3	5
Defined contribution plans	48	41	–	–
Net periodic benefit expense	125	124	3	5

In addition to the contributions expected for 2005 as disclosed in the Financial Report 2004 on page 95 and in the 2004 SEC Form 20-F on page F-54, special contributions of approximately € 5 million and approximately € 1 million were made in Germany and in the United Kingdom, respectively, in the first quarter 2005.

As a result, the Group expects to fund its pension schemes in 2005 for a total of approximately € 256 million.

A SFAS No. 88 charge of approximately € 2 million as a consequence of restructuring occurred in the United States during the first quarter 2005.

SFAS 123 Pro forma Information

in € m.	Three months ended	
	Mar 31, 2005	Mar 31, 2004
Net income, as reported	1,103	941
Add: Share-based compensation expense included in reported net income, net of related tax effects ¹	149	125
Deduct: Share-based compensation expense determined under fair value method for all awards, net of related tax effects ¹	(147)	(127)
Pro forma net income	1,105	939
Earnings per share		
Basic – as reported	€ 2.36	€ 1.81
Basic – pro forma	€ 2.36	€ 1.81
Diluted – as reported ²	€ 2.09	€ 1.67
Diluted – pro forma ²	€ 2.09	€ 1.67

¹ Amounts for the three months ended March 31, 2005 and 2004 do not reflect any share-based awards related to the 2005 and 2004 performance year, respectively. The majority of our share-based awards are granted on a date shortly after the end of the performance year.

² Including numerator effect of assumed conversions. The effect for the three months ended March 31, 2005 was € (0.08).

Information on the Balance Sheet

Securities Available for Sale

in € m.	Mar 31, 2005				Dec 31, 2004			
	Fair Value	Gross unrealized holding		Amortized cost	Fair Value	Gross unrealized holding		Amortized cost
		gains	losses			gains	losses	
Debt securities	17,432	209	(93)	17,316	13,696	286	(127)	13,537
Equity securities	6,681	1,642	(9)	5,048	6,639	1,631	(7)	5,015
Total	24.113	1.851	(102)	22.364	20.335	1.917	(134)	18.552

Problem Loans

in € m.	Mar 31, 2005			Dec 31, 2004		
	Impaired loans	Non-performing homogeneous loans	Total	Impaired loans	Non-performing homogeneous loans	Total
Nonaccrual loans	3,386	1,135	4,522	3,401	1,098	4,499
Loans 90 days or more past due and still accruing	15	215	229	26	221	247
Troubled debt restructurings	92	–	92	89	–	89
Total problem loans	3,493	1,350	4,843	3,516	1,319	4,835

Allowances for Credit Losses

Allowance for on-balance sheet positions in € m.	Three months ended	
	Mar 31, 2005	Mar 31, 2004
Balance, beginning of year	2,345	3,281
Provision for loan losses	94	123
Net charge-offs	(136)	(396)
Charge-offs	(172)	(429)
Recoveries	36	33
Allowance related to acquisitions/divestitures	–	–
Foreign currency translation	20	22
Balance, end of period	2,323	3,030

Allowance for off-balance sheet positions in € m.	Three months ended	
	Mar 31, 2005	Mar 31, 2004
Balance, beginning of year	345	416
Provision for credit losses on lending-related commitments	(12)	18
Allowance related to acquisitions/divestitures	–	–
Foreign currency translation	4	3
Balance, end of period	336	437

Other Assets and Other Liabilities

The largest individual component of other assets at March 31, 2005 and December 31, 2004 was pending securities transactions past settlement date of € 10,166 million and € 8,984 million, respectively. Other assets also included loans held for sale, which were € 8,567 million and € 8,194 million at March 31, 2005 and December 31, 2004, respectively. These loans held for sale were acquired in the course of our securitization activities or originated in our loan business. Among other items included in other assets were other assets related to insurance business of € 6,382 million and € 6,733 million at March 31, 2005 and December 31, 2004, respectively, accrued interest receivable of € 4,208 million and € 3,854 million at March 31, 2005 and December 31, 2004, respectively, and due from customers on acceptances of € 107 million and € 74 million at March 31, 2005 and December 31, 2004, respectively.

Pending securities transactions past settlement date of € 9,357 million and € 9,562 million at March 31, 2005 and December 31, 2004, respectively, were also the largest individual component of other liabilities. Among other items also included in other liabilities were insurance policy claims and reserves of € 6,885 million and € 7,935 million at March 31, 2005 and December 31, 2004, respectively, accrued interest payable of € 4,693 million and € 4,223 million at March 31, 2005 and December 31, 2004, respectively, and acceptances outstanding of € 107 million and € 74 million at March 31, 2005 and December 31, 2004, respectively.

Long-term Debt

in € m.	Mar 31, 2005	Dec 31, 2004
Senior debt		
Bonds and notes		
Fixed rate	56,196	53,834
Floating rate	43,649	39,463
Subordinated debt		
Bonds and notes		
Fixed rate	10,499	9,505
Floating rate	4,833	4,068
Total	115,177	106,870

Liability for Restructuring Activities

in € m.	BRP restructuring liability established in		Total
	4 th quarter 2004	1 st quarter 2005	
As of Dec 31, 2004	230	–	230
Additions	–	168	168
Utilization	142	84	226
Releases	–	–	–
Increases due to exchange rate fluctuations	6	–	6
As of Mar 31, 2005	94	84	178

Other Financial Information

Variable Interest Entities (VIEs)

The following table includes information on consolidated and significant non-consolidated VIEs under FIN 46(R).

Mar 31, 2005 in € m.	Consolidated VIEs		Significant VIEs
	Aggregated total assets	Aggregated total assets	Maximum exposure to loss
Commercial paper programs	1,289	18,116	21,469
Guaranteed value mutual funds	595	7,436	7,436
Asset securitization	11,356	–	–
Structured finance and other	14,375	2,419	484
Commercial real estate leasing vehicles and closed-end funds	1,011	1,333	88

Substantially all of the consolidated assets of the variable interest entities act as collateral for related consolidated liabilities. The holders of these liabilities have no recourse to the Group, except to the extent the Group guarantees the value of the mutual fund units that investors purchase. The maximum exposure to loss related to the significant non-consolidated guaranteed value mutual funds results from the above mentioned guarantees. The Group's maximum exposure to loss from the commercial paper programs that it has a significant interest in is equivalent to the contract amount of its liquidity facilities. The liquidity facilities create only limited credit exposure since the Group is not required to provide funding if the assets of the vehicle are in default.

Financial Instruments with Off-Balance Sheet Credit Risk

in € m.	Mar 31, 2005	Dec 31, 2004
Commitments to extend credit		
Fixed rates ¹	27,683	27,897
Variable rates ²	84,303	77,268
Financial guarantees, standby letters of credit and performance guarantees	26,944	26,870
Total	138,930	132,035

¹ Includes commitments to extend commercial letters of credit and guarantees of € 2.3 billion and € 2.4 billion at March 31, 2005 and December 31, 2004, respectively.

² Includes commitments to extend commercial letters of credit and guarantees of € 1.0 billion and € 902 million at March 31, 2005 and December 31, 2004, respectively.

In addition, the Group had loan commitments of € 19.0 billion and € 19.2 billion at March 31, 2005 and December 31, 2004, respectively, that were revocable at any time.

Value-at-risk of Trading Units^{1, 2}

in € m.	Total		Interest rate risk		Equity price risk		Foreign exchange risk		Commodity price risk	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Average ³	66.9	71.6	49.2	61.7	38.9	30.8	9.1	10.6	5.9	7.0
Maximum ³	79.2	97.9	60.2	91.1	43.1	45.1	18.2	25.9	8.4	10.8
Minimum ³	57.8	54.5	41.9	39.7	30.5	19.9	5.5	2.9	3.5	3.8
Period-end ⁴	64.0	66.3	53.1	41.1	31.7	42.6	8.6	17.2	5.6	5.1

¹ All figures for 1-day holding period; 99% confidence level.

² Value-at-risk is not additive due to correlation effects.

³ Amounts show the bands within which the values fluctuated during the period January 1 to March 31, 2005 and the year 2004, respectively.

⁴ Figures for 2004 as of December 31, 2004; figures for 2005 as of March 31, 2005.

Capital According to BIS

in € m.	Mar 31, 2005	Dec 31, 2004
Tier I		
Common shares	1,404	1,392
Additional paid-in capital	11,314	11,147
Retained earnings, common shares in treasury, equity classified as obligation to purchase common shares, share awards, foreign currency translation	15,031	14,277
Minority interests	772	548
Noncumulative trust preferred securities	3,479	2,520
Other (equity contributed on silent partnership interests)	551	525
Items deducted (principally goodwill and tax effect of available for sale securities)	(11,765)	(11,682)
Total core capital	20,786	18,727
Tier II		
Unrealized gains on listed securities (45% eligible)	775	788
Other inherent loss allowance	443	453
Cumulative preferred securities	800	762
Subordinated liabilities, if eligible according to BIS	8,704	7,882
Total supplementary capital	10,722	9,885
Total regulatory capital¹	31,508	28,612

¹ Currently we do not have Tier III capital components.

BIS Risk Position and Capital Adequacy Ratios

in € m., unless stated otherwise	Mar 31, 2005	Dec 31, 2004
BIS risk position ¹	226,804	216,787
BIS capital ratio (Tier I + II + III) ²	13.9%	13.2%
BIS core capital ratio (Tier I)	9.2%	8.6%

¹ Primarily comprised of credit risk weighted assets. Also includes market-risk equivalent assets of € 10.6 billion and € 10.1 billion at March 31, 2005 and December 31, 2004, respectively.

² Currently we do not have Tier III capital components.

Other Information

Litigation

WorldCom Litigation. Deutsche Bank AG and Deutsche Bank Securities Inc., the Group's U.S. broker-dealer subsidiary ("DBSI"), are defendants in more than 40 actions filed in federal and state courts arising out of alleged material misstatements and omissions in the financial statements of WorldCom Inc. DBSI was a member of the syndicate that underwrote WorldCom's May 2000 and May 2001 bond offerings, which are among the bond offerings at issue in the actions. Deutsche Bank AG, London branch was a member of the syndicate that underwrote the sterling and Euro tranches of the May 2001 bond offering. Plaintiffs are alleged purchasers of these and other WorldCom debt securities. The defendants in the various actions include certain WorldCom directors and officers, WorldCom's auditor and members of the underwriting syndicates for the debt offerings. Plaintiffs allege that the offering documents contained material misstatements and/or omissions regarding WorldCom's financial condition. The claims against DBSI and Deutsche Bank AG are made under federal and state statutes (including securities laws), and under various common law doctrines. The largest of the actions against Deutsche Bank AG and DBSI is a class action litigation in the U.S. District Court in the Southern District of New York, in which the class plaintiffs are the holders of a significant majority of the bonds at issue. On March 10, 2005, Deutsche Bank AG and DBSI reached a settlement agreement, subject to court approval, resolving the class action claims asserted against them, for a payment of approximately U.S.\$ 325 million. The settlement of the class action claims does not resolve the individual actions brought by investors who chose to opt out of the federal class action. The financial effects of the class action settlement are reflected in our 2004 consolidated financial statements.

Philipp Holzmann AG. Philipp Holzmann AG ("Holzmann") is a major German construction firm which filed for insolvency in March 2002. The Group had been a major creditor bank and holder of an equity interest of Holzmann for many decades, and, from April 1997 until April 2000, a former member of Deutsche Bank AG's Board of Managing Directors was the Chairman of its Supervisory Board. When Holzmann had become insolvent at the end of 1999, a consortium of banks led by Deutsche Bank participated in late 1999 and early 2000 in a restructuring of Holzmann that included the banks' extension of a credit facility, participation in a capital increase and exchange of debt into convertible bonds. In March 2002, Holzmann and several of its subsidiaries, including in particular imbau Industrielles Bauen GmbH ("imbau"), filed for insolvency. As a result of this insolvency, the administrators for Holzmann and for imbau and a group of bondholders have informed the Group they may assert claims against the Group because of its role as lender to the Holzmann group prior to and after the restructuring and as leader of the consortium of banks which supported the restructuring. The purported claims include claims that amounts repaid to the banks constituted voidable preferences that should be returned to the insolvent entities and claims of lender liability resulting from the banks' support for an allegedly infeasible restructuring. Although the Group is in ongoing discussions, the Group cannot exclude that some of the parties may file lawsuits against it. To date, the administrator for imbau filed a lawsuit against the Group in August 2004 alleging that payments received by the Group in respect of a loan made to imbau in 1997 and 1998 and in connection with a real estate transaction that was part of the restructuring constituted voidable preferences that should be returned to the insolvent entity. Additionally, Gebema N.V. filed a lawsuit in 2000 seeking damages against the Group alleging deficiencies in the offering documents based on which Gebema N.V. had invested in equity and convertible bonds of Holzmann in 1998.

Due to the nature of its business, the Group is involved in litigation, arbitration and regulatory proceedings in Germany and in a number of jurisdictions outside Germany, including the United States, arising in the ordinary course of business. Such matters are subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. Although the final resolution of any such matters could have a material effect on the Group's consolidated operating results for a particular reporting period, the Group believes that it should not materially affect its consolidated financial position.

RoE Target Definition

During the implementation of our “transformation strategy” started in 2002, the Group disclosed its financial results on a U.S. GAAP basis and additionally on an underlying basis. After the completion of our transformation strategy, our underlying results and our reported U.S. GAAP results have substantially converged.

In light of this convergence, our 2005 pre-tax RoE target of 25% was defined as pre-tax income on a reported U.S. GAAP basis before restructuring charges divided by average active equity.

Below is a table which reconciles our pre-tax U.S. GAAP results to the adjusted results used for target tracking purposes.

in € m., unless stated otherwise	Three months ended Mar 31, 2005
Reported income before income taxes¹	1,783
Add:	
Restructuring activities (Business Realignment Program-related)	168
Income before income taxes (target definition)	1,951
Average active equity	23,620
Pre-tax return on average active equity (target definition)	33.0%

¹ Income before income tax expense and cumulative effect of accounting changes.

We continue to disclose the Group’s underlying results to permit the reader to compare current results to those previously disclosed on an underlying basis. In addition, we continue to report the results of our business segments on an underlying basis because that is the measure used internally by management to monitor the financial performance of those segments.

Reconciliation of Reported to Underlying Results

This document contains non-U.S. GAAP financial measures, including underlying revenues, total provision for credit losses, operating cost base, underlying pre-tax profit, average active equity and related ratios. Set forth below are

- definitions of such non-U.S. GAAP financial measures,
- reconciliation of such measures to the most directly comparable U.S. GAAP financial measures.

Definitions of Financial Measures

We use the following terms with the following meanings:

- *Underlying revenues*: Net revenues less specific revenue items as referred to in the respective tables net of policyholder benefits and claims (reclassified from noninterest expenses).
- *Total provision for credit losses*: Provision for loan losses plus provision for off-balance sheet positions (reclassified from noninterest expenses).
- *Operating cost base*: Noninterest expenses less provision for off-balance sheet positions (reclassified to provision for credit losses), policyholder benefits and claims (reclassified to underlying revenues), minority interest, restructuring activities and goodwill impairment/impairment of intangibles.
- *Underlying pre-tax profit*: Income before income taxes less restructuring activities, goodwill impairment/impairment of intangibles and specific revenue items as referred to in the respective tables.
- *Underlying cost/income ratio in %*: Operating cost base as a percentage of underlying revenues. *Cost/income ratio in %*, which is defined as total noninterest expenses as a percentage of total net revenues, is also provided.

- *Average active equity*: The portion of adjusted average total shareholders' equity that has been allocated to a segment pursuant to the Group's capital allocation framework. The overriding objective of this framework is to allocate adjusted average total shareholders' equity based on the respective goodwill and other intangible assets with indefinite lifetimes as well as the economic capital of each segment. In determining the total amount of average active equity to be allocated, average total shareholders' equity is adjusted to exclude average unrealized net gains on securities available for sale, net of applicable tax and other, and average dividends.
- *Adjusted return on average active equity (after tax) in %*: Net income (loss) less the reversal of 1999/2000 credits for tax rate changes and the cumulative effect of accounting changes, net of tax, (annualized) as a percentage of average active equity. *Underlying pre-tax return on average active equity in %*: Underlying pre-tax profit (annualized) as a percentage of average active equity. *Pre-tax return on average active equity in %*, which is defined as income before income taxes (annualized) as a percentage of average active equity, is also provided. These returns, which are based on average active equity, should not be compared to those of other companies without considering the differences in the calculation of such ratios. Our capital allocation framework does not allocate all average active equity to the segments. As a result, the weighted average of the segment pre-tax return on average active equity will be larger than the corresponding pre-tax return on average active equity of the Group.
- *Underlying equity turnover (based on average active equity) in %*: Underlying revenues (annualized) as a percentage of average active equity. *Equity turnover (based on average active equity) in %*: Net revenues (annualized) as a percentage of average active equity. *Equity turnover (based on average shareholders' equity) in %*: Net revenues (annualized) as a percentage of average shareholders' equity.
- *Underlying profit margin in %*: Underlying pre-tax profit as a percentage of underlying revenues. *Profit margin in %*: Income before income taxes as a percentage of net revenue.

Management uses these measures as part of its internal reporting system because it believes that such measures provide it with a more useful indication of the financial performance of the business segments. The Group discloses such measures to provide investors and analysts with further insight into how management operates our businesses and to enable them to better understand our results. The rationale for excluding certain items in deriving the measures above are provided in our SEC-Form 20-F of March 24, 2005 on pages F-62 and F-63 and in our Financial Report 2004 on pages 103 to 105.

Reconciliation of Reported to Underlying Results

Set forth below are the reconciliations of non-U.S. GAAP financial measures to the most directly comparable U.S. GAAP financial measures.

in € m.	Three months ended		Change in %
	Mar 31, 2005	Mar 31, 2004	
Reported net revenues¹	6,583	6,154	7
Add (deduct):			
Net gains on securities available for sale/ industrial holdings including hedging	(87)	(50)	73
Significant equity pick-ups/net gains from investments ²	(27)	(89)	(70)
Net gains from businesses sold/ held for sale	–	(45)	N/M
Policyholder benefits and claims ³	(15)	(50)	(71)
Underlying revenues	6,456	5,921	9
Reported provision for loan losses	94	123	(24)
Provision for off-balance sheet positions ⁴	(12)	18	N/M
Total provision for credit losses	81	141	(42)
Reported noninterest expenses	4,706	4,470	5
Add (deduct):			
Restructuring activities	(168)	–	N/M
Goodwill impairment/impairment of intangibles	–	–	N/M
Minority interest	(11)	(2)	N/M
Policyholder benefits and claims ³	(15)	(50)	(71)
Provision for off-balance sheet positions ⁴	12	(18)	N/M
Operating cost base	4,526	4,400	3
Reported income before income taxes⁵	1,783	1,561	14
Add (deduct):			
Net gains on securities available for sale/ industrial holdings including hedging	(87)	(50)	73
Significant equity pick ups/net gains from investments ²	(27)	(89)	(70)
Net gains from businesses sold/ held for sale	–	(45)	N/M
Restructuring activities	168	–	N/M
Goodwill impairment/impairment of intangibles	–	–	N/M
Underlying pre-tax profit	1,837	1,377	33

N/M – Not meaningful

¹ Net interest revenues before provision for loan losses and total noninterest revenues.

² Includes net gains/losses from significant equity method investments and other significant investments.

³ Policyholder benefits and claims are reclassified from "Noninterest expenses" to "Underlying revenues".

⁴ Provision for off-balance sheet positions is reclassified from "Noninterest expenses" to "Total provision for credit losses".

⁵ Income before income tax expense and cumulative effect of accounting changes.

Reconciliation of Group Reported and Underlying Ratios

in € m.	Three months ended		Change
	Mar 31, 2005	Mar 31, 2004	
Reconciliation of cost ratios			
Reported noninterest expenses	4,706	4,470	5%
Deduct:			
Compensation and benefits	2,998	2,816	6%
Non-compensation noninterest expenses	1,708	1,654	3%
Add (deduct):			
Restructuring activities	(168)	–	N/M
Goodwill impairment/impairment of intangibles	–	–	N/M
Minority interest	(11)	(2)	N/M
Policyholder benefits and claims	(15)	(50)	(71)%
Provision for off-balance sheet positions	12	(18)	N/M
Non-compensation operating cost base	1,528	1,585	(4)%
Cost/income ratio	71.5%	72.6%	(1.1) ppt
Underlying cost/income ratio	70.1%	74.3%	(4.2) ppt
Compensation ratio	45.5%	45.8%	(0.3) ppt
Underlying compensation ratio	46.4%	47.6%	(1.2) ppt
Non-compensation ratio	25.9%	26.9%	(1.0) ppt
Underlying non-compensation ratio	23.7%	26.8%	(3.1) ppt
Reconciliation of profitability ratios			
Net income	1,103	941	17%
Add (deduct):			
Reversal of 1999/2000 credits for tax rate changes	31	23	35%
Cumulative effect of accounting changes, net of tax	–	–	N/M
Adjusted net income	1,134	964	18%
Average shareholders' equity	26,400	28,422	(7)%
Add (deduct):			
Average unrealized gains on securities available for sale, net of tax and average deferred taxes relating to 1999 and 2000 tax rate changes in Germany	(1,739)	(1,885)	(8)%
Average dividends	(1,041)	(946)	10%
Average active equity	23,620	25,591	(8)%
Return on average shareholders' equity (after tax)	16.7%	13.2%	3.5 ppt
Adjusted return on average active equity (after tax)	19.2%	15.1%	4.1 ppt
Pre-tax return on average shareholders' equity	27.0%	22.0%	5.0 ppt
Pre-tax return average active equity	30.2%	24.4%	5.8 ppt
Underlying pre-tax return on average active equity	31.1%	21.5%	9.6 ppt
Equity turnover (based on average shareholders' equity)	99.7%	86.6%	13.1 ppt
Equity turnover (based on average active equity)	111.5%	96.2%	15.3 ppt
Underlying equity turnover (based on average active equity)	109.3%	92.5%	16.8 ppt
Profit margin	27.1%	25.4%	1.7 ppt
Underlying profit margin	28.5%	23.3%	5.2 ppt

ppt – percentage points N/M – Not meaningful

**Excerpts from the Annual Report
of the Bank for the year ended
December 31, 2004 (Unconsolidated
Financial Statements) in accordance
with German Generally Accepted
Accounting Principles**

Management Report

The economic environment in 2004 was more stable than in the two previous years. We continued to further strengthen our position both in Germany and internationally by expanding our core businesses. The Business Realignment Program launched in the fourth quarter includes a number of initiatives designed to generate further earnings growth and cut costs. The implementation of this program during the year under review incurred one-off charges that are mainly reported as restructuring costs. Our efficiency-enhancing initiatives will continue to incur expenses in 2005.

On June 28, 2004, we successfully completed our second share buyback program, retiring 38 million shares. This amounted to 6.5% of our share capital. In the third quarter of 2004 we utilized the authorization given by the most recent General Meeting to launch a new share buy-back program that allows us to repurchase up to 10% of our outstanding shares by November 30, 2005.

In 2004, Deutsche Bank AG generated net income of € 0.9 billion, compared with € 0.8 billion in 2003. We will propose to the General Meeting on May 18, 2005 that our dividend be raised from € 1.50 to € 1.70 per share. This underlines our confidence in the future performance of the bank's business. Our proposed dividend means that we are well-positioned compared with our domestic and international competitors.

Profit and loss account

Owing to our lower trading profit, our total income (net interest income, net commission income and net income from financial transactions) fell by 5.2% year on year to € 10,563 million. Excluding the effect of exchange rates, the decline in total income decreased to 4.0%.

Sharp increase in net interest income

Net interest income amounted to € 5,872 million. While interest income from equity shares and other variable-yield securities rose sharply, interest on lending and money market business and on fixed-income securities and government-inscribed debt fell. Overall net interest income increased by 11.0%.

Of the income from profit-pooling, profit-transfer and partial profit-transfer agreements totalling € 1,237 million (an increase of € 194 million), € 682 million related to Deutsche Bank Privat- und Geschäftskunden AG, € 404 million to DB Capital Markets (Deutschland) GmbH, and € 73 million to DB Export-Leasing GmbH.

Net commission income remains high

The bank generated net commission income of € 4,193 million, which was 2.6% down on the high figure of the previous year. At least half of this decrease is attributable to lower commissions from services rendered for subsidiaries. Commissions earned from the buying and selling of equities and fixed-income securities also declined. By contrast, commission income from loan processing, guarantees and the sale of mutual funds rose sharply. Commissions earned from agency business also performed encouragingly.

Lower net income from financial transactions

Our trading functions could not repeat the good results of the previous year. At € 498 million, net income from financial transactions was down 67.7% year on year. In particular, income from business in convertible bonds and in the emerging markets decreased.

Costs reduced

The cost-cutting measures we introduced are having an effect. This is illustrated by our administrative expense, which fell year on year by € 400 million, or 4.0%, to € 9,545 million, partly due to exchange rate movements. Staff expenses decreased as a result of the lower headcount and the reduction in severance payments. Furthermore, the cost of additions to pension provisions was down on the previous year's expense, which had been inflated by the one-off effect of converting pension schemes to defined-contribution plans.

Other administrative expenses also fell, by € 276 million (6.7%) to € 3,872 million. This was largely a result of our lower utilization of services rendered by our subsidiaries and the decrease in consultancy costs and rents for premises.

Write-downs, depreciation and amortization of tangible and intangible assets came to € 283 million (2003: € 297 million).

The balance of other operating income/expenses resulted in net income of € 14 million. The other operating expenses include Deutsche Bank AG's share of the expenses arising from the WorldCom settlement agreement.

Further progress in reducing credit risks

Write-downs of and value adjustments to claims and certain securities as well as additions to provisions for possible loan losses are reported at € 158 million (2003: € 363 million) after having been offset against income pursuant to section 340f (3) of the German Commercial Code (HGB). The sharp reduction in risk provisioning reflects both the result of our disciplined credit risk management and the influence of the improved lending environment. Net additions to risk provisions related exclusively to our lending business in Germany; by contrast, we were able to release provisions for lending to foreign customers.

Net income of € 66 million (2003: € 117 million) was earned on securities of the liquidity reserve (certain securities).

Operating profit

The bank generated an operating profit of € 874 million during the year under review. This was € 190 million down on the previous year, largely as a result of our lower trading income.

Other income / expenses

Income from write-ups of participating interests, shares in affiliated companies and securities treated as fixed assets came to € 33 million after having been offset against expenses pursuant to section 340c (2) HGB.

The extraordinary expenses of € 481 million relate to restructuring costs in connection with the Business Realignment Program. This program, which is continuing into 2005, includes a number of initiatives designed to generate further earnings growth and cut costs.

Taxes

The tax benefit of € 550 million resulted from the reporting of deferred tax assets at our foreign branches and from amended tax assessments for previous years.

Net income

The bank earned net income of € 880 million during the year under review, exceeding the previous year's figure by € 60 million (up 7.3%).

€ 648 million was added to the reserve for the bank's own shares owing to its larger holdings of its own shares; this amount was withdrawn from the other revenue reserves.

Proposed appropriation of profit: raise dividend again

Including the profit carried forward of € 45 million from 2003, the distributable profit comes to € 925 million. We propose to our shareholders that this distributable profit be appropriated to pay a dividend of € 1.70 per share (2003: € 1.50).

This increase in the dividend raises the total dividend payout by € 109 million; however, this amount was reduced by € 57 million owing to the retirement of 38 million shares as part of the share buyback program.

From the profit and loss account of Deutsche Bank AG:

in € m.	2004	2003 ¹	Change	
			in € m.	in %
Interest income ²	15,145	17,345	– 2,200	– 12.7
Current income ³	5,637	4,394	+ 1,243	+ 28.3
Total interest income	20,782	21,739	– 957	– 4.4
Interest expenses	14,910	16,448	– 1,538	– 9.4
Net interest income	5,872	5,291	+ 581	+ 11.0
Commission income	5,479	5,456	+ 23	+ 0.4
Commission expenses	1,286	1,151	+ 135	+ 11.7
Net commission income	4,193	4,305	– 112	– 2.6
Net income from financial transactions	498	1,542	– 1,044	– 67.7
Wages and salaries	4,139	4,278	– 139	– 3.2
Compulsory social security contributions ⁴	1,251	1,222	+ 29	+ 2.4
Staff expenses	5,390	5,500	– 110	– 2.0
Other administrative expenses ⁵	4,155	4,445	– 290	– 6.5
Administrative expense	9,545	9,945	– 400	– 4.0
Balance of other operating income/expenses	14	234	– 220	– 94.1
Risk provisioning	158	363	– 205	– 56.4
Operating profit	874	1,064	– 190	– 17.9
Balance of other income/expenses	– 490	– 920	+ 430	
Net income before taxes	384	144	+ 240	+ 165.1
Taxes	– 496	– 676	+ 180	
Net income	880	820	+ 60	+ 7.3
Profit carried forward from the previous year	45	53	– 8	
	925	873	+ 52	+ 5.9
Withdrawal from revenue reserves	648	780	– 132	
– from the reserve for own shares	–	780	– 780	
– from other revenue reserves	648	–	+ 648	
Allocations to revenue reserves	648	780	– 132	
– to the reserve for own shares	648	–	+ 648	
– to other revenue reserves	–	780	– 780	
Distributable profit	925	873	+ 52	+ 5.9

¹ To improve comparability, the figures for 2003 have been brought into line with the basis of presentation for 2004; see the Notes to the Accounts on page 16.

² From lending and money market business, fixed-income securities and government-inscribed debt.

³ From equity shares and other variable-yield securities, participating interests, shares in affiliated companies (including profit and loss transfer agreements) and leasing business.

⁴ Including expenses for pensions and other employee benefits.

⁵ Including standard depreciation of tangible assets.

Balance sheet

The total assets of Deutsche Bank AG amounted to € 852.5 billion as at December 31, 2004. The increase of € 110.1 billion, or 14.8%, is primarily due to the growth in securities holdings and claims on customers. Exchange rate movements, particularly in the U.S. dollar, considerably dampened the growth in total assets.

Total credit extended

Total credit extended (excluding reverse repos and claims arising from securities lending and securities spot deals) declined slightly by 1.5% to € 181.0 billion. Total credit extended has been reduced by € 43.8 billion over the past three years.

Credit totalling € 156.7 billion (decrease of € 2.4 billion) was extended to corporate and institutional customers, while loans to private and small business clients came to € 4.8 billion (down by € 0.6 billion); loans to banks, which form part of the total credit extended, decreased by € 1.1 billion to € 15.0 billion.

The table below gives a breakdown of the total credit extended (excluding reverse repos and claims arising from securities lending and securities spot deals):

in € bn.	31.12.2004	31.12.2003	Change	
			in € bn.	in %
Claims on customers	165.6	167.2	- 1.6	- 0.9
with a residual period of				
up to 5 years ¹	147.9	147.2	+ 0.7	+ 0.2
over 5 years	17.7	20.0	- 2.3	- 11.8
Discounts²	0.4	0.5	- 0.1	- 26.9
Loans to banks	15.0	16.1	- 1.1	- 6.9
with a residual period of				
up to 5 years ¹	14.0	14.2	- 0.2	- 1.7
over 5 years	1.0	1.9	- 0.9	- 45.5
Total	181.0	183.8	- 2.8	- 1.5

¹ Including those repayable on demand and those with an indefinite period.

² Unless reported under claims.

Claims on banks (excluding loans) increased by € 10.8 billion to € 137.7 billion owing to the larger volume of deposits held with foreign banks. These include claims of € 44.2 billion on the Group's own banks.

The total volume of reverse repos – including transactions concluded with customers – grew by € 18.9 billion to € 168.3 billion.

Liabilities to banks amounted to € 345.5 billion at the end of 2004. The growth of € 22.1 billion was roughly equally attributable to fixed-term deposits and deposits repayable on demand. The deposits held by our Group banks totalled € 91.1 billion.

Securities

We continued to increase our holdings of securities - especially bonds and other fixed-income securities - due to the growth in our trading activities (by € 26.9 billion to € 170.4 billion).

Holdings of equity shares and other variable-yield securities grew by € 11.7 billion to € 86.2 billion.

Participating interests

Our shareholdings - reported as participating interests - increased by € 0.5 billion to € 1.6 billion. Additions of € 0.7 billion to our portfolio of participating interests were partly offset by disposals and other deductions totalling € 0.2 billion.

Shares in affiliated companies

Shares in affiliated companies decreased by € 1.7 billion to € 32.9 billion. Additions - primarily in the form of capital increases and capital contributions - amounted to € 1.3 billion, while disposals - mainly arising from capital repayments - came to € 3.0 billion.

Own shares

The General Meeting on June 2, 2004 adopted a resolution to launch a third share buyback program, which allows up to 10% of our outstanding shares to be repurchased. We utilized this authorization to repurchase 26.6 million of the bank's own shares by the end of 2004. Together with its other holdings of trading securities, the bank held a total of 27.2 million of its own shares on December 31, 2004 (year-end 2003: 16.7 million).

Customer deposits

Customer deposits grew by € 46.7 billion to € 323.3 billion. The new deposits taken in 2004 are all repayable on demand. The volume of time deposits and savings deposits remained virtually unchanged year on year.

Liabilities in certificate form increased on balance by € 2.4 billion to € 77.6 billion; while liabilities arising from money market instruments were reduced by € 8.7 billion and the volume of bonds and notes issued decreased by € 2.2 billion, other liabilities in certificate form (mainly index-linked certificates) grew by € 13.4 billion.

The table below gives a breakdown of the bank's liabilities:

in € bn.	31.12.2004	31.12.2003	Change	
			in € bn.	in %
Liabilities to banks	345.5	323.4	+ 22.1	+ 6.8
repayable on demand	189.3	178.4	+ 10.9	+ 6.1
with agreed period or notice period	156.2	145.0	+ 11.2	+ 7.7
Liabilities to customers	323.3	276.6	+ 46.7	+ 16.9
savings deposits	2.2	2.5	- 0.3	- 6.7
other liabilities				
repayable on demand	149.1	101.9	+ 47.2	+ 46.3
with agreed period or notice period	172.0	172.2	- 0.2	- 0.1
Liabilities in certificate form	77.6	75.2	+ 2.4	+ 3.2
bonds and notes in issue	23.1	25.3	- 2.2	- 8.9
other liabilities in certificate form	54.5	49.9	+ 4.6	+ 9.4
(thereof: money market instruments)	(15.4)	(24.1)	(- 8.7)	(- 36.2)

We increased our subordinated liabilities by € 1.6 billion to € 10.6 billion by issuing our own bonds and notes. The participatory capital in issue (€ 0.7 billion) was repaid in full at maturity.

Capital and reserves

The capital and reserves of Deutsche Bank AG (including the distributable profit of € 0.9 billion) decreased by € 2.4 billion to € 17.6 billion. During the year under review, the Board of Managing Directors utilized the authorization it had been granted by the General Meeting to retire bank's own shares under the share buyback program. It retired a total of 38 million shares worth € 2.5 billion.

€ 0.6 billion was added to the reserve for the bank's own shares owing to its larger holdings of its own shares compared with December 31, 2003; this amount was withdrawn from the other revenue reserves.

Regulatory capital and reserves as defined by the German Banking Act (KWG) totalled € 22.5 billion. These mainly consist of equity capital and reserves (as defined by the German Commercial Code) and subordinated liabilities recognized as supplementary capital (Tier II and Tier III capital).

Risk report

Types of risk

Deutsche Bank AG is exposed to credit, market, liquidity, operational and business risks.

The risks of Deutsche Bank AG within the Group network

The impact of the above risks on Deutsche Bank AG cannot be isolated from the effects on Deutsche Bank's other separate legal entities. There are several reasons for this:

- The Group's internal structure according to Group Divisions is determined by its customers' needs, in other words by the framework dictated by the market. The external legal structure is determined by local legislation and therefore does not necessarily follow the internal structure. For example, local legislation can determine whether the Group's business in a certain country is handled by a branch of Deutsche Bank AG or by a separate subsidiary. However, the management has to monitor the risks in the bank's business – irrespective of whether it is transacted by a branch or a subsidiary.
- Adequate risk monitoring and management requires knowledge of the extent to which the Group's profit situation depends on the development of certain risk factors, i.e. on the creditworthiness of individual customers or securities issuers or on movements in market prices. The respective exposures therefore need to be analyzed across legal entities. Especially for the credit risk attached to a borrower, it is fairly irrelevant whether the credit exposure to a company is spread over several Group companies or concentrated on Deutsche Bank AG. Separate monitoring of the risk affecting Deutsche Bank AG alone would neglect the potential hazard facing the Group and, indirectly, Deutsche Bank AG – as the parent – if the company became insolvent.
- Individual risk factors are sometimes correlated, and in some cases they operate independently of each other. If estimates of the nature and extent of this correlation are available, the Group's management can greatly reduce the overall risk by diversifying its businesses across customer groups, issuers and countries. The risk correlation is also independent of the Group's legal and divisional structure. The management can therefore only optimize the risk-mitigating effects of diversification if it manages them Group-wide and across legal entities.

Risk management of Deutsche Bank AG within the Group network

For the reasons mentioned, the identification, monitoring and management of all risks in Deutsche Bank AG are integrated into the Group-wide risk management process. It goes without saying that Deutsche Bank AG complies with all legal and regulatory requirements.

Risk management organization

The Board of Managing Directors provides overall risk management oversight for the consolidated Group as a whole. Our Group Chief Risk Officer, who is a member of our Board of Managing Directors, is responsible for our credit, market, operational and business risk management activities within our consolidated Group. He chairs our Group Risk Committee, which is responsible for the management of the aforementioned risks across our consolidated Group. Group Treasury is responsible for the management of liquidity risk. The underlying policies are reviewed on a regular basis by the Group Asset and Liability Committee, which is chaired by the Board Member responsible for Treasury.

Risk management tools

Deutsche Bank uses a comprehensive range of quantitative tools and metrics for monitoring and managing risks. Some of these tools are common to a number of risk categories, while others are tailored to the particular features of specific risk categories. These quantitative tools and metrics generate the following kinds of information:

- Information that quantifies the susceptibility of the market value of single positions or portfolios to changes in market parameters (commonly referred to as sensitivity analysis).
- Information that measures aggregate risk using statistical techniques, taking into account the interdependencies and correlations between individual risks.
- Information that quantifies exposures to losses that could arise from extreme movements in market prices or rates, using scenario analysis to simulate crisis situations.

Deutsche Bank's policies and risk limits are aligned with such quantitative tools and metrics across the Group Divisions to effectively manage risks.

Figures prescribed by the regulatory authority

The risk position and capital and reserves must be calculated for regulatory assessment of the bank's capacity to assume risk.

Risk position

The risk position is the total risk the bank has assumed, which is calculated according to regulations by risk-weighting the assets for credit risk and market risk. The German Federal Financial Supervisory Authority permits us to use our proprietary value-at-risk approach to calculate the market risk component. The bank's risk position must be backed by capital such that the required regulatory capital ratios are maintained.

Regulatory capital and reserves

Regulatory capital and reserves consist of core capital (Tier I), supplementary capital (Tier II) and Tier III capital.

Information on the types of risk

The following sections give information on the types of risk.

Market risk

Deutsche Bank assumes market risk in both trading and nontrading activities. We employ different methods for the measurement of these risks, which are specifically tailored to the risk situation in the trading book or the nontrading book respectively. Value-at-risk is the most important metric we use in the management of our trading market risk while we assess the market risk in our nontrading portfolios primarily through the use of stress scenarios. The market risk of the Group is managed by the Group Risk Committee and those responsible for market risk management in the Group Divisions. We make use of a comprehensive risk limit structure by Business Division and region which is determined mainly by Group Market Risk Management.

Credit risk

All Group Divisions of Deutsche Bank AG assume credit risk. Group credit risk is managed via the Group Risk Committee and those responsible for risk management in the Group Divisions.

Liquidity risk

Liquidity risk management is the responsibility of Group Treasury. It is based on the analysis of all cash flows by business division, product, currency and location. The management process includes monitoring and limiting of aggregated cash outflows and funding. Diversification effects and customer concentration are observed. In addition we apply regular scenario analysis in order to determine potential liquidity stresses due to unexpected bank-specific or external events and how to compensate them.

Operational risk

Operational Risk Management is an independent risk management function within Deutsche Bank. The Chief Risk Officer for Credit and Operational Risk has appointed a Global Head of Operational Risk Management. He is a member of the Group Risk Committee and chairs the Operational Risk Management Committee. Operational Risk Management is responsible for defining the operational risk framework and related policies and provides the risk management toolset to the Business Divisions who are responsible for implementing the framework.

Business risk

Business risk describes the risk we assume due to potential changes in general business conditions, such as our market environment, client behavior and technological progress. This can affect our earnings if we fail to adjust quickly to these changing conditions.

Overall risk position according to supervisory law

From a regulatory point of view, the risk positions according to Principle I (risk-weighted assets of the banking book, default risk of the trading book and market risk equivalent) are as shown in the following table. Their calculation is based on the provisions of the German Banking Act (KWG), Principle I and the German Commercial Code (HGB). The table below shows the risk positions according to Principle I:

in € m.	31.12.2004	31.12.2003
Risk-weighted assets of the banking book	162,384	152,065
Market risk equivalent and default risk of the trading book	56,419	52,379
Total	218,803	204,444

Capital and reserves

Capital and reserves according to the German Banking Act, which are calculated on the basis of the German Commercial Code, are as shown:

in € m.	31.12.2004	31.12.2003
Core capital (Tier I)	14,445	17,542
Supplementary capital (Tier II)	7,294	8,729
Items deducted pursuant to § 10 (6) German Banking Act	– 1,991	– 2,578
Available Tier III capital	2,780	–
Total eligible own funds	22,528	23,693
Liable capital ratio	12.2%	15.6%
Overall ratio	10.3%	11.6%

With an overall ratio of 10.3 %, Deutsche Bank AG is well above the minimum ratio of 8 % prescribed by the German Banking Act.

Outlook

The global economy began the year 2004 with very strong GDP growth. Because of rising oil prices and the fading policy stimulus in the US, the upswing slowed towards trend growth by the end of last year. At the beginning of 2005, leading indicators for the world economy remain at solid levels and point to a year of average growth. China and the US are likely to remain the engines of the global economy again in 2005. The Chinese economy is expected to expand by 8.5% after 9.5% last year. US growth is set to remain near 4% despite higher central bank interest rates and an absence of additional fiscal stimulus. Corporate sector profitability remains strong and allows additional spending on investment and employment. The modest Euro area upswing should be sustained into 2005 with GDP growth of close to 1.5% and a stronger contribution from private consumption than in previous years. Hampered by substantial structural problems and by a rising Euro, German GDP was again sluggish in 2004 and is likely to grow by just 1% this year.

The risks to the outlook especially for Europe stem primarily from the large US current account deficit and the possibility of a stronger Euro, given that many Asian countries do not allow their currencies to appreciate significantly. In addition, almost all asset prices rose strongly and risk premia declined significantly over the past two years with the help of low official interest rates in the large economies. This fuels the risk of a setback of asset markets and a resulting slowdown in consumption and investment around the world.

During 2004, we delivered sustained profit growth. We continued our 'de-risking' strategy by further reducing our problem loans, provisions for credit losses as well as our exposure to alternative assets while maintaining our strong capitalization. We delivered the benefits of ongoing 'transformation' to our shareholders, by both attractive dividends and continued share buybacks. At the same time we continued investing in our core businesses. The successful expansion of our Private & Business Clients Corporate Division, for example, has created a stable, substantial source of earnings for the Bank. Thereby, we laid solid foundations for continued profitable growth in 2005 and beyond.

The Business Realignment Program (BRP), which we announced in the fourth quarter 2004, covers five key initiatives with significant strategic and financial impact: aligning our sales and trading platforms, aligning our corporate banking efforts, reorganizing our Asset Management Business Division, adding regional focus in Germany and other regions as well as streamlining our infrastructure. These initiatives are designed to drive revenue growth in targeted areas from both coverage and product synergies while simultaneously creating cost synergies from rationalization, process reengineering and outsourcing.

- *Aligning our sales and trading platforms.* We have built a world-leading sales and trading platform, based on outstanding people, constant innovation in finding solutions for our clients, and a dynamic organization. Increasingly, clients are seeking integrated solutions which embrace both asset classes, equity and debt, while margin pressure in mature products and markets continues to grow. We will respond by integrating investor coverage platforms, and merging specific product units where synergies are greatest. We are also integrating our Emerging Markets platforms across debt and equity, our research model, and our manufacturing and distribution platform for retail customers.
- *Aligning our corporate banking efforts.* Increasingly, corporate clients also require an integrated approach. In response, we will integrate our corporate coverage teams, serving our clients more efficiently, customizing our products more effectively around the particular needs of each client. This allows us to operate more cost-effectively, both in the business and in the supporting infrastructure units.
- *Reorganizing our Asset Management Business Division.* Our primary focus in 2005 will be configuring an efficient organization to drive maximum cost-effectiveness and reduce operational complexity. In addition, we plan to reposition our business mix by investing in high fee-generating product areas and by expanding DWS into other European countries and into Asia/Pacific. We will continue to focus on improving our investment performance, supported by the new Global CIO and investment platform. A comprehensive global strategic review of all Asset Management units is currently

in process. Specifically, the review of the UK business is looking at all options, including organically growing the business or divesting all or part of it.

- *Adding regional focus in Germany and other regions.* The newly-created Management Committee Germany, which includes representatives from all our businesses and key central functions, will play an important role in deepening our relationships with clients, fostering cross-selling, developing our franchise, and strengthening our dialogue with national, governmental, supervisory and industry-wide bodies. In addition to Germany, we have established comparable committees in the Americas, the Asia-Pacific region and Japan, as well as our key markets in Europe. These committees represent a key component in our objective to strengthen the regional dimension of our management worldwide.
- *Streamlining our infrastructure.* The changes in our front-office open up opportunities to further streamline our back office infrastructure. Our goal is to migrate to a new operating model, which leverages smart sourcing opportunities. Smart sourcing includes consolidation of decentralized operations units, outsourcing of processes or parts thereof and taking advantage of diverging cost levels in different locations, e.g. labor costs. We anticipate significant efficiencies in Global Technology and Operations, Credit Risk Management and other back office functions through streamlining and reengineering existing infrastructure and processes, aligned with focused investments in our control environment.

The BRP, together with additional measures, will involve a headcount reduction. The majority of the reduction will arise in infrastructure units. This also includes the Efficiency and Investment Plan for Germany announced in December 2004.

Our ambition to further increase our profitability will be supported by continued active management of capital resources. Within our capital allocation process, we are favoring those businesses where we see the highest profitability. We anticipate the completion of our current share buyback program, which was started in July 2004, due to our consistently strong regulatory and economic capitalization. In addition, we plan to seek authorization from our shareholders for a fourth share buyback program at the Annual Shareholders' Meeting in May 2005.

Our strategic objective is to build sustainable leadership positions in our core businesses and increase profitability. This, in turn, allows us to deliver superior returns to our shareholders, and strengthen our strategic autonomy, by placing Deutsche Bank among the world's leading financial institutions by market value.

The year 2005 has started well for us. We have made good progress so far in implementing the measures of our Business Realignment Program, and if the world's economies and financial markets continue to develop positively, we are confident we can achieve our published financial targets.

Balance Sheet

of Deutsche Bank AG as at December 31, 2004

Assets in € m.		31.12.2004	31.12.2003
Cash reserve			
a) cash on hand	14		16
b) balances with central banks	5,454		5,579
thereof: with Deutsche Bundesbank	2,971		(3,935)
c) balances with post office banks	—		—
		5,468	5,595
Debt instruments of public-sector entities and bills of exchange eligible for refinancing at central banks			
a) Treasury bills, discountable Treasury notes and similar debt instruments of public-sector entities	4,058		1,530
thereof: eligible for refinancing at Deutsche Bundesbank	35		(333)
b) bills of exchange	393		538
thereof: eligible for refinancing at Deutsche Bundesbank	318		(474)
		4,451	2,068
Claims on banks			
a) repayable on demand	70,599		68,038
b) other claims	82,029		74,937
thereof: reverse repos	47,889	152,628	142,975
			(52,041)
Claims on customers		317,167	288,935
thereof: secured by mortgage charges	3,477		(3,820)
loans to or guaranteed by public-sector entities	3,472		(2,553)
reverse repos	120,456		(97,431)
Bonds and other fixed-income securities			
a) money market instruments			
aa) of public-sector issuers	6,448		1,092
ab) of other issuers	5,802		5,955
thereof: eligible as collateral for Deutsche Bundesbank advances	49		(93)
			7,047
b) bonds and notes			
ba) of public-sector issuers	82,661		58,770
thereof: eligible as collateral for Deutsche Bundesbank advances	57,256		(38,474)
bb) of other issuers	73,508		76,126
thereof: eligible as collateral for Deutsche Bundesbank advances	11,501		(13,571)
			134,896
c) own debt instruments			1,543
nominal amount	1,726		(1,770)
		170,407	143,486
Equity shares and other variable-yield securities		86,235	74,523
Participating interests		1,645	1,156
thereof: in banks	334		(334)
in financial services institutions	293		(6)
Shares in affiliated companies		32,941	34,676
thereof: in banks	5,400		(5,357)
in financial services institutions	1,055		(960)
Assets held on a trust basis		2,457	944
thereof: loans on a trust basis	460		(423)
Intangible assets		604	610
Tangible assets		702	716
Own shares (accounting par value € 70 million)		1,613	965
Sundry assets		71,703	42,049
Tax deferral		3,039	2,456
Prepaid expenses		1,402	1,247
Total Assets		852,462	742,401

Liabilities and Shareholders' Equity in € m.		31.12.2004	31.12.2003
Liabilities to banks			
a) repayable on demand	189,315		178,352
b) with agreed period or notice period	<u>156,189</u>	345,504	<u>145,006</u>
thereof:			
repos	40,310		(37,990)
Liabilities to customers			
a) savings deposits			
aa) with agreed notice period of three months	1,437		1,567
ab) with agreed notice period of more than three months	<u>832</u>		<u>866</u>
	2,269		2,433
b) other liabilities			
ba) repayable on demand	149,072		101,899
bb) with agreed period or notice period	<u>172,004</u>		<u>172,224</u>
	<u>321,076</u>	323,345	<u>274,123</u>
thereof:			
repos	51,681		(52,614)
Liabilities in certificate form			
a) bonds in issue	23,069		25,322
b) other liabilities in certificate form	<u>54,522</u>	77,591	<u>49,838</u>
thereof:			
money market instruments	15,400		(24,141)
own acceptances and promissory notes in circulation	11		(29)
Liabilities held on a trust basis		2,457	944
thereof: loans on a trust basis	460		(423)
Sundry liabilities		64,821	28,192
Deferred income		703	593
Provisions			
a) provisions for pensions and similar obligations	2,886		2,733
b) provisions for taxes	1,910		1,590
c) other provisions	<u>5,080</u>		<u>3,581</u>
		9,876	7,904
Subordinated liabilities		10,591	8,965
Participatory capital		–	728
thereof: due in less than two years	–		(728)
Capital and reserves			
a) subscribed capital	1,392		1,490
conditional capital € 275 m. (31.12.2003: € 226 m.)			
b) capital reserve	11,159		11,062
c) revenue reserves			
ca) statutory reserve	13		13
cb) reserve for own shares	1,613		965
cc) other revenue reserves	<u>2,472</u>		<u>5,598</u>
	4,098		6,576
d) distributable profit	<u>925</u>	17,574	873
			20,001
Total Liabilities and Shareholders' Equity		852,462	742,401
Contingent liabilities			
a) contingent liabilities from rediscounted bills of exchange	–		–
b) liabilities from guarantees and indemnity agreements (see also pages 23 and 24)	30,511		23,174
c) liability arising from the provision of collateral for third-party liabilities	<u>29</u>	30,540	<u>4</u>
			23,178
Other obligations			
a) repurchase obligations under agreements to sell securities with an option to repurchase them	–		–
b) placement and underwriting obligations	32		–
c) irrevocable credit commitments	<u>82,021</u>	82,053	<u>73,360</u>
			73,360

Profit and Loss Account

of Deutsche Bank AG for the year ended December 31, 2004

Expenses in € m.	2004	2003
Interest expenses	14,910	16,448
Commission expenses	1,286	1,151
Administrative expenses		
a) staff expenses		
aa) wages and salaries	4,139	4,278
ab) compulsory social security contributions and expenses for pensions and other employee benefits	<u>1,251</u>	<u>1,222</u>
	5,390	5,500
thereof: for pensions	539	(603)
b) other administrative expenses	<u>3,872</u>	<u>4,148</u>
	9,262	9,648
Write-downs and depreciation of and value adjustments to tangible and intangible assets	283	297
Other operating expenses	280	794
Write-downs of and value adjustments to claims and certain securities as well as additions to provisions for possible loan losses	158	363
Write-downs of and value adjustments to participating interests, shares in affiliated companies and securities treated as fixed assets	–	807
Expenses from assumption of losses	42	156
Extraordinary expenses	481	2
Income taxes	– 550	– 708
Other taxes, unless reported under other operating expenses	54	32
Net income	880	820
Total Expenses	27,086	29,810

	2004	2003
Net income	880	820
Profit carried forward from the previous year	45	53
	925	873
Withdrawal from revenue reserves		
– from reserve for own shares	–	780
– from other revenue reserves	<u>648</u>	<u>–</u>
	648	780
Allocations to revenue reserves		
– to reserve for own shares	648	–
– to other revenue reserves	<u>–</u>	<u>780</u>
	648	780
Distributable profit	925	873

Income in € m.		2004	2003
Interest income from			
a) lending and money market business	12,280		13,940
b) fixed-income securities and government-inscribed debt	<u>2,865</u>		<u>3,405</u>
		15,145	17,345
Current income from			
a) equity shares and other variable-yield securities	3,068		1,918
b) participating interests	38		193
c) shares in affiliated companies	<u>1,284</u>		<u>1,208</u>
		4,390	3,319
Income from profit-pooling, profit-transfer and partial profit-transfer agreements		1,237	1,043
Commission income		5,479	5,456
Net income from financial transactions		498	1,542
Income from write-ups of participating interests, shares in affiliated companies and securities treated as fixed assets		33	–
Other operating income		304	1,059
Income from the release of special items with partial reserve character		–	16
Extraordinary income		0	30
Total Income		27,086	29,810

Notes to the Accounts

The annual financial statements of Deutsche Bank AG for the 2004 financial year have been prepared in accordance with the regulations of the Bank Accounting Directives Act (sections 340 ff. of the German Commercial Code (HGB), Statutory Order on Banks' Accounts (RechKredV)); company-law regulations have been complied with. For the sake of clarity, the figures are reported in millions of euros (€).

To improve comparability, the figures for 2003 relating to interest income, interest expenses, current income from equity shares and other variable-yield securities, commission income, and net income from financial transactions have been brought into line with the basis of presentation for 2004. This mainly affected the classification of manufactured dividends (dividend equivalents arising from short positions), which have been allocated to the trading profit.

Basis of presentation

Accounting policies for:

Claims

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

Securities

Holdings of bonds and other fixed-income securities and of equity shares and other variable-yield securities are accounted for using the strict lower-of-cost-or-market rule applicable to current assets, i.e. at acquisition cost or market value (if lower) or fair value (if lower).

Participating interests, shares in affiliated companies and tangible assets

Participating interests and shares in affiliated companies as well as tangible assets and intangible assets acquired for a consideration are reported at their acquisition or manufacturing cost less any depreciation or amortization. Write-downs are made for any impairments that are likely to be permanent.

Securities, participating interests and shares in affiliated companies are written up in the event of impairments that are only temporary pursuant to the requirement to reinstate original values (section 280 (2) HGB). Low-value assets are written off in the year in which they are acquired.

The offsetting option available under section 340c (2) HGB has been utilized.

Liabilities

Liabilities are recognized at their repayment or nominal amounts. Bonds issued at a discount and similar liabilities are reported at their net present value.

Provisions

Provisions for pensions and similar obligations are recognized in accordance with actuarial principles; in Germany, pension provisions are calculated under the entry-age normal method, pursuant to section 6a of the German Income Tax Act, using a discount rate of 6%.

Provisions for taxes and other provisions are established in accordance with the principles of prudent commercial judgement in the amount of uncertain liabilities or anticipated losses from pending transactions.

Risk provisioning

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

Provision for credit risks is made in accordance with prudent criteria in the amount of the anticipated default.

The transfer risk for loans to borrowers in foreign states (country risk) is assessed using a rating system that takes account of the economic, political and regional situation. Provision is made in accordance with prudent criteria for cross-border exposures to certain countries.

Provision is made for inherent credit risk in the form of general value adjustments in accordance with commercial-law principles. In addition, general banking risks are provisioned pursuant to section 340f HGB. The option available under section 340f (3) HGB has been utilized.

Trading activities

The starting point for the valuation of trading activities is to take account of the economic relationship of the individual transactions. These trading transactions in securities, financial instruments (including derivatives), foreign exchange and precious metals are subjected to a standardized and institutionalized risk management process and the application of strict limits and – also for accounting purposes – are combined to form 'books' or portfolios.

Sophisticated methods are used to value these trading portfolios in accordance with the basic principles of valuation units and the prudence principle.

The following three valuation methods are generally used for this purpose:

- portfolio approach
- zero-line approach
- risk-adjusted mark-to-market approach.

Gains and losses on portfolios of OTC derivatives are calculated using the present value method.

Gains are recognized *pro rata temporis* for the reporting period; losses are provisioned in full.

The zero-line approach aims to evaluate the overall risk of the trading book by recognizing unrealized gains up to the zero-line if the result of the reporting period that has been calculated using the strict lower-of-cost-or-market rule is negative. This approach is based on the assumption that these portfolios have a homogeneous product and risk structure and are largely hedged. Capitalized unrealized gains are netted with unrealized losses were feasible and reported as sundry assets.

A risk-adjusted mark-to-market approach is applied to portfolios whose valuation gains are regarded almost certain. In order to protect the rights of creditors, the result of the mark-to-market valuation is reduced by an additional provision for remaining inherent market risks - the so-called value-at-risk adjustment.

Currency translation

Currency translation is consistent with the principles set forth in section 340h HGB.

Assets denominated in foreign currency and treated as fixed assets, but not separately covered in the same currency, are shown at historical cost. Other assets and liabilities denominated in foreign currency and outstanding cash deals are translated at the middle spot rate at the balance sheet date, and forward exchange deals at the forward rate at the balance sheet date.

Expenses and income resulting from currency translation have been recognized in the profit and loss account pursuant to section 340h (2) HGB.

The items on the balance sheets and the profit and loss accounts of foreign branches are translated into euros at mid-rates at the respective balance sheet dates (reporting date method). Differences resulting from the translation of balance sheet items within the bank - with the exception of exchange-rate losses on the translation of the capital allocated to our branches outside Germany (including gains and losses carried forward) - are not recognized in income and are allocated to sundry assets or sundry liabilities.

Notes to the balance sheet

The marketable securities in the following balance sheet positions are classified as follows:

in € m.	listed		unlisted	
	31.12.2004	31.12.2003	31.12.2004	31.12.2003
Bonds and other fixed-income securities	144,475	119,978	25,932	23,508
Equity shares and other variable-yield securities	80,739	68,362	1,581	1,604
Participating interests	–	–	0	0
Shares in affiliated companies	–	–	47	47

The item 'Equity shares and other variable-yield securities' (€ 86,235 million) includes € 3,086 million in investment fund units that may only be used to meet pension liabilities to employees and retirees in Germany.

The following schedule shows the changes in fixed assets:

in € m.	Acquisition/manufacturing costs			Depreciation/write-downs and value adjustments			Book values	
	Balance at 1.1.2004	Additions	Disposals	Cumulative	Current year	Disposals	Balance at 31.12.2004	Balance at 31.12.2003
Intangible assets	722	55	4	169	52	1	604	610
Tangible assets	2,031	265	264	1,330	231	226	702	716
land and buildings	46	1	1	11	2	1	35	38
office furniture and equipment	1,930	264	263	1,299	219	225	632	633
leased equipment	55	–	–	20	10	–	35	45
Changes								
Participating interests			+ 489				1,645	1,156
Shares in affiliated companies			– 1,735				32,941	34,676
Bonds and other fixed-income securities			– 56				–	56
Equity shares and other variable-yield securities			– 4				22	26

The option to combine financial investments pursuant to section 34 (3) RechKredV was utilized. Exchange rate changes at foreign branches resulting from currency translation at balance-sheet-date rates were recognized in acquisition/manufacturing costs (balance at January 1, 2004) and in cumulative depreciation/write-downs and value adjustments. Land and buildings with a total book value of € 14 million were used as part of our own activities.

Subordinated assets

Subordinated assets are reported as follows:

in € m.	31.12.2004	31.12.2003
Claims on banks	1,135	1,306
Claims on customers	399	343
Bonds and other fixed-income securities	990	689
Equity shares and other variable-yield securities	9	–

Intangible assets

The goodwill reported under intangible assets is amortized over its estimated useful life of between five and 15 years.

Sundry assets

Under sundry assets we report in particular entitlements to tax rebates from the tax authorities, premiums paid for purchased option rights and capitalized gains on trading activities, balloon payments arising from swaps, the balance resulting from settlement accounts in connection with swap trading activities, cheques and matured bonds.

Tax deferral

The deferred tax assets reported pursuant to section 274 (2) HGB increased to € 3,039 million in 2004. They correspond to the probable tax benefit arising from the differences between commercial-law and tax-law gains and losses based on country-specific tax rates.

Sundry liabilities

At the end of 2004, sundry liabilities essentially comprised liabilities resulting from trading activities and premiums received for option obligations arising from trading activities. Under this item we also report accrued but not yet matured interest on subordinated liabilities, withholding tax to be paid over, translation adjustment losses, and liabilities arising from the assumption of losses.

Subordinated liabilities

There are no early-redemption obligations on the part of Deutsche Bank AG for subordinated liabilities. In the event of liquidation or insolvency, the claims and interest claims arising from these liabilities are subordinate to the non-subordinated claims of all creditors of Deutsche Bank AG. These conditions also apply to subordinated borrowings not specified individually.

Interest expenses for all subordinated liabilities totalled € 508 million. Accrued but not yet matured interest of € 180 million included in this figure is reported under sundry liabilities.

Material subordinated liabilities:

Currency	Amount	Issuer/type	Interest rate	Maturity
€	750,000,000	Deutsche Bank Finance N.V., Curaçao/Netherlands Antilles, issue proceeds passed on to us	5.41%	27.3.2007
€	1,100,000,000	Deutsche Bank AG bond of 2003	5.13%	31.1.2013
€	1,000,000,000	Deutsche Bank AG bond of 2004	3.88%	16.1.2014
€	500,000,000	Deutsche Bank AG bond of 2004	2.48%	20.9.2016
€	1,000,000,000	Deutsche Bank AG registered bond of 2003	5.33%	19.9.2023
€	300,000,000	Deutsche Bank AG registered bond of 2003	6.15%	2.12.2033
U.S.\$	1,100,000,000	Deutsche Bank Financial Inc., Dover/U.S.A., issue proceeds passed on to us	6.70%	13.12.2006
U.S.\$	318,000,000	DB Capital LLC I, Wilmington/U.S.A., issue proceeds passed on to us	3.10%	30.3.2009
U.S.\$	550,000,000	Deutsche Bank Financial Inc., Dover/U.S.A., issue proceeds passed on to us	7.50%	25.4.2009
U.S.\$	250,000,000	Deutsche Bank Finance N.V., Curaçao/Netherlands Antilles, issue proceeds passed on to us	2.48%	30.4.2009
U.S.\$	650,000,000	DB Capital Funding LLC I, Wilmington/U.S.A., issue proceeds passed on to us	7.87%	30.6.2009
U.S.\$	500,000,000	Deutsche Bank Finance N.V., Curaçao/Netherlands Antilles, issue proceeds passed on to us	3.08%	27.3.2012
U.S.\$	800,000,000	Deutsche Bank Financial Inc., Dover/U.S.A., issue proceeds passed on to us	5.38%	2.3.2015
GBP	225,000,000	Deutsche Bank AG bond of 2004	5.25%	15.12.2015

Participatory capital

The participatory capital of DM 1.4 billion (€ 0.7 billion) issued in 1992 was repaid on June 30, 2004.

Own shares

In the course of 2004, the bank and its affiliated companies bought 538,904,500 Deutsche Bank shares at prevailing market prices and sold 538,416,459 Deutsche Bank shares at prevailing market prices for trading purposes. The purchase of its own shares was based on the authorizations given by the General Meetings on June 10, 2003 and June 2, 2004 pursuant to section 71 (1) number 7 of the German Joint Stock Corporation Act (AktG), whose restrictions were complied with for every share purchase and sale. The authorization given on June 10, 2003 expired once the authorization of June 2, 2004 became effective. The average purchase price was € 64.15 per share; the average selling price was € 64.12. The resulting loss was reported under operating profit.

The bank's own shares bought and sold during 2004 corresponded to roughly 99% of its share capital. The largest holding on any one day was 3.18% and the average daily holding 0.27% of its share capital.

The bank was authorized by the General Meeting resolution of June 2, 2004 to purchase its own shares amounting to up to 10 per cent of its current share capital on or before November 30, 2005 pursuant to section 71 (1) number 8 of the German Joint Stock Corporation Act. Together with the bank's own shares - purchased for trading purposes or for other reasons - that are either in the company's possession or attributable to it at any one time pursuant to sections 71a ff. of the German Joint Stock Corporation Act, the shares purchased on the basis of this authorization must not at any time exceed 10 per cent of the company's share capital; this stipulation has been complied with. The shares may be purchased either through the stock market or by means of a public offering to all shareholders. If the shares are purchased through the stock market, the price paid for them must not be more than 10 per cent above or more than 20 per cent below the average share price quoted (closing price quoted for Deutsche Bank shares in the Xetra trading system or in a similar successor system replacing the Xetra system on the Frankfurt Stock Exchange) on the last three trading days prior to the obligation to purchase the shares. If the shares are purchased through a public offering, the price paid for them must not be more than 10 per cent below or more than 15 per cent above the average share price quoted (closing price quoted for Deutsche Bank shares in the Xetra trading system or in a similar successor system replacing the Xetra system on the Frankfurt Stock Exchange) on the last three trading days prior to the date on which the offering is made public. If, when a public offering is made, the volume of shares offered exceeds the intended repurchase volume, acceptance of the offering must be proportionate to the volume of shares offered in each case. It is possible to allow preferential acceptance of small numbers of up to 50 shares per shareholder for the purchase of Deutsche Bank shares on offer.

The Board of Managing Directors was authorized, with the consent of the Supervisory Board, to sell the purchased shares other than through the stock market or by means of an offering to all shareholders provided this is done against non-cash capital contributions, excluding shareholders' pre-emptive rights, for the purpose of acquiring companies or holdings in companies. Furthermore, the Board of Managing Directors was authorized, when selling the bank's purchased own shares by means of an offering to all shareholders, to grant the holders of the warrants, convertible bonds and profit-sharing rights issued by the bank pre-emptive rights to the shares to the extent to which they would be entitled after having exercised the option or conversion right. Shareholders' pre-emptive rights are excluded for these cases and to this extent. The Board of Managing Directors was also authorized to exclude shareholders' pre-emptive rights if the shares are to be issued as staff shares to employees and retired employees of the bank and of affiliated companies, or if they are to be used to fulfil option rights or purchase rights or purchase obligations attaching to shares of the bank granted to employees of the bank or of affiliated companies.

Furthermore, the Board of Managing Directors was authorized to sell the shares to third parties against cash payment, excluding shareholders' pre-emptive rights, unless the purchase price of the shares is substantially lower than their market price at the time they are sold. This authorization may only be utilized if it is ensured that the number of shares sold as a result of this authorization together with shares issued from authorized capital, excluding shareholders' pre-emptive rights, pursuant to section 186 (3) sentence 4 of the German Joint Stock Corporation Act does not exceed 10 per cent of the company's share capital available at the time the shares are issued or sold.

The Board of Managing Directors was also authorized to retire shares purchased as a result of this authorization without requiring any further resolution to be adopted by the General Meeting. The authorization for the bank to purchase its own shares, which was given by the General Meeting on June 10, 2003 and was valid until September 30, 2004, expired as soon as the authorization of June 2, 2004 came into effect.

At the end of 2004, the bank's holdings of its own shares amounted to 631,738 pursuant to section 71 (1) number 7 of the German Joint Stock Corporation Act and to 26,572,700 pursuant to section 71 (1) number 8 of the German Joint Stock Corporation Act, i.e. 0.12% and 4.89% of our share capital respectively. The bank's total holdings of its own shares at the balance sheet date required a reserve for these shares in the amount of their carrying value of € 1,613,215,395.73. On December 31, 2004, 2,508,186 (end of 2003: 1,855,874) Deutsche Bank shares, i.e. 0.46% (end of 2003: 0.32%) of our share capital, were pledged to the bank and its affiliated companies as security for loans.

Changes in subscribed, authorized and conditional capital

The bank's subscribed capital is divided into 543,854,246 registered no par value shares. This number decreased in 2004 following the retirement of 38,000,000 shares under the share buyback program.

Excluding holdings of the bank's own shares, the number of shares in issue as at December 31, 2004 came to 516,649,808 (end of 2003: 565,182,153); the average number of shares outstanding in the year under review was 544,896,690.

The following table shows the changes in subscribed, authorized and conditional capital:

	Subscribed capital	Authorized capital	Authorized capital excl. shareholders' pre-emptive rights	Conditional capital
in €				
Balance at 31.12.2003	1,489,546,869.76	656,000,000.00	30,000,000.00	226,173,391.36
Capital reduction through retirement of 38,000,000 shares pursuant to General Meeting resolution of June 10, 2003	- 97,280,000.00			
Increase pursuant to General Meeting resolution of June 2, 2004		198,000,000.00		150,000,000.00
Expiry of General Meeting resolution of May 17, 1999		- 300,000,000.00		
Expiry of option rights pursuant to General Meeting resolution of May 17, 1999				- 80,000,000.00
Expiry of option rights pursuant to General Meeting resolution of May 17, 1999				- 20,973,391.36
Balance at 31.12.2004	1,392,266,869.76	554,000,000.00	30,000,000.00	275,200,000.00

Authorizations given by the General Meeting

The General Meeting granted the Board of Managing Directors the following authorizations to increase the share capital - with the consent of the Supervisory Board - through the issue of new shares (authorized capital) as follows:

Authorized capital

- by up to a total of € 128,000,000 against cash payments or non-cash capital contributions, on one or more occasions on or before April 30, 2006, with pre-emptive rights generally being granted to shareholders; however, pre-emptive rights can be excluded if a capital increase against non-cash capital contributions was made for the purpose of acquiring companies or holdings in companies (General Meeting resolution of May 17, 2001);
- by up to a total of € 100,000,000 against cash payments, on one or more occasions on or before April 30, 2007; shareholders' general pre-emptive rights can be excluded unless the issue price of the new shares is substantially lower than the market price of the already listed shares at the time the issue price is fixed (General Meeting resolution of May 22, 2002);
- by up to a total of € 128,000,000 against cash payments or non-cash capital contributions, on one or more occasions on or before April 30, 2008, with pre-emptive rights generally being granted to

shareholders; however, pre-emptive rights can be excluded if a capital increase against non-cash capital contributions was made for the purpose of acquiring companies or holdings in companies (General Meeting resolution of June 10, 2003);

- by up to a total of € 150,000,000 against cash payments, on one or more occasions on or before April 30, 2009, with pre-emptive rights generally being granted to shareholders (General Meeting resolution of June 2, 2004);
- by up to a total of € 48,000,000 against cash payments, on one or more occasions on or before April 30, 2009; shareholders' general pre-emptive rights can be excluded unless the issue price of the new shares is substantially lower than the market price of the already listed shares at the time the issue price is fixed (General Meeting resolution of June 2, 2004).

In all cases, pre-emptive rights may be excluded for broken amounts and to grant pre-emptive rights to holders of issued warrants, convertible bonds and profit-sharing rights.

Furthermore, the Board of Managing Directors is authorized, with the consent of the Supervisory Board, to increase the bank's share capital by up to a total of € 30,000,000 on one or more occasions on or before May 31, 2005 by issuing new shares against cash payments for the issue of staff shares. Shareholders' pre-emptive rights are excluded (General Meeting resolution of June 9, 2000).

Conditional capital

- The Board of Managing Directors was allowed, as a result of the authorization of May 17, 2001, and with the consent of the Supervisory Board, to issue up to 12,000,000 option rights on Deutsche Bank shares to employees of the Deutsche Bank Group on or before December 31, 2003. Their issue price, performance target and exercise periods were the same as those for the issue of option rights to executives. Option rights on shares amounting to € 9,178,818.56 had been issued under this authorization as at December 31, 2004. The conditional capital now amounts to € 10,000,000, but can not be used further.

The Board of Managing Directors was authorized, with the consent of the Supervisory Board, to issue option rights on shares of Deutsche Bank AG to members of the Board of Managing Directors and executives of Deutsche Bank AG and to members of the managements and executives of affiliated companies. The authorizations contain the following conditions:

- General Meeting resolution of May 17, 2001: issue of up to 20,000,000 option rights on or before May 10, 2003; granted in two annual tranches, neither of which must exceed 70% of the total volume (conditional capital of € 51,200,000);
- General Meeting resolution of May 22, 2002: issue of up to 25,000,000 option rights on or before May 20, 2005; granted in annual tranches, none of which must exceed 60% of the total volume (conditional capital of € 64,000,000).

Each option right entitles the holder, against payment of the issue price, to purchase one no par value share of Deutsche Bank AG. If the option is exercised, the issue price of one share represents its exercise price plus a premium of 20%. The exercise price corresponds to the average closing price quoted for Deutsche Bank shares in the Xetra trading system on the Frankfurt Stock Exchange over the last 10 trading days prior to the date on which the option rights are issued. The exercise of option rights is subject to the waiting period for their first-time exercise and exercise periods.

The conditional capital is increased only to the extent that the holders of issued option rights exercise their pre-emptive rights and that the bank does not fulfil the option rights by transferring ownership of its own shares or by making a cash payment.

The Board of Managing Directors was authorized by the General Meeting on June 2, 2004 to issue bearer or registered participatory certificates on one or more occasions on or before April 30, 2009 and, instead of or in addition to participatory certificates, to issue bonds with warrants and/or convertible bonds for a term of no more than 20 years on one or more occasions. Bearer warrants may be attached to the participatory notes, or they may be linked to a conversion right for the bearer. The holders of bonds and the holders of convertible bonds may be granted with option rights and conversion rights, respectively, to new shares of Deutsche Bank AG subject to the conditions of bonds with warrants and convertible bonds. The total amount of participatory certificates, bonds with warrants, and

convertible bonds issued under this authorization must not exceed € 6,000,000,000 in total (conditional capital of € 150,000,000).

The conditional capital is increased only to the extent that these rights are exercised or that the bondholders obliged to exercise their conversion rights meet their conversion obligations.

Changes in capital and reserves

in € m.	
Balance at 31.12.2003	20,001
Distribution in 2004	– 828
Profit carried forward	– 45
Capital reduction through retirement of own shares	
– derecognition of subscribed capital	– 98
– allocation to capital reserve	+ 98
– withdrawal from other revenue reserves	– 2,479
Revenue reserves	
– allocation to reserve for own shares	+ 648
– withdrawal from other revenue reserves	– 648
Distributable profit for 2004	925
Balance at 31.12.2004	17,574

Regulatory capital and reserves pursuant to the German Banking Act totalled € 22.5 billion.

Contingent liabilities

Liabilities from guarantees and indemnity agreements, as reported on the balance sheet, are broken down as follows:

in € m.	31.12.2004	31.12.2003
Guarantees	17,196	16,349
Letters of credit	2,934	2,446
Credit liabilities	10,381	4,379

Other obligations

The irrevocable credit commitments shown on the balance sheet (€ 82,021 million) include commitments of € 72,106 million for loans and discounts in favour of non-banks.

Sundry obligations

Annual payment obligations under rental agreements and leases amount to € 384 million with residual maturities of up to 19 years. These obligations include € 115 million to affiliated companies. Outsourcing projects include longer-term obligations to purchase goods and services worth a total of € 3.8 billion.

Liabilities for possible calls on not fully paid-up shares in public and private limited companies and other shares amounted to € 77 million at the end of 2004. Joint liabilities pursuant to section 24 of the German Private Limited Companies Act (GmbHG) amounted to € 27 million. Where other joint liabilities exist, the credit standing of the co-shareholders is impeccable in all cases.

In connection with our participating interest in Liquiditäts-Konsortialbank GmbH, Frankfurt am Main, there is an obligation to pay further capital of up to € 70 million and a *pro rata* contingent liability to fulfil the capital obligations of other shareholders belonging to Bundesverband deutscher Banken e.V., Berlin.

Liabilities for possible calls on other shares totalled € 2 million as at December 31, 2004.

Pursuant to section 5 (10) of the Statute of the Deposit Guarantee Fund we have undertaken to indemnify Bundesverband deutscher Banken e.V., Berlin, for any losses incurred through measures taken in favour of banks majority-held or controlled by Deutsche Bank.

Pursuant to section 3 (1a) of the Statute of the Deposit Guarantee Fund for Banks' Building and Loan Associations, Deutsche Bank AG has also undertaken to indemnify Fachverband für Bank-Bausparkassen e.V. for any losses incurred through measures taken in favour of Deutsche Bank Bauspar AG, Frankfurt am Main.

As part of the business activities of our foreign branches, collateral security of € 1,421 million was required by statutory regulations.

Obligations arising from transactions on futures and options exchanges and towards clearing houses for which securities were pledged as collateral amounted to € 609 million as at December 31, 2004.

There are contingent liabilities totalling € 56 million in connection with the resale of the trading company Klöckner & Co. AG, Duisburg.

Furthermore, there remain other obligations totalling € 171 million arising from third-party put options.

Declaration of backing¹

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

DB Investments (GB) Limited, London	Deutsche Bank S.A./N.V., Brussels
Deutsche Asset Management International GmbH, Frankfurt am Main (formerly: Deutsche Asset Management GmbH)	Deutsche Bank, Sociedad Anónima Española, Barcelona
Deutsche Asset Management Investmentgesellschaft mbH vormals DEGEF Deutsche Gesellschaft für Fondsverwaltung mbH, Frankfurt am Main	Deutsche Bank Società per Azioni, Milan
Deutsche Australia Limited, Sydney	Deutsche Bank (Suisse) S.A., Geneva
Deutsche Bank Americas Holding Corp., New York/U.S.A. (formerly: Deutsche Bank North America Holding Corp.)	Deutsche Futures Singapore Pte Ltd., Singapore (formerly: Deutsche Morgan Grenfell Futures Pte Ltd.)
Deutsche Bank Luxembourg S.A., Luxembourg	Deutsche Morgan Grenfell Group plc, London
Deutsche Bank (Malaysia) Berhad, Kuala Lumpur	Deutsche Securities Asia Limited, Hong Kong
Deutsche Bank Polska S.A., Warsaw	Deutsche Securities Limited, Hong Kong (formerly: Deutsche Morgan Grenfell Capital Markets Limited)
Deutsche Bank (Portugal), S.A., Lisbon (formerly: Deutsche Bank de Investimento, S.A.)	DWS Holding & Service GmbH, Frankfurt am Main (formerly: Deutsche Asset Management Europe GmbH)
Deutsche Bank Rt., Budapest	DWS Investment GmbH, Frankfurt am Main (formerly: DWS Deutsche Gesellschaft für Wertpapiersparen mbH)
Deutsche Bank S.A., Buenos Aires	DWS Investment S.A., Luxembourg (formerly: DB Investment Management S.A.)
Deutsche Bank S.A. – Banco Alemão, São Paulo	OOO Deutsche Bank, Moscow
	Schiffshypothekenbank zu Lübeck Aktiengesellschaft, Hamburg

¹ Companies with which a profit and loss transfer agreement exists are marked in the List of Shareholdings.

Maturity structure of claims

in € m.	31.12.2004	31.12.2003
Other claims on banks	82,029	74,937
with a residual period of		
up to three months	47,778	55,256
more than three months and up to one year	24,833	10,806
more than one year and up to five years	7,495	6,310
more than five years	1,923	2,565
Claims on customers	317,167	288,935
with a residual period of		
up to three months	231,257	212,802
more than three months and up to one year	30,521	22,547
more than one year and up to five years	34,032	32,395
more than five years	20,598	20,956
with an indefinite period	759	235

Of the bonds and other fixed-income securities of € 170,407 million, € 40,725 million mature in 2005.

Maturity structure of liabilities

in € m.	31.12.2004	31.12.2003
Liabilities to banks with agreed period or notice period	156,189	145,006
with a residual period of		
up to three months	111,706	106,242
more than three months and up to one year	15,705	14,255
more than one year and up to five years	20,495	16,086
more than five years	8,283	8,423
Savings deposits with agreed notice period of more than three months	832	866
with a residual period of		
up to three months	354	401
more than three months and up to one year	284	281
more than one year and up to five years	190	180
more than five years	4	4
Other liabilities to customers with agreed period or notice period	172,004	172,224
with a residual period of		
up to three months	117,495	121,535
more than three months and up to one year	11,869	7,960
more than one year and up to five years	29,544	29,976
more than five years	13,096	12,753
Other liabilities in certificate form	54,522	49,838
with a residual period of		
up to three months	13,115	16,172
more than three months and up to one year	10,685	15,769
more than one year and up to five years	27,318	15,280
more than five years	3,404	2,617

Of the issued bonds of € 23,069 million, € 7,755 million mature in 2005.

Prepaid expenses and deferred income

The prepaid expenses of € 1,402 million include a balance of € 621 million pursuant to section 250 (3) HGB. The deferred income of € 703 million contains € 104 million in balances pursuant to section 340e (2) HGB.

Trust business

in € m.	Assets held in trust		in € m.	Liabilities held in trust	
	31.12.2004	31.12.2003		31.12.2004	31.12.2003
Claims on banks	1,935	468	Liabilities to banks	9	11
Claims on customers	456	419	Liabilities to customers	2,448	933
Equity shares and other variable-yield securities	52	42			
Participating interests	14	15			
Total	2,457	944	Total	2,457	944

Information on affiliated, associated and related companies

in € m.	Affiliated companies		Associated and related companies	
	31.12.2004	31.12.2003	31.12.2004	31.12.2003
Claims on banks	47,897	50,118	389	190
Claims on customers	183,670	149,491	759	872
Bonds and other fixed-income securities	1,341	902	1,070	1,582
Liabilities to banks	91,062	85,025	751	50
Liabilities to customers	116,038	89,948	872	1,111
Liabilities in certificate form	521	1,334	–	–
Subordinated liabilities	5,769	6,937	–	–

Shareholdings

The complete list of our shareholdings is filed with the Commercial Register in Frankfurt am Main. It can be obtained free of charge from Deutsche Bank AG, Frankfurt am Main.

Assets pledged as collateral

Assets in the stated amounts were pledged as collateral for the liabilities shown below:

in € m.	31.12.2004	31.12.2003
Liabilities to banks	14,142	9,457
Liabilities to customers	395	486

Transactions subject to sale and repurchase agreements

The book value of assets reported on the balance sheet and sold subject to a repurchase agreement in the amount of € 69,889 million related exclusively to securities sold under repo agreements.

Foreign currencies

The total amount of assets denominated in foreign currency was the equivalent of € 478,049 million at the balance sheet date; the total value of liabilities was the equivalent of € 445,767 million.

Forward transactions

Forward transactions outstanding at the balance sheet date consisted mainly of the following types of business:

- interest rate-linked transactions
forward deals linked to debt instruments, forward rate agreements, interest rate swaps, interest futures, option rights in certificate form, OTC and exchange-traded options linked to interest rates and indices;
- exchange rate-linked transactions
foreign exchange and precious metal forwards, cross-currency swaps, option rights in certificate form, OTC and exchange-traded options linked to foreign exchange and precious metals, foreign exchange and precious metal futures;
- other transactions
equity forwards and futures, index futures, option rights in certificate form, OTC and exchange-traded options linked to equities and indices.

The above types of transaction are concluded almost exclusively to hedge interest rate, exchange rate and market price fluctuations in trading activities.

Fair value of derivatives

in € m.	Notional amount	Positive fair value	Negative fair value
OTC products			
interest rate-linked transactions	17,643,723	223,236	– 222,681
exchange rate-linked transactions	3,026,961	66,011	– 63,841
equity- and index-linked transactions	1,006,885	26,773	– 35,415
other transactions	197,230	10,685	– 8,796
Exchange-traded products			
interest rate-linked transactions ¹	51,117	0	0
exchange rate-linked transactions ¹	40	0	0
equity- and index-linked transactions	152,265	4,639	– 4,364
other transactions	333	1	– 1
Total	22,078,554	331,345	– 335,098

¹ Because cash settlements are paid on a daily basis, the fair values of interest rate- and exchange rate-linked transactions are zero or virtually zero.

Quoted market prices in active markets are the most reliable measure of fair value. When quoted market prices are not available, values for financial assets and liabilities are determined based upon discounted cash flow analysis, comparison to similar observable market transactions, or the use of financial models. Discounted cash flow analysis is dependent upon estimated future cash flows and the discount rate used. Valuation using financial models is dependent upon parameters including time value, yield curve, volatility factors, correlation factors, prepayment speeds, default rates, loss severity, current market prices and transaction prices for underlying financial instruments. The valuation process to price financial instruments at fair value includes making adjustments to prices and financial model outputs to consider factors such as close-out costs, liquidity and counterparty credit risk.

Pending transactions are generally not accounted for under the rules of the German Commercial Code. They are valued in accordance with commercial-law principles, although the approaches described in the section 'Basis of presentation' are applied to derivatives held for trading purposes. The prudence principle is applied.

Notes to the profit and loss account

Income by geographical market

The total amount of interest income, of current income from equity shares and other variable-yield securities, participating interests and shares in affiliated companies, of commission income, of net income from financial transactions and of other operating income is spread across various regions as shown by the following breakdown pursuant to section 34 (2) RechKredV:

in € m.	2004	2003
Germany	10,860	11,640
Europe excl. Germany	10,695	12,458
Americas	2,075	2,481
Africa/Asia/Australia	2,186	2,142
Total	25,816	28,721

Administrative and agency services provided for third parties

The following administrative and agency services were provided for third parties: custody services; referral of mortgages, insurance policies and housing finance contracts; administration of assets held in trust, and asset management.

Other operating income

At € 304 million, other operating income consists mainly of € 117 million in realized foreign exchange gains on the transfer of gains and losses of branches outside Germany, € 60 million from the sale of loans and € 9 million from leasing.

Other operating expenses

Other operating expenses of € 280 million include costs of € 56 million arising from stock-based compensation for subsidiaries, € 36 million in exchange rate differences arising from the translation of the capital allocated to our branches outside Germany (including gains and losses carried forward), € 27 million in losses on the sale of furniture and equipment and payments for the early termination of leases on bank premises, and € 28 million in connection with operational risks.

Extraordinary expenses

The extraordinary expenses of € 481 million relate to restructuring costs in connection with the Business Realignment Program.

Other information

Board of Managing Directors and Supervisory Board

In 2004, the total remuneration of the Board of Managing Directors came to € 25,101,613.92, € 20,901,900 of which represented variable forms of compensation.

Former members of the Board of Managing Directors of Deutsche Bank AG or their surviving dependants received € 17,918,079.50. In addition to a fixed payment of € 1,124,620, the Supervisory Board received dividend-related remuneration totalling € 979,910.

Provisions for pension obligations to former members of the Board of Managing Directors or their surviving dependants totalled € 171,093,311.

At the end of 2004, loans and advances granted and contingent liabilities assumed for members of the Board of Managing Directors amounted to € 5,100 and for members of the Supervisory Board of Deutsche Bank AG to € 400,900.

The members of the Board of Managing Directors and the Supervisory Board are listed on pages 32 and 33.

The List of Mandates mentions all directorships held in Germany and abroad and is filed with the Commercial Register in Frankfurt am Main. Both the List of Mandates and the Corporate Governance Report can be obtained free of charge from Deutsche Bank AG, Frankfurt am Main.

Employees

The average number of full-time equivalent staff employed during the year under review was 26,732 (2003: 27,965), 10,187 of whom were women. Part-time employees are included proportionately in these figures. An average of 13,409 (2003: 13,403) staff members worked at branches outside Germany.

Corporate governance

The bank has issued and made available to its shareholders the declaration prescribed by section 161 AktG.

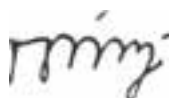
Frankfurt am Main, March 15, 2005

Deutsche Bank Aktiengesellschaft

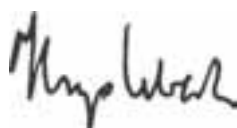
The Board of Managing Directors



Josef Ackermann



Clemens Börsig



Tessen von Heydebreck



Hermann-Josef Lamberti

Independent Auditors' Report

We have audited the annual financial statements, together with the bookkeeping system, and the management report of Deutsche Bank AG for the financial year from January 1 to December 31, 2004. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with section 317 HGB (Handelsgesetzbuch; German Commercial Code) and the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (German Institute of Auditors). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the internal control system relating to the accounting system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, the annual financial statements give a true and fair view of the net assets, financial position and results of operations of Deutsche Bank AG in accordance with principles of proper accounting. On the whole, the management report provides a suitable understanding of the Company's position and suitably presents the risks of future development.

Frankfurt am Main, March 16, 2005

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft



Wiedmann
Wirtschaftsprüfer



Becker
Wirtschaftsprüfer

PRINCIPAL PLACE OF BUSINESS OF THE BANK

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