Deutsche Bank Capital Funding Trust VI

(a wholly owned subsidiary of Deutsche Bank Aktiengesellschaft)

900,000 Noncumulative Trust Preferred Securities

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

The Noncumulative 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 Funding Trust VI, a statutory trust created under the laws of the State of Delaware (the "Trust"). The assets of the Trust consist solely of Class B Preferred Securities of Deutsche Bank Capital Funding LLC VI, a Delaware limited liability company (the "Company"). Deutsche Bank Aktiengesellschaft, Frankfurt am Main, (the "Bank") will own one common security of the Trust.

Capital Payments (as defined herein) on the respective liquidation preference amounts of € 1,000 per Trust Preferred Security (the "Liquidation Preference Amount") and € 1,000 per Class B Preferred Security will be payable annually in arrears on a noncumulative basis on January 28 of each year, commencing January 28, 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 January 28, 2005 with respect to Capital Payments payable on January 28, 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, 6% and (ii) for each Payment Period thereafter, the Floating Rate for such Payment Period, which shall in no event be less than 3.5% or more than 10%.

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 Class B Preferred 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. ("S&P"), "A2" by Moody's Investors Service, Inc. ("Moody's") and "A+" by Fitch Ratings Ltd. ("Fitch"). 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. This Listing Prospectus constitutes a prospectus for the purposes of the listing and issuing rules of the Frankfurt Stock Exchange. This document is also an offering circular for the offering and sale of the Trust Preferred Securities ("Offering Circular").

See "Investment Considerations" beginning on page 47 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 January 28, 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

BCP Investimento, SA	**Credit Suisse First Boston**	**EFG Eurobank Ergasias**
HSH Nordbank AG	**Landesbank Baden-Württemberg**	**Natexis Banques Populaires**
	UBS Investment Bank	

January 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 KINDGOM 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 MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD. SUCH TRANSACTIONS MAY BE EFFECTED ON THE FRANKFURT STOCK EXCHANGE 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 REGULATION S 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, CLASS B PREFERRED 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

"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 Class B Preferred 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 Class B Preferred 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.

"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 Class B Preferred Securities.

"Capital Payments" means the periodic distributions on the Trust Securities and the Class B Preferred Securities.

"CI" means the Corporate Investments Group Division of the Bank.

"CIB" means the Corporate and Investment Bank Group Division of the Bank.

"Class A Preferred Security" means the noncumulative Class A Preferred Security representing an ownership interest in the Company.

"Class B Preferred Securities" means the noncumulative Class B Preferred Securities evidencing preferred ownership interests in the Company.

"Clearstream, Luxembourg" means Clearstream Banking, *société anonyme,* Luxembourg.

"Clearstream AG" means Clearstream Banking AG, Frankfurt am Main, Germany.

"Closing Date" means January 28, 2005.

"Code" means the Internal Revenue Code of 1986, as amended.

"Company" means Deutsche Bank Capital Funding LLC VI, a Delaware limited liability company.

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

"Company Preferred Securities" means the Class B Preferred Securities and the Class A Preferred Security.

"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 Class B Preferred Securities having substantially the same terms as the Class B Preferred 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, 2001, 2002 and 2003.

"DBSI" means Deutsche Bank Securities Inc.

"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 Class B Preferred 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.

"Euro" and "€" means the lawful currency of the member states of the European Union (including Germany) that have adopted the single currency in accordance with the Treaty establishing the European Community, as amended by the Maastricht Treaty.

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

"Fitch" means Fitch Ratings Ltd.

"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:

4 x (EUR10CMS – EUR2CMS)

where "**EUR10CMS**" means the "**Constant Maturity Swap 10 years**", which, 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 10-year maturity, the "**10-year Designated Maturity**"), which appears on the 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) (the "**Relevant Screen Page**") on the relevant Determination Date; and

and "**EUR2CMS**" means "**Constant Maturity Swap 2 years**", which, 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;

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 3.5 % per annum or more than 10 % per annum.

In the event that the EUR10CMS does not appear on the Relevant Screen page on any Determination Date, the EUR10CMS 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 five leading swap dealers in the interbank market (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 EUR10CMS for that Payment Period (or Interest Period, in the case of the Initial Obligations) 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 Obligations), (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).

In the event that the EUR2CMS does not appear on the Relevant Screen Page on any Determination Date, the EUR2CMS for the relevant Payment Period (or Interest Period, in the case of the Initial Obligations) 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 EUR2CMS for that Payment Period (or Interest Period, in the case of the Initial Obligations) 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 Obligations), (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).

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

"Germany" means the Federal Republic of Germany.

"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.

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

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

"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 Class B Preferred 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 Class B Preferred 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 Class B Preferred Securities, the Class A Preferred Security and the Company Common Security.

"Initial Obligation Redemption Date" means January 28, 2010, 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 January 28, 2010, the first day on which the Class B Preferred Securities will be redeemable other than on the occurrence of a Company Special Redemption Event.

"Interest Payment Date" means January 28 of each year, commencing January 28, 2006.

"Interest Period" means the period from and including the immediately preceding Interest Payment Date (or January 28, 2005 with respect to interest payable on January 28, 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 September 30, 2004 and for the nine-month periods ended September 30, 2003 and 2004.

"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 January 28, 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 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 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.

"Maastricht Treaty" means the Treaty on European Union which amended the Treaty establishing the European Community.

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

"Maturity Date" means January 28, 2035, the maturity date of the Initial Obligation.

"Moody's" means Moody's Investors Service, Inc.

"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 Funding Trust VI 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 Securities" means each class of the most senior ranking preference shares of the Bank, if any, and Parity Subsidiary Securities.

"Parity Subsidiary Securities" means the most senior ranking preference shares or any other 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 January 28 of each year, commencing January 28, 2006.

"Payment Period" means the period from and including the immediately preceding Payment Date (or January 28, 2005, with respect to Capital Payments payable on January 28, 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 Securities" means the Class A Preferred Security and the Class B Preferred Securities.

"Principal Amount" means, in connection with the Initial Obligation, € 900,000,000.

"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%) or 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 Class B Preferred Securities.

"Redemption Notice" means notice of any redemption of the Class B Preferred Securities.

"Redemption Price" means a redemption price per Class B Preferred Security equal to the liquidation preference amount thereof, plus any accrued and unpaid Capital Payments for the then current Payment Period to but excluding the Redemption Date.

"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 Class B Preferred Securities as core capital or Tier 1 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.

"S&P" means Standard & Poor's Ratings Group, a division of The McGraw-Hill Companies, Inc.

"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, 6% and (ii) for each Payment Period thereafter, the Floating Rate for such Payment Period, which shall in no event be less than 3.5% or more than 10%.

"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.

"Trust" means Deutsche Bank Capital Funding Trust VI, 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 900,000 Noncumulative 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 noncumulative Class B Preferred Securities (the "Class B Preferred Securities") of Deutsche Bank Capital Funding LLC VI, a Delaware limited liability company (the "Company"), which evidence preferred ownership interests in the Company, and engaging in activities necessary or incidental thereto. In addition to the Class B Preferred Securities, the Company will also issue one voting common security (the "Company Common Security") and one noncumulative Class A preferred security (the "Class A Preferred Security"), each representing ownership interests in the Company. The Bank will initially own the Company Common Security and the Class A Preferred 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 Class B Preferred Securities. Periodic distributions on the Trust Securities and the Class B Preferred Securities are referred to herein as "Capital Payments". For a summary of the terms of the Trust Preferred Securities and the Class B Preferred Securities, see "The Offering" herein.

Capital Payments on the respective liquidation preference amounts of € 1,000 per Trust Preferred Security (the "Liquidation Preference Amount") and € 1,000 per Class B Preferred Security will be payable annually in arrears on January 28 of each year, commencing January 28, 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 January 28, 2005 with respect to Capital Payments payable on January 28, 2006), up to but excluding the relevant Payment Date (each such period, a "Payment Period"), at a rate per annum (the "Stated Rate") 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, 6% and (ii) for each Payment Period thereafter, the Floating Rate for such Payment Period, which shall in no event be less than 3.5% or more than 10%.

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 (as defined herein) 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 Class B Preferred Securities. Capital Payments on the Class B Preferred 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 in respect of any Payment Period, the holders of the Class B Preferred 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.

The Company will use substantially all of the proceeds from the issuance of the Class B Preferred 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 Class B Preferred Securities and the Class A Preferred Security (together with the Class B Preferred Securities, the "Preferred Securities") and the holder of the Company Common Security.

The Bank and the Company will enter into a support agreement (the "Support Undertaking") for the benefit of the holders of the Class B Preferred Securities prior to the issuance of the Class B Preferred Securities. Pursuant to the Support Undertaking, 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 Class B Preferred Securities and payments due upon redemption of the Class B Preferred Securities (plus, in each case, Additional Amounts (as defined herein) thereon, if any), and (ii) in liquidation, the Company will have sufficient funds to pay the liquidation preference amounts of the Class B Preferred Securities, plus accrued and unpaid Capital Payments for the then current Payment Period to but excluding the date of liquidation and 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. The Bank's obligations under the Support Undertaking are subordinated to all of its senior and subordinated debt obligations of the Bank.

Upon redemption of the Class B Preferred Securities, the Trust must redeem the Trust Preferred Securities. The Class B Preferred Securities will be redeemable at the option of the Company, in whole but not in part, on January 28, 2010 (the "Initial Redemption Date"), and on each Payment Date thereafter. The Company will also have the right to redeem the Class B Preferred Securities at any time prior to the Initial Redemption Date, in whole but not in part, upon the occurrence of a Company Special Redemption Event (as defined herein). Any redemption will be at a redemption price (the "Redemption Price") per Class B Preferred Security equal to the liquidation preference amount thereof, plus any accrued and unpaid Capital Payments for the then current Payment Period to but excluding the date of redemption (a "Redemption Date") and Additional Amounts, if any. See "Description of the Company Securities – Class B Preferred Securities – Redemption of the Class B Preferred Securities". The Class B Preferred 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 (as defined herein) 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 Class B Preferred Securities. See "Description of the Trust Securities – Redemption".

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

The Bank or a majority-owned affiliate of the Bank will enter into a services agreement (the "Services Agreement") with the Company and the Trust. The Bank, as the holder of the Company Common Security, will elect the Board of Directors of the Company (the "Board of Directors"), which initially will consist of three directors.

Each holder of Class B Preferred Securities will be a third-party beneficiary of the Support Undertaking.

GENERAL INFORMATION

Subject of this Offering Circular

Subject of this Offering Circular (the "Offering Circular") are the Noncumulative Trust Preferred Securities, Liquidation Preference Amount € 1,000 per security, which represent the undivided beneficial ownership interests in the assets of Deutsche Bank Capital Funding Trust VI, 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 € 900,001,000, including the Trust Common Security) will be invested by the Trust in the Class B Preferred Securities. The Company will use substantially all of the funds from the sale of the Class B Preferred 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 Class B Preferred Securities as consolidated Tier 1 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 € 882,000,000.

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.

Clearing Systems and Settlement

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

ISIN: DE 000A0DTY34

Common Code: 020966840

German Security Code (*Wertpapier-Kenn-Nummer*): A0DTY3

Availability of Documents

As long as any of the Trust Preferred Securities are outstanding, copies of the following documents may be inspected during usual business hours at the office of the Bank at Grosse Gallusstrasse 10-14, D-60272 Frankfurt am Main:

- 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 and (2) the office of the Bank.

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	868,500,000
BCP Investimento – Banco Comercial Portugues de Investimento, SA	4,500,000
Credit Suisse First Boston (Europe) Limited	4,500,000
EFG Eurobank Ergasias, S.A.	4,500,000
HSH Nordbank AG	4,500,000
Landesbank Baden-Württemberg	4,500,000
Natexis Banques Populaires	4,500,000
UBS Limited	4,500,000
Total	900,000,000

Under the terms and conditions of the Purchase Agreement, the Managers will be 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 will be 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

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.

Hong Kong

Each Manager has agreed that it and each of its affiliates have not (i) offered or sold, and will not offer or sell, the Trust Preferred Securities by means of any document, to persons in Hong Kong other than persons whose ordinary business it is to buy or sell shares or debentures, whether as principal or agent, or in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32) of Hong Kong or (ii) issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, any invitation, document or advertisement relating to Trust Preferred Securities in Hong Kong (unless permitted to do so under the securities laws of Hong Kong) other than with respect to Trust Preferred Securities intended to be disposed of outside Hong Kong or only to persons whose business involves the acquisition, disposal or holding of securities, whether as principal or agent.

Singapore

The Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each of the Managers has agreed that the Offering Circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Trust Preferred Securities, may not be circulated or distributed, nor may the Trust Preferred Securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to the public or any member of the public in Singapore other than (i) to an institutional investor or other person specified in Section 274 of the Securities and Futures Act 2001 of Singapore (the "SFA") (ii) to a sophisticated investor, and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

TAXATION

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

United States Federal Income Taxation

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 Class B Preferred 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 Class B Preferred Securities held by the Trust. An exchange of Trust Preferred Securities for a corresponding amount of Class B Preferred Securities represented by the Trust Preferred Securities, or of Class B Preferred 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 Class B Preferred 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 Class B Preferred 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 Class B Preferred 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 Class B Preferred 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.

German Withholding Tax

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 (*Gewerbekapitalsteuer*) ceased to be levied by Germany on January 1, 1998.

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. Subject to certain conditions, 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 therefor 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 any realignments of the Deutsche Bank Group's Divisions and risks that Deutsche Bank Group may not fully realize the benefits anticipated from these realignments and from any cost containment plans that Deutsche Bank Group has initiated; 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

In this Offering Circular, references to "€" and "Euro" are to the lawful currency of the member states of the European Union (including Germany) that have adopted the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union (the "Maastricht Treaty").

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, 2001, 2002 and 2003, 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 September 30, 2004 and for the nine-month periods ended September 30, 2003 and 2004.

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 Class B Preferred 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 – Class B Preferred Securities – Capital Payments". The Bank's audited unconsolidated financial statements as of and for the year ended December 31, 2003 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.

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 December 16, 2004. Such trust agreement will be 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 will own the Trust Common Security representing a capital contribution in respect thereof equal to € 1,000. The Trust Common Security will rank *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 Class B Preferred Securities will be subordinated to the rights of the holders of the Trust Preferred Securities.

The Property Trustee will hold title to the Class B Preferred Securities for the benefit of the holders of the Trust Securities, and the Property Trustee will have the power to exercise all rights, powers and privileges with respect to the Class B Preferred Securities under the LLC Agreement (as defined herein). 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 Class B Preferred Securities for the benefit of the holders of the Trust Securities.

The Trust will use all the proceeds derived from the issuance of the Trust Securities to purchase the Class B Preferred Securities from the Company, and, accordingly, the assets of the Trust will consist solely of the Class B Preferred 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 Class B Preferred 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 Class B Preferred Securities equal to the aggregate liquidation preference 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 December 16, 2004, 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 will be 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 will issue two classes of preferred securities representing limited liability company interests in the Company, the Class A Preferred Security and the Class B Preferred Securities, and one class of a common security representing limited liability company interests in the Company, the Company Common Security. The Bank will hold the Company Common Security and the Class A Preferred Security. The Company will be treated as a partnership for United States federal income tax purposes.

The sole purposes of the Company are:

- to issue the Class A Preferred Security, the Class B Preferred 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 (as defined herein), which does not involve a redemption of the Class B Preferred 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 (as defined herein);
- 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 Class B Preferred Securities have not been redeemed, to invest in Permitted Investments (as defined herein);
- to enter into and, in certain circumstances, to enforce the Support Undertaking for the sole benefit of the holders of the Class B Preferred 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 Class B Preferred Securities, issue additional Class B Preferred Securities having the same terms and conditions as the Class B Preferred Securities (or in all respects except for the issue date, the date from which Capital Payments accrue on the Class B Preferred Securities, the issue price, and any other deviations required for compliance with applicable law) so as to form a single series with the Class B Preferred Securities in consideration for Obligations of a principal amount equal to the aggregate liquidation preference amount of such additional Class B Preferred Securities.

The Bank

The Bank is one of the largest groups of financial and banking institutions in Germany, Europe and the world, as measured by total consolidated assets of € 845.1 billion on September 30, 2004. 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,		
	2003	2002	2001
	(€ in millions, except per share data)		
Net interest revenues	€ 5,847	€ 7,186	€ 8,620
Provision for loan losses	1,113	2,091	1,024
Net interest revenues after provision for loan losses	4,734	5,095	7,596
Commissions and fee revenues	9,332	10,834	10,727
Trading revenues, net	5,611	4,024	6,031
Other non-interest revenues	478	4,503	4,163
Total net revenues	15,421	24,456	28,517
Compensation and benefits	10,495	11,358	13,360
Goodwill amortization/impairment	114	62	871
Restructuring activities	(29)	583	294
Other non-interest expenses	6,819	8,904	12,189
Total non-interest expenses	17,399	20,907	26,714
Income before income tax expense (benefit) and cumulative effect of accounting changes	2,756	3,549	1,803
Income tax expense	1,327	372	434
Income tax expense (benefit) from the change in effective tax rate and the reversing effect	215 (1)	2,817 (1)	995 (1)
Income before cumulative effect of accounting changes, net of tax	1,214 (1)	360 (1)	374 (1)
Cumulative effect of accounting changes, net of tax (2)	151	37	(207)
Net income (2)	€ 1,365 (1)	€ 397 (1)	€ 167 (1)
Basic earnings per share (3)			
Income before cumulative effect of accounting changes, net of tax	€ 2.17 (1)	0.58 (1)	0.60 (1)
Cumulative effect of accounting changes, net of tax (2)	0.27	0.06	(0.33)
Net income (2)	€ 2.44 (1)	€ 0.64 (1)	€ 0.27 (1)
Diluted earnings per share (4)			
Income before cumulative effect of accounting changes, net of tax	€ 2.06 (1)	€ 0.57 (1)	€ 0.60 (1)
Cumulative effect of accounting changes, net of tax (2)	0.25	0.06	(0.33)
Net income (2)	€ 2.31 (1)	€ 0.63 (1)	€ 0.27 (1)
Dividends paid per share (5)	€ 1.30	€ 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:

	2003	Per Share (basic)	2002	Per Share (basic)	2001	Per Share (basic)
	(€ in millions, except per share amounts)					
Income before cumulative effect of accounting changes, net of tax	€ 1,214	€ 2.17	€ 360	€ 0.58	€ 374	€ 0.60
Cumulative effect of accounting changes, net of tax	151	0.27	37	0.06	(207)	(0.33)
Net income	€ 1,365	€ 2.44	€ 397	€ 0.64	€ 167	€ 0.27
Income tax expense (benefit) from the change in effective tax rate and the reversing effect	215	0.38	2,817	4.58	995	1.61
Net income without the effect of tax rate changes	€ 1,580	€ 2.82	€ 3,214	€ 5.22	€ 1,162	€ 1.88
Net income before accounting changes and the effect of tax rate changes	€ 1,429	€ 2.55	€ 3,177	€ 5.16	€ 1,369	€ 2.21

Balance Sheet Data

	As of December 31,		
	2003	2002	2001
	(€ in millions)		
Total assets	803,614	758,355	918,222
Loans, net	144,946	167,303	259,838
Deposits	306,154	327,625	374,089
Long-term debt	97,480	104,055	166,908
Common shares	1,490	1,592	1,591
Total shareholders' equity	28,202	29,991	40,193
Tier 1 risk-based capital (BIS*)	21,618	22,742	24,803
Total risk-based capital (BIS*)	29,871	29,862	37,058

* Bank for International Settlements.

Recent Developments and Outlook for the Bank

The Bank reported net income of € 680 million in the third quarter of 2004, up 18% from € 576 million in the third quarter of 2003. For the first nine months of 2004, net income was € 2.3 billion, up 145% from € 929 million in the first nine months of 2003. Diluted earnings per share were € 1.28, up 28% from € 1.00 in the third quarter 2003. For the first nine months of 2004, diluted earnings per share were € 4.13, up 166% from € 1.55 in the same period last year.

Group Highlights for the quarter ended September 30, 2004

Income before income taxes for the third quarter was € 1.0 billion, up 33% from the third quarter 2003, and € 3.7 billion for the first nine months of 2004, up 79% compared to the same period in 2003.

Reported revenues were € 5.1 billion, 2% lower than in the third quarter 2003. Total net interest and trading revenues were € 2.4 billion, a decrease of € 120 million or 5% compared to the third quarter 2003, with the decline primarily due to lower Sales and Trading (Equity) revenues, in part offset by higher net interest and trading revenues in Consolidation and Adjustments. Noninterest revenues excluding Trading revenues were € 2.6 billion, an increase of € 15 million compared to the third quarter 2003. This change resulted from higher Other revenues, including revenues from loans held for sale, revenues from qualifying hedges, and a gain on the sale of land and net insurance reimbursements, the latter both related to the September 11, 2001 terrorist attacks in New York City. This increase was in part offset by lower fee and commission income, mainly brokerage fees on securities activities, and by lower income from equity method investments, which in the third quarter 2003 included gains on the sale of real estate investment assets in Asset and Wealth Management.

Noninterest expenses were just under € 4.0 billion, a decline of 6% compared to the third quarter 2003. This demonstrates the continued success of our cost containment program. Compensation expenses were € 257 million lower than in the third quarter 2003, due in part to a decline in accruals for performance-based compensation, lower severance payments and reductions in headcount. The compensation ratio remained stable at 46% for the third consecutive quarter.

Provision for credit losses, which includes provisions for both loan losses and off-balance sheet exposures (the latter reported in Other expenses), was € 58 million, a decline of 69% compared to the third quarter 2003. This represents the eighth consecutive quarter of declining provision for credit losses and reflects the continued benefits of effective credit risk management and an improved credit environment. Problem loans at the end of the quarter were € 5.4 billion, a decline of 25% from September 30, 2003, and of 18% from December 31, 2003.

In the third quarter 2004 the Bank pursued its share buyback program, purchasing a further 16 million shares, or 3% of shares issued, for € 919 million. Despite the share buyback program and a redemption of hybrid capital of € 677 million, the BIS core capital ratio of 9.2% at the end of the quarter remained above the target range of 8–9%.

Market risk was managed tightly, with a 23% reduction in value-at-risk during the third quarter, predominantly driven by reduced exposures, principally fixed income positions, and also by improved diversification across business lines.

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 Notes to the Consolidated Financial Statements – Reconciliation of Reported to Underlying Results in the Interim Report for the nine months ended September 30, 2004 included herein.

Corporate and Investment Bank Group Division

The Corporate and Investment Bank's (CIB) third quarter 2004 underlying pre-tax profit was € 555 million, a decline of € 140 million, or 20%, from € 695 million in the third quarter 2003. Underlying revenues of € 2.9 billion were down by € 379 million, or 12%, versus the third quarter 2003. Reported revenues in the third quarter 2003 also included gains of € 59 million from the sale of most of the Bank's global securities services business. The first nine months underlying pre-tax profit was almost identical to the previous year at € 2.5 billion. While underlying revenues for the first nine months were below the same period 2003, most of the decline was due to the effects of unfavorable movements in foreign exchange rates.

Sales and Trading (Debt and other products) generated underlying revenues of € 1.4 billion, up by € 97 million, or 7%, versus the third quarter 2003. The Bank's debt businesses continue to focus on delivering higher-value customized products to clients, in particular through structured interest rate and credit derivatives and securitized products. Flow businesses in foreign exchange and government bonds also experienced a modest recovery in client volumes during the quarter. For the first nine months, underlying revenues were € 5.0 billion, up by € 106 million, or 2%, versus the same period 2003, continuing to benefit from a strong geographical diversity and customer focus.

Sales and Trading (Equity) generated underlying revenues of € 400 million compared to € 745 million in the third quarter 2003. The equity derivative and prime services businesses performed strongly, but continued difficult market conditions adversely affected DB Advisors, the Bank's in-house proprietary trading business. In addition, while the customer flow portion of the convertibles business remained profitable, low volatility and narrowing spreads negatively impacted the convertibles proprietary trading portfolios. Revenues in both DB Advisors and convertibles were significantly below the levels of the third quarter 2003 as was the case in the second quarter 2004 compared to the prior year second quarter. The cash equity business also continued to be impacted by pressure on margins and low volume, particularly in Europe. In the first nine months underlying revenues of € 1.7 billion were € 529 million below the same period 2003 with the same trends highlighted above predominating.

Origination and Advisory generated underlying revenues of € 459 million, essentially unchanged compared to the third quarter 2003. Origination (Debt) revenues continue to show a strong position in higher-growth areas such as corporate bonds, emerging markets and high-yield debt. Origination (Equity) revenues fell compared to the third quarter 2003, reflecting lower levels of activity in the European issuance markets, our area of greatest strength historically. The Bank also affirmed its commitment to avoid transactions with inadequate or negative returns.

Advisory revenues were essentially unchanged year-on-year. The strength of the advisory franchise was underscored in the third quarter 2004, when Deutsche Bank was ranked among the top three in U.S. M&A by volume of announced deals by Thomson Financial.

Loan Products generated underlying revenues of € 224 million, down by 34% versus the third quarter 2003. This was due in part to additional portfolio management costs, including mark-to-market adjustments on credit risk hedge positions, reflecting tightening credit spreads in the quarter. Revenues were additionally impacted by reduced net interest and fees, as loan volume declined in the Bank's global corporates and mid-cap portfolios. On a year-to-date basis, underlying revenues of € 866 million decreased by € 159 million from € 1.0 billion, mainly as a result of the aforementioned reductions in loan volume.

Transactions Services generated underlying revenues of € 464 million, similar to the third quarter 2003. The decline of € 61 million in underlying revenues in the first nine months of 2004 compared to the same period last year was primarily a consequence of the sale of most of the Bank's global securities services business in 2003. The success of the business was recognized in September when the Bank was named "Best House at Cash Management" in the Bank of the Year Awards 2004 according to The Banker magazine.

Provision for credit losses in the third quarter was € 2 million, significantly down from the € 136 million recorded in the third quarter last year, reflecting the benefits of enhanced credit discipline and an improved credit environment. For the first nine months, provision for credit losses totaled € 82 million, compared to € 616 million in the same period in 2003.

CIB's operating cost base in the third quarter was € 2.3 billion, a 4% reduction from the same quarter last year. This decline was primarily driven by reduced performance-related compensation. For the first nine months, the operating cost base was € 7.6 billion, an increase of € 81 million from the same period of 2003.

Private Clients and Assets Management Group Division

Private Clients and Asset Management (PCAM) generated underlying pre-tax profit of € 344 million in the third quarter of 2004, up 5% from the third quarter 2003. In a difficult market environment, underlying revenues were € 2.0 billion in third quarter 2004, down by 6% from third quarter 2003. The operating cost base was € 1.5 billion, down by € 148 million, or 9%, versus the third quarter 2003. For the first nine months, underlying pre-tax profit was € 1.1 billion, an increase of 37% from the same period 2003. The provision for credit losses for the third quarter of 2004 was € 55 million, € 6 million above the third quarter of 2003.

Asset and Wealth Management (AWM) generated underlying pre-tax profit of € 100 million, a decrease of € 131 million versus the third quarter 2003. Underlying revenues of € 829 million were € 178 million below the third quarter 2003, which included significant revenues from the real estate business, including € 74 million in gains on the sale of certain real estate investments in asset management. Additionally, challenging market conditions and the impact of unfavorable foreign exchange rate movements resulted in significantly reduced brokerage revenues and lower portfolio/fund management revenues. For the first nine months, underlying pre-tax profit was € 391 million, a decrease of € 50 million from the same period 2003. AWM's operating cost base was € 723 million in the third quarter of 2004. The decline of € 56 million compared to the third quarter 2003 was attributable to reduced performance-based compensation as well as lower non-compensation costs.

Asset Management's underlying revenues during the third quarter 2004 suffered from lower performance fees in Continental Europe and in the hedge fund business. Net revenues for the prior year quarter benefited significantly from the aforementioned gains on the sale of real estate investments. Net asset outflows in asset management were € 11 billion during the third quarter 2004, largely in the U.K. institutional business. However, the Bank continued to see growth in other invested asset classes with net new assets of € 1 billion in the real estate business and € 241 million in the hedge fund business. In the first nine months our German mutual fund company, DWS, further improved its market share of net mutual fund inflows to over 50% as measured by the German Investment Association, BVI.

In Private Wealth Management net underlying revenues declined compared to the third quarter 2003, predominantly caused by the stronger Euro as well as lower brokerage revenues resulting from the ongoing uncertainly in stock markets, which led to a decrease in customer activity.

Private and Business Clients (PBC) generated an underlying pre-tax profit of € 243 million in the third quarter of 2004, an increase of € 149 million, or 156%, compared to third quarter 2003. In the third quarter of 2004, underlying revenues were € 1.1 billion, an increase of € 61 million, or 6%, versus the third quarter of 2003 mainly due to higher loans and deposits revenues, improved revenues from portfolio/fund management products and higher revenues from insurance products (which are reported in Payments, account and remaining financial services). The Deutsche Bank customer satisfaction index improved, which supports prospects for future growth. The operating cost base was € 826 million, a decline of € 92 million, or 10%, versus the third quarter 2003, with most of the reduction attributable to lower severance payments. The underlying cost/income ratio improved to 73%, down 13 percentage points from the third quarter 2003. For the first nine months, underlying pre-tax profit was € 742 million, an increase of 92 %, compared to € 386 million for same period 2003, fully in line with PBC's full-year underlying pre-tax profit target of € 1 billion.

Corporate Investments Group Division

Corporate Investments (CI) generated an underlying pre-tax loss of € 61 million in the third quarter of 2004, essentially unchanged from a loss of € 62 million in the third quarter of 2003. For the first nine months, CI generated an underlying pre-tax loss of € 40 million compared to an underlying pre-tax loss of € 194 million for the same period 2003. The improvement this year reflects the continued success of the strategy to de-risk the Bank by reducing its exposure to alternative assets. The third quarter 2004 was the eleventh consecutive quarter of reductions in such exposure, which was € 2.1 billion at September 30, 2004, a 50 % reduction from € 4.1 billion at the end of the third quarter of 2003. Underlying revenues were € 18 million in the third quarter of 2004 compared to € 38 million in the third quarter 2003. The decline in underlying revenues included the effect of the deconsolidation of maxblue Americas. Reported net revenues of € 119 million in the third quarter of 2004 included a benefit of € 51 million arising from the sale of land at 130 Liberty Street (the Bank's lower Manhattan premises damaged during the terrorist attacks of September 11, 2001) and from net insurance reimbursements of losses suffered by the Bank as a consequence of those terroist attacks. Revenues in the quarter also reflected net gains from equity method investments and other investments of € 24 million, and net gains related to our industrial holdings portfolio of € 26 million, all of which are excluded from underlying revenues. CI's underlying revenues in the second quarter 2004 of € 224 million included seasonal dividend income of € 209 million, mainly from our industrial holdings. CI's operating cost base was € 78 million in the third quarter 2004, including the cost of eliminating excess space, totaling € 20 million, resulting from headcount reductions and the sale of businesses. Similar charges in the third quarter of 2003 amounted to € 36 million. The decrease of € 23 million in the operating cost base from 2003 also reflected reductions resulting from the sale of maxblue Americas as well as project-related costs in 2003.

Consolidation and Adjustments

Consolidation and Adjustments includes adjustments for differences in accounting methods used for mangement reporting versus U.S. GAAP and adjustments related to activities that are not the responsibility of the business segments.

In Consolidation and Adjustments, income before income taxes was € 46 million versus a loss before income taxes as € 233 million in the third quarter 2003. The improvement reflected lower charges from 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. Also contributing to the increase was € 110 million of interest income on tax refunds resulting from ongoing audits of prior period tax returns. For the first nine months, the loss before income taxes was € 163 million in 2004 and € 209 million in 2003.

For a discussion of the Bank's operating results for the nine months ended September 30, 2004, see the Interim Consolidated Financial Statements included herein.

Other Matters

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. On September 21, 2004, the Bank reassigned the responsibilities of the heads of its business divisions. It also stated that it expects the new structure to strengthen regional representation in senior management and to unlock synergies.

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 July 22, 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*). The Supervisory Board of the Bank has declared that it supports Dr. Ackermann's defense.

On January 14, 2005, the Bank made the following announcement concerning charges associated with realignment programs and other efficiency measures of € 0.6 billion in the fourth quarter of 2004:

"Deutsche Bank announced during the fourth quarter 2004 a series of programs to realign business units to improve their effectiveness, enhance product and service delivery to clients, and respond optimally to market developments. This realignment also provides the opportunity to streamline both the Bank's businesses and infrastructure, creating greater efficiency and cost synergies. The combination of these related programs is designed to enhance revenues and reduce expenses, and thereby to contribute to Deutsche Bank's stated targets.

"The Bank previously communicated that it would incur costs, both in the fourth quarter 2004 and in 2005, associated with these realignments. During the fourth quarter 2004, Deutsche Bank recognized expenses of approximately € 0.6 billion on a pre-tax basis for the realignment programs and other efficiency measures. This total is comprised of the following elements:

- Severance and other staff related cost of approximately € 0.5 billion
- Charges in connection with excess office space of approximately € 0.1 billion

"The above expenses include charges for programs outside of Germany as well as some items related to the Efficiency and Investment Plan for Germany, which was announced on December 1, 2004.

"The Bank expects that, after providing for these items, net income in the fourth quarter 2004 will be positive.

"Deutsche Bank's fourth quarter financial results, together with further details of business realignment and growth initiatives will be announced, as planned, on February 3, 2005."

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

Income Statement

	Nine months ended September 30, 2004	Nine months ended September 30, 2003
	(€ in millions)	
Net interest revenues	4,011	4,590
Provision for loan losses	361	894
Net interest revenues after provision for loan losses	3,650	3,696
Commissions and fees from fiduciary activities	2,343	2,403
Commissions, broker's fees, markups on securities underwriting and other securities activities	2,828	2,672
Fees for other customer services	1,890	1,904
Insurance premiums	80	83
Trading revenues, net	4,725	4,253
Net gains (losses) on securities available for sale	257	(125)
Net income (loss) from equity method investments	253	(569)
Other revenues	218	849
Total non-interest revenues	12,594	11,470
Compensation and benefits	7,632	7,967
Net occupancy expense of premises	906	948
Furniture and equipment	135	134
IT costs	1,274	1,395
Agency and other professional service fees	569	575
Communication and data services	454	480
Policyholder benefits and claims	169	102
Other expenses	1,437	1,400
Goodwill impairment	–	114
Restructuring activities	–	(29)
Total non-interest expenses	12,516	13,086
Income before income tax expense and cumulative effect of accounting changes	3,726	2,080
Income tax expense	1,331	1,178
Income tax expense from the reversing effect of the change in effective tax rate	120	124
Income before cumulative effect of accounting changes, net of tax	2,277	778
Cumulative effect of accounting changes, net of tax	–	151
Net income	2,277	929

Balance sheet

	As of		
	September 30, 2004	June 30, 2004	March 31, 2004
	(€ in millions)		
Total assets	845,053	849,185	878,147
Loans, net	137,457	141,880	145,582
Liabilities	818,787	821,983	849,573
Total shareholders' equity	26,266	27,702	28,574
Tier I risk-based capital (BIS)	19,910	20,931	22,146
Total risk-based capital (BIS)	29,815	30,344	30,344

Earnings per share

	Nine months ended	
	September 30, 2004	September 30, 2003
	(€)	
Basic:		
Income before cumulative effect of accounting changes, net of tax	4.55	1.36
Cumulative effect of accounting changes, net of tax	–	0.27
Reported net income	4.55	1.63
Diluted:		
Income before cumulative effect of accounting changes, net of tax	4.13	1.30
Cumulative effect of accounting changes, net of tax	–	0.25
Reported net income	4.13	1.55
Denominator for basic earnings per share – weighted-average shares outstanding (in millions)	500.3	570.0
Denominator for diluted earnings per share – adjusted weighted-average shares after assumed conversions (in millions)	539.0	598.1

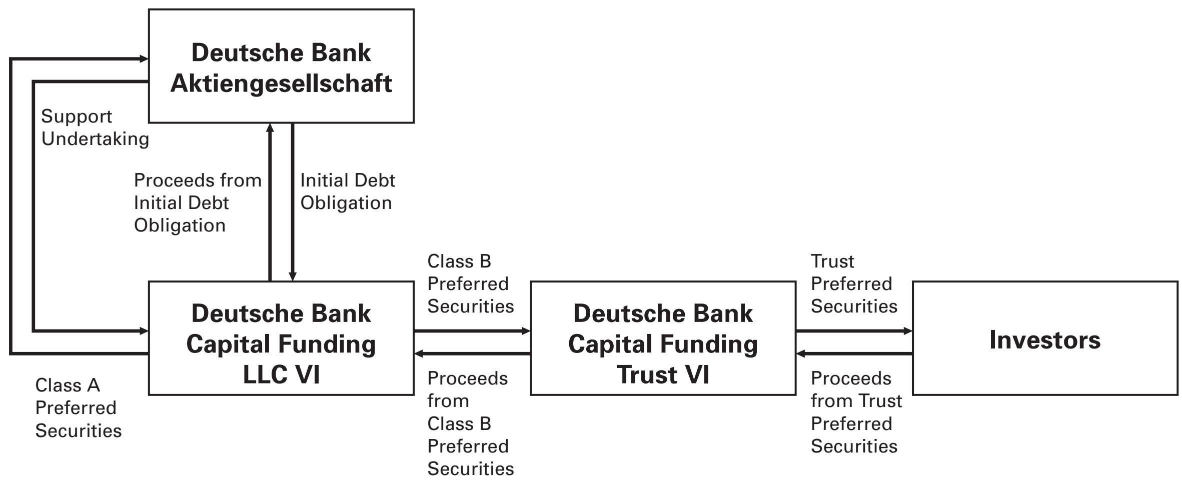
The Formation of the Trust and the Company

Prior to or simultaneously with the completion of the Offering, the Company, the Trust and the Bank will engage in the following transactions: (i) the Company will issue to the Bank the Company Common Security; (ii) the Company will issue to the Bank the Class A Preferred Security; (iii) the Trust will issue to the Bank the Trust Common Security; (iv) the Trust will issue the Trust Preferred Securities to Deutsche Bank AG London, which will sell the Trust Preferred Securities to investors; (v) the Company will issue to the Trust the Class B Preferred Securities and (vi) the Company will invest the proceeds from the issuance of the Class B Securities in the Initial Obligation.

The Bank or a majority-owned affiliate of the Bank will enter into the Services Agreement. The Bank, as the holder of the Company Common Security, will elect the Board of Directors, which initially will consist of three directors.

Each holder of Company Class B Preferred 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 Class B Preferred Securities, as well as information relating to this Offering. For a more complete description of the terms of the Trust Preferred Securities, the Class B Preferred 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 Funding Trust VI is a Delaware statutory trust formed for the purpose of issuing the Trust Securities and investing the proceeds therefrom in the Class B Preferred 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 Funding LLC VI, 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 900,000 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 Class B Preferred Securities.

Use of Proceeds All the proceeds from the sale of the Trust Securities (aggregating € 900,001,000, including the Trust Common Security) will be invested by the Trust in the Class B Preferred Securities.

The Company will use substantially all of the proceeds from the sale of the Class B Preferred Securities to invest 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 Class B Preferred Securities as consolidated Tier I 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 € 882,000,000.

Bank's Support Undertaking 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 Class B Preferred Securities and payments due upon redemption of the Class B Preferred Securities plus, in each case, Additional Amounts thereon, if any, and (ii) in liquidation, the Company will have sufficient funds to pay the liquidation preference amounts of the Class B Preferred 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.

The Bank's obligations under the Support Undertaking will be subordinated to all senior and subordinated debt obligations of the Bank (including profit participation rights (*Genussscheine*)), will rank *pari passu* with the Parity Securities (as defined herein), if any, and will rank senior to any other preference shares of the Bank. The holders of the Class B Preferred Securities will be third-party beneficiaries of the Support Undertaking. If a holder of the Class B Preferred 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 Class B Preferred 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 Class B Preferred 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, any other preference shares or similar securities of any other affiliated entity that 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, THE CLASS A PREFERRED SECURITY AND THE CLASS B PREFERRED SECURITIES

Maturity

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

Capital Payments

Capital Payments on the respective liquidation preference amounts of € 1,000 per Trust Preferred Security and € 1,000 per Class B Preferred Security will be payable annually in arrears on a noncumulative basis on January 28 of each year, commencing January 28, 2006. Capital Payments payable on each Payment Date will accrue from and including the immediately preceding Payment Date (or January 28, 2005 with respect to Capital Payments payable on January 28, 2006), up to but excluding the relevant Payment Date, 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, 6% and (ii) for each Payment Period thereafter, the Floating Rate for such Payment Period, which shall in no event be less than 3.5% or more than 10%.

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.

"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.

Capital Payments on the Class B Preferred Securities will be paid out of the Company's Operating Profits (as defined herein) 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 in respect of any Payment Period, the holders of the Class B Preferred Securities will have no right to receive a Capital Payment on the Class B Preferred Securities in respect of such Payment Period, and the Company will have no obligation to pay a Capital Payment on the Class B Preferred Securities in respect of such Payment Period, whether or not Capital Payments on the Class B Preferred Securities are declared (or deemed to have been declared) and paid on the Class B Preferred Securities in respect of any future Payment Period.

Capital Payments on the Class B Preferred 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 (as defined herein) 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 Class B Preferred Securities and capital payments or dividends or other distributions or payments on Parity Securities, if any, *pro rata* on the basis of Distributable Profits for such preceding fiscal year.

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 Securities in respect of any fiscal year, the Company will be deemed to have declared Capital Payments on the Class B Preferred 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 Securities was in the full stated amount payable on such Parity 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 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.

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 Class B Preferred 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 Securities or Junior Securities (other than Parity Securities or Junior Securities issued by wholly-owned subsidiaries of the Bank, when such Parity 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 – Class B Preferred Securities – Capital Payments", the Company will be deemed to have declared Capital Payments on the Class B Preferred 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 Class B Preferred 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 not paid in full by the Company as a result of insufficient Operating Profits of the Company, insufficient Distributable Profits of the Bank or an order of the BaFin.

"Operating Profits" of the Company for any Payment Period is 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.

"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.

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

"Parity Securities" means each class of the most senior ranking preference shares of the Bank, if any, and Parity Subsidiary Securities.

"Parity Subsidiary Securities" means the most senior ranking preference shares or any other 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.

"Junior Securities" means (i) common stock of the Bank, (ii) each class of preference shares of the Bank ranking junior to Parity 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 subject to any guarantee or support agreement of the Bank ranking junior to the obligations of the Bank under the Support Undertaking.

Principal Paying Agent

Deutsche Bank Aktiengesellschaft, Frankfurt am Main.

Payments of Additional Amounts

All payments on the Class B Preferred 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, such additional amounts ("Additional Amounts") as may be necessary in order that the net amounts received by the holders of the Class B Preferred Securities and 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 Class B Preferred 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 Class B Preferred Securities and dividends or other distributions or payments on Parity 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);

- with respect to any Withholding Taxes that are payable by reason of a holder or beneficial owner of the Class B Preferred 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 Class B Preferred 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 Class B Preferred 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).

Class A Preferred Security

The Class A Preferred Security is expected to receive capital payments only to the extent that (i) Capital Payments are not permitted to be paid on the Class B Preferred Securities in full on any Payment Date due to insufficient Distributable Profits of the Bank or 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 Class B Preferred Securities will rank junior to the Class A Preferred Security, and the Class B Preferred Securities will rank senior to 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 Class B Preferred 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 Class B Preferred 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 Class A Preferred 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 Class B Preferred Securities will be entitled to receive the liquidation preference amount of such Class B Preferred Securities, plus accrued and unpaid Capital Payments in respect of the current Payment Period to but excluding the date of liquidation and Additional Amounts, if any. The Company expects that the liquidation distribution to the holders of the Class B Preferred 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 Class B Preferred Securities, the Trust must redeem the Trust Securities. The Class B Preferred Securities are redeemable at the option of the Company, in whole but not in part, on January 28, 2010 (the "Initial Redemption Date") and on each Payment Date thereafter at a redemption price per Class B Preferred Security equal to the liquidation preference amount thereof, plus any accrued and unpaid Capital Payments for the then current Payment Period to but excluding the Redemption Date (the "Redemption Price"), plus Additional Amounts, if any. The Company may exercise its right to redeem the Class B Preferred 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 Class B Preferred Securities (and the Trust Securities) of its intention to redeem the Class B Preferred Securities on the Redemption Date; and

- obtained any required regulatory approvals.

The Company will also have the right, prior to the Initial Redemption Date, to redeem the Class B Preferred Securities at any time, in whole but not in part, upon the occurrence of a Company Special Redemption Event at the Redemption Price plus Additional Amounts, if any. See "Description of the Company Securities – Class B Preferred Securities – Redemption of the Class B Preferred 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 Class B Preferred Securities. See "Description of the Trust Securities – Redemption". The Class B Preferred 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 Class B Preferred 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 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 Class B Preferred Securities accrued and unpaid as of the Redemption Date plus 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 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 Class B Preferred Securities, on how to vote the Class B Preferred Securities in respect of the matters on which holders of the Class B Preferred Securities are entitled to vote.

So long as any Class B Preferred Securities are outstanding, the Company will not, without the affirmative vote of at least 66⅔% in aggregate liquidation preference amount of the Class B Preferred Securities, voting separately as a class (excluding any Class B Preferred 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 Class B Preferred Securities) if such amendment, alteration, repeal or change would materially adversely affect the rights, preferences, powers or privileges of the Class B Preferred 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 Class B Preferred 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 Class B Preferred Securities (excluding any Class B Preferred 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 Class B Preferred 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 Class B Preferred Securities, issue additional Class B Preferred Securities having the same terms and conditions as the Class B Preferred Securities (or in all respects except for the issue date, the date from which Capital Payments accrue on the Class B Preferred Securities, the issue price, and any other deviations required for compliance with applicable law) so as to form a single series with the Class B Preferred Securities in consideration for Obligations of a principal amount equal to the aggregate liquidation preference amount of such additional Class B Preferred Securities.

Enforcement Rights

If (i) the Company fails to pay Capital Payments (plus any Additional Amounts thereon, if any) on the Class B Preferred Securities at the Stated Rate in full for two consecutive Payment Periods, or (ii) a holder of the Class B Preferred 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 Class B Preferred 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 Class B Preferred Securities have been made on the Class B Preferred 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 Class B Preferred Securities, issue additional Class B Preferred Securities having the same terms and conditions as the Class B Preferred Securities (or in all respects except for the issue date, the date from which Capital Payments accrue on the Class B Preferred Securities, the issue price, and any other deviations required for compliance with applicable law) so as to form a single series with the Class B Preferred Securities in consideration for Obligations of a principal amount equal to the aggregate liquidation preference amount of such additional Class B Preferred 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.

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 January 28, 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*).

Governing Law

The LLC Agreement, including the terms of the Class A Preferred Security and the Class B Preferred 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 January 28, 2035 (the "Maturity Date").

Principal Amount € 900,000,000 (equal to the proceeds from the offer and sale of the Trust Preferred Securities and the resulting issuance of the Class B Preferred 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 Interest will accrue on each individual note comprising a portion of the Principal Amount, and will be payable annually in arrears on January 28 of each year, commencing January 28, 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 January 28, 2005 with respect to Interest Payments payable on January 28, 2006), up to but excluding the relevant Interest Payment Date (each such period, an "Interest 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 Interest Periods, 6% and (ii) for each Interest Period thereafter, the Floating Rate for such Interest Period, which shall in no event be less than 3.5% or more than 10%.

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.

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 *pari passu* 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 January 28, 2010 (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 (as defined herein). 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 Class B Preferred Securities and (ii) at least 30 days' prior notice, at a redemption price equal to the Principal Amount plus accrued and unpaid interest for the then current Interest Period to but excluding the date of redemption and Additional Interest Amounts (as defined below), if any. The Bank may, at its option, redeem the Initial Obligation, in whole or in part, on the Initial Obligation Redemption Date or on any Interest Payment Date thereafter, upon at least 30 days' prior notice, subject to having obtained any required regulatory approvals, at a redemption price equal to the Principal Amount to be redeemed, plus accrued and unpaid interest thereon for the then current Interest Period to but excluding the date of redemption, and Additional Interest Amounts, 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 (*haftendes Eigenkapital*) within the meaning of the German Banking Act (*Kreditwesengesetz*) (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 Class B Preferred 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 (as defined herein), 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 Class B Preferred 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 will be 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 6% per annum. Thereafter the Capital Payments will accrue on a floating rate basis consisting of the difference between the 10 Year EUR CMS (Constant Maturity Swap) Rate and the 2 Year EUR CMS Rate, multiplied by four. However, the Floating Rate will not be more than 10% per annum and not less than 3.5% 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 10% per annum. Investors should consider that the fixed rate of 6% 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 CMS Rate and the 2 Year 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 3.5% per annum if the 2 Year CMS rate is equal or higher than the 10 Year CMS.

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 Class B Preferred 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 Class B Preferred Securities, the Board of Directors has discretion in declaring and making Capital Payments (except with respect to deemed declarations which are mandatory). In addition, even if the Bank has sufficient Distributable Profits, the Company will not be permitted to make Capital Payments on the Class B Preferred 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 Class B Preferred 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 – Class B Preferred Securities – Capital Payments" and "Description of the Trust Securities."

Capital Payments Are Noncumulative

The Capital Payments are discretionary and noncumulative. 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 Class B Preferred Securities for such Payment Period. See "Description of the Company Securities – Class B Preferred Securities – Capital Payments."

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 Class B Preferred 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 Class B Preferred Securities at the Stated Rate in full for two consecutive Payment Periods, or (ii) a holder of the Class B Preferred 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 Class B Preferred 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 Class B Preferred 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 Class B Preferred Securities as Tier I 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 Class B Preferred Securities. Upon such distribution, holders of the Class B Preferred 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 Class B Preferred 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 Class B Preferred Securities would ever develop. Accordingly, the Class B Preferred 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 Class B Preferred 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 therefor 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 Additional Amounts, if any, pursuant to the Support Undertaking *pari passu* with amounts payable to the holders of the most senior preference shares of the Bank. 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. Listing of the Trust Preferred Securities on the Frankfurt Stock Exchange is 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 Class B Preferred 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 Class B Preferred Securities at the Stated Rate in full, or (ii) the Company receiving reduced payments from the Bank under the Initial Obligation or under the Support Undertaking. This could reduce the amounts received by the Trust in respect of the Class B Preferred 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 performance 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 nontraditional 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 fully implement Phase 2 of its management agenda, the Bank's return on equity target may not be reached and its future earnings and share price may be materially and adversely affected

As part of Phase 2, the Bank set the specific goals of maintaining strict cost, capital and risk discipline, capitalizing on global leadership in its Corporate and Investment Bank Group Division (CIB), delivering profitable growth to its Private Clients and Asset Management Group Division (PCAM) and establishing Deutsche Bank as the most reputable brand. The Bank has stated that it aims to provide its shareholders with an underlying pre-tax return on equity of 25%, once the strategy is complete. The Bank's future earnings, and thus its ability to achieve this return on equity target, as well as the future value of its shares and its ability to compete effectively, may be materially and adversely affected should the Bank fail to achieve the Phase 2 objectives or should the Phase 2 objectives that are achieved fail to produce the anticipated benefits. A number of factors could prevent the achievement of these objectives 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. In addition, the Bank may be unable to implement the internal measures the Bank needs in order to achieve its objectives.

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 combination 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 noncore assets at favorable prices, or at all

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, could materially hurt its revenues and profitability

Competition is intense in all of the Bank's primary business areas. The Bank derived approximately 29% of its total net revenues in 2003 from Germany. If the Bank is unable to respond to the competitive environment, it 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 January 25, 2005 and as adjusted to reflect the consummation of the sale of 900,000 Trust Preferred Securities and the use of the net proceeds therefrom as described under "General Information – Use of Proceeds".

	As of January 25, 2005	
	Actual	As Adjusted
	(€)	
Debt		
Total long-term debt	0	0
Securityholders' Equity		
Class B Preferred Securities (liquidation preference of € 1,000 per security); none issued and outstanding, actual; and 900,001 Class B Preferred Securities authorized, 900,001 Class B Preferred Securities issued and outstanding, as adjusted	0	900,001,000
Class A Preferred Securities; none issued and outstanding, actual; and 1 Class A Preferred Security authorized, 1 Class A Preferred Security issued and outstanding, as adjusted	0	1,000
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	900,003,000
Total capitalization (1)	0	900,003,000

(1) Except as disclosed in the above table, there has been no material change in the capitalization of the Company since its formation on December 16, 2004.

Capitalization of the Trust

The following table sets forth the capitalization of the Trust as of January 25, 2005 and as adjusted to reflect the consummation of the sale of 900,000 Trust Preferred Securities and the use of the net proceeds therefrom as described under "General Information – Use of Proceeds."

	As of January 25, 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 900,000 securities authorized, 900,000 securities issued and outstanding, as adjusted	0	900,000,000
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	900,001,000
Total capitalization (1)	0	900,001,000

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

DEUTSCHE BANK CAPITAL FUNDING TRUST VI

The Trust is a statutory trust (Delaware Secretary of State file number 3898797) 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 December 16, 2004. Such trust agreement dated December 16, 2004, 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 Class B Preferred Securities from the Company, and, accordingly, the assets of the Trust will consist solely of the Class B Preferred 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 Class B Preferred 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 Class B Preferred Securities equal to the aggregate liquidation preference amount of such additional Trust Preferred Securities.

Pursuant to the Trust Agreement, there will initially be five trustees (the "Trustees") of the Trust. Three of the Trustees will be individuals who are employees or officers of, or who are affiliated with, the Bank (the "Regular Trustees"). The fourth Trustee, the Property Trustee, will be a financial institution that is unaffiliated with the Bank. The fifth Trustee will be 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 Class B Preferred 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 Class B Preferred 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 Class B Preferred 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 dated the Closing Date among the Trust, the Company and the Bank (the "Services Agreement"), the Bank will be 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 Funding LLC VI, 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 FUNDING LLC VI

The Company is a limited liability company (Delaware Secretary of State file number 3898789) that was formed under the LLC Act on December 16, 2004 and pursuant to an initial limited liability company agreement, dated as of December 16, 2004 (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 will issue two classes of preferred securities representing limited liability company interests in the Company, the Class A Preferred Security and the Class B Preferred 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 Class B Preferred Securities. The Bank will initially hold the issued and outstanding Company Common Security and the Class A Preferred 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 Class A Preferred Security, the Class B Preferred 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 Class B Preferred 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 Class B Preferred 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 Class B Preferred 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 Class B Preferred Securities, issue additional Class B Preferred Securities having the same terms and conditions as the Class B Preferred Securities (or in all respects except for the issue date, the date from which Capital Payments accrue on the Class B Preferred Securities, the issue price, and any other deviations required for compliance with applicable law) so as to form a single series with the Class B Preferred Securities in consideration for Obligations of a principal amount equal to the aggregate liquidation preference amount of such additional Class B Preferred Securities.

For so long as the Class B Preferred 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 (as defined herein) of the Bank will maintain sole ownership of the Company Common Security and the Class A Preferred Security, and the Bank or a Qualified Subsidiary may transfer the Company Common Security or the Class A Preferred 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 Class B Preferred Securities.

"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 %) or 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.

The rights of the holders of the Class B Preferred 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 – Class B Preferred 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 Class B Preferred Securities at the Stated Rate in full for two consecutive Payment Periods; or
- a holder of the Class B Preferred 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 Class B Preferred 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 Class B Preferred 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 Class B Preferred Securities are outstanding, the Company will not, without the affirmative vote of at least 66⅔% in aggregate liquidation preference amount of the Class B Preferred Securities, voting separately as a class (excluding any Class B Preferred 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 Class B Preferred Securities) if such amendment, alteration, repeal or change would materially adversely affect the rights, preferences, powers or privileges of the Class B Preferred 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 Class B Preferred 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 Class B Preferred Securities (excluding any Class B Preferred 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 Class B Preferred 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 Class B Preferred Securities, issue additional Class B Preferred Securities having the same terms and conditions as the Class B Preferred Securities (or in all respects except for the issue date, the date from which Capital Payments accrue on the Class B Preferred Securities, the issue price, and any other deviations required for compliance with applicable law) so as to form a single series with the Class B Preferred Securities in consideration for Obligations of a principal amount equal to the aggregate liquidation preference amount of such additional Class B Preferred Securities.

After the Maturity Date, if the Class B Preferred 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 Class B Preferred 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 will also enter 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 Class B Preferred 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 Funding LLC VI, 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 € 900,001,000, including the Trust Common Security) will be invested by the Trust in the Class B Preferred Securities. The Company will use substantially all of the funds from the sale of the Class B Preferred 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 Class B Preferred Securities as consolidated Tier 1 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 € 882,000,000.

DISTRIBUTABLE PROFITS OF THE BANK

The Company's authority to declare Capital Payments on the Class B Preferred Securities for any Payment Period 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, the Class A Preferred Security and the Class B Preferred 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:

	2003	2002	2001
		(€ in millions)	
Annual profits after allocations to other revenue reserves	873	808	808
Other revenue reserves	5,598	6,518	7,745
	6,471	7,326	8,553
Capital reserves and statutory revenue reserves available to offset an annual loss	11,075	10,973	10,959
	17,546	18,299	19,512

The Bank paid total dividends on its ordinary shares of € 873 million, € 808 million and € 800 million in respect of 2003, 2002 and 2001, 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 will be 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 Class B Preferred 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 Class B Preferred 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 Class B Preferred Securities, issue additional Class B Preferred Securities having substantially the same terms as the Class B Preferred Securities (or in all respects except for the issue date, the date from which Capital Payments accrue on the Class B Preferred Securities, the issue price, and any other deviations required for compliance with applicable law), so as to form a single series with the Class B Preferred 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 Class B Preferred Securities equal to the aggregate liquidation preference 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 be payable annually in arrears on a noncumulative basis on January 28 of each year, commencing January 28, 2006. Capital Payments payable on each Payment Date will accrue from and including the immediately preceding Payment Date (or January 28, 2005 with respect to Capital Payments payable on January 28, 2006), up to but excluding the relevant Payment Date, 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, 6% and (ii) for each Payment Period thereafter, the Floating Rate for such Payment Period, which shall in no event be less than 3.5% or more than 10%.

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 Class B Preferred Securities. Capital Payments on the Class B Preferred 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 – Class B Preferred Securities – Capital Payments". If the Company does not declare (and is not deemed to have declared) a Capital Payment on the Class B Preferred Securities in respect of any Payment Period, the holders of the Class B Preferred Securities will have no right to receive a Capital Payment on the Class B Preferred Securities in respect of such Payment Period, and the Company will have no obligation to pay a Capital Payment on the Class B Preferred Securities in respect of such Payment Period, whether or not Capital Payments are declared (or deemed to have been declared) and paid on the Class B Preferred Securities 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.

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 Class B Preferred 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 noncumulative. Accordingly, 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 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, 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:

- if and to the extent that the Company is unable to pay corresponding amounts in respect of the Class B Preferred 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 Class B Preferred Securities and dividends or other distributions or payments on Parity 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);
- 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 Class B Preferred 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 Class B Preferred 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 Class B Preferred Securities, holders of the Trust Preferred Securities will have the right to appoint the Independent Enforcement Director. See "Description of the Company Securities – Class B Preferred 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 Class B Preferred Securities, including:

- claims to receive Capital Payments (only if and to the extent declared or deemed to have been declared) on the Class B Preferred Securities;
- appointment of the Independent Enforcement Director (to the extent that such Enforcement Event results from non-payment of Capital Payments on the Class B Preferred 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 Class B Preferred 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 Class B Preferred 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 Class B Preferred Securities without first instituting any legal proceeding against the Property Trustee, the Trust or any other person or entity.

Redemption

Upon redemption of the Class B Preferred Securities, the Trust must apply the redemption price received in connection therewith to redeem the Trust Preferred Securities. The Class B Preferred

Securities are redeemable at the option of the Company, in whole but not in part, on any Payment Date falling on or after the Initial Redemption Date at the Redemption Price plus Additional Amounts, if any. The Company may exercise its right to redeem the Class B Preferred 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 Class B Preferred Securities of its intention to redeem the Class B Preferred 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 Class B Preferred 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 prior to the Initial Redemption Date upon at least 30 days' prior notice, to redeem the Class B Preferred Securities in whole but not in part, upon the occurrence of a Company Special Redemption Event at the Redemption Price plus 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."

A "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.

The Class B Preferred 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 Class B Preferred Securities, the proceeds of such redemption will simultaneously be applied to redeem the Trust Preferred Securities. Any Class B Preferred 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 Class B Preferred 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, Class B Preferred 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.

A "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.

A "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 judicial decision, official administrative pronouncement, published or private ruling, regulatory procedure, notice or announcement (including any notice or announcement of intent to adopt such procedures or regulations) by any legislative body, court, governmental authority or regulatory body (an "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 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.

"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 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 Class B Preferred Securities as core capital or Tier I regulatory capital for capital adequacy purposes on a consolidated basis.

An "Investment Company Act Event" means that the Bank has requested and received 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" within the meaning of the 1940 Act 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.

On the date fixed for any distribution of the Class B Preferred 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 Class B Preferred Securities having a liquidation preference amount equal to the Liquidation Preference Amount of the Trust Preferred 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 Class B Preferred Securities are distributed to the holders of the Trust Preferred Securities, the Bank will use its commercially reasonable efforts to cause the Class B Preferred 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 or 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 Class B Preferred 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 Class B Preferred 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 Class B Preferred 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 Class B Preferred 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 Class B Preferred 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 Class B Preferred 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 Class B Preferred Securities, to (i) exercise the remedies available to it under the LLC Agreement as a holder of the Class B Preferred Securities, and (ii) consent to any amendment, modification or termination of the LLC Agreement or the Class B Preferred 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 Class B Preferred 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 Class B Preferred 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 – Class B Preferred 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 Class B Preferred 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 Class B Preferred 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 Class B Preferred 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 Class B Preferred 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 will be 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 will be 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 Clearsteam 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 depositary for such Permanent Global Certificate and no successor depositary 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 or amounts payable upon redemption will become void unless presented for payment within a period of four years, with respect to Capital 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. 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 reasonable 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.

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 limited liability company interests of the Company, including the Class B Preferred 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 will issue limited liability company interests consisting of the Company Common Security, the Class A Preferred Security and Class B Preferred Securities. The Company Common Security and the Class A Preferred Security will be owned directly by the Bank. All of the Class B Preferred Securities will be owned by the Trust. The Bank undertakes to maintain direct or indirect ownership of the Class A Preferred Security and the Company Common Security so long as any Class B Preferred Securities remain outstanding.

Company Common Security

Subject to the rights of the holders of the Class B Preferred Securities to appoint the Independent Enforcement Director, all voting rights are vested in the Company Common Security. The Company Common Security is entitled to one vote per security. The Company Common Security is currently, and upon consummation of the Offering will be, held by the Bank.

Capital Payments may be declared and paid on the Company Common Security only if all Capital Payments on the Class B Preferred Securities, if any, in respect of the relevant Payment Period have been declared and paid. The Company does not expect to pay dividends on the Company Common Security.

In the event of the voluntary or involuntary liquidation, dissolution, termination or winding up of the Company, after the payment of all debts and liabilities and after there have been paid or set aside for the holders of all the Company Preferred Securities the full preferential amounts to which such holders are entitled, the holder of the Company Common Security will be entitled to share equally and *pro rata* in any remaining assets.

Class A Preferred Security

The Class A Preferred Security will be non-voting. Capital payments on the Class A Preferred 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 Class B Preferred Securities at the Stated Rate in full on any Payment Date. It is expected that the holder of the Class A Preferred Security will receive capital payments only to the extent that (i) Capital Payments are not permitted to be declared on the Class B Preferred Securities on any Payment Date at the Stated Rate in full due to insufficient Distributable Profits of the Bank for the relevant fiscal year or an order of the BaFin (or any other relevant regulatory authority) prohibiting the Bank from making any distribution of profits, and (ii) the Company has sufficient Operating Profits. The Company currently, subject to the above, does not intend to pay capital payments on the Class A Preferred Security. The payment of capital payments on the Class A Preferred Security is not a condition to the payment of Capital Payments on the Class B Preferred Securities.

In the event of any voluntary or involuntary liquidation, dissolution or winding up or termination of the Company, the Class B Preferred Securities will rank junior to the Class A Preferred Security, and the Class B Preferred Securities will rank senior to 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 Class B Preferred Securities. Accordingly, upon any liquidation, the holder of the Class A Preferred 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 the liquidation of the Company, the Independent Enforcement Director will enforce the Support Undertaking solely for the benefit of the holders of the Class B Preferred Securities and, with respect to the Company's rights under the Support Undertaking, the Class B Preferred Securities will rank senior to the Class A Preferred Security and payments thereunder will be distributed by the

Company solely to the holders of the Class B Preferred Securities. For a description of the circumstances under which an Independent Enforcement Director may be elected, see " – Class B Preferred Securities – Voting and Enforcement Rights."

Class B Preferred Securities

General

When issued, the Class B Preferred Securities will be validly issued, fully paid and non-assessable. The holders of the Class B Preferred Securities will have no pre-emptive rights with respect to any other securities of the Company. The Class B Preferred 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 obligation of the Company for their repurchase or redemption. The LLC Agreement prohibits the Company, without the consent of all holders of the Class B Preferred Securities (excluding any Class B Preferred 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 Class B Preferred 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 Class B Preferred Securities, issue additional Class B Preferred Securities having the same terms and conditions as the Class B Preferred Securities (or in all respects except for the issue date, the date from which Capital Payments accrue on the Class B Preferred Securities, the issue price, and any other deviations required for compliance with applicable law) so as to form a single series with the Class B Preferred Securities in consideration for Obligations of a principal amount equal to the aggregate liquidation preference amount of such additional Class B Preferred Securities.

Capital Payments

Capital Payments on the liquidation preference amount of € 1,000 per Class B Preferred Security will be payable annually in arrears on a noncumulative basis on January 28 of each year, commencing January 28, 2006. Capital Payments payable on each Payment Date will accrue from and including the immediately preceding Payment Date (or January 28, 2005 with respect to Capital Payments payable on January 28, 2006), up to but excluding the relevant Payment Date at a rate per annum, and 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, equal to (i) for the first five Payment Periods, 6% and (ii) for each Payment Period thereafter, the Floating Rate for such Payment Period, which shall in no event be less than 3.5% or more than 10%.

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 Class B Preferred 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 Class B Preferred Securities in respect of any Payment Period, the holders of the Class B Preferred Securities will have no right to receive a Capital Payment on the Class B Preferred Securities in respect of such Payment Period, and the Company will have no obligation to pay a Capital Payment on the Class B Preferred Securities in respect of such Payment Period, whether or not Capital Payments are declared (or deemed to have been declared) and paid on the Class B Preferred Securities in respect of any future Payment Period.

Capital Payments on the Class B Preferred 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 Class B Preferred Securities and capital payments or dividends on Parity Securities, if any, *pro rata* on the basis of Distributable Profits for such preceding fiscal year.

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 Securities in respect of any fiscal year, the Company will be deemed to have declared Capital Payments on the Class B Preferred 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 Securities was in the full stated amount payable on such Parity 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 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.

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 Class B Preferred 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 Securities or Junior Securities (other than Parity Securities or Junior Securities issued by wholly-owned subsidiaries of the Bank, when such Parity 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 Class B Preferred 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 Class B Preferred 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, insufficient Distributable Profits of the Bank 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 with respect to the Class B Preferred Securities, any Capital Payments already paid on the Class B Preferred Securities and any capital payments or dividends already paid during the succeeding fiscal year of the Bank on Parity 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 Class B Preferred 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 Class B Preferred Securities will be:

- for those Class B Preferred Securities held by the Property Trustee, so long as the Trust Preferred Securities remain in book-entry form, and for Class B Preferred 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 Class B Preferred 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, such Additional Amounts as may be necessary in order that the net amounts received by the holders of the Class B Preferred Securities and the Trust Preferred Securities, after any deduction or withholding for or on account of Withholding Taxes, will equal the amounts that otherwise would have been received in respect of the Class B Preferred 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 Class B Preferred 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 Class B Preferred Securities and any payments on Parity 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);
- with respect to any Withholding Taxes that are payable by reason of a holder or beneficial owner of the Class B Preferred 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 Class B Preferred 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 Class B Preferred 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 Class B Preferred Securities are entitled to vote as indicated below, each Class B Preferred Security shall be entitled to one vote on matters on which holders of the Class B Preferred Securities are entitled to vote. In the event that:

- the Company fails to pay Capital Payments (plus Additional Amounts, if any) on the Class B Preferred Securities at the Stated Rate in full for two consecutive Payment Periods; or
- a holder of the Class B Preferred 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 Class B Preferred 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 Class B Preferred 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 Class B Preferred Securities convened for that purpose (which will be called at the request of any holder of a Class B Preferred Security entitled to vote thereon) or by a consent in writing adopted by a majority of the holders of the Class B Preferred 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 Additional Amounts thereon, if any) on the Class B Preferred Securities have been made on the Class B Preferred 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 Class B Preferred Securities entitled to vote, at a meeting of the Company's securityholders, or of holders of the Class B Preferred 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 Class B Preferred Securities are entitled to appoint an Independent Enforcement Director, the holders of the Class B Preferred 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 Class B Preferred Securities, and
- the distribution of amounts paid pursuant to the Support Undertaking to the holders of the Class B Preferred Securities.

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

So long as any Class B Preferred Securities are outstanding, the Company will not, without the affirmative vote of at least 66⅔% in aggregate liquidation preference amount of the Class B Preferred Securities, voting separately as a class (excluding any Class B Preferred 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 Class B Preferred Securities) if such amendment, alteration, repeal or change would materially adversely affect the rights, preferences, powers or privileges of the Class B Preferred 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 Class B Preferred 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 Class B Preferred Securities (excluding any Class B Preferred 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 Class B Preferred 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 Class B Preferred Securities, issue additional Class B Preferred Securities having the same terms and conditions as the Class B Preferred Securities (or in all respects except for the issue date, the date from which Capital Payments accrue on the Class B Preferred Securities, the issue price, and any other deviations required for compliance with applicable law) so as to form a single series with the Class B Preferred Securities in consideration for Obligations of a principal amount equal to the aggregate liquidation preference amount of such additional Class B Preferred Securities.

Notwithstanding that holders of the Class A Preferred Security or Class B Preferred 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 Class A Preferred Security or any of the Class B Preferred 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 a Class A Preferred Security or Class B Preferred 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 Class A Preferred Security or Class B Preferred 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 a Class A Preferred Security or Class B Preferred Securities may vote or consent with respect to such pledged Class A Preferred Security or Class B Preferred Securities pursuant to the terms of such pledge.

Redemption of the Class B Preferred Securities

The Class B Preferred Securities are redeemable at the option of the Company, in whole but not in part, on any Payment Date falling on or after the Initial Redemption Date, at the Redemption Price plus Additional Amounts, if any. The Company may exercise its right to redeem the Class B Preferred 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 Class B Preferred Securities (and the Trust Preferred Securities) of its intention to redeem the Class B Preferred Securities on the Redemption Date, and (ii) obtained any required regulatory approvals.

The Company will also have a right prior to the Initial Redemption Date, to redeem the Class B Preferred Securities at any time, in whole but not in part, upon the occurrence of a Company Special Redemption Event at the Redemption Price, plus Additional Amounts, if any.

No redemption of the Class B Preferred 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 Additional Amounts, if any; (ii) the Bank has an amount of Distributable Profits at least equal to the Capital Payments on the Class B Preferred Securities accrued and unpaid as of the Redemption Date plus 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 Securities, if any).

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

Any redemption of the Class B Preferred 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 Class B Preferred Securities.

Redemption Procedures

Notice of any redemption of the Class B Preferred 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 Class B Preferred 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 Class B Preferred Securities. Each Redemption Notice will be addressed to the holders of the Class B Preferred 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 Class B Preferred Securities are in book-entry only form, will deposit irrevocably with the Principal Paying Agent funds sufficient to pay the Redemption Price and will give the Principal Paying Agent irrevocable instructions and authority to pay the Redemption Price in respect of the Class B Preferred Securities held through Clearstream AG in global form, or if the Class B Preferred Securities are held in definitive form, will deposit with the Principal Paying Agent funds sufficient to pay the applicable redemption price and will give to the Principal Paying Agent irrevocable instructions and authority to pay such amounts to the holders of the Class B Preferred Securities, upon surrender of their certificates, by check, mailed to the address of the relevant holder of the Class B Preferred 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 Class B Preferred Securities, payment will be made by wire in same day funds to the holder of the Class B Preferred 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 Class B Preferred 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 Class B Preferred 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 holder of the Class A Preferred Security has a claim senior to that of the holders of the Class B Preferred Securities, and the holders of the Class B Preferred Securities have a claim senior to that of 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 Class B Preferred Securities. The holder of the Class A Preferred 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 Class B Preferred Securities will, subject to the limitations described below, be entitled to receive the liquidation preference amount of such Class B Preferred Securities, plus, in each case, accrued and unpaid Capital Payments in respect of the current Payment Period and Additional Amounts, if any. The Company expects that the liquidation distribution to the holders of the Class B Preferred Securities will be paid out of funds received from the Support Undertaking. The holders of the Class B Preferred 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 Class B Preferred 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 Class B Preferred Securities or substitutes for the Class B Preferred Securities other securities having substantially the same terms as the Class B Preferred Securities (the "Company Successor Securities") so long as the Company Successor Securities are not junior to any equity securities of the successor entity, with respect to participation in the profits, distributions and assets of the successor entity, except that they may rank junior to the Class A Preferred Security or any successor Class A Preferred Security to the same extent that the Class B Preferred Securities rank junior to the Class A Preferred Security;
- 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 Class B Preferred 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 Class B Preferred 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 Class B Preferred 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 Class B Preferred Securities.

Book-Entry and Settlement

If the Class B Preferred 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 Class B Preferred 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 payments with respect to the Trust Preferred Securities will apply in all material respects to any Class B Preferred 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 Class B Preferred Securities. Registration of transfers of the Class B Preferred 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 Class B Preferred Securities after such Class B Preferred 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 Class B Preferred Securities.

The Class B 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.

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 Class B Preferred 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 Class B Preferred Securities and payments due upon redemption of the Class B Preferred Securities (plus, in each case, Additional Amounts thereon, if any), and (ii) in liquidation, the Company will have sufficient funds to pay the liquidation preference amounts of the Class B Preferred Securities, plus any accrued and unpaid Capital Payments for the then current Payment Period to but excluding the date of liquidation 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, any other preference shares or similar securities of any other affiliated entity that 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 Class B Preferred Securities remain outstanding, the Support Undertaking may not be modified or terminated without the consent of the holders of the Class B Preferred Securities except for such modifications that are not adverse to the interests of the holders of the Class B Preferred 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 be subordinated to all senior and subordinated debt obligations of the Bank (including profit participation rights (*Genussscheine*)), will rank *pari passu* with the most senior ranking preference shares of the Bank, if any, and will rank senior to any other preference shares and the common shares of the Bank.

The holders of the Class B Preferred Securities will be third-party beneficiaries of the Support Undertaking. As titleholder of the Class B Preferred 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 Class B Preferred Securities under the Support Undertaking. If a holder of the Class B Preferred 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 Class B Preferred Securities (and the Trust Preferred Securities representing Class B Preferred 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 Class B Preferred Securities until the holders of the Class B Preferred Securities receive the full amount payable under the Support Undertaking. So long as the Trust holds Class B Preferred 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, any other preference shares or similar securities of any other affiliated entity that 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 will be € 900,000,000 (subdivided into individual notes, each with a nominal amount of € 1,000) and will be equal to the sum of the aggregate liquidation preference amount of the Class B Preferred Securities plus the aggregate amounts contributed by the Bank in return for the Class A Preferred Security and the Company Common Security. All of the proceeds from the issuance of the Class B Preferred Securities, together with the funds contributed by the Bank in return for the Class A Preferred Security and the Company Common Security, will be used by the Company to purchase the Initial Obligation. The aggregate Principal Amount of the purchased Initial Obligation will be 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 Class B Preferred Securities on a corresponding Payment Date. The purchase of the Initial Obligation will occur contemporaneously with the issuance of the Class B Preferred Securities. The Initial Obligation will not be listed on any stock exchange.

The Initial Obligation will consist of an issue of subordinated notes issued by the Bank on the Closing Date which will mature on January 28, 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 January 28, of each year, commencing January 28, 2006. Interest Payments payable on each Interest Payment Date will accrue from and including the immediately preceding Interest Payment Date (or January 28 2005 with respect to Interest Payments payable on January 28, 2006), up to but excluding the relevant Interest Payment Date, 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 Interest Periods, 6% and (ii) for each Interest Period thereafter, the Floating Rate for such Interest Period, which shall in no event be less than 3.5% or more than 10%.

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 that is payable by reason of a holder of the Initial Obligation having some connection with such jurisdiction 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 January 28, 2010 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 prior to January 28, 2010, upon: (i) the occurrence of any of the events numbered (1), (2) or (3) above and the election of the Company to redeem the Class B Preferred Securities and (ii) at least 30 days' prior notice, at a redemption price equal to the Principal Amount plus accrued and unpaid interest and Additional Interest Amounts, 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 (*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. Such redemption 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 preference amount of the Class B Preferred 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 will be 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, will also agree 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 Class B Preferred 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 and the redemption of the Class B Preferred 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 will be governed by the laws of Germany.

LEGAL MATTERS

Certain matters of Delaware law relating to the validity of the Trust Preferred Securities and the Class B Preferred 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 September 30, 2004. For information on the financial condition of the Deutsche Bank Group as of December 31, 2003, see the Consolidated Financial Statements included herein.

	As of September 30, 2004
	Actual
	(€ in millions)
Deposits	337,068
Trading liabilities	165,197
Central bank funds purchased and securities sold under repurchase agreements	107,183
Securities loaned	18,194
Other short-term borrowings	17,897
Acceptances outstanding	81
Insurance policy claims and reserves	8,386
Accrued interest payable	4,769
Pending securities transactions past settlement date	12,715
Other liabilities	44,259
Long-term debt	99,980
Obligation to purchase common shares	3,058
Total liabilities (1)	818,787
Common shares, no par value, nominal value of Euro 2.56	1,392
Additional paid-in capital	11,147
Retained earnings	19,635
Common shares in treasury, at cost	(953)
Equity classified as obligation to purchase common shares	(3,058)
Share awards	1,204
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	(2,708)
Unrealized net gains on securities available for sale, net of applicable tax and other	1,234
Unrealized net gains (losses) on derivatives hedging variability of cash flows, net of tax	(16)
Foreign currency translation, net of tax	(1,611)
Total accumulated other comprehensive income	(3,101)
Total shareholders' equity	27,266
Total liabilities and shareholders' equity (1)	845,053

(1) There has been no material change to the capitalization of the Bank since September 30, 2004.

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 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 the Bank and is responsible for its management.

The Board of Managing Directors (*Vorstand*) consists of

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

The Supervisory Board (*Aufsichtsrat*) 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

* Elected by the staff in Germany.

Dr. rer-oec. Karl-Hermann Baumann
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

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
CEO and Chairman 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 at the University of Heidelberg
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 im Taunus

Tilman Todenhöfer
Managing Partner of Robert Bosch Industrietreuhand KG
Stuttgart

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* Elected by the staff in Germany.

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

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* 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, 60325 Frankfurt am Main, Germany.

Share Capital

As of September 30, 2004, the issued share capital of the Bank amounted to Euro 1,392,266,869.76 consisting of 543,854,246 ordinary shares of no par value. The shares are fully paid up and in registered form. The shares 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 the Bank are KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft ("KPMG DTG"), Marie-Curie-Strasse 30, 60439 Frankfurt am Main, Germany. KPMG DTG audited the Bank's non-consolidated financial statements for the years ended December 31, 2001, 2002 and 2003, 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, 2001, 2002 and 2003 were prepared in accordance with United States Generally Accepted Accounting Principles ("U.S. GAAP") and audited by KPMG DTG. 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 the financial condition of the Bank presented in this Offering Circular.

Research Analyst Independence Investigations

On April 28, 2003, 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") announced a final settlement with ten investment banks concerning investigations relating to research analyst independence. Shortly before this date, Deutsche Bank Securities Inc. ("DBSI"), the Bank's U.S. SEC-registered broker dealer subsidiary, located certain e-mail that was inadvertently not produced during the course of the investigation. As a result, DBSI was not part of the group of investment banks settling on that day.

On August 26, 2004, after taking steps to ensure production of all responsive e-mail, DBSI reached a settlement with the U.S. securities regulators. DBSI neither admitted nor denied the allegations. DBSI agreed to pay: (i) $ 50 million, of which $ 25 million is a civil penalty and $ 25 million is for restitution for investors, (ii) $ 25 million over five years and 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 the e-mail production issue. The Bank has provided for the current exposures in its finanical statements.

In addition, in settling the matter DBSI agreed to adopt certain reforms designed to bolster analyst independence and promote investor confidence. DBSI has already voluntarily adopted most of these reforms.

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 shars 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 compaints of DBSI and others were denied on February 13, 2003. Plaintiffs have filed a motion to certify classes in the securities cases, and DBSI and other defendants have filed briefs in opposition to that motion. 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 filed notices of appeal to the Court of Appeals for the Second Circuit.

Enron Litigation

The Bank and certain of its subsidiaries and affiliates are involved in a number of lawsuits arising out of their banking relationship with Enron Corp. and its subsidiaries ("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 purports 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 granted, in part, the Deutsche Bank entities' motion to dismiss the first amended consolidated complaint, and dismissed all claims alleged in the Newby action based on the Securities Exchange Act of 1934. On April 20, 2004, plaintiffs filed a motion for reconsideration of that decision, which 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 allegedly aiding and abetting breaches of fiduciary duty by Enron insiders and 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. On July 28, 2003, an examiner appointed in the Enron bankruptcy case filed with the bankruptcy court the third in a series of reports. In this report, the Enron examiner opined that the Enron bankruptcy estate has colorable claims against (among others) the Bank for aiding and abetting breaches of fiduciary duties by certain of Enron's officers with respect to certain transactions involving Enron, for equitable subordination, for avoidance of allegedly preferential payments and the denial of a set-off with respect to a particular transaction. The report acknowledges that any such claims may be subject to certain defenses which could be asserted by the Bank.

By joint order of the district court handling *Newby* and a number of other Enron-related cases and the bankruptcy court handling Enron's bankruptcy case, a mediation among various investors and creditor plaintiffs, the Enron bankruptcy estate and a number of financial institution defendants, including the Bank, has been initiated 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 30 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 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 on 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 the Bank are made under federal and state statutes (including securities laws), and under various common law doctrines.

In the Matter of KPMG LLP Certain Auditor Independence Issues

On November 20, 2003, the Securities and Exchange Commission requested the Bank to produce certain documents in connection with an ongoing investigation of certain auditor independence issues relating to KPMG LLP. The 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 to 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. 1 issued a declaratory judgement to the effect that the Bank and Dr. Breuer were jointly and severally liable for damages to Dr. Kirch, TaurusHolding GmbH & Co. KG and PrintBeteiligungs 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 filed motions to set the judgement of the Superior Court aside. To be awarded a judgement for damages against the Bank, Dr. Kirch would have to file a new lawsuit; in such proceeding 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 dimissed on September 24, 2004. Dr. Kirch filed a motion to appeal this decision.

General

Due to the nature of their business, the Bank and its subsidiaries are 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 their 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.

APPENDIX A: SUPPORT UNDERTAKING

This Agreement (the "**Agreement**"), dated January 28, 2005, is entered into between Deutsche Bank Aktiengesellschaft, a German stock corporation, (the "**Bank**") and Deutsche Bank Capital Funding LLC VI, 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 Class A Preferred Security to the Bank and all of the Class B Preferred 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 Class B Preferred Securities;

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

WHEREAS, the Company may from time to time declare capital payments on the Class B Preferred 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 Class B Preferred Securities that (i) the Bank will maintain direct or indirect ownership of the Class A Preferred Security and 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 Class B Preferred 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. <u>Certain Definitions.</u>

"**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 Class B Preferred Securities.

"**Class A Preferred Security**" means the class of preferred share in the Company designated as Class A.

"**Class B Preferred Securities**" mean the class of preferred securities in the Company designated as Class B, with a liquidation preference amount of € 1,000 per security.

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

"**Company**" has the meaning specified in the preamble.

"**Independent Enforcement Director**" means the independent member of the board of directors of the Company appointed by the holders of the Class B Preferred 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 Class B Preferred 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 Class B Preferred Securities.

"**LLC Agreement**" means the limited liability company agreement of the Company dated as of December 16, 2004, as amended and restated as of January 28, 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 Securities**" mean the Class A Preferred Security and the Class B Preferred Securities, collectively.

"**Trust**" means Deutsche Bank Capital Funding Trust VI, a Delaware statutory trust established pursuant to a Trust Agreement dated as of December 16, 2004, as amended and restated as of January 28, 2005 and as the same may be further amended from time to time in accordance with its terms.

"**Trust Preferred Securities**" means the Noncumulative Trust Preferred Securities issued by the Trust.

Section 2. <u>Support Undertaking.</u>

(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 Class B Preferred 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 be subordinated to all senior and subordinated debt obligations of the Bank, and will rank *pari passu* with the most senior preference shares of the Bank, if any, and will rank senior to any other preference shares and the common shares of the Bank.

(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. <u>Third Party Beneficiaries and Enforcement of Rights.</u>

(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 Class B Preferred 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 Class B Preferred 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 Class B Preferred 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. <u>No Exercise of Rights.</u> The Bank will not exercise any right of set-off, counterclaim or subrogation that it may have against the Company as long as any Class B Preferred 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 or payment of any amounts in respect of any other preference shares (or instruments ranking *pari passu* with or junior to preference shares) of any other affiliated entity that would in any regard rank senior in right of payment to the Bank's obligations under this Agreement, unless the parties hereto modify this Agreement such 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 Class A Preferred Security and the Company Common Security. The Bank undertakes to maintain direct or indirect ownership of the Class A Preferred Security and the Company Common Security so long as any Class B Preferred 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 Class B Preferred Securities remain outstanding, this Agreement may not be modified or terminated without the consent of 100% of the holders of the Class B Preferred Securities as provided in the LLC Agreement, except for such modifications that are not adverse to the interests of the holders of the Class B Preferred Securities.

Section 10. No Assignment. So long as any Class B Preferred 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 Class B Preferred 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 FUNDING LLC VI

By: ______________________________
Name:
Title:

By: ______________________________
Name:
Title:

FINANCIAL STATEMENTS AND OTHER INFORMATION ON DEUTSCHE BANK GROUP

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, 2003 and 2002 have been audited by KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft that issued an unqualified opinion.

Executive Summary

In 2002 we set forth an agenda to transform the Bank that included improving the operating results of our core businesses, reducing our cost structure, reducing the overall risk assumed by the Bank, maintaining a strong capital base and optimizing the Private Clients and Asset Management (PCAM) franchise. Our results in 2003 demonstrate that we achieved, or exceeded, all goals set in that agenda.

Income before income tax expense and cumulative effect of accounting changes was € 2.8 billion in 2003 and € 3.5 billion in 2002. Net income for 2003 more than tripled to € 1.4 billion compared to € 397 million in 2002, and basic earnings per share increased 281% to € 2.44.

There are several elements of our 2003 results that we consider especially noteworthy:

- Compared to 2002, total net revenues excluding the provision for loan losses decreased by € 5.3 billion, or 20% to € 21.3 billion. However, underlying revenues of € 21.9 billion in 2003 were only € 0.9 billion, or 4%, below those of 2002. This decrease was due to the negative impact of exchange rate movements on our non-Euro-denominated revenues (especially our U.S. dollar revenues) and the deconsolidation of non-core businesses sold. Excluding these negative impacts, revenues grew largely due to the strength of our sales and trading businesses, where we are the global leader in revenues. In line with our focus on managing overall risk assumed, this is evidence of our commitment to increasing customer flow business rather than proprietary risk or illiquid positions.
- Compared to 2002, our total noninterest expenses in 2003 declined by 17% to € 17.4 billion. This was due mainly to the aforementioned exchange rate movements that had a beneficial effect on expenses and the decline in our costs resulting from the sale of non-core businesses but, with the exception of performance-related bonuses and severance, almost all cost categories declined.
- Compared to December 31, 2002, we reduced our risk-weighted assets by almost 10%, increased our Tier I capital ratio from 9.6% to 10% and were able to reduce our provision for credit losses, which includes both the provision for on- and off-balance sheet positions, by € 1.0 billion, or 50%.
- PCAM's income before taxes was € 1.2 billion in both 2003 and 2002. However adjusted for gains on sales of businesses of € 51 million in 2003 and € 511 million in 2002 and restructuring activities of € 240 million in 2002, underlying pre-tax profit would have been up 18% to € 1.1 billion. In addition, as of the end of 2003, PCAM's invested assets were € 872 billion, among the largest in the world.

As world economic conditions improve, our objective is to boost revenues in our core businesses while maintaining strict cost, capital and risk discipline. Among our specific strategic initiatives are continued investment by the Corporate and Investment Bank Group Division in high margin businesses and development of specific industry groups in the U.S. As part of the ongoing transformation of our PCAM businesses, we intend to improve our cross-selling to increase customer penetration in the Private & Business Clients Corporate Division and to benefit from selective hiring of senior relationship managers and upgrading the product mix in Asset and Wealth Management Corporate Division. In the Corporate Investments Group Division we intend to continue the process of reducing our equity and other exposures.

The following table presents our condensed consolidated statement of income for 2003 and 2002:

in € m.	2003	2002	2003 increase (decrease) from 2002 in €	in %
Net interest revenues	**5,847**	7,186	(1,339)	(19)
Provision for loan losses	**1,113**	2,091	(978)	(47)
Net interest revenues after provision for loan losses	**4,734**	**5,095**	**(361)**	**(7)**
Commissions and fee revenues	**9,332**	10,834	(1,502)	(14)
Trading revenues, net	**5,611**	4,024	1,587	39
Net gains on securities available for sale	**20**	3,523	(3,503)	(99)
Net loss from equity method investments	**(422)**	(887)	465	52
Other noninterest revenues	**880**	1,867	(987)	(53)
Total noninterest revenues	**15,421**	**19,361**	**(3,940)**	**(20)**
Total net revenues	**20,155**	**24,456**	**(4,301)**	**(18)**
Compensation and benefits	**10,495**	11,358	(863)	(8)
Goodwill impairment	**114**	62	52	84
Restructuring activities	**(29)**	583	(612)	N/M
Other noninterest expenses	**6,819**	8,904	(2,085)	(23)
Total noninterest expenses	**17,399**	**20,907**	**(3,508)**	**(17)**
Income before income tax expense and cumulative effect of accounting changes	**2,756**	3,549	(793)	(22)
Income tax expense	**1,327**	372	955	257
Reversal of 1999/2000 credits for tax rate changes	**215**	2,817	(2,602)	(92)
Income before cumulative effect of accounting changes, net of tax	**1,214**	**360**	**854**	**237**
Cumulative effect of accounting changes, net of tax	**151**	37	114	N/M
Net income	**1,365**	**397**	**968**	**244**

N/M – Not meaningful.

Our net income included the material effects of reversing income tax credits related to 1999 and 2000 tax law changes, as described in "Effects of 1999/2000 German Tax Reform Legislation and Accounting for Income Tax" and the cumulative effect of accounting changes as described in "–Cumulative Effect of Accounting Changes". The following table shows our net income excluding these effects:

in € m. (except per share amounts)	**2003**	**2003 Per Share (basic)**	2002	2002 Per Share (basic)
Net income	**1,365**	**2.44**	397	0.64
Reversal of 1999/2000 credits for tax rate changes	**215**	**0.39**	2,817	4.58
Cumulative effect of accounting changes, net of tax	**(151)**	**(0.27)**	(37)	(0.06)
Net income before reversal of 1999/2000 credits for tax rate changes and cumulative effect of accounting changes, net of tax	**1,429**	**2.56**	**3,177**	**5.16**

Net income above included € 222 million in 2003 and € 3.3 billion in 2002, representing the pre-tax gains on sales of securities that generated the reversal of the 1999/2000 credits for tax rate changes above.
For further information on significant acquisitions and divestitures, see Note [3] to the consolidated financial statements.

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.	**2003**	2002	2001	2000	1999
Market value	**6.3**	5.3	14.1	17.5	21.8
Cost	**4.6**	5.0	5.7	5.6	5.8
Unrealized gains in Other Comprehensive Income	**1.7**	0.3	8.4	11.9	16.0
Less: deferred tax relating to 1999 and 2000 tax rate changes in Germany	**2.8**	2.9	5.5	6.5	8.6
Other Comprehensive Income (Loss), net	**(1.1)**	**(2.6)**	**2.9**	**5.4**	**7.4**

The accounting for income tax rate changes may result in significant impacts on our results of operations in periods in which we sell these securities as illustrated in 2003, 2002 and 2001 when we sold portions of our industrial holdings. The gains resulting from most of these sales were not subject to tax. However, we recognized tax expenses due to reversals of amounts fixed at the time of the change in tax rates amounting to € 215 million in 2003, € 2.8 billion in 2002 and € 995 million in 2001.
The only tax payable will be 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 irrespectively 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. 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 25, 2004.

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)	2003	2002	2003 increase (decrease) from 2002 in €	in %
Total interest revenues	**27,583**	35,781	(8,198)	(23)
Total interest expenses	**21,736**	28,595	(6,859)	(24)
Net interest revenues	**5,847**	7,186	(1,339)	(19)
Average interest-earning assets[1]	**736,046**	781,134	(45,088)	(6)
Average interest-bearing liabilities[1]	**683,127**	729,643	(46,516)	(6)
Gross interest yield[2]	**3.75%**	4.58%	(0.83) ppt	(18)
Gross interest rate paid[3]	**3.18%**	3.92%	(0.74) ppt	(19)
Net interest spread[4]	**0.57%**	0.66%	(0.09) ppt	(14)
Net interest margin[5]	**0.79%**	0.92%	(0.13) ppt	(14)

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 we 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.

The vast majority of the decline in total interest revenues and total interest expenses was due to the overall decline in interest rates in the marketplace. In fact, the average rates we earned and paid on interest-bearing instruments decreased by 18% and 19%, respectively. The remainder of the decrease in total interest revenues and expenses was the result of lower balances of interest-bearing instruments, primarily related to the planned reduction of our loan exposure, which declined by 44% from December 31, 2002 to December 31, 2003.

The € 1.3 billion decline in net interest revenues from 2002 is attributable to a number of factors, primarily the sale or merger of businesses and assets, the decrease in our loan book as we continue to reduce our overall risk positions and the negative effect of lower interest rates on our reinvested deposit balances.

Average interest-earning assets declined by € 45 billion from 2002 to 2003. Average loans outstanding were € 166 billion in 2003, a decline of € 63 billion from 2002. A € 41 billion decline in average loans to German borrowers was due largely to the full year effect of deconsolidating the EUROHYPO business, which was deconsolidated in the third quarter of 2002. Average loans to non-German borrowers declined by € 22 billion largely as a result of de-emphasizing the traditional lending business. Average securities available for sale and other investments declined by € 22 billion, or 40%, mainly in Germany, which was attributable to sales of industrial holdings and the reduction in assets held because of the sale of most of our insurance business in 2002.

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:

			2003 increase (decrease) from 2002	
in € m.	**2003**	2002	in €	in %
CIB – Sales & Trading (equity)	**2,491**	513	1,978	386
CIB – Sales & Trading (debt and other products)	**3,481**	3,583	(102)	(3)
Other trading revenues[1]	**(361)**	(72)	(289)	N/M
Total trading revenues, net	**5,611**	**4,024**	**1,587**	**39**

N/M – Not meaningful

1 In 2003, other trading revenues included losses of € 285 million from credit default swaps used to hedge our investment-grade loan exposure.

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.	2003	2002	2003 increase (decrease) from 2002 in €	in %
Net interest revenues	**5,847**	7,186	(1,339)	(19)
Trading revenues, net	**5,611**	4,024	1,587	39
Total net interest and trading revenues	**11,458**	**11,210**	**248**	**2**
Breakdown by Group Division/CIB product[1]				
Sales & Trading (equity)	**2,259**	1,151	1,108	96
Sales & Trading (debt and other products)	**5,359**	5,266	93	2
Total Sales & Trading	**7,618**	**6,417**	**1,201**	**19**
Loan products[2]	**739**	1,443	(704)	(49)
Transaction services	**802**	1,050	(248)	(24)
Remaining products[3]	**(367)**	(428)	61	14
Total Corporate and Investment Bank	**8,792**	**8,482**	**310**	**4**
Private Clients and Asset Management	**2,824**	2,878	(54)	(2)
Corporate Investments	**(6)**	(29)	23	79
Consolidation & Adjustments	**(153)**	(121)	(32)	(26)
Total net interest and trading revenues	**11,458**	**11,210**	**248**	**2**

[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.
[3] Includes origination, advisory and other products.

Corporate and Investment Bank (CIB). Combined net interest and trading results from sales and trading products increased by € 1.2 billion with most of the increase due to trading of equities products, reflecting the improved equities markets in 2003. The net interest cost of carrying greater equities positions was more than offset by increased trading revenues from equity derivatives, convertibles, and DB Advisors. Also contributing to the comparative improvement was a material negative result from a single block trade in 2002. Results from loan products decreased by € 704 million. This decline was seen in both net interest and trading and resulted mainly from the reduced net interest earned on lower overall loan volume and negative hedge results on credit default swaps that do not qualify for hedge accounting under SFAS 133 but are used to hedge loan exposures. Results from transaction services were down by € 248 million due to lower interest earned in cash management and a decline in balances following the sale of substantial parts of our Global Securities Services business. Results from remaining products, mainly including goodwill funding costs, were € 61 million better than 2002.

Private Clients and Asset Management (PCAM). Net interest revenues were negatively affected by the sale of most of our insurance businesses and reduced deposit volumes in a low interest rate environment. Somewhat offsetting these factors was increased net interest attributable to the consolidation of entities pursuant to the implementation of FIN 46 in 2003.
The absolute amounts and variances for combined net interest and trading for Corporate Investments and Consolidation & Adjustments were not material.

Provision for Loan Losses

Our provision for loan losses consists of changes to the allowances 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, which we have not otherwise identified.

Our provision for loan losses was € 1.1 billion in 2003, a 47% decline from 2002, 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 new 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 provision for loan losses in 2002 was € 2.1 billion. This amount is composed of both net new specific and inherent loan loss provisions. The provision for the year was primarily due to provisions raised to address the downturn in the telecommunications industry and specific loan loss provisions reflecting the deterioration in various industry sectors represented in our German portfolio and the Americas.

For a discussion of changes to our allowance for loan losses in recent periods and our credit risk provisioning policies, procedures and experience generally, see the risk report.

Noninterest Revenues, Excluding Trading Revenues

			2003 Increase (Decrease) from 2002	
in € m.	**2003**	2002	in €	in %
Commissions and fee revenues[1]	**9,332**	10,834	(1,502)	(14)
Insurance premiums	**112**	744	(632)	(85)
Net gains on securities available for sale	**20**	3,523	(3,503)	(99)
Net (loss) from equity method investments	**(422)**	(887)	465	52
Other noninterest revenues	**768**	1,123	(355)	(32)
Total noninterest revenues, excluding trading revenues	**9,810**	**15,337**	**(5,527)**	**(36)**
[1] Includes				
Commissions and fees from fiduciary activities:				
Commissions for administration	240	632	(392)	(62)
Commissions for assets under management	2,968	3,214	(246)	(8)
Commissions for other securities business	65	80	(15)	(19)
Total	3,273	3,926	(653)	(17)
Commissions, broker's fees, mark-ups on securities underwriting and other securities activities:				
Underwriting and advisory fees	1,638	1,743	(105)	(6)
Brokerage fees	1,926	2,576	(650)	(25)
Total	3,564	4,319	(755)	(17)
Fees for other customer services	2,495	2,589	(94)	(4)
Total commissions and fee revenues	9,332	10,834	(1,502)	(14)

Commissions and Fee Revenues. Most of the overall 14% decline in commissions and fee revenues arose in CIB. The 17% decrease in commissions and fees from fiduciary activities was primarily a result of the sale of most of the Global Securities Services business. In addition, brokerage fees in CIB were down due to lower transaction volume in the Sales and Trading (equities) cash business, mainly in the U.S. and U.K., and a decline in advisory fees due to the reduced level of market activity. Fees for other customer services in CI decreased by approximately € 200 million after the sale of most of our North American commercial and consumer finance business in late 2002.

Insurance Premiums. Insurance premiums were negligible in 2003, declining due to the sale of most of PCAM's insurance business in Germany, Spain, Italy and Portugal in the second quarter of 2002. There was a corresponding decline in policyholder benefits and claims, included in noninterest expenses.

Net Gains on Securities Available for Sale. Most of the € 3.5 billion decline in net gains on securities available for sale was due to gains on sales from our industrial holdings portfolio by Corporate Investments in 2002. That year included a gain of € 2.6 billion from the sale of our remaining holdings in Munich Re, and gains totaling € 710 million on sales of Allianz AG and Deutsche Börse AG shares in CI. Results in 2003 included several gains in the € 30-120 million range offset by other-than-temporary impairment charges on various investments and results in 2002 included € 308 million in charges for other-than-temporary impairments.

Net (Loss) from Equity Method Investments. The largest components of our results in each year were losses in CI of € 490 million in 2003 and € 706 million in 2002 on our investment in Gerling-Konzern Versicherungs-Beteiligungs-AG. The loss in 2003 represented the complete write-off of that investment. Also contributing to the results in each year were losses on private equity investments in CI and gains on PCAM's real estate investments.

Other Noninterest Revenues. The results in 2003 included CIB's gain of € 583 million from the sale of substantial parts of the Global Securities Services business and a gain of € 55 million on the sale of most of the Passive Asset Management business by PCAM. Somewhat offsetting these gains was the decline in revenues after the sale of the fully consolidated private equity investments, Tele Columbus and Center Parcs and losses on the sale of premises, all affecting other revenues in CI. Most of the results in 2002 were due to a gain of € 502 million on the sale of most of our insurance business by PCAM and a gain of € 438 million from the deconsolidation following the merger of CI's former mortgage banking subsidiary EUROHYPO AG, together with the related contribution of part of our London-based real estate investment banking business. As a result of the application of FIN 46, 2003 included a charge of € 115 million representing the beneficial interests of investors in AWM's guaranteed value mutual funds.

Noninterest Expenses

There are several general observations worth noting concerning the level and downward trend of noninterest expenses in all divisions:

There are favorable exchange rates, entity deconsolidation, and business disposal effects.

Cost containment measures are showing positive results in all major cost categories.

The following table sets forth information on our noninterest expenses:

			2003 Increase (Decrease) from 2002	
in € m.	**2003**	2002	in €	in %
Compensation and benefits	**10,495**	11,358	(863)	(8)
Other noninterest expenses[1]	**6,709**	8,145	(1,436)	(18)
Policyholder benefits and claims	**110**	759	(649)	(86)
Goodwill impairment	**114**	62	52	84
Restructuring activities	**(29)**	583	(612)	N/M
Total noninterest expenses	**17,399**	**20,907**	**(3,508)**	**(17)**
N/M – Not meaningful				
[1] Includes:				
Net occupancy expense of premises	1,251	1,291	(40)	(3)
Furniture and equipment	193	230	(37)	(16)
IT costs	1,913	2,188	(275)	(13)
Agency and other professional service fees	724	761	(37)	(5)
Communication and data services	626	792	(166)	(21)
Other expenses	2,002	2,883	(881)	(31)
Total other noninterest expenses	6,709	8,145	(1,436)	(18)

Compensation and Benefits. All divisions reported a decline in expenses in this category in comparison to 2002. Corporate Investments' compensation and benefit expenses declined by more than € 300 million due to headcount reductions related to the deconsolidation of EUROHYPO AG, the sale of the North American commercial and consumer finance business, and the divestment of much on the late-stage private equity business to former management. CIB reported a reduction of € 308 million, despite an increase in performance-related bonuses, for the reasons noted in the general observations above. The remaining decrease in compensation and benefits was attributable to PCAM, despite an increase of € 257 million in severance payments compared to 2002. Included in the declines across all divisions were lower pension expenses. Pension expense decreased due to an increase in the expected return on plan assets component of pension expense. The expected return on plan assets increased because we contributed € 3.9 billion to a segregated pension trust in December 2002 to fund the majority of the German pension plans.

Other Noninterest Expenses. There were decreases across all major expense categories due to the aforementioned reasons. The significant decline in other expenses also reflected lower provisions for litigation and off-balance sheet credit exposure as well as reduced minority interest expenses. Reductions in net occupancy expense of premises due to the aforementioned reasons were largely offset by charges for sublease losses and other costs of eliminating excess space resulting from headcount reductions and the sale of businesses.

Goodwill Impairment. The current year included a charge of € 114 million in CI following decisions relating to the private equity fee-based businesses. In 2002, the charge was related to the management buyout of the late-stage private equity business.

Restructuring Activities. This year's amount represents releases of restructuring provisions of € 29 million created in the first half of 2002 subsequent to the full implementation of the plans in CIB. In 2002, we recorded a net amount of € 583 million, which reflected restructuring initiatives in all divisions and affected approximately 4,100 staff. For further information on our restructuring activities, see Note [29] to the consolidated financial statements.

Income Tax Expense. Income tax expense in 2003 was € 1.5 billion, as compared to income tax expense of € 3.2 billion in 2002. The above difference is primarily attributable to the accounting for effects of German income tax rate changes that were enacted in 1999 and 2000, and 2003. In 2003 and 2002 there was tax expense of € 215 million and € 2.8 billion, respectively, as a result of the reversal of the deferred taxes accumulated in other comprehensive income at December 31, 2000, due to actual sales of equity securities. We expect further reversal 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. Excluding the effects of changes in German tax rates our effective tax rates were 43% in 2003 and 10% in 2002. The increase in the effective tax rate in 2003 was primarily due to an increase in non deductible write-downs on investments and a decrease of tax-exempt capital gains.

Cumulative Effect of Accounting Changes. The cumulative effect of accounting changes, net of tax, represented the effects from the implementation of the new accounting standards FIN 46 and SFAS 150 in 2003 and SFAS 141 and 142 in 2002. For further information on our cumulative effect of accounting changes, see Note [2] to the consolidated financial statements

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

- the organizational structure,
- effects of significant acquisitions and divestitures on segmental results,
- changes in the format of our segment disclosure,
- a discussion on the framework of our management reporting systems,
- consolidated and other adjustments to the total results of operations of our business segments,
- a definition of terms that are used with respect to each segment, and
- the rationale for excluding certain 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, 2003. We prepared these figures in accordance with our management reporting systems.

2003 in € m. (except percentages)	Corporate and Investment Bank	Private Clients and Asset Management	Corporate Investments	Total Management Reporting	Consolidation & Adjustments	Total Consoli-dated
Net revenues[2]	**14,180**	**8,226**	**(916)**	**21,490**	**(222)**	**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]	9,961	6,698	681	17,340		
Policyholder benefits and claims	–	21	–	21	89	110
Minority interest	13	15	(31)	(3)	–	(3)
Restructuring activities	(29)	–	–	(29)	–	(29)
Goodwill impairment	–	–	114	114	–	114
Total noninterest expenses[3]	**9,946**	**6,734**	**763**	**17,442**	**7**	**17,449**
Income (loss) before income taxes[4]	**3,527**	**1,172**	**(1,714)**	**2,984**	**(228)**	**2,756**
Add (deduct)						
Net (gains)/losses from businesses sold/held for sale	(583)	(51)	141	(494)		
Significant equity pick-ups/net (gains)/losses from investments	–	–	938	938		
Net (gains)/losses on securities available for sale /industrial holdings including hedging	–	–	184	184		
Net (gains)/losses on the sale of premises	–	–	107	107		
Restructuring activities	(29)	–	–	(29)		
Goodwill impairment	–	–	114	114		
Underlying pre-tax profit (loss)	**2,914**	**1,119**	**(232)**	**3,802**		
Cost/income ratio in %	70	82	N/M	81	N/M	82
Underlying cost/income ratio in %	73	82	150	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]	14,258	7,844	5,236	27,338	48	27,386
Return on average active equity in %	25	15	(33)	11	N/M	10
Underlying return on average active equity in %	20	14	(4)	14		
N/M – Not meaningful						
1 Includes: Severance payments	258	393	20	671	31	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.

2002 in € m. (except percentages)	Corporate and Investment Bank	Private Clients and Asset Management	Corporate Investments	Total Management Reporting	Consolidation & Adjustments	Total Consoli-dated
Net revenues[2]	**13,776**	**9,518**	**3,000**	**26,295**	**252**	**26,547**
Provision for loan losses	1,712	224	155	2,091	–	2,091
Provision for off-balance sheet positions	31	(1)	(11)	18	(1)	17
Total provision for credit losses	1,742	223	144	2,110		
Operating cost base[1]	10,909	7,123	1,228	19,260		
Policyholder benefits and claims	–	685	–	685	74	759
Minority interest	8	32	3	43	2	45
Restructuring activities	342	240	1	583	–	583
Goodwill impairment	–	–	62	62	–	62
Total noninterest expenses[3]	**11,259**	**8,080**	**1,293**	**20,632**	**258**	**20,890**
Income (loss) before income taxes[4]	**774**	**1,215**	**1,563**	**3,553**	**(4)**	**3,549**
Add (deduct)						
Net (gains)/losses from businesses sold/held for sale	–	(511)	(18)	(529)		
Significant equity pick-ups/net (gains)/losses from investments	–	–	1,197	1,197		
Net (gains)/losses on securities available for sale /industrial holdings including hedging	–	–	(3,659)	(3,659)		
Change in measurement of other inherent loss allowance	200	–	–	200		
Restructuring activities	342	240	1	583		
Goodwill impairment	–	–	62	62		
Underlying pre-tax profit (loss)	**1,316**	**945**	**(855)**	**1,406**		
Cost/income ratio in %	82	85	43	78	N/M	79
Underlying cost/income ratio in %	79	86	N/M	85		
Assets[5]	642,127	109,394	26,536	750,238	8,117	758,355
Risk-weighted positions (BIS risk positions)	155,160	59,490	19,219	233,870	3,609	237,479
Average active equity[6]	16,871	7,850	6,522	31,243	2	31,245
Return on average active equity in %	5	15	24	11	N/M	11
Underlying return on average active equity in %	8	12	(13)	5		
N/M – Not meaningful						
1 Includes: Severance payments	260	136	19	416	55	471

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, 2003 and 2002, in accordance with our management reporting systems:

			2003 increase (decrease) from 2002	
in € m. (except percentages)	**2003**	2002	in €	in %
Sales & Trading (equity)	**3,091**	2,473	618	25
Sales & Trading (debt and other products)	**6,069**	5,567	502	9
Origination (equity)	**486**	355	131	37
Origination (debt)	**555**	409	146	36
Advisory	**470**	528	(58)	(11)
Loan products	**1,471**	2,134	(663)	(31)
Transaction services	**1,886**	2,612	(726)	(28)
Other	**152**	(302)	454	150
Total net revenues	**14,180**	**13,776**	**404**	**3**
Therein: Net interest and trading revenues	**8,792**	8,482	311	4
Provision for loan losses	**752**	1,712	(960)	(56)
Provision for off-balance sheet positions	**(45)**	31	(75)	N/M
Total provision for credit losses	**707**	**1,742**	(1,035)	**(59)**
Operating cost base	**9,961**	10,909	(948)	(9)
Minority interest	**13**	8	5	61
Restructuring activities	**(29)**	342	(371)	(108)
Goodwill impairment	**–**	–	–	–
Total noninterest expenses[1]	**9,946**	**11,259**	(1,314)	**(12)**
Therein: Severance payments	**258**	260	(2)	(1)
Income before income taxes	**3,527**	**774**	**2,752**	**N/M**
Add (deduct)				
Net (gains)/losses from businesses sold/held for sale	**(583)**	–	(583)	N/M
Change in measurement of other inherent loss allowance	**–**	200	(200)	(100)
Restructuring activities	**(29)**	342	(371)	(108)
Goodwill impairment	**–**	–	–	–
Underlying pre-tax profit	**2,914**	**1,316**	**1,598**	**121**
Cost/income ratio in %	**70%**	82%	(12) ppt	(14)
Underlying cost/income ratio in %	**73%**	79%	(6) ppt	(7)
Assets	**681,722**	642,127	39,595	6
Risk-weighted positions (BIS risk positions)	**137,615**	155,160	(17,545)	(11)
Average active equity[2]	**14,258**	16,871	(2,613)	(15)
Return on average active equity in %	**25%**	5%	20 ppt	N/M
Underlying return on average active equity in %	**20%**	8%	13 ppt	162

ppt – percentage points 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.

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 Corporate Division for the years ended December 31, 2003 and 2002, in accordance with our management reporting systems:

			2003 increase (decrease) from 2002	
in € m. (except where indicated)	**2003**	2002	in €	in %
Sales & Trading (equity)	**3,091**	2,473	618	25
Sales & Trading (debt and other products)	**6,069**	5,567	502	9
Origination (equity)	**486**	355	131	37
Origination (debt)	**555**	409	146	36
Advisory	**470**	528	(58)	(11)
Loan products	**1,471**	2,134	(663)	(31)
Other	**(431)**	(302)	(130)	(43)
Total net revenues	**11,710**	**11,164**	**546**	**5**
Provision for loan losses	**750**	1,706	(955)	(56)
Provision for off-balance sheet positions	**8**	83	(75)	(90)
Total provision for credit losses	**759**	**1,788**	**(1,030)**	**(58)**
Operating cost base	**8,226**	8,710	(484)	(6)
Minority interest	**13**	8	5	61
Restructuring activities	**(23)**	316	(339)	(107)
Goodwill impairment	–	–	–	–
Total noninterest expenses[1]	**8,216**	**9,034**	**(818)**	**(9)**
Therein: Severance payments	**192**	242	(50)	(21)
Income (loss) before income taxes	**2,735**	**342**	**2,394**	**N/M**
Add (deduct)				
Net (gains)/losses from businesses sold/held for sale	**–**	–	–	–
Change in measurement of other inherent loss allowance	**–**	200	(200)	(100)
Restructuring activities	**(23)**	316	(339)	(107)
Goodwill impairment	**–**	–	–	–
Underlying pre-tax profit	**2,712**	**858**	**1,855**	**N/M**
Cost/income ratio in %	**70%**	81%	(11) ppt	(13)
Underlying cost/income ratio in %	**70%**	78%	(8) ppt	(10)
Assets	**693,414**	629,975	63,439	10
Risk-weighted positions (BIS risk positions)	**127,449**	142,211	(14,762)	(10)
Average active equity[2]	**12,849**	14,798	(1,949)	(13)
Return on average active equity in %	**21%**	2%	19 ppt	N/M
Underlying return on average active equity in %	**21%**	6%	15 ppt	N/M

ppt – percentage points 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.

Income before income taxes increased € 2.4 billion to € 2.7 billion for the year ended December 31, 2003. This increase was attributable to higher net revenues in addition to a lower provision for loan losses and lower noninterest expenses.

Net revenues of € 11.7 billion in 2003 were € 546 million higher compared to € 11.2 billion in 2002 despite the negative impact of the strength of the euro on the value of our significant revenues in other currencies and in particular the U.S. dollar.

Sales and trading revenues (debt and other products) were € 6.1 billion in 2003 compared to € 5.6 billion in 2002, an improvement of € 502 million, or 9%. Global Markets maintained its leadership position in structured businesses, such as interest rate and credit derivatives, and securitizations. It is fast becoming a top-tier player in the U.S. bond market, complementing its leadership in Europe. Origination revenues (debt) of € 555 million increased by € 146 million particularly reflecting higher underwriting fees due to increased activity in the high-yield business.

Sales and trading revenues (equity) of € 3.1 billion increased by € 618 million compared to 2002 reflecting increased market activity and improved market sentiment. Lower trading-related net interest income and lower brokerage fees were more than offset by higher trading revenues. Trading-related revenues in 2002 included the negative effect of a single block trade. In 2003 Global Equities' higher margin businesses had an outstanding year – the convertible bond business had its best ever and Equity Derivatives continued its strong performance. Its cash business maintained the number one position in terms of market share in Europe.

Revenues from origination (equity) of € 486 million increased by € 131 million. The increase was due to losses in 2002 from the underwriting-related effect of the aforementioned single block trade. Underwriting fees declined reflecting lower activity in the first half of the year.

Advisory revenues were € 470 million, down 11% from 2002, reflecting poor volumes and the general low level of market activity in the first half of 2003.

Revenues from loan products fell in 2003 to € 1.5 billion from € 2.1 billion in 2002. The decline was due to a further strategic reduction in loan volumes, corresponding lower net interest and fee income as well as € 285 million in hedge premium costs and mark-to-market losses incurred on the use of credit default swaps to hedge elements of the loan portfolios. Over the life of the credit derivative the losses on the mark-to-market element of these transactions will tend to materially offset, leaving the cost of the hedge as the ultimate expense.

The provision for credit losses was € 759 million in 2003 compared to € 1.8 billion in 2002. In 2003, the overall improving credit quality of our loan book has led to a reduction in the required net provision.

Noninterest expenses in 2003 were € 8.2 billion, a decrease of € 818 million compared to € 9.0 billion in 2002, which included charges for restructuring activities of € 316 million for plans initiated in the first and second quarter of 2002. In 2003, € 23 million of these provisions were released subsequent to the full implementation of the plans. Excluding these restructuring activities in both years, noninterest expenses in 2003 decreased by € 479 million. This reflects the beneficial effect on expenses of the aforementioned exchange rate movements as well as the continuing benefits of our cost containment program and the emphasis on control of discretionary spending across all expense categories, which more than offset higher performance-related compensation expenses.

The cost/income ratio of 70% in 2003 showed an 11 percentage point improvement on 2002 reflecting the combined impact of the reduction in noninterest expenses and the increase in net revenues as discussed above.

Global Transaction Banking Corporate Division

The following table sets forth the results of our Global Transaction Banking Corporate Division for the years ended December 31, 2003 and 2002, in accordance with our management reporting systems:

			2003 increase (decrease) from 2002	
in € m. (except where indicated)	**2003**	2002	in €	in %
Net revenues	**2,469**	**2,612**	**(143)**	**(5)**
Provision for loan losses	**2**	6	(5)	(74)
Provision for off-balance sheet positions	**(53)**	(52)	(1)	(2)
Total provision for credit losses	**(51)**	**(46)**	**(5)**	**(12)**
Operating cost base	**1,735**	2,200	(465)	(21)
Minority interest	**–**	–	–	–
Restructuring activities	**(6)**	26	(32)	(122)
Goodwill impairment	**–**	–	–	–
Total noninterest expenses[1]	**1,729**	**2,226**	**(496)**	**(22)**
Therein: Severance payments	**66**	18	48	262
Income before income taxes	**791**	**433**	**359**	**83**
Add (deduct)				
Net (gains)/losses from businesses sold/held for sale	**(583)**	–	(583)	N/M
Restructuring activities	**(6)**	26	(32)	(122)
Goodwill impairment	**–**	**–**	–	–
Underlying pre-tax profit	**202**	**458**	**(256)**	**(56)**
Cost/income ratio in %	**70%**	85%	(15) ppt	(18)
Underlying cost/income ratio in %	**92%**	84%	8 ppt	9
Assets	**16,709**	25,098	(8,389)	(33)
Risk-weighted positions (BIS risk positions)	**10,166**	12,949	(2,783)	(21)
Average active equity[2]	**1,409**	2,073	(664)	(32)
Return on average active equity in %	**56%**	21%	35 ppt	169
Underlying return on average active equity in %	**14%**	22%	(8) ppt	(35)

ppt – percentage points 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.

Income before income taxes increased € 358 million, or 83%, to € 791 million for the year ended December 31, 2003. During 2003, we sold a substantial part of our Global Securities Services (GSS) business to State Street Corporation generating a gain on sale of € 583 million. During 2002, the business sold contributed net revenues of approximately € 700 million with a negligible impact on income before income taxes.

Excluding the aforementioned gain on sale net revenues decreased by € 726 million mainly as a result of the absence of revenues of the disposed business. Reduced interest rate margins in Global Cash Management and lower transaction volumes, mainly in Global Trade Finance, accounted for the rest of the decline.

The provision for credit losses was a net release of € 51 million compared to a net release of € 46 million in 2002.

Noninterest expenses of € 1.7 billion decreased by € 497 million, or 22%, from 2002. Expenses in 2002 included charges for restructuring reserves of € 26 million for restructuring plans initiated in the first and second quarter 2002. In 2003, € 6 million of these reserves were released subsequent to the full implementation of the plans. The decrease in noninterest expenses reflected the lower expense base due partly to the disposal of GSS, somewhat offset by certain expenses related to the sale, and also to the continuing benefits of the cost saving initiatives within the division.

The cost/income ratio of 70% was lower by 15 percentage points than in 2002 mainly due to the effects of the gain on the GSS disposal as noted above. After adjusting for this gain, the underlying cost income ratio, at 92%, was higher by 6 percentage points. The benefits of our cost containment program have been more than offset by the reductions in revenues as noted above and the GSS disposal-related expenses.

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, 2003 and 2002, in accordance with our management reporting systems:

in € m. (except where indicated)	2003	2002	2003 increase (decrease) from 2002 in €	in %
Portfolio/fund management	**2,615**	2,730	(114)	(4)
Brokerage	**1,591**	1,515	75	5
Loans/deposits	**2,330**	2,425	(94)	(4)
Payments, account & remaining financial services	**823**	849	(26)	(3)
Other	**867**	2,000	(1,133)	(57)
Total net revenues	**8,226**	**9,518**	**(1,292)**	**(14)**
Therein: Net interest and trading revenues	**2,824**	2,878	(54)	(2)
Provision for loan losses	**325**	224	100	45
Provision for off-balance sheet positions	**(3)**	(1)	(2)	(153)
Total provision for credit losses	**321**	**223**	**98**	**44**
Operating cost base	**6,698**	7,123	(424)	(6)
Policyholder benefits and claims	**21**	685	(664)	(97)
Minority interest	**15**	32	(17)	(53)
Restructuring activities	**–**	240	(240)	(100)
Goodwill impairment	**–**	–	–	–
Total noninterest expenses[1]	**6,734**	**8,080**	**(1,346)**	**(17)**
Therein: Severance payments	**393**	136	257	188
Income (loss) before income taxes	**1,172**	**1,215**	**(44)**	**(4)**
Add (deduct)				
Net (gains)/losses from businesses sold/held for sale	**(51)**	(511)	460	90
Restructuring activities	**–**	240	(240)	(100)
Goodwill impairment	**–**	–	–	–
Underlying pre-tax profit	**1,119**	**945**	**175**	**18**
Cost/income ratio in %	**82%**	85%	(3) ppt	(4)
Underlying cost/income ratio in %	**82%**	86%	(3) ppt	(4)
Assets	**124,606**	109,394	15,212	14
Risk-weighted positions (BIS risk positions)	**63,414**	59,490	3,924	7
Average active equity[2]	**7,844**	7,850	(6)	–
Return on average active equity in %	**15%**	15%	(1) ppt	(4)
Underlying return on average active equity in %	**14%**	12%	2 ppt	19
Invested assets (in € bn.)	**872**	1,011	(139)	(14)
Additional information: **Results excluding sold insurance and related activities**				
Net revenues	**8,226**	**8,236**	**(10)**	**–**
Provision for credit losses	**321**	223	98	44
Operating cost base	**6,698**	7,019	(321)	(5)
Policyholder benefits and claims	**21**	35	(14)	(40)
Minority interest	**15**	26	(11)	(41)
Restructuring activities	**–**	240	(240)	(100)
Goodwill impairment	**–**	–	–	–
Total noninterest expenses[1]	**6,734**	**7,320**	**(586)**	**(8)**
Therein: Severance payments	**393**	135	258	191
Income before income taxes	**1,172**	**693**	**478**	**69**
Cost/income ratio in %	**82%**	89%	(7) ppt	(8)
Invested assets (in € bn.)	**872**	1,011	(139)	(14)

ppt – percentage points
[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 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 Corporate Division for the years ended December 31, 2003 and 2002, in accordance with our management reporting systems.

in € m. (except where indicated)	2003	2002	2003 increase (decrease) from 2002 in €	in %
Portfolio/fund management (AM)	**2,195**	2,165	30	1
Portfolio/fund management (PWM)	**281**	338	(57)	(17)
Total Portfolio/fund management	**2,476**	**2,503**	**(27)**	**(1)**
Brokerage	**654**	680	(26)	(4)
Loans/deposits	**128**	167	(38)	(23)
Payments, account & remaining financial services	**12**	9	3	35
Other	**570**	388	182	47
Total net revenues	**3,841**	**3,747**	**94**	**3**
Provision for loan losses	**2**	23	(21)	(90)
Provision for off-balance sheet positions	**(3)**	–	(3)	N/M
Total provision for credit losses	**(1)**	**23**	**(24)**	**(103)**
Operating cost base	**3,092**	3,243	(151)	(5)
Policyholder benefits and claims	**21**	35	(14)	(40)
Minority interest	**13**	25	(12)	(47)
Restructuring activities	**–**	–	–	–
Goodwill impairment	**–**	–	–	–
Total noninterest expenses[1]	**3,126**	**3,303**	**(176)**	**(5)**
Therein: Severance payments	**79**	87	(8)	(9)
Income (loss) before income taxes	**715**	**421**	**294**	**70**
Add (deduct)				
Net (gains)/losses from businesses sold/held for sale	**(55)**	(8)	(47)	N/M
Goodwill impairment	**–**	–	–	–
Restructuring activities	**–**	–	–	–
Underlying pre-tax profit	**660**	**413**	**247**	**60**
Cost/income ratio in %	**81%**	88%	(7) ppt	(8)
Underlying cost/income ratio in %	**82%**	88%	(5) ppt	(6)
Assets	**48,138**	37,642	10,496	28
Risk-weighted positions (BIS risk positions)	**12,170**	11,800	370	3
Average active equity[2]	**6,324**	6,337	(13)	–
Return on average active equity in %	**11%**	7%	5 ppt	70
Underlying return on average active equity in %	**10%**	7%	4 ppt	60
Invested assets (in € bn.)	**729**	880	(151)	(17)

AM – Asset Management PWM – Private Wealth Management
ppt – percentage points 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.

Income before income taxes of our Asset and Wealth Management Corporate Division was € 715 million for the year ended December 31, 2003. Included in the increase of € 294 million compared to 2002 was a net gain of € 55 million from the sale of most of our Passive Asset Management business to Northern Trust Corporation on January 31, 2003. Lower noninterest expenses as well as higher revenues from our alternative investment business mainly drove the remaining increase of € 239 million, or 57%, compared to 2002.

Net revenues were € 3.8 billion for the year ended December 31, 2003, an increase of € 94 million, or 3%, compared to 2002. In addition to the aforementioned disposal gain, net revenues in 2003 reflected higher revenues from our Alternative Investments business as well as consolidation effects with respect to our Scudder/RREEF acquisitions (completed in the second quarter 2002) and to our Rued, Blass & Cie AG Bankgeschaeft acquisition (in March 2003). These increases were partially offset by the strengthening of the Euro that particularly affected our U.S.dollar-based revenues from portfolio/fund management, brokerage and loans/deposits.

Portfolio/fund management revenues within our Asset Management Business Division of € 2.2 billion increased by € 30 million, or 1%. Lower revenues resulting from lower invested assets, partially as a result of the sale of the Passive Asset Management business, and the foreign currency translation impact were offset by higher revenues from the aforementioned consolidation effects from the acquisition of Scudder/RREEF as well as by higher performance fees from our Hedge Funds business.

Portfolio/fund management revenues within our Private Wealth Management Business Division of € 281 million were € 57 lower than prior year primarily due to the currency translation impact, which was partly offset by higher revenues from net new client assets and an increase in the market value of managed assets, especially in the second half of the year.

Brokerage revenues of € 654 million decreased € 26 million, or 4%, due to difficult market conditions particularly in the beginning of 2003 and the aforementioned impact from foreign currency translation.

Loans/deposits revenues of € 128 million decreased by € 39 million, or 23%, due to the negative exchange rate impact on our U.S.dollar-based loans and lower deposit volumes as clients started to re-invest into securities when the stock markets started to improve in the second quarter of 2003.

Revenues from other products of € 570 million were € 182 million, or 47%, higher than in 2002 due to several large real estate transactions during 2003. In particular, in December 2003, we entered into an agreement to transfer a substantial part of our real estate private equity portfolio to a third party fund. The fund purchased most of Deutsche Bank's direct real estate private equity portfolio. The portfolio is well diversified by location, property type, and investment strategy, and consists of seasoned assets originated by the Asset Management Division. Our Asset Management Division will continue to manage the fund on behalf of its new investors continuing the transition from an investor in real estate to an asset manager. The greater part of the transaction closed in December 2003, with the remainder to close in the first quarter of 2004. This transaction contributed approximately € 194 million of revenues accounted for primarily as income from equity method investments and other revenues in the second half of 2003. In addition, the aforementioned gain on the sale of our Passive Asset Management business was reflected in this product category.

The provision for credit losses was a net release of € 1 million in 2003 compared to provisions of € 23 million in 2002, which primarily reflected losses for counterparties in Europe resulting from shortfalls in collateral levels as stock markets declined.

Noninterest expenses were € 3.1 billion for the year ended December 31, 2003, a decrease of € 177 million, or 5%, compared to 2002 due to successful cost management as headcount reductions of 12% resulted in savings across most cost categories as well as the positive effect of the strengthening of the euro partially offset by higher noninterest expenses due to the aforementioned consolidation effects from the acquisition of Scudder, RREEF and Rued, Blass & Cie AG Bankgeschaeft.

From 2002 to 2003, the cost/income ratio decreased by 7 percentage points to 81% in 2003 reflecting the impact of lower noninterest expenses and higher revenues as individually discussed above.

Invested assets decreased by € 151 billion, or 17%, to 729 billion in 2003 primarily due to the sale of our Passive Asset Management business in the first quarter of 2003, which accounted for approximately € 103 billion of the decrease. The remaining decrease was mainly due to the negative impact of the strengthening of the euro of € 73 billion, partially offset by positive market movements and net new assets of € 25 billion.

Private & Business Clients Corporate Division

The following table sets forth the results of our Private & Business Clients Corporate Division for the years ended December 31, 2003 and 2002, in accordance with our management reporting systems.

			2003 increase (decrease) from 2002	
in € m. (except where indicated)	**2003**	2002	in €	in %
Portfolio/fund management	**139**	227	(88)	(39)
Brokerage	**937**	835	102	12
Loans/deposits	**2,202**	2,258	(56)	(2)
Payments, account & remaining financial services	**811**	840	(29)	(3)
Other	**297**	1,612	(1,315)	(82)
Total net revenues	**4,385**	**5,772**	**(1,386)**	**(24)**
Provision for loan losses	**322**	201	121	60
Provision for off-balance sheet positions	**(1)**	(1)	1	61
Total provision for credit losses	**322**	**200**	**122**	**61**
Operating cost base	**3,606**	3,880	(274)	(7)
Policyholder benefits and claims	**–**	650	(650)	(100)
Minority interest	**2**	7	(5)	(75)
Restructuring activities	**–**	240	(240)	(100)
Goodwill impairment	**–**	–	–	–
Total noninterest expenses[1]	**3,607**	**4,777**	**(1,170)**	**(24)**
Therein: Severance payments	**314**	49	265	N/M
Income (loss) before income taxes	**456**	**794**	**(338)**	**(43)**
Add (deduct)				
Net (gains)/losses from businesses sold/held for sale	**4**	(503)	506	101
Restructuring activities	**–**	240	(240)	(100)
Goodwill impairment	**–**	–	–	–
Underlying pre-tax profit (loss)	**459**	**532**	**(73)**	**(14)**
Cost/income ratio in %	**82%**	83%	(1) ppt	(1)
Underlying cost/income ratio in %	**82%**	84%	(2) ppt	(2)
Assets	**78,477**	74,039	4,438	6
Risk-weighted positions (BIS risk positions)	**51,244**	47,690	3,554	7
Average active equity[2]	**1,521**	1,513	7	–
Return on average active equity in %	**30%**	52%	(22) ppt	(43)
Underlying return on average active equity in %	**30%**	35%	(5) ppt	(14)
Invested assets (in € bn.)	**143**	131	12	9
Additional information: **Results excluding sold insurance and related activities**				
Net revenues	**4,385**	**4,498**	**(113)**	**(3)**
Provision for credit losses	**322**	200	122	61
Operating cost base	**3,606**	3,776	(170)	(4)
Policyholder benefits and claims	**–**	–	–	–
Minority interest	**2**	1	1	114
Restructuring activities	–	240	(240)	(100)
Goodwill amortization	–	–	–	–
Total noninterest expenses[1]	**3,607**	**4,017**	**(410)**	**(10)**
Therein: Severance payments	**314**	48	266	N/M
Income before income taxes	**456**	**280**	**176**	**63**
Cost/income ratio in %	**82%**	89%	(7) ppt	(8)
Invested assets (in € bn.)	**143**	131	12	9

ppt – percentage points 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.

Income before income taxes of our Private & Business Clients Corporate Division was € 456 million for the year ended December 31, 2003. The decrease of € 338 million compared to 2002 was driven by net gains from business disposals in 2002 of € 503 million in total (of which € 494 million related to the disposal of most of our insurance and related activities to Zurich Financial Services in the second quarter of 2002 and another € 9 million related to the sale of an Italian subsidiary in the third quarter of 2002). Excluding these disposal gains, income before income taxes increased by € 165 million, mainly due to significant reductions of our noninterest expenses in 2003.

Comparison figures for historical periods are materially affected by the sale of the insurance and related activities. The following therefore discusses Private & Business Clients' results of operations in 2002 excluding the results of these activities.

Net revenues decreased by € 113 million, or 3%, compared to 2002. The decline in net revenues was largely due to the difficult market environment especially at the beginning of 2003 and, to a lesser extent, also attributable to a decline in our revenue base subsequent to the streamlining of our branch network. Revenues from portfolio/fund management products decreased by € 88 million as our clients switched their emphasis from discretionary portfolio management products to brokerage products due to the poor market conditions. Revenues from brokerage products therefore increased by € 102 million, also reflecting some successful product placements, such as real estate funds, mainly in the first half of 2003. Revenues from loans/deposits products were € 56 million lower than in 2002. This decline was attributable to lower interest margins and lower deposit volumes. Payments, account and remaining financial services declined by € 29 million, partly related to the aforementioned sale of the Italian subsidiary in the third quarter of 2002. Revenues from other products of € 297 million in 2003 included realized gains of € 55 million on securities available for sale recognized in the second quarter of 2003. The decline compared to the previous year was due to the contribution of the majority of our pension plans to a segregated pension trust in December 2002, which led to lower net interest revenues and lower pension expenses starting January 2003.

Provision for credit losses increased to € 322 million in 2003 reflecting the impact of the difficult economic environment in Germany on the individual financial situation of some of our customers and falling real estate values in Germany.

Noninterest expenses were € 3.6 billion in 2003, a decrease of € 410 million, or 10%, as compared to 2002. Expenses for integration and reorganization measures masked the business-driven development of our noninterest expenses in both years. In 2002, we recorded charges of € 289 million in total, which comprised € 240 million expenses for restructuring activities as well as € 48 million expenses for severance payments. In 2003, when no charges for restructuring activities were recognized, severance payments increased to € 314 million. Excluding restructuring charges and severance payments, noninterest expenses amounted to € 3.3 billion in 2003 and to € 3.7 billion in 2002. This significant decrease of € 434 million, or 12%, reflected headcount reductions of approximately 10% subsequent to the aforementioned reorganization measures, the lower pension expenses as well as savings in all major expenses categories, with IT expenses and occupancy expenses being the most material contributors.

The cost/income ratio was 82% in 2003. This significant improvement by 7 percentage points compared to 2002 reflected our reduced noninterest expenses as described above.

Invested assets in 2003 were € 143 billion, an increase of € 12 billion compared to 2002 as equity markets improved towards year-end.

Corporate Investments Group Division

The following table sets forth the results of our Corporate Investments Group Division for the years ended December 31, 2003 and 2002, in accordance with our management reporting systems:

			2003 increase (decrease) from 2002	
in € m. (except where indicated)	**2003**	2002	in €	in %
Net revenues	**(916)**	**3,000**	**(3,916)**	**(131)**
Therein: Net interest and trading revenues	**(6)**	(29)	23	79
Provision for loan losses	**36**	155	(119)	(77)
Provision for off-balance sheet positions	**(2)**	(11)	9	84
Total provision for credit losses	**35**	**144**	**(110)**	**(76)**
Operating cost base	**681**	1,228	(547)	(45)
Minority interest	**(31)**	3	(34)	N/M
Restructuring activities	**–**	1	(1)	(100)
Goodwill impairment	**114**	62	52	84
Total noninterest expenses[1]	**763**	**1,293**	**(530)**	**(41)**
Therein: Severance payments	**20**	19	1	4
Income (loss) before income taxes	**(1,714)**	**1,563**	**(3,277)**	**N/M**
Add (deduct)				
Net (gains)/losses from businesses sold/held for sale	**141**	(18)	159	N/M
Significant equity pick-ups/net (gains)/losses from investments	**938**	1,197	(259)	(22)
Net (gains)/losses on securities available for sale/industrial holdings incl. hedging	**184**	(3,659)	3,844	105
Net (gains)/losses on the sale of premises	**107**	–	107	N/M
Restructuring activities	**–**	1	(1)	(100)
Goodwill impairment	**114**	62	52	84
Underlying pre-tax loss	**(232)**	**(855)**	**623**	**73**
Cost/income ratio in %	**N/M**	43%	N/M	N/M
Underlying cost/income ratio in %	**150%**	N/M	N/M	N/M
Assets	**18,987**	26,536	(7,549)	(28)
Risk-weighted positions (BIS risk positions)	**13,019**	19,219	(6,200)	(32)
Average active equity[2]	**5,236**	6,522	(1,286)	(20)
Return on average active equity in %	**(33)%**	24%	(57) ppt	N/M
Underlying return on average active equity in %	**(4)%**	(13)%	9 ppt	66

ppt – percentage points 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 a loss before income taxes of € 1.7 billion for the year ended December 31, 2003, compared to income before income taxes of € 1.6 billion in the year ended December 31, 2002. The decrease was primarily attributable to lower gains from the sale of industrial holdings.

Net revenues were negative € 916 million in 2003, a decrease of € 3.9 billion as compared to the year ended December 31, 2002.

Net revenues in 2003 included net losses of € 184 million on securities available for sale and our industrial holdings portfolio, which 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 in connection with the hedging of our industrial holdings portfolio. These charges were subsequently partially offset by recognized gains on the sale of our interest in EFG Eurobank Ergasias S.A. and mg technologies ag as well as gains from the reduction of our holding in Allianz AG and the sale of HeidelbergCement AG. In 2002, net revenues included net gains of € 3.7 billion from sales of securities available for sale and our industrial holdings portfolio. The largest transaction was the sale of our remaining interest in Munich Re, which resulted in a net gain of € 2.6 billion. Gains from nontrading derivatives amounted to approximately € 150 million in 2002.

In 2003, net revenues included net losses related to sold businesses and businesses held for sale of € 141 million, mainly reflecting charges related to the sale of our fully consolidated holdings in Tele Columbus and the sale of parts of our remaining North American commercial and consumer finance business. In 2002, net revenues included net gains of € 438 million related to the merger and subsequent deconsolidation of our mortgage banking subsidiary EUROHYPO AG, together with the contribution of part of our London-based real estate investment banking business. This was offset by losses of € 184 million related to our private equity business held for sale and a net loss of € 236 million related to the sale of the major part of our North American financial services business.

Net revenues in 2003 also reflected net losses of € 107 million from the disposal 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. Similar charges in 2002 amounted to € 1.2 billion, including our share of net loss of € 706 million from Gerling-Konzern Versicherungs-Beteiligungs-AG.

The remaining variance in net revenues in 2003 compared to 2002 was attributable to reduced revenues after the deconsolidation of our holdings in Center Parcs in the first quarter of 2003 and Tele Columbus in the third quarter of 2003, as well as the full-year effect of the deconsolidation of EUROHYPO AG and our North American financial services business, both of which were consolidated for a portion of 2002. These decreases were partially offset by higher dividend income from our industrial holdings portfolio.

The provision for credit losses was € 35 million in 2003 compared to € 144 million in 2002. The € 109 million reduction was primarily attributable to the reduction of credit exposure following the aforementioned deconsolidation of EUROHYPO AG and the sale of most of our North American financial services business.

Total noninterest expenses decreased in 2003 to € 763 million from € 1.3 billion in 2002. The reduction primarily resulted from the disposal of the above-mentioned businesses including the management buyout of 80% of our late-stage private equity portfolio, and is net of several negative factors. These included vacant space costs, sublease losses and other costs of eliminating excess space resulting from headcount reductions and the sale of businesses totaling € 174 million as well as goodwill impairment charges of € 114 million subsequent to decisions regarding the private equity fee-based businesses. In 2002, the noninterest expenses included € 62 million goodwill impairment charges related to the aforementioned management buyout and € 60 million charges in connection with the buyout of our Coinvestment Plans.

At year-end 2003, the alternative assets portfolio of the Corporate Investments Group Division had a carrying value of € 2.9 billion, of which 31% were private equity direct investments, 32% were real estate investments and 37% were 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.

Off-balance Sheet Arrangements

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 and commercial real estate leasing vehicles that we manage and that we do not consolidate. With the adoption of FIN 46, some of the vehicles related to these activities have been consolidated and some remain unconsolidated. 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. For these reasons, we are not permitted to consolidate these vehicles. 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 vehicle's 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.

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) has been developed and approved by the Group Asset and Liability Committee. 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.

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 either provide subordinated financing or we guarantee the investment made by the third parties, which exposes us to real estate market risk, and we receive fees for our administrative services.

The extent of the financial support we provide for 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 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, 2003:

		Payment due by period			
Contractual Obligations in € m.	**Total**	Less than 1 year	1–3 years	3–5 years	More than 5 years
Long-Term Debt Obligations	**97,480**	15,462	20,971	18,583	42,464
Capital (Finance) Lease Obligations	**2,163**	150	320	455	1,238
Operating Lease Obligations	**2,839**	481	725	559	1,074
Purchase Obligations	**2,146**	378	625	457	686
Long-term Deposits	**24,982**	–	10,578	5,045	9,359
Other Long-Term Liabilities	**11,488**	474	1,125	962	8,927
Total	**141,098**	**16,945**	**34,344**	**26,061**	**63,748**

Long-term deposits exclude contracts with a remaining maturity of less than one year. 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. Operating lease obligations exclude the benefit on noncancelable sublease rentals of € 302 million. 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 [14] regarding deposits, Note [16] 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 the Audit Committee of our Supervisory Board. We have identified the following significant accounting polices that involve critical accounting estimates.

Fair Value Estimates

Quoted market prices in active markets are the most reliable measure of fair value. However, quoted market prices for certain instruments, investments and activities, such as non-exchange traded contracts and venture capital companies and nonmarketable equity securities may not be available.

When quoted market prices are not available, derivatives and securities values 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 pricing models is dependent upon time value, yield curve, volatility factors, prepayment speeds, default rates, loss severity, current market prices and transaction prices for underlying financial instruments. Pricing adjustments to model our portfolio valuations consider liquidity, credit exposure, concentration risks, hedging strategies, quality of model inputs, and other factors.

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.

Since the fair value determined might differ from actual net realizable values, the estimates are considered critical accounting estimates for our Corporate Banking & Securities Corporate Division, which trades certain over-the-counter derivatives, some of which 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.

To maximize the accuracy of our valuations, we have established internal controls over the valuation process, which include independent price verification, testing and approval of valuation models, review and analysis of daily profit and loss, validation of valuation through close out profit and loss, and VaR backtesting. We perform price testing of model input parameters and prices of cash instruments, confirming that valuations have been performed using approved models and determining the appropriateness of valuations. We also test and approve pricing models.

Allowance for Loan Losses

We maintain an allowance for loan losses for exposures in our portfolio 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 include 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 we will be unable to collect all of the principal and interest due under the loan agreement. This component results in the largest portion of our allowance and requires consideration of various underlying factors. These assumptions 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 reevaluate 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 reevaluation.

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 market data affecting a country's financial condition. Our smaller-balance standardized homogeneous portfolio is evaluated on an aggregate basis, based on historical loss experience considering factors such as past due status and collateral recovery values for each product type. In determining our other inherent loss allowance, we incorporate an expected loss calculation which measures the default loss we can expect within a one-year period on our credit exposure, based on our historical loss experience. When calculating expected loss, we consider collateral, maturities and statistical averaging procedures to reflect the risk characteristics of our different types of exposures and facilities.

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 circumstances, 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 € 1.1 billion and € 2.1 billion for the year ended December 31, 2003, and 2002, respectively.

For further discussion on our allowance for loan losses, see the risk report and Note [7] and [8] to the consolidated financial statements.

Impairment of Assets other than Loans

Certain assets, including, equity method and other investments (including venture capital companies and nonmarketable equity securities), securities available for sale, and goodwill, are subject to an impairment review. We record impairment charges when we believe an asset has experienced an other-than-temporary decline in value, or its cost may not be recoverable. 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 judgement.

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. We recognized an other-than-temporary impairment for equity method investments, other equity interests and securities available for sale in 2003, 2002 and 2001. 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 is tested for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that the goodwill may be impaired, such as an adverse change in business climate. 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 judgements 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, 2003, goodwill had a carrying amount of € 6.7 billion. Evaluation of impairment of goodwill is a significant estimate for multiple divisions. 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. During 2002, an impairment charge for goodwill was recorded after an assessment for impairment was made due to a change in the estimated fair value as a result of holding a significant portion of our Private Equity reporting unit for sale in our Corporate Investments Group Division. For further discussion on goodwill, 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. 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 judgements 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.

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.

Our income tax expense included charges related to changes in valuation allowance of approximately € 99 million, € 254 million and € 286 million for the year ended December 31, 2003, 2002 and 2001, respectively. These changes were a result of reviews of the factors discussed above.

Recent Accounting Developments

SFAS 146

Effective January 1, 2003, we adopted SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" ("SFAS 146"). SFAS 146 requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. SFAS 146 replaces the guidance provided by EITF Issue No. 94–3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." SFAS 146 is to be applied prospectively to exit or disposal activities initiated after December 31, 2002. The adoption of SFAS 146 did not have a material impact on our consolidated financial statements.

FIN 45

Effective January 1, 2003, we adopted the accounting provisions of Financial Accounting Standards Board (FASB) Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" ("FIN 45"). FIN 45 requires the recognition of a liability for the fair value at inception of guarantees entered into or modified after December 31, 2002. FIN 45 also addresses the disclosure to be made by a guarantor in its financial statements about its guarantee obligations. The adoption of FIN 45 did not have a material impact on our consolidated financial statements.

SFAS 148

We adopted the fair value recognition provisions of SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123") prospectively for all employee awards granted, modified or settled after January 1, 2003. This prospective adoption is one of the methods provided for under SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure." The prospective adoption of the fair value provisions of SFAS 123 on share-based awards for the 2003 performance year did not have a material impact on our consolidated financial statements.

FIN 46

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 us on July 1, 2003. In October 2003, the FASB deferred the effective date so that 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. On July 1, 2003, we elected not to apply FIN 46 to a limited number of variable interest entities created before February 1, 2003, that we believed might not require consolidation at December 31, 2003. We applied FIN 46 to substantially all other variable interest entities as of July 1, 2003. As a result, we 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, we have 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 we administer in the Corporate and Investment Bank Group Division, and mutual funds offered by the Private Clients and Asset Management Group Division for which we guarantee 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. Subsequently, 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 are reported as other liabilities and totaled € 15 billion at December 31, 2003. The assets of the funds consist primarily of trading assets in the amount of € 13 billion. 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 consist 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 is 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.

Certain entities were de-consolidated as a result of applying FIN 46, primarily investment vehicles and trusts associated with trust preferred securities that we sponsor 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.

SFAS 149

Effective July 1, 2003, we adopted SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities," ("SFAS 149"). SFAS 149 amends and clarifies the reporting and accounting for derivative instruments, including certain derivatives embedded in other contracts, and for hedging activities under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." The adoption of SFAS 149 did not have a material impact on our consolidated financial statements.

SFAS 150

Effective July 1, 2003, we 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. We 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 in the second half of 2003, reduced the obligation to purchase common shares to € 2.3 billion as of 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 is 23 million shares.

EITF 02-3

EITF 02-3 addresses the accounting treatment for derivative contracts held for trading purposes and contracts involved in energy trading and risk management activities, and the income statement presentation of gains and losses on derivative contracts held for trading purposes. Effective January 1, 2003, we adopted certain provisions of EITF 02-3, related to energy and derivative contracts held for trading purposes, which did not have a material impact on our consolidated financial statements.

FIN 46 (revised December 2003)

In December 2003, the FASB issued a 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. FIN 46(R) allows a choice as to the timing of implementation of the revised rules. We will adopt FIN 46(R) no later than March 31, 2004. Upon adoption of FIN 46(R), it is likely that a significant amount of the guaranteed value mutual funds will be deconsolidated. There are no entities where it is reasonably possible that we will have to consolidate or disclose information about when this interpretation becomes effective.

FSP 106-1

In January 2004, the FASB issued Staff Position 106-1, “Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003” (“FSP 106-1”). 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. The FSP 106-1 permits entities to make a one-time election to defer recognizing the effects of the Act in accounting for its postretirement benefit plans under SFAS No. 106, “Employers’ Accounting for Postretirement Benefits Other Than Pensions” (“SFAS 106”), until either authoritative accounting guidance is issued or plan assets and obligations are remeasured due to a significant event.

We have elected to defer recognition of the effects of the Act in accounting for our postretirement plans under SFAS 106, and the postretirement benefit obligations and expense reported in the accompanying financial statements and notes do not reflect the effects of the Act. Specific authoritative guidance on the accounting for the government subsidy is pending and that guidance, when issued, could require that we change previously reported information.

SAB 105

In March 2004, the SEC released Staff Accounting Bulletin No. 105, “Application of Accounting Principles to Loan Commitments” (“SAB 105”). SAB 105 clarifies the requirements for the initial valuation of loan commitments that are accounted for as derivatives in accordance with SFAS 133 and is effective for commitments entered into after March 31, 2004. We are currently assessing the effects, if any, that the adoption of SAB 105 will have on our consolidated financial statements.

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, in the light of our mix of businesses when you make investment decisions involving our shares.

Market declines and volatility can materially adversely affect our revenues and profits. Changes in our business in recent years have been causing a shift among the primary risks we assume. In particular, we have increased our exposure to the financial markets as we have emphasized growth in our investment banking activities, including trading activities. We have been de-emphasizing growth in our traditional lending business. Conditions in the financial markets materially affect our 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 our revenues to decline. If we are unable to reduce our expenses at the same pace, our profitability can erode. Volatility can sometimes also adversely affect us.

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, we assess 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 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 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 entailing credit transactions, frequently ancillary to other transactions.

If we are unable to fully implement Phase 2 of our management agenda, our return on equity target may not be reached and our future earnings and share price may be materially and adversely affected. As part of Phase 2, we set the specific goals of maintaining strict cost, capital and risk discipline, capitalizing on global leadership in our Corporate and Investment Bank Group Division (CIB), delivering profitable growth to our Private Clients and Asset Management Group Division (PCAM) and establishing Deutsche Bank as the most reputable brand. We have stated that we aim to provide our shareholders with an underlying pre-tax return on equity of 25%, once the strategy is complete. Our future earnings, and thus our ability to achieve this return on equity target, as well as the future value of our shares and our ability to compete effectively, may be materially and adversely affected should we fail to achieve the Phase 2 objectives or should the Phase 2 objectives that are achieved fail to produce the anticipated benefits. A number of factors could prevent the achievement of these objectives 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. In addition, we may be unable to implement the internal measures we need to achieve our objectives.

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. 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 we generate the majority of our revenues. 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 investments in other companies, the effect of losses and risks at those companies may reduce the value of our holdings considerably, including the value of 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. We derived approximately 29% of our total net revenues in 2003 from Germany. If we are unable to respond to the competitive environment, 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.

Unforeseeable events can interrupt our 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 our operations which can cause substantial losses. If our business continuity plans do not address such events or cannot be implemented under the circumstances, such losses may increase.

Outlook

Throughout 2003 stability and confidence returned to the global economy and to the financial markets. At the beginning of 2004 most leading indicators point to a further acceleration of global economic activity, which is reflected in robust global equity markets. The U.S. economy will continue to be the mainstay of global growth. After growing a healthy 3% in 2003, U.S. gross domestic product (GDP) is seen to expand by some 4% in the current year based on rising investment and employment. The recovery in the euro zone should broaden in 2004 as private consumption will benefit from lower inflation, supported by the strength of the euro. German GDP growth in 2004 could reach 2% bringing it slightly above the euro zone's average. This, however, requires some pick-up in consumption which has remained sluggish so far. Recent updates to business surveys have shown that despite the strength of the world economy the appreciation of the euro is providing a damper for activity in the industrial sector. Risks arise mainly from the U.S. where the transition to a self-sustained growth in 2005 might fail, leading to a current-account-induced U.S. dollar crisis, putting the potential adjustment burden on the rest of the world. Finally, risk premiums in the credit markets have dropped to levels which make financial markets extremely vulnerable to shocks from, among other factors, the developments in the Middle East or terrorism.

For Deutsche Bank, 2003 was a year when the results of our transformation program were reflected in our bottom line and the progressing development of our franchise received positive recognition from the markets. But we have also used the previous year to lay the ground for the next phase of our strategy: building a springboard for growth.

In our Corporate and Investment Bank (CIB) we have launched systematic growth initiatives to further strengthen the franchise, such as closing the product and distribution gap between us and the top three players in all aspects of U.S. fixed income in Global Markets; expanding structured products in the U.S. and into Asia-Pacific for Global Equities; further building our U.S. mergers & acquisitions, equity capital markets and debt products business within Global Corporate Finance; introducing market-based-loan pricing in our Global Banking Division; and selling risk management products through Global Trade Finance in Global Transaction Banking.

We are also determined to generate further profitable growth in Private Clients and Asset Management (PCAM). We will continue our efforts to increase efficiency and optimize the product and service range. A comprehensive portfolio of business initiatives is aimed at capturing additional profit growth potential. Our Asset Management Business Division aims to increase our client base and build our brand and culture from within a strictly-controlled cost environment. Going forward, our Private Wealth Management Business Division intends to increase invested assets, revenues, and overall contribution to the bottom line of the Group. Our Private & Business Clients Corporate Division aims to deliver profitable growth through attracting and keeping clients, and team building. The business seeks to attract and keep customers by serving them throughout their lives, and matching the right advisor with the right offering to the right customer.

In Corporate Investments, we expect to continue to reduce our exposure to non-core activities in 2004 through a continuation of our strategy of opportunistic realization whilst preserving/enhancing value in the portfolio as a whole. This will allow us to re-deploy capital and other resources back into our core client businesses.

Risk discipline made significant progress in 2003 and we expect further progress to be supported by improving economic conditions in 2004. We will continue to closely manage risk-weighted assets. We will increasingly use hedging strategies and securitization structures to the extent that they enable us to manage economic risk and risk-weighted assets in efficient ways. We will expand our use of market-based loan pricing. With support of this pricing framework, we will continue to reallocate our balance sheet towards more profitable customer relationships.

Continued cost discipline will remain a clear priority and we are committed to maintain our rigorous attitude to reducing our cost base, constantly improving the efficiency of our businesses, infrastructure platforms and internal processes. To this end, we aim to further reduce the operating cost base by approximately € 800 million with the completion of the second phase of our strategy. We are confident we can attain this goal as the impact of earlier cost cutting measures become fully visible in the current financial year and as additional cuts in infrastructure costs are made.

Capital management will be further supported by our continued determination to return capital to shareholders. Given the current strength of our core capital ratio, we are very confident that also our second share buy-back program will successfully support our strategic targets, without compromising our strong capitalization.

Our transformation strategy lays a solid foundation for continued growth. We have set aggressive but realistic targets for phase two of our management agenda, and the strong competitive platform, combined with good revenue momentum, makes us confident we can achieve our goal of 25 percent underlying pre-tax return on equity, once the strategy is complete.

The year 2004 has started well for us, and we are confident that, if the world's economies and financial markets continue to develop positively, our growth objectives are achievable.

Consolidated Statement of Income

Income Statement

in € m.	[Notes]	**2003**	2002	2001
Interest revenues	[23], [31]	**27,583**	35,781	53,639
Interest expense	[23], [31]	**21,736**	28,595	45,019
Net interest revenues		**5,847**	**7,186**	**8,620**
Provision for loan losses	[6], [7], [8]	**1,113**	2,091	1,024
Net interest revenues after provision for loan losses		**4,734**	**5,095**	**7,596**
Commissions and fees from fiduciary activities		**3,273**	3,926	3,537
Commissions, broker's fees, markups on securities underwriting and other securities activities		**3,564**	4,319	4,557
Fees for other customer services		**2,495**	2,589	2,633
Insurance premiums		**112**	744	2,717
Trading revenues, net	[31]	**5,611**	4,024	6,031
Net gains on securities available for sale	[5]	**20**	3,523	1,516
Net loss from equity method investments	[6]	**(422)**	(887)	(365)
Other revenues	[6], [13], [31]	**768**	1,123	295
Total noninterest revenues		**15,421**	**19,361**	**20,921**
Compensation and benefits	[20], [25], [31]	**10,495**	11,358	13,360
Net occupancy expense of premises		**1,251**	1,291	1,334
Furniture and equipment		**193**	230	357
IT costs		**1,913**	2,188	2,343
Agency and other professional service fees		**724**	761	1,080
Communication and data services		**626**	792	891
Policyholder benefits and claims		**110**	759	3,002
Other expenses		**2,002**	2,883	3,182
Goodwill impairment/amortization	[12]	**114**	62	871
Restructuring activities	[29]	**(29)**	583	294
Total noninterest expenses		**17,399**	**20,907**	**26,714**
Income before income tax expense and cumulative effect of accounting changes		**2,756**	**3,549**	**1,803**
Income tax expense	[26]	**1,327**	372	434
Reversal of 1999/2000 credits for tax rate changes	[26]	**215**	2,817	995
Income before cumulative effect of accounting changes, net of tax		**1,214**	**360**	**374**
Cumulative effect of accounting changes, net of tax	[2]	**151**	37	(207)
Net income		**1,365**	**397**	**167**

Earnings per Share Figures

in €	[Notes]	**2003**	2002	2001
Earnings per common share	[2], [12], [20], [27]			
Basic				
Income before cumulative effect of accounting changes, net of tax		**2.17**	0.58	0.60
Cumulative effect of accounting changes, net of tax		**0.27**	0.06	(0.33)
Net income		**2.44**	**0.64**	**0.27**
Diluted				
Income before cumulative effect of accounting changes, net of tax		**2.06**	0.57	0.60
Cumulative effect of accounting changes, net of tax		**0.25**	0.06	(0.33)
Net income		**2.31**	**0.63**	**0.27**
Cash dividends declared per common share		**1.30**	**1.30**	**1.30**

The accompanying notes are an integral part of the Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income

Statement of Comprehensive Income

in € m.	**2003**	2002	2001
Net income	**1,365**	**397**	**167**
Reversal of 1999/2000 credits for tax rate changes	**215**	2,817	995
Unrealized gains (losses) on securities available for sale			
Unrealized net gains (losses) arising during the year, net of tax and other[1]	**1,619**	(5,596)	(2,496)
Net reclassification adjustment for realized net (gains) losses, net of applicable tax and other[2]	**162**	(3,527)	(1,423)
Unrealized net gains (losses) on derivatives hedging variability of cash flows, net of tax[3]	**(4)**	2	(1)
Minimum pension liability, net of tax[4]	**8**	(8)	–
Foreign currency translations			
Unrealized net gains (losses) arising during the year, net of tax[5]	**(936)**	(1,602)	85
Net reclassification adjustment for realized net gains, net of tax[6]	**(54)**	–	–
Total other comprehensive income (loss)	**1,010**	**(7,914)**	**(2,840)**
Comprehensive income (loss)	**2,375**	**(7,517)**	**(2,673)**

1 Amounts are net of income tax expense (benefit) of 38 million, (69) million and (105) million for the years ended December 31, 2003, 2002 and 2001, respectively, and adjustments to insurance policyholder liabilities and deferred acquisition costs of 4 million, (230) million and (610) million for the years ended December 31, 2003, 2002 and 2001, respectively.

2 Amounts are net of applicable income tax expense of 41 million, 15 million and 144 million for the years ended December 31, 2003, 2002 and 2001, respectively, and adjustments to insurance policyholder liabilities and deferred acquisition costs of (10) million, 110 million and (44) million for the years ended December 31, 2003, 2002 and 2001, respectively.

3 The amount is net of an income tax benefit for the years ended December 31, 2003 and 2001 and income tax expense for the year ended December 2002.

4 Amount is net of income tax expense of 3 million for the year ended December 31, 2003 and an income tax benefit of 3 million for the year ended December 31, 2002.

5 Amounts are net of an income tax expense (benefit) of 70 million, 26 million and (41) million for the years ended December 31, 2003, 2002 and 2001, respectively.

6 Amount is net of an income tax benefit of 5 million for the year ended December 31, 2003.

The accompanying notes are an integral part of the Consolidated Financial Statements.

Consolidated Balance Sheet

Assets

in € m.	[Notes]	**Dec 31, 2003**	Dec 31, 2002
Cash and due from banks		**6,636**	8,979
Interest-earning deposits with banks	[33]	**14,649**	25,691
Central bank funds sold and securities purchased under resale agreements	[33]	**112,419**	117,689
Securities borrowed	[33]	**72,796**	37,569
Trading assets of which 107 billion and 70 billion were pledged to creditors and can be sold or repledged at December 31, 2003 and 2002, respectively	[4], [10], [33]	**345,371**	294,679
Securities available for sale of which 404 million and 736 million were pledged to creditors and can be sold or repledged at December 31, 2003 and 2002, respectively	[5], [10], [33]	**24,631**	21,619
Other investments	[6], [33]	**8,570**	10,768
Loans, net	[7], [8], [9], [10], [32], [33]	**144,946**	167,303
Premises and equipment, net	[10], [11]	**5,786**	8,883
Goodwill	[2], [12]	**6,735**	8,372
Other intangible assets, net	[2], [12]	**1,122**	1,411
Other assets related to insurance business	[24]	**8,249**	7,797
Due from customers on acceptances		**60**	99
Accrued interest receivable		**3,612**	4,208
Pending securities transactions past settlement date		**11,082**	5,524
Other assets	[26]	**36,950**	37,764
Total assets		**803,614**	**758,355**

Liabilities and Shareholders' Equity

in € m.	[Notes]	**Dec 31, 2003**	Dec 31, 2002
Deposits	[14], [33]	**306,154**	327,625
Trading liabilities	[4], [33]	**153,234**	131,212
Central bank funds purchased and securities sold under repurchase agreements	[10], [33]	**102,433**	90,709
Securities loaned	[10], [33]	**14,817**	8,790
Other short-term borrowings	[15], [19], [33]	**22,290**	11,573
Acceptances outstanding		**60**	99
Insurance policy claims and reserves	[24]	**9,071**	8,557
Accrued interest payable		**3,793**	4,668
Pending securities transactions past settlement date		**10,390**	4,611
Other liabilities	[19], [25], [26], [29]	**53,380**	33,084
Long-term debt	[19], [16], [33]	**97,480**	104,055
Trust preferred securities	[17]	**–**	3,103
Obligation to purchase common shares	[18]	**2,310**	278
Total liabilities		**775,412**	**728,364**
Common shares, no par value, nominal value of € 2.56[1]	[20]	**1,490**	1,592
Additional paid-in capital		**11,147**	11,199
Retained earnings		**20,486**	22,087
Common shares in treasury, at cost[2]		**(971)**	(1,960)
Equity classified as obligation to purchase common shares	[18]	**(2,310)**	(278)
Share awards		**954**	955
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		**(2,828)**	(3,043)
Unrealized net gains on securities available for sale, net of applicable tax and other		**1,937**	156
Unrealized net gains (losses) on derivatives hedging variability of cash flows, net of tax		**(3)**	1
Minimum pension liability, net of tax		**–**	(8)
Foreign currency translation, net of tax		**(1,700)**	(710)
Total accumulated other comprehensive loss		**(2,594)**	(3,604)
Total shareholders' equity	[20], [22]	**28,202**	**29,991**
Total liabilities and shareholders' equity		**803,614**	**758,355**

Commitments and contingent liabilities: see Notes [11],[31] and [34].

[1] Issued: 2003: 581.9 million shares; 2002: 621.9 million shares.

[2] 2003: 16.8 million shares; 2002: 36.4 million shares.

The accompanying notes are an integral part of the Consolidated Financial Statements.

Consolidated Statement of Changes in Shareholders' Equity

Statement of Changes in Shareholders' Equity

in € m.	**2003**	2002	2001
Common shares			
Balance, beginning of year	**1,592**	1,591	1,578
Common shares distributed under employee benefit plans	**–**	1	13
Retirement of common shares	**(102)**	–	–
Balance, end of year	**1,490**	1,592	1,591
Additional paid-in capital			
Balance, beginning of year	**11,199**	11,253	10,876
Common shares distributed under employee benefit plans	**–**	21	462
Net losses on treasury shares sold	**(36)**	(129)	(85)
Other	**(16)**	54	–
Balance, end of year	**11,147**	11,199	11,253
Retained earnings			
Balance, beginning of year	**22,087**	22,619	23,331
Net income	**1,365**	397	167
Cash dividends declared and paid	**(756)**	(800)	(801)
Net losses on treasury shares sold	**(386)**	–	–
Retirement of common shares	**(1,801)**	–	–
Other	**(23)**	(129)	(78)
Balance, end of year	**20,486**	22,087	22,619
Common shares in treasury, at cost			
Balance, beginning of year	**(1,960)**	(479)	(119)
Purchases of shares	**(25,464)**	(30,755)	(37,032)
Sale of shares	**23,903**	28,441	36,090
Retirement of shares	**1,903**	–	–
Treasury shares distributed under employee benefit plans	**647**	833	582
Balance, end of year	**(971)**	(1,960)	(479)
Equity classified as obligation to purchase common shares			
Balance, beginning of year	**(278)**	–	–
Additions	**(2,911)**	(330)	–
Deductions	**879**	52	–
Balance, end of year	**(2,310)**	(278)	–
Share awards – common shares issuable			
Balance, beginning of year	**1,955**	1,666	1,883
Deferred share awards granted, net	**888**	1,098	487
Deferred shares distributed	**(647)**	(809)	(704)
Balance, end of year	**2,196**	1,955	1,666
Share awards – deferred compensation			
Balance, beginning of year	**(1,000)**	(767)	(1,016)
Deferred share awards granted, net	**(888)**	(1,098)	(487)
Amortization of deferred compensation, net	**646**	865	736
Balance, end of year	**(1,242)**	(1,000)	(767)
Accumulated other comprehensive income (loss)			
Balance, beginning of year	**(3,604)**	4,310	7,150
Reversal of 1999/2000 credits for tax rate changes	**215**	2,817	995
Change in unrealized net gains on securities available for sale, net of applicable tax and other	**1,781**	(9,123)	(3,919)
Change in unrealized net gains/losses on derivatives hedging variability of cash flows, net of tax	**(4)**	2	(1)
Change in minimum pension liability, net of tax	**8**	(8)	–
Foreign currency translation, net of tax	**(990)**	(1,602)	85
Balance, end of year	**(2,594)**	(3,604)	4,310
Total shareholders' equity, end of year	**28,202**	**29,991**	**40,193**

The accompanying notes are an integral part of the Consolidated Financial Statements.

Consolidated Statement of Cash Flows

Cash flow statement

in € m.	**2003**	2002	2001
Net income	**1,365**	**397**	**167**
Adjustments to reconcile net income to net cash used in operating activities			
Provision for loan losses	**1,113**	2,091	1,024
Restructuring activities	**(29)**	583	294
Gain on sale of securities available for sale, other investments, loans and other	**(201)**	(4,928)	(2,806)
Deferred income taxes, net	**269**	2,480	(159)
Impairment, depreciation and other amortization and accretion	**3,072**	2,845	4,886
Cumulative effect of accounting changes, net of tax	**(151)**	(37)	207
Share of net loss (income) from equity method investments	**(42)**	753	278
Net change in			
Trading assets	**(37,624)**	(4,071)	(1,263)
Other assets	**(7,452)**	8,627	(9,670)
Trading liabilities	**22,719**	11,412	(3,022)
Other liabilities	**8,095**	(20,639)	(4,559)
Other, net	**47**	(296)	1,412
Net cash used in operating activities	**(8,819)**	**(783)**	**(13,211)**
Net change in			
Interest-earning deposits with banks	**11,305**	7,800	9,232
Central bank funds sold and securities purchased under resale agreements	**5,378**	(14,004)	(47,959)
Securities borrowed	**(35,226)**	2,749	33,138
Loans	**12,789**	9,634	5,802
Proceeds from			
Sale of securities available for sale	**13,620**	25,835	41,128
Maturities of securities available for sale	**7,511**	7,731	2,746
Sale of other investments	**2,068**	5,089	7,096
Sale of loans	**16,703**	9,508	16,185
Sale of premises and equipment	**2,628**	717	1,015
Purchase of			
Securities available for sale	**(19,942)**	(22,464)	(34,289)
Other investments	**(2,141)**	(4,474)	(7,976)
Loans	**(9,030)**	(2,364)	(8,903)
Premises and equipment	**(991)**	(1,696)	(3,689)
Net cash received (paid) for business combinations/divestitures	**2,469**	(1,110)	924
Other, net	**327**	687	958
Net cash provided by investing activities	**7,468**	**23,638**	**15,408**
Net change in			
Deposits	**(21,423)**	(41,278)	22,548
Securities loaned and central bank funds purchased and securities sold under repurchase agreements	**17,751**	7,603	(16,096)
Other short-term borrowings	**(4,303)**	274	(15,151)
Issuances of long-term debt and trust preferred securities	**43,191**	40,245	32,958
Repayments and extinguishments of long-term debt and trust preferred securities	**(32,366)**	(27,201)	(22,884)
Issuances of common shares	**–**	73	320
Purchases of treasury shares	**(25,464)**	(30,755)	(37,032)
Sale of treasury shares	**23,389**	28,665	36,024
Cash dividends paid	**(756)**	(800)	(801)
Other, net	**(37)**	(455)	(522)
Net cash used in financing activities	**(18)**	**(23,629)**	**(636)**
Net effect of exchange rate changes on cash and due from banks	**(974)**	(635)	325
Net increase (decrease) in cash and due from banks	**(2,343)**	(1,409)	1,886
Cash and due from banks, beginning of the year	**8,979**	10,388	8,502
Cash and due from banks, end of the year	**6,636**	8,979	10,388
Interest paid	**22,612**	31,349	48,099
Income taxes paid, net	**911**	408	1,251
Noncash investing activities			
Transfer from available for sale securities to trading assets	**–**	–	22,101
Transfer from trading assets to available for sale securities	**–**	–	14,938

The accompanying notes are an integral part of the Consolidated Financial Statements.

Notes

[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 that 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 receivable.

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," 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 collectability 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 non-financial 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 non-financial 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 non-financial 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.

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 and expenses are translated at the weighted-average rate during the year whereas 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 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.
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 de-designated, 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.

Any derivative de-designated 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 a limited partnership. 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. Prior to January 1, 2002, 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") was amortized on a straight-line basis against net income from equity method investments over a period not exceeding fifteen years. Effective January 1, 2002, equity method goodwill is no longer amortized and is instead 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 carried at their outstanding unpaid principal balances net of charge-offs, unamortized premiums or discounts, and deferred fees and costs on originated loans. 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 are recognized in fees for other customer services over the life of the commitment.

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 collectability 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, 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. Loans that are subject to the specific loss component are not evaluated under the 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 for all other loans not individually evaluated 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 an allowance for country risk, an allowance for smaller-balance standardized homogeneous exposures and an other inherent loss component.

The country risk component is 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, that is, for transfer and currency convertibility risks.

The allowance for smaller-balance standardized homogeneous exposures is established for loans to individuals and small business customers of the private and retail business. These loans are evaluated for inherent loss on a collective basis, based on analyses of historical loss experience from each customer and product type according to criteria such as past due status and collateral recovery values.

The other inherent loss component represents an estimate of inherent losses resulting from the imprecisions and uncertainties in determining credit losses. Amounts determined to be uncollectable 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 is 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 is ready for use, is expensed as incurred.

Goodwill and Other Intangible Assets

As of January 1, 2002, 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 no longer amortized and 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. Loan servicing rights are carried at the lower of the allocated basis 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. In addition, other intangible assets acquired subsequent to January 1, 2002, that were determined to 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. Prior to January 1, 2002, goodwill and all other intangible assets were amortized over their estimated useful lives. Goodwill was amortized on a straight-line basis over a period not exceeding fifteen years.

Obligation to Purchase Common Shares

Forward purchases of equity shares of a consolidated Group company that require physical settlement are reported as obligation to purchase common shares. 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 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.

As of January 1, 2002, goodwill and other intangible assets which are not amortized are tested for impairment at least annually. Prior to January 1, 2002, goodwill was subject to an impairment review if a change in circumstances indicated that its carrying amount may not be recoverable.

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 carryforwards 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 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, 2003**	Dec 31, 2002	Dec 31, 2001
Net income, as reported	**1,365**	397	167
Add: Share-based compensation expense included in reported net income, net of related tax effects	**433**	228	671
Deduct: Share-based compensation expense determined under fair value method for all awards, net of related tax effects	**(346)**	(478)	(875)
Pro forma net income (loss)	**1,452**	**147**	**(37)**
in €			
Earnings (loss) per share			
Basic – as reported	**2.44**	0.64	0.27
Basic – pro forma	**2.60**	0.24	(0.06)
Diluted – as reported	**2.31**	0.63	0.27
Diluted – pro forma	**2.46**	0.23	(0.06)

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] to the consolidated financial statements 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 represent 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 the year have reduced the obligation to purchase common shares to € 2.3 billion as of 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 is 23 million shares.

FIN 46

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 has 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. Subsequently, 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 are reported as other liabilities and totaled € 15 billion at December 31, 2003. The assets of the funds consist primarily of trading assets in the amount of € 13 billion. 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 consist 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 is 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.

Certain entities were de-consolidated 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 de-consolidated.

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. SFAS 142 does not require retroactive restatement for all periods presented, however, pro forma information for 2001 is provided (see Note 12) and assumes that SFAS 142 was in effect as of January 1, 2001.

SFAS 133

Effective January 1, 2001, the Group adopted SFAS 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). SFAS 133, as amended, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. It requires companies to recognize all derivatives within the scope of SFAS 133 on the balance sheet as assets or liabilities measured at fair value. The change in a derivative's fair value is recognized in current period earnings or shareholders' equity. Upon adoption of SFAS 133, the Group recorded a net transition expense of € 207 million, net of an income tax benefit of € 118 million, as a cumulative effect of a change in accounting principle. This amount was primarily due to the adjustment required to bring certain embedded derivatives to fair value and to adjust the carrying amount of the related host contracts (items in which the derivatives are embedded) at January 1, 2001, pursuant to the SFAS 133 transition provisions for embedded derivatives that must be accounted for separately. As permitted by SFAS 133, upon adoption the Group transferred debt securities with a fair value of € 22,101 million from securities available for sale to trading assets and recognized the related unrealized gains of € 150 million in earnings for the year ended December 31, 2001.

EITF 99–20

Effective April 1, 2001, the Group adopted EITF Issue No. 99–20 "Recognition of Interest Income and Impairment on Purchased and Retained Beneficial Interests in Securitized Financial Assets" ("EITF 99–20"). EITF 99–20 provides guidance regarding income recognition and determination of impairment on certain asset-backed securities held as investments, with particular impact on those investments held outside of trading accounts. The adoption of EITF 99–20 did not have a material impact on the Group's consolidated financial statements and did not result in a cumulative effect of a change in accounting principle.

[3] Acquisitions and Dispositions

For the years ended December 31, 2003 and 2002, gains (losses) on dispositions were € 513 million and € 755 million, respectively. The Group's significant acquisitions and dispositions for the years ended December 31, 2003 and 2002 are discussed below.

In July 2003 the Tele Columbus Group, a consolidated subsidiary in the Corporate Investments Group Division, was sold. In connection with the sale, the Group recognized a loss of € 115 million**.**

In March of 2003, the Group acquired the Swiss private bank Rued, Blass & Cie AG Bankgeschaeft. The acquisition resulted in the recording of goodwill and intangible assets of € 59 million and € 10 million, respectively.

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. Prior to the sale, the private equity portfolio was written down to its fair value.

In January 2003, the Group completed the sale of most of its Passive Asset Management business to Northern Trust Corporation resulting in a gain of € 55 million.

In 2003, the Group recognized a gain of € 583 million related to the sale of its Global Securities Services business. In January 2003, the Group sold substantial parts of this business to State Street Corporation. The business units included in the sale were Global Custody, Global Funds Services (including Depotbank Services), and Agency Securities Lending. In addition, Domestic Custody and Securities Clearing in the U.S. and the United Kingdom were included. 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.

In January 2003, part of 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. This transaction resulted in a deconsolidation from the Group's consolidated financial statements. Together with the related contribution of part of the Group's London-based real estate investment banking business to EUROHYPO AG, the Group recognized a net gain of € 438 million in 2002. After the merger, the Group's share in the combined entity was 34.6%. Since the merger in August 2002, the Group has accounted for this investment under the equity method.

In 2003, the Group recognized a loss of € 57 million related to the sale of most of the remaining assets of its commercial finance operation in North America. During 2001, the Group had committed to a plan to dispose of this operation and, therefore, the business was valued at the lower of carrying value or fair value less cost to sell, resulting in a € 80 million charge. During 2002, the commercial and consumer finance businesses of Deutsche Financial Services were sold resulting in an additional net loss of € 236 million.

In the second quarter of 2002, the Group purchased Zurich Scudder Investments, Inc., the Scudder asset management business. This transaction was treated as an exchange of the Group's German insurance holding company Versicherungsholding der Deutschen Bank Aktiengesellschaft (Deutscher Herold) and a net cash payment of approximately € 1.7 billion for Scudder. The purchase resulted in goodwill of approximately € 1.0 billion and indefinite useful life intangible assets of € 1.1 billion. In addition, Deutsche Bank sold insurance subsidiaries domiciled in Spain, Italy, and Portugal. These transactions resulted in gains of € 494 million in Private & Business Clients and € 8 million in Asset and Wealth Management.

In April 2002, the Group acquired RoPro U.S. Holding, Inc., which is the holding company for the U.S.-based real estate investment manager RREEF. The purchase price for this acquisition amounted to approximately U.S.$ 501 million. Goodwill amounted to U.S.$ 306 million.

The acquisitions and disposals that occurred in 2003 had no significant impact on the Group's total assets.

[4] Trading Assets and Trading Liabilities

The components of these accounts are as follows:

in € m.	**Dec 31, 2003**	Dec 31, 2002
Bonds and other fixed-income securities	**204,324**	175,042
Equity shares and other variable-yield securities	**66,306**	47,354
Positive market values from derivative financial instruments[1]	**65,460**	65,729
Other trading assets	**9,281**	6,554
Total trading assets	**345,371**	**294,679**
Bonds and other fixed-income securities	**66,685**	51,124
Equity shares and other variable-yield securities	**25,382**	17,987
Negative market values from derivative financial instruments[1]	**61,167**	62,101
Total trading liabilities	**153,234**	**131,212**

[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.	**Fair Value**	**Gross Unrealized Holding Gains**	**Gross Unrealized Holding Losses**	**Dec 31, 2003 Amortized Cost**
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.	Fair Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Dec 31, 2002 Amortized Cost
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**

in € m.	Fair Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Dec 31, 2001 Amortized Cost
Debt securities				
German government	4,339	66	(9)	4,282
U.S. Treasury and U.S. government agencies	192	–	–	192
U.S. local (municipal) governments	50	–	–	50
Other foreign governments	14,676	229	(210)	14,657
Corporates	22,116	643	(193)	21,666
Other asset-backed securities	3,189	12	(2)	3,179
Mortgage-backed securities, including obligations of U.S. federal agencies	1,083	21	(1)	1,063
Other debt securities	1,857	55	(1)	1,803
Total debt securities	**47,502**	**1,026**	**(416)**	**46,892**
Equity securities				
Equity shares	22,600	10,022	(750)	13,328
Investment certificates and mutual funds	1,507	48	(13)	1,472
Other equity securities	57	36	–	21
Total equity securities	**24,164**	**10,106**	**(763)**	**14,821**
Total securities available for sale	**71,666**	**11,132**	**(1,179)**	**61,713**

At December 31, 2003, equity shares issued by DaimlerChrysler AG with a fair value of € 4.4 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.	**2003**	2002	2001
Debt securities – gross realized gains	**106**	149	405
Debt securities – gross realized losses[1]	**(35)**	(235)	(256)
Equity securities – gross realized gains	**488**	4,094	2,376
Equity securities – gross realized losses[2]	**(539)**	(485)	(1,009)
Total net gains on securities available for sale	**20**	3,523	1,516

[1] Includes € 7 million, € 156 million and € 27 million of write-downs for other-than-temporary impairment for the years ended December 31, 2003, 2002 and 2001, respectively.

[2] Includes € 479 million, € 152 million and € 401 million of write-downs for other-than-temporary impairment for the years ended December 31, 2003, 2002 and 2001, respectively.

On January 1, 2001, the Group transferred debt securities with a fair value of € 14.9 billion from trading assets to securities available for sale. There was no impact on earnings from this transfer which primarily involved securities issued by German and other foreign governments. Prior to 2001, these securities were risk-managed together with derivatives which were classified as trading mainly due to contemporaneous hedge documentation requirements that could not be fulfilled when initially adopting U.S. GAAP after the fact. Beginning 2001, these securities are hedged in accordance with the Group's management practices with derivatives that qualify for hedge accounting and were reclassified accordingly.

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, 2003:

	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	
in € m.	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	**Amount**	**Yield**
German government	–	–	190	3.16%	322	4.05%	2,290	5.97%	**2,802**	**5.56%**
U.S. Treasury and U.S. government agencies	130	1.75%	–	–	–	–	20	7.30%	**150**	**2.52%**
U.S. local (municipal) governments	2	1.91%	–	–	–	–	–	–	**2**	**1.91%**
Other foreign governments	1,580	2.87%	470	5.25%	360	4.02%	884	5.82%	**3,294**	**4.17%**
Corporates	661	2.84%	1,884	3.49%	908	3.85%	2,193	6.27%	**5,646**	**4.54%**
Other asset-backed securities	–	–	1,679	3.50%	–	–	–	–	**1,679**	**3.50%**
Mortgage-backed securities, principally obligations of U.S. federal agencies	629	5.30%	1	7.30%	–	–	2,078	5.68%	**2,708**	**5.59%**
Other debt securities	448	1.13%	74	4.46%	10	8.35%	–	–	**532**	**1.73%**
Total fair value	**3,450**	–	**4,298**	–	**1,600**	–	**7,465**	–	**16,813**	–
Total amortized cost	**3,394**	**–**	**4,263**	**–**	**1,617**	**–**	**7,461**	**–**	**16,735**	**–**

The following table shows 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, 2003:

	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	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, 2003**	Dec 31, 2002
Equity method investments	**6,001**	6,039
Investments held by designated investment companies	**181**	230
Other equity interests	**2,388**	4,499
Total other investments	**8,570**	10,768

Equity Method Investments

The Group's pro-rata share of the investees' income or loss determined on a U.S. GAAP basis was a profit of € 42 million and a loss of € 753 million for the years ended December 31, 2003 and 2002, respectively. In addition, write-offs for other-than-temporary impairments of € 617 million and € 305 million for the years ended December 31, 2003 and 2002, respectively, were included in net 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 € 5,085 million and € 5,971 million at December 31, 2003 and 2002, respectively. At December 31, 2003, loans totaling € 115 million to three equity method investees were on nonaccrual status. At December 31, 2002, loans totaling € 117 million to two equity method investees were on nonaccrual status.

At December 31, 2003, the following investees were significant representing 75% of the carrying value of equity method investments:

Investment	Ownership
Atradius N.V., Amsterdam[1]	38.36%
Blackrock US Low Duration Bond Fund, Drinagh	21.40%
Cassa di Risparmio di Asti S.p.A., Asti	20.00%
Debra International Finance Coöperatieve U.A., Amsterdam	25.00%
Deutsche European Partners IV, London	24.46%
Deutsche Interhotel Holding GmbH & Co. KG, Berlin	45.51%
EUROHYPO AG, Frankfurt am Main	37.72%
Fondo Piramide Globale, Milan	39.88%
MidOcean Partners, LP, New York	20.00%
MLA Funding Limited, London[2]	94.34%
Santorini Investments Limited Partnership, Edinburgh[2]	51.00%

1 Formerly, Gerling NCM Credit and Finance AG, Köln.
2 The Group does not have a controlling financial interest in these investees.

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).

in € m.	**2003**	2002	2001
Interest revenues, and commissions and fees, net	**137**	125	105
Trading revenues, net	**282**	(493)	(4)
Gross profits on sales and net income from insurance business	**82**	32	77
Income from other investments and gains on securities available for sale, net	**(126)**	(6)	10
Other revenues	**64**	40	144
Total revenues	**439**	**(302)**	**332**
Provision for loan losses	**8**	7	8
Compensation and benefits	**23**	21	24
Other expenses	**119**	146	251
Total expenses	**150**	**174**	**283**
Income (loss) before income tax expense	**289**	**(476)**	**49**
Income tax expense	**48**	16	27
Net income (loss)	**241**	**(492)**	**22**

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).

in € m.	**Dec 31, 2003**	Dec 31, 2002
Assets		
Cash, deposits with banks and receivables	**1,847**	2,632
Trading assets	**380**	463
Securities available for sale and other investments	**2,792**	1,706
Loans, net	**4,022**	951
Property, plant, equipment and inventories	**822**	754
Goodwill and other intangible assets	**70**	80
Other assets	**274**	1,069
Total assets	**10,207**	**7,655**
Liabilities and equity		
Notes payable to banks	**528**	581
Deposits received from customers	**1,263**	1,248
Long-term liabilities	**2,487**	1,148
Other liabilities and provisions	**1,862**	2,649
Minority interest	**2**	2
Capital and reserves	**3,812**	2,557
Accumulated other comprehensive income (loss)	**12**	(38)
Profit (loss) of the reporting period	**241**	(492)
Total liabilities and equity	**10,207**	**7,655**

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 year ended December 31, 2002 and 2001. Financial statements are not yet publicly available for the year ended December 31, 2003. The merger took place in August 2002 but was effective January 1, 2002 for German GAAP purposes. Under German GAAP, the merger was accounted for similar to a pooling of interests. The year 2001 figures below represent twelve months of pro forma information as if the merger occurred on January 1, 2001.

in € m.	2002	2001
Net interest, commission and investment income	1,167	1,166
Other operating income	63	210
General administrative expenses	(399)	(419)
Write-downs, depreciation and value adjustments	(152)	(297)
Other expenses	(355)	(143)
Net income before tax	**324**	**517**
Income tax expense	30	–
Net income	**294**	**517**

The following table provides a summary of EUROHYPO AG's consolidated balance sheet according to German GAAP (2001 pro forma figures):

in € m.	Dec 31, 2002	Dec 31, 2001
Assets		
Claims on banks	21,812	31,578
Claims on customers	166,899	173,362
Bonds and other fixed-income securities	36,768	42,321
Other assets	2,988	3,466
Total assets	**228,467**	**250,727**
Liabilities and shareholders' equity		
Liabilities to banks	30,974	31,559
Liabilities to customers	41,485	43,578
Liabilities in certificate form	145,289	166,755
Provisions and other liabilities	5,953	4,404
Capital and reserves	4,766	4,431
Total liabilities and shareholders' equity	**228,467**	**250,727**

Investments Held by Designated Investment Companies

The underlying investment holdings of the Group's designated investment companies are carried at fair value, and totaled € 181 million and € 230 million at December 31, 2003 and 2002, respectively.

Other Equity Interests

Other equity interests totaling € 2.4 billion and € 4.5 billion at December 31, 2003 and 2002, respectively, include investments in which the Group does not have significant influence, including certain venture capital companies and nonmarketable equity securities. The decrease of € 2.1 billion during the year ended December 31, 2003 was primarily due to sales in the Group's private equity business. The write-offs for other-than-temporary impairments of these investments amounted to € 214 million, € 423 million and € 968 million for the years ended December 31, 2003, 2002 and 2001, respectively.

[7] Loans

The following table summarizes the composition of loans:

in € m.	**Dec 31, 2003**	Dec 31, 2002
German		
Banks and insurance	**3,861**	1,600
Manufacturing	**8,668**	9,388
Households (excluding mortgages)	**14,161**	13,768
Households – mortgages	**25,445**	25,226
Public sector	**1,388**	1,750
Wholesale and retail trade	**5,133**	4,549
Commercial real estate activities	**11,629**	15,841
Lease financing	**855**	416
Other	**12,736**	15,898
Total German	**83,876**	**88,436**
Non-German		
Banks and insurance	**6,660**	9,120
Manufacturing	**7,487**	13,157
Households (excluding mortgages)	**6,915**	6,937
Households-mortgages	**8,416**	7,276
Public sector	**921**	2,834
Wholesale and retail trade	**6,691**	9,918
Commercial real estate activities	**1,977**	2,519
Lease financing	**3,138**	3,905
Other	**22,327**	27,768
Total Non-German	**64,532**	**83,434**
Gross loans	**148,408**	**171,870**
Less: Unearned income	**181**	250
Less: Allowance for loan losses	**3,281**	4,317
Total loans, net	**144,946**	**167,303**

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, 2003.

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 persons. There were € 732 million and € 897 million of related party loans (excluding loans to equity method investees) outstanding at December 31, 2003 and 2002, respectively.

Nonaccrual loans as of December 31, 2003 and 2002 were € 6.0 billion and € 10.1 billion, respectively. Loans 90 days or more past due and still accruing interest totaled € 380 million and € 509 million as of December 31, 2003 and 2002, respectively.

Impaired Loans

This table sets forth information about the Group's impaired loans:

in € m.	**Dec 31, 2003**	Dec 31, 2002	Dec 31, 2001
Total impaired loans[1]	**5,255**	8,922	10,797
Allowance for impaired loans under SFAS 114[2]	**2,471**	3,144	3,720
Average balance of impaired loans during the year	**6,712**	9,710	10,363
Interest income recognized on impaired loans during the year	**70**	166	248

[1] Included in these amounts are € 4.1 billion, € 6.0 billion and € 8.2 billion as of December 31, 2003, 2002 and 2001, respectively, that require an allowance. The remaining impaired loans do not require an allowance because either 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.	**2003**	2002	2001
Balance, beginning of year	**4,317**	**5,585**	**6,745**
Provision for loan losses	**1,113**	2,091	1,024
Net charge-offs			
Charge-offs	**(1,894)**	(2,728)	(2,055)
Recoveries	**167**	112	67
Total net charge-offs	**(1,727)**	(2,616)	(1,988)
Allowance related to acquisitions/divestitures	**(105)**	(421)	(156)
Foreign currency translation	**(317)**	(322)	(40)
Balance, end of year	**3,281**	**4,317**	**5,585**

The following table shows the activity in the Group's allowance for credit losses on lending-related commitments:

in € m.	**2003**	2002	2001
Balance, beginning of year	**485**	**496**	**453**
Provision for credit losses	**(50)**	17	(30)
Net charge-offs	**–**	–	(22)
Allowance related to acquisitions/divestitures	**1**	(11)	(2)
Foreign currency translation	**(20)**	(17)	97
Balance, end of year	**416**	**485**	**496**

[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. These securitization vehicles then pass-through the cash flows from the financial assets by primarily issuing debt instruments to third party investors. 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, 2003, 2002 and 2001, the Group recognized € 146 million, € 91 million and € 168 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 2003, 2002 and 2001:

	Residential and Commercial Mortgage Loans			Commercial Loans, Excluding Mortgages		
in € m.	**2003**	2002	2001	**2003**	2002	2001
Proceeds from new securitizations	**5,414**	5,843	6,573	–	918	938
Proceeds from collections reinvested in new securitization receivables	**–**	–	–	**1,157**	12,177	18,520
Servicing fees received	**5**	14	15	**1**	44	85
Cash flows received on retained interests	**82**	28	56	**13**	101	177
Other cash flows received from (paid to) securitization vehicles	**–**	–	–	–	(42)	(16)

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 (see Note [3]).

At December 31, 2003, 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	**776**	**123**
Prepayment speed (current assumed)	**33.48%**	**1.81%**
Impact on fair value of 10% adverse change	(10)	–
Impact on fair value of 20% adverse change	(17)	–
Default rate (current assumed)	**3.43%**	**0.30%**
Impact on fair value of 10% adverse change	(8)	–
Impact on fair value of 20% adverse change	(14)	(1)
Discount factor (current assumed)	**5.89%**	**8.35%**
Impact on fair value of 10% adverse change	(12)	(3)
Impact on fair value of 20% adverse change	(22)	(6)

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 2003 were not significantly different from the current assumptions in the above table.

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 the year, the Group received € 2 million of cash flows from retained interests.

The initial valuation of the Group's retained interests and the valuation at December 31, 2003 were based on the fair values of the underlying investments in the securitization vehicle. For the initial valuation these fair values were provided by an independent third party. At December 31, 2003, 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, 2003 the Group´s retained interests were valued at € 303 million.

The private equity investments held by the securitization vehicles are subject to € 70 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.

The key assumptions used in measuring the initial retained interests resulting from securitizations completed in 2002 and 2001 were not significantly different from the key assumptions used in determining the fair value of retained interests, including servicing rights, at December 31, 2002 and 2001, respectively. The weighted-average assumptions used at December 31, 2002 and 2001 were as follows:

	Residential and Commercial Mortgage Loans[1]		Commercial Loans, Excluding Mortgages[2]	
	2002	2001	2002	2001
Prepayment speed	19.20%	12.00%	1.66%	26.28%
Default rate	1.02%	2.71%	0.19%	0.34%
Discount factor	11.25%	14.59%	8.19%	10.85%

1 Excluded from the weighted-average assumptions are retained interest for commercial mortgage interest-only bonds in the amount of € 67 million and € 146 million at December 31, 2002 and 2001, respectively. 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.

2 At December 31, 2001, included in the weighted-average assumptions are seller's certificates in the amount of € 912 million, which represent a pro-rata share of undivided interests in a pool of loans sold into a Master Trust, which do not provide direct credit enhancement to the certificates sold to investors.

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, 2003 and 2002, respectively:

	Residential and Commercial Mortgage Loans		Commercial Loans, Excluding Mortgages	
in € m.	**2003**	2002	**2003**	2002
Total principal amount of loans	**14,127**	12,409	**1,346**	1,266
Principal amount of loans 90 days or more past due	**228**	223	**33**	35
Net credit losses	**2**	24	**3**	3

The table excludes securitized loans that the Group continues to service but otherwise has no continuing involvement.

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, 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 as of December 31, 2003, by type of asset and entity:

in € m.	Commercial Paper Programs	Mutual Funds	Asset Securitization and Other	Commercial Real Estate Leasing Vehicles and Closed-End Funds
Assets				
Interest-earning deposits with banks	189	1,176	514	46
Trading assets	1,739	13,988	8,375	–
Securities available for sale	4,298	–	360	–
Loans, net	4,409	–	384	310
Other	30	230	219	552
Total	**10,665**	**15,394**	**9,852**	**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, 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 issue 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.

For the commercial real estate leasing vehicles and closed-end funds, third party investors essentially provide senior financing for the purchase of commercial real estate which is leased to other third parties. For asset securitization and other vehicles, 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.

As of 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:

		Dec 31, 2003
in € m.	Total Assets	Maximum Exposure to Loss
Commercial paper programs	15,008	16,170
Commercial real estate leasing vehicles and closed-end funds	1,622	336
Asset securitization and other	1,248	116

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 any subordinated financing or guarantees that are provided to these vehicles. For asset securitization 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.

[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, 2003**	Dec 31, 2002
Trading assets	**16,830**	26,266
Securities available for sale	**742**	445
Loans	**11,086**	12,275
Premises and equipment	**625**	586
Total	**29,283**	**39,572**

At December 31, 2003 and 2002, the Group has received collateral with a fair value of € 223 billion and € 253 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, 2003 and 2002, € 115 billion and € 154 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, 2003**	Dec 31, 2002
Land	**1,014**	1,483
Buildings	**4,058**	5,842
Leasehold improvements	**1,214**	1,510
Furniture and equipment	**2,495**	3,270
Purchased software	**440**	502
Self-developed software	**322**	796
Construction-in-progress	**151**	346
Total	**9,694**	**13,749**
Less: Accumulated depreciation	**3,908**	4,866
Premises and equipment, net[1]	**5,786**	**8,883**

[1] Amounts at December 31, 2003 and 2002 included € 1.9 billion and € 2.4 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, 2003, were as follows:

in € m.	
2004	150
2005	145
2006	175
2007	189
2008	266
2009 and later	1,238
Total future minimum lease payments	**2,163**
Less: Amount representing interest	771
Present value of minimum lease payments	**1,392**

At December 31, 2003, the total minimum sublease rentals to be received in the future under subleases are € 697 million. Contingent rental income incurred during the year ended December 31, 2003, was € 2 million.
The future minimum lease payments, excluding executory costs, required under the Group's operating leases at December 31, 2003, were as follows:

in € m.	
2004	481
2005	393
2006	332
2007	295
2008	264
2009 and later	1,074
Total future minimum lease payments	**2,839**
Less: Minimum sublease rentals	302
Net minimum lease payments	**2,537**

The following shows the net rental expense for all operating leases:

in € m.	**2003**	2002	2001
Gross rental expense	**760**	869	970
Less: Sublease rental income	**61**	97	79
Net rental expense	**699**	**772**	**891**

[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 2003 and 2002 resulting from the annual impairment review.
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 discounted cash flow models.

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, 2003**			Dec 31, 2002
	Gross Carrying Amount	**Accumulated Amortization**	**Net Carrying Amount**	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortized intangible assets						
Customer contracts	**75**	**19**	**56**	98	20	78
Investment management agreements	**62**	**14**	**48**	70	9	61
Other customer-related	**48**	**15**	**33**	57	14	43
Other	**29**	**9**	**20**	31	13	18
Total	**214**	**57**	**157**	**256**	**56**	**200**
Unamortized intangible assets						
Retail investment management agreements and other			**925**			1,111
Loan servicing rights			**40**			100
Total other intangible assets			**1,122**			**1,411**

For the years ended December 31, 2003 and 2002, the aggregate amortization expense for other intangible assets was € 22 million and € 26 million, respectively. The estimated aggregate amortization expense for each of the succeeding five fiscal years is approximately € 17 million per year.

For the year ended December 31, 2003, the Group acquired the following other intangible assets:

in € m.	Additions in current year	Weighted-Average Amortization Period
Amortized intangible assets		
Other customer-related	5	5 years
Other	10	10 years
Total	**15**	**8 years**
Total other intangible assets	**15**	

For the year ended December 31, 2002, the net carrying amount of other intangibles increased by € 1,205 million, mainly due to the acquisitions of Scudder and RREEF, which contributed € 1,161 million and € 82 million, respectively.

Goodwill

All goodwill has been allocated to reporting units. From the beginning of 2003, the Group revised its management reporting systems to reflect changes in the organizational structure of its divisions and to reflect changes in management responsibility for certain businesses as described in Note [28]. The prior period goodwill amounts have been restated to conform to the current year's presentation. The changes in the carrying amount of goodwill by segment for the years ended December 31, 2003 and 2002 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, 2002	**4,350**	**725**	**2,184**	**247**	**1,235**	**8,741**
Purchase accounting adjustments	(6)	–	(27)	(3)	–	**(36)**
Goodwill acquired during the year	34	8	1,460	15	44	**1,561**
Impairment losses	–	–	–	–	(62)	**(62)**
Goodwill related to dispositions	(13)	–	–	(13)	(525)	**(551)**
Effects from exchange rate fluctuations	(634)	(98)	(452)	–	(97)	**(1,281)**
Balance as of December 31, 2002	**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**

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 Bankgeschaeft, which contributed € 59 million.
The additions to goodwill of € 1,561 million for the year ended December 31, 2002 are mainly due to the acquisitions of Scudder and RREEF, which contributed € 1,024 million and € 344 million, respectively.

Goodwill and Other Intangible Assets-Adoption of SFAS 142

Prior to the adoption of SFAS 142, the Group amortized goodwill on a straight-line basis over a period not exceeding fifteen years. The historical results for 2001 do not reflect the provisions of SFAS 142. Had the Group adopted SFAS 142 in prior years, the historical net income and basic and diluted net income per common share would have been as follows:

in € m.	2001
Net Income	
Reported net income	167
Add back: goodwill amortization net of negative goodwill	784
Add back: equity method goodwill amortization	18
Add back: other intangible assets amortization	7
Adjusted net income	976

in €	2001
Basic earnings per share	
Income before cumulative effect of accounting changes, net of tax	0.60
Cumulative effect of accounting changes, net of tax	(0.33)
Reported net income	0.27
Add back: goodwill amortization net of negative goodwill	1.26
Add back: equity method goodwill amortization	0.03
Add back: other intangible assets amortization	0.01
Adjusted net income	1.57

in €	2001
Diluted earnings per share	
Income before cumulative effect of accounting changes, net of tax	0.60
Cumulative effect of accounting changes, net of tax	(0.33)
Reported net income	0.27
Add back: goodwill amortization net of negative goodwill	1.26
Add back: equity method goodwill amortization	0.03
Add back: other intangible assets amortization	0.01
Adjusted net income	1.57

[13] Assets Held for Sale

During 2003, the Group decided to sell subsidiaries and investments in the Corporate Investments, Global Transaction Banking, Private and 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] Deposits

The components of deposits are as follows:

in € m.	**Dec 31, 2003**	Dec 31, 2002
German offices		
Noninterest-bearing demand deposits	**22,371**	21,960
Interest-bearing deposits		
Demand deposits	**24,787**	28,635
Certificates of deposit	**665**	199
Savings deposits	**24,147**	24,419
Other time deposits	**33,194**	41,780
Total interest-bearing deposits	**82,793**	95,033
Total deposits in German offices	**105,164**	**116,993**
Non-German offices		
Noninterest-bearing demand deposits	**5,797**	8,598
Interest-bearing deposits		
Demand deposits	**57,463**	71,408
Certificates of deposit	**20,696**	25,027
Savings deposits	**6,419**	6,826
Other time deposits	**110,615**	98,773
Total interest-bearing deposits	**195,193**	202,034
Total deposits in non-German offices	**200,990**	**210,632**
Total deposits	**306,154**	**327,625**

The following table summarizes the maturities of time deposits with a remaining term of more than one year as of December 31, 2003:

By remaining maturities in € m.	Due in 2005	Due in 2006	Due in 2007	Due in 2008	Due after 2008
Certificates of deposits	2,386	96	133	306	865
Other time deposits	3,530	2,130	1,485	1,745	7,876

Related party deposits amounted to € 1,050 million and € 2,170 million at December 31, 2003 and 2002, respectively.

[15] 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, 2003**	Dec 31, 2002
Commercial paper	**13,150**	4,320
Other	**9,140**	7,253
Total	**22,290**	**11,573**

[16] 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 2004	Due in 2005	Due in 2006	Due in 2007	Due in 2008	Due after 2008	**December 31, 2003 Total**	December 31, 2002 Total
Senior debt								
Bonds and notes								
Fixed rate	7,073	5,586	4,708	4,761	2,574	22,662	**47,364**	52,613
Floating rate	7,370	5,018	4,422	5,274	4,556	10,577	**37,217**	42,046
Subordinated debt								
Bonds and notes[1]								
Fixed rate	791	165	1,016	507	306	7,594	**10,379**	7,190
Floating rate	228	56	–	508	97	1,631	**2,520**	2,206
Total	**15,462**	**10,825**	**10,146**	**11,050**	**7,533**	**42,464**	**97,480**	**104,055**

[1] Includes DM 1.4 billion in nominal amounts of bearer participatory certificates which matured on December 31, 2003. This certificate carries an annual dividend rate of 8.75%, and will be redeemed, subject to the stipulations on loss participation on June 30, 2004. The dividend has priority over the rights of shareholders to share in the Group profits.

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, 2003	Dec 31, 2002
Senior debt		
Bonds and notes		
Fixed rate[1]	**0.00% – 31.63%**	0.04% – 16.00%
Floating rate[1]	**0.00% – 21.11%**	0.02% – 13.00%
Subordinated debt		
Bonds and notes		
Fixed rate	**0.81% – 10.50%**	1.71% – 10.50%
Floating rate	**0.74% – 8.00%**	0.27% – 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, 2003 matures at various dates through 2051. The weighted-average interest rates on fixed rate debt at December 31, 2003 and 2002 were 5.23% and 4.68%, respectively. Floating rate debt outstanding at December 31, 2003 matures at various dates through 2050 excluding € 1,898 million with undefined maturities. The weighted-average interest rates on floating rate debt at December 31, 2003 and 2002 were 2.58% and 3.01%, respectively. The weighted-average interest rates for total long-term debt were 3.97% and 3.95% at December 31, 2003 and 2002, respectively.

The interest rates for the floating rate debt issues are generally based on LIBOR, 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 2003 and 2002 were insignificant.

[17] Trust Preferred Securities

The Group formed 15 statutory business trusts, including BT Capital Trust B and BT Preferred Capital Trust II, of which the Group owns all of the common securities. These trusts exist for the sole purpose of issuing cumulative and noncumulative trust preferred securities and investing the proceeds thereof in an equivalent amount of junior subordinated debentures or noncumulative preferred securities, respectively, issued by the Group. Prior to July 1, 2003, the Group consolidated these trusts. Effective July 1, 2003, the Group deconsolidated these trusts as a result of the application of FIN 46. Subsequent to the application of FIN 46, the junior subordinated debentures and noncumulative preferred securities issued by the Group to the trusts are included in long-term debt as of December 31, 2003.

The Group's trust preferred securities at December 31, 2002 totaled € 3.1 billion, comprised of € 1.0 billion cumulative trust preferred securities (net of deferred issuance costs and unamortized discount) and € 2.1 billion noncumulative trust preferred securities.

[18] Obligation to Purchase Common Shares

As of December 31, 2003, the obligation to purchase common shares amounted to € 2,310 million and represented forward purchase contracts covering approximately 44.3 million Deutsche Bank common shares with a weighted-average strike price of € 52.18 entered into to satisfy obligations under employee share-based compensation awards.

Contracts covering 3.1 million shares mature in less than one year. The remaining contracts covering 41.2 million shares have maturities between one and five years.

The Group entered into forward purchases and sold put options of Deutsche Bank common shares as part of a share buy-back program in 2002. During 2002, 900,000 shares were acquired via exercise of written put options and no written put options were outstanding at December 31, 2002. As of December 31, 2002, forward purchase of € 4.3 millions shares were outstanding. These forward purchase contracts were settled in April 2003 and the shares acquired were accounted for as treasury shares and then retired in May 2003.

[19] Mandatorily Redeemable Shares and Minority Interests in Limited Life Entities

Other liabilities included € 62 million, representing the settlement amount as of December 31, 2003 for minority interest in limited life subsidiaries and mutual funds. These entities have termination dates between 2023 and 2103.

Included in long-term debt and short-term borrowings are € 4,164 million related to mandatorily redeemable shares. The amount to be paid if settlement were at December 31, 2003 was € 4,167 million. These mandatorily redeemable shares are primarily due between 2004 and 2033. The majority of interest paid on the redeemable shares is at fixed rates between 2.95%–6.33% with the remainder paid at variable rates, which are based on LIBOR or the tax-adjusted US 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. The Group's shares have a nominal value of € 2.56.
Common share activity was as follows:

Number of shares	2003	2002	2001
Common shares outstanding, beginning of year	**585,446,954**	**614,475,625**	**614,600,765**
Shares issued under employee benefit plans	**–**	285,800	5,054,400
Shares retired	**(40,000,000)**	–	–
Shares purchased for treasury	**(464,939,509)**	(474,184,113)	(447,045,982)
Shares sold or distributed from treasury	**484,569,718**	444,869,642	441,866,442
Common shares outstanding, end of year	**565,077,163**	**585,446,954**	**614,475,625**

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 buy-back program started in September 2003. All such transactions were recorded in shareholders' equity and no revenue was 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 noncash consideration. At December 31, 2003, Deutsche Bank had authorized but unissued capital of € 686,000,000 which may be issued at various dates through April 30, 2008 as follows:

Authorized Capital	Authorized Capital excluding Shareholders' Pre-Emptive Rights	Expiration Date
€ 300,000,000	–	April 30, 2004
–	€ 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

[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 € 226,173,391. Conditional capital includes various instruments that may potentially be converted into common shares. At December 31, 2003, € 80,000,000 of conditional capital was available for participatory certificates with warrants and/or convertible participatory certificates, bonds with warrants, and convertible bonds which may be issued in one or more issuances on or before April 30, 2004. In addition, € 51,200,000 was 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 shareholders' 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. For this purpose there was a conditional capital of € 30,973,391 of which € 9,292,250 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	Select Executives	4.5 years	4	X	
DB Global Partnership Plan					
DB Equity Units					
as bonus grants	Select Executives	2 years	3	X	
as retention grants	Select Executives	3.5 years	4	X	
Performance Options	Select Executives[1]	4 years	3		X
Partnership Appreciation Rights	Select Executives[1]	4 years	3		X
DB Share Scheme					
as bonus grants	Select Employees	3 years	3	X	
as retention grants	Select Employees	3 years	4	X	
Employee Stock Purchase Plans					
DB Global Share Plan					
Share Purchases	All Employees[2]	None	2	X	
Performance Options	All Employees[2]	2 years	4		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] Employees electing to purchase shares are granted performance options. German employees and retirees are eligible to purchase shares at a discount, which is recognized as part of compensation expense during the year the shares are purchased.
[3] The value is recognized during the applicable performance year as part of compensation expense.
[4] The value is recognized on a straight-line basis over the vesting period as part of compensation expense.

Share-Based Compensation Plans Currently Used For Granting New Awards

Restricted Equity Units. 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 for any reason 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 ("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 for any reason prior to the end of an approximate three and a half year vesting period. Compensation expense for these awards is recognized on a straight-line basis over the vesting period.

Performance Options. Performance options ("Performance Options") are rights to purchase the Group's common shares. Performance Options are 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 will 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 will 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 will become 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.

Compensation expense for options awarded for the 2003 performance was recognized in 2003 in accordance with the fair-value based method. No compensation expense for options awarded for the 2002 and 2001 performance years was recognized in 2002 and 2001, 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.

No compensation expense was recognized for the years ended December 31, 2003, 2002 and 2001 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 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 a discount. In 2001, eligible employees could purchase up to 60 shares at a discount and retirees in certain geographic regions were eligible to purchase up to 25 shares of the Group's common shares at a discount. The discount was linked to the Group's prior year's earnings. The participant is fully vested and receives all dividend rights for the shares purchased. At the date of purchase, the Group recognizes 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. In 2001, employee participants received for each common share purchased one option. Each option entitles 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 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 grant.

Generally, a participant must have been working for the Group for at least one year and have 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 and 2001 performance years as the market price of the shares on the date of grant did not exceed the exercise price.

Share-Based Compensation Plans No Longer Used for Granting New Awards

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 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.	2003	2002	2001
DB Global Partnership[1]	**8**	4	19
DB Global Share Plan	**3**	3	4
DB Share Scheme/Restricted Equity Units	**773**	469	726
Global Equity Plan	**(3)**	(6)	302
Stock Appreciation Rights Plans[2]	**(13)**	35	93
db Share Plan	**(20)**	(45)	53
Total	**748**	**460**	**1,197**

[1] Compensation expense for the years ended December 31, 2003, 2002 and 2001 included € 5.9 million, € 3.9 million and € 19 million, respectively, related to DB Equity Units granted in February 2004, February 2003 and February 2002, respectively.
[2] For the years ended December 31, 2003, 2002 and 2001, net (gains) losses of € (13) million, € 226 million and € 27 million, respectively, from nontrading 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, 2003, 2002 and 2001 (amounts in thousands of shares, except exercise prices):

	DB Global Partnership			DB Global Share Plan		
	DB Equity Units[1]	Performance Options[2]	Weighted-average Exercise Price	Shares	Performance Options[3]	Weighted-average Exercise Price
Balance at December 31, 2000	**–**	**–**	**–**	**–**	**–**	**–**
Granted	–	–	–	–	176	€ 87.66
Issued	–	–	–	237	–	–
Forfeited	–	–	–	–	(1)	€ 87.66
Balance at December 31, 2001	**–**	**–**	**–**	**N/A**	**175**	**€ 87.66**
Granted	451	12,156	€ 89.96	–	2,082	€ 55.39
Issued	–	–	–	471	–	–
Forfeited	(43)	(392)	€ 89.96	–	(22)	€ 57.99
Balance at December 31, 2002	**408**	**11,764**	**€ 89.96**	**N/A**	**2,235**	**€ 57.90**
Granted	122	14,615	€ 47.53	–	1,691	€ 75.24
Issued	–	–	–	396	–	–
Forfeited	(3)	(490)	€ 58.58	–	(81)	€ 57.00
Balance at December 31, 2003	**527**	**25,889**	**€ 66.60**	**N/A**	**3,845**	**€ 65.54**
Weighted-average remaining contractual life at						
December 31, 2002		5 years			5 years 9 months	
December 31, 2003		4 years 8 months			5 years 4 months	

N/A Not applicable. Participant is fully vested for shares purchased under the DB Global Share Plan.
[1] The weighted-average grant-date fair value per share of deferred share awards granted in 2003 and 2002 was € 38.62 and € 74.96, respectively.
[2] The weighted average grant-date fair value per option, including the PAR, granted during 2003 and 2002 was € 11.97 and € 21.24, respectively. Performance Options and PARs granted in 2003 and 2002 related to the 2002 and 2001 performance year, respectively.
[3] The weighted-average grant-date fair value per option granted during 2003, 2002 and 2001 was € 9.71, € 12.35 and € 22.76, respectively.

There were no options exercisable under the DB Global Partnership Plan or the DB Global Share Plan at December 31, 2003.

In addition, approximately 101,000 DB Equity Units were granted in February 2004 related to the 2003 performance year and included in compensation expense for the year ended December 31, 2003. Approximately 25,000 DB Equity Units were granted as a retention incentive in February 2004 and not included in compensation expense for the year ended December 31, 2003. The weighted-average grant date fair value per DB Equity Unit was € 58.11.

Approximately 115,000 Performance Options and PARs were granted in February 2004 related to the 2003 performance year and included in compensation expense for the year ended December 31, 2003. The weighted-average grant date fair value per option was € 13.02.

The following table details the distribution of options outstanding:

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	16,238	€ 48.49	5.1	–	N/A
€ 60.00 – 79.99	1,691	€ 75.24	6.0	–	N/A
€ 80.00 – 99.99	11,805	€ 89.93	4.1	–	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 and Restricted Equity Units) for the years ended December 31, 2003, 2002 and 2001 (amounts in thousands of shares) broken into two categories in accordance with the Group's expensing policy. Expense for bonus awards is recognized in the applicable performance year. Expense for retention awards is recognized over the vesting period:

in thousands of shares	Bonus Awards[1]	Retention Awards[2]	**Total**
Balance at December 31, 2000	**3,425**	**6,887**	**10,312**
Granted	6,607	9,495	**16,102**
Issued	(4,012)	(2,902)	**(6,914)**
Forfeited	(297)	(176)	**(473)**
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**

[1] The weighted-average grant-date fair values per share of deferred share awards granted during 2003, 2002 and 2001 were € 39.61, € 74.96 and € 97.96, respectively.
[2] The weighted-average grant-date fair values per share of deferred share awards granted during 2003, 2002 and 2001 were € 34.62, € 72.56 and € 66.66, respectively. For the outstanding balance at year-end 2003, the weighted-average grant-date fair value per share was € 47.70 and approximately € 757 million were expensed by year-end 2003.

In addition to the amounts shown in the table above, the Group granted the following equity awards in February 2004:

(a) Approximately 2.1 million shares under the DB Share Scheme with a fair value of € 60.94 per share were awarded as a bonus for the 2003 performance year and included in compensation expense for the year ended December 31, 2003.

(b) Approximately 19 million shares under the DB Share Scheme and Restricted Equity Units with an average fair value of € 56.96 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, 2003, 2002 and 2001.

	Global Equity Plan	Stock Appreciation Rights Plans	db Share Plan	
in thousands of equivalent shares	Convertible Bonds[1]	SARs[2]	Shares	Options
Balance at December 31, 2000	**17,396**	**6,508**	**N/A**	**3,488**
Granted-original	–	16,510	–	–
Exchanged	–	(16,223)	–	–
Granted-new	–	10,328	–	–
Convertible bonds converted	(5,054)	–	–	–
Convertible bonds redeemed	(11,086)	–	–	–
Forfeited	(649)	(195)	–	(12)
Balance at December 31, 2001	**607**	**16,928**	**N/A**	**3,476**
Granted	–	3	–	–
Issued	–	(30)	–	(1,453)
Convertible bonds converted	(286)	–	–	–
Forfeited	(49)	(555)	–	(170)
Balance at December 31, 2002	**272**	**16,346**	**N/A**	**1,853**
Granted	–	–	–	–
Issued	–	–	–	–
Convertible bonds redeemed	(269)	–	–	–
Forfeited	(3)	(175)	–	(14)
Expired	–	–	–	(1,839)
Balance at December 31, 2003	**–**	**16,171**	**N/A**	**–**

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, 2003 is € 68.71 with an average remaining life of three years.

Fair Value of Share Options Assumptions

The fair value of share options 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 and 2001 are 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, 2003	Dec 31, 2002	Dec 31, 2001
Weighted-average fair value per option	**€ 9.92**	€ 12.03	€ 21.29
Risk free interest rate	**3.52%**	3.45%	5.03%
Expected lives (in years)	**4.0**	4.4	4.5
Dividend yield	**1.97%**	3.22%	1.55%
Volatility	**26.65%**	43.2%	32.57%

[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 and money market instruments. 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 € 451 million and € 450 million at December 31, 2003 and 2002, 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 full amount of the balance sheet profit of Deutsche Bank AG if the shareholders' 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), in cooperation with the Deutsche Bundesbank supervises our compliance with such guidelines. Effective December 31, 2001, the German Federal Financial Supervisory Authority permitted the Group to calculate its BIS capital adequacy ratios on the basis of 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 German Federal Financial Supervisory Authority 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 € 2.8 billion and € 3.0 billion as of December 31, 2003 and 2002, 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 2003 and € (2.9) billion in 2002) and the release of deferred tax provisions (€ 2.8 billion in 2003 and € 3.0 billion in 2002) included in retained earnings.

in € m. (except percentages)	**Dec 31, 2003**	Dec 31, 2002
Risk-weighted positions	**206,142**	231,262
Market risk equivalent[1]	**9,530**	6,217
Risk position	**215,672**	**237,479**
Core capital (Tier I)	**21,618**	22,742
Supplementary capital (Tier II)	**8,253**	7,120
Available Tier III capital	**–**	–
Total regulatory capital	**29,871**	**29,862**
Core capital ratio (Tier I)	**10.0%**	9.6%
Capital ratio (Tier I + II + III)	**13.9%**	12.6%

[1] A multiple of our value-at-risk, calculated with a probability level of 99% and a ten-day holding period.

In 2003, our risk position decreased by € 21.8 billion to € 215.7 billion on December 31, 2003. The decrease was driven by several factors, mainly the Euro appreciation and reductions in participating interests and tangible assets.

BIS rules and the German Banking Act require us to cover our market price risk as of December 31, 2003, with slightly over € 762 million of regulatory capital (Tier I + II + III). We met this requirement entirely with Tier I and Tier II capital.

Our U.S. GAAP-based total regulatory capital was € 29.9 billion on December 31, 2003, and our core capital (Tier I) was € 21.6 billion, compared to € 29.9 billion and € 22.7 billion on December 31, 2002. Our supplementary capital (Tier II) of € 8.3 billion on December 31, 2003, amounted to 38% of our core capital.

Our capital ratio was 13.9% on December 31, 2003, significantly higher than the 8% minimum required by the BIS guidelines. Our core capital ratio was 10.0% 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 German Federal Financial Supervisory Authority 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, 2003, according to BIS:

in € m.			Dec 31, 2003
Common shares	1,490	Unrealized gains on listed securities (45% eligible)	830
Additional paid-in capital	11,147	Other inherent loss allowance	503
Retained earnings, consolidated profit, treasury shares, cumulative translation adjustments, stock awards	16,459	Cumulative preferred securities	831
Minority interests	347	Subordinated liabilities, if eligible according to BIS	6,089
Noncumulative trust preferred securities	3,287		
Other (equity contributed on silent partnership interests)	572		
Items deducted (principally goodwill and tax effect of available for sale securities)	(11,684)		
Core capital	**21,618**	**Supplementary capital**	**8,253**

The group of companies consolidated for regulatory purposes includes all subsidiaries in the meaning of the German Banking Act, which 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.	**2003**	2002	2001
Interest revenues			
Interest-earning deposits with banks	**902**	1,469	2,912
Central bank funds sold and securities purchased under resale agreements	**4,857**	6,579	8,226
Securities borrowed	**1,429**	2,809	5,327
Interest income on securities available for sale and other investments	**588**	1,257	2,682
Dividend income on securities available for sale and other investments	**386**	385	1,029
Loans	**7,649**	11,741	17,619
Trading assets	**11,286**	11,248	15,163
Other	**486**	293	681
Total interest revenues	**27,583**	**35,781**	**53,639**
Interest expense			
Interest-bearing deposits			
Domestic	**1,918**	2,662	3,169
Foreign	**4,662**	6,657	12,555
Trading liabilities	**5,667**	4,410	5,723
Central bank funds purchased and securities sold under repurchase agreements	**4,595**	7,049	10,829
Securities loaned	**430**	580	1,902
Other short-term borrowings	**598**	705	1,636
Long-term debt	**3,766**	6,362	8,918
Trust preferred securities	**100**	170	287
Total interest expense	**21,736**	**28,595**	**45,019**
Net interest revenues	**5,847**	**7,186**	**8,620**

[24] Insurance Business

The following are the components of other assets related to insurance business:

in € m.	**Dec 31, 2003**	Dec 31, 2002
Investment under unit-linked business	**7,967**	7,514
Deferred acquisition costs	**21**	17
Other	**261**	266
Total other assets related to insurance business	**8,249**	**7,797**

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, 2003**	Dec 31, 2002
Benefit reserves	**437**	418
Reserve for unit-linked business	**7,967**	7,514
Other insurance provisions and liabilities	**667**	625
Total insurance policy claims and reserves	**9,071**	**8,557**

[25] Pension and Other Employee Benefit Plans

The Group provides retirement arrangements covering the majority of subsidiaries and employees working in Germany, the United Kingdom, the United States, Spain, Italy, Belgium, France, the Netherlands and Asia. The majority of beneficiaries of the retirement arrangements are principally located in Germany. The value of a participant's accrued benefit is based primarily on each employee's salary and length of service.

Plans in Germany, the United Kingdom, the United States, Belgium, France, the Netherlands and Asia are generally funded, while the Spanish and Italian plans are unfunded.

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 funding 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 an measurement date of September 30 for plans in the United Kingdom, the United States and Japan. 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 tables provide a reconciliation of the changes in the Group's plans' benefit obligations and fair value of assets over the two-year period ended December 31, 2003 and a statement of the funded status as of December 31 for each year:

in € m.	Pension Benefits 2003	2002	Postretirement Benefits 2003	2002
Change in benefit obligation				
Benefit obligation at beginning of year	**6,653**	6,772	**160**	151
Service cost	**279**	323	**8**	4
Interest cost	**375**	384	**9**	8
Plan amendments	**4**	11	**3**	20
Acquisitions/divestitures	**(2)**	(55)	**–**	5
Actuarial loss (gain)	**247**	(194)	**11**	5
Benefits paid	**(319)**	(282)	**(12)**	(12)
Curtailment/settlement	**(46)**	4	**(2)**	–
Foreign currency exchange rate changes	**(271)**	(310)	**(29)**	(21)
Benefit obligation at end of year	**6,920**	**6,653**	**148**	**160**
Change in plan assets				
Fair value of plan assets at beginning of year	**6,296**	2,369	**–**	–
Actual return on plan assets	**546**	(289)	**–**	–
Employer contributions[1]	**560**	4,493	**11**	12
Benefits paid	**(295)**	(103)	**(11)**	(13)
Curtailment/settlement	**(30)**	67	**–**	1
Foreign currency exchange rate changes	**(276)**	(241)	**–**	–
Fair value of plan assets at end of year	**6,801**	**6,296**	**–**	**–**
Funded status	**(119)**	**(357)**	**(148)**	**(160)**
Unrecognized net actuarial loss (gain)	**838**	893	**14**	(13)
Unrecognized prior service cost (benefit)	**9**	(1)	**10**	15
Unrecognized transition obligation (assets)	**14**	1	**–**	–
Net amount recognized at end of year	**742**	**536**	**(124)**	**(158)**

[1] Amount for 2003 includes € 170 million and € 196 million contributed to the Group's U.K. and German pension plans, respectively. Amount for 2002 includes € 3.9 billion, € 300 million and € 115 million contributed to the Group's German, U.K. and U.S. pension plans, respectively.

The following amounts were recognized in the consolidated balance sheet:

in € m.	Pension Benefits 2003	2002	Postretirement Benefits 2003	2002
Prepaid pension costs	**1,001**	951	**–**	–
Accrued benefit costs	**(259)**	(415)	**(124)**	(158)
Accumulated other comprehensive income	**–**	(8)	**–**	–
Net amount recognized	**742**	**528**	**(124)**	**(158)**

The accumulated benefit obligation for all defined benefit pension plans was € 6.4 billion and € 6.0 billion at December 31, 2003 and 2002, 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, 2003**	Dec 31, 2002
Projected benefit obligation	**374**	1,454
Accumulated benefit obligation	**329**	1,367
Fair value of plan assets	**103**	1,084

The Group's pension plan weighted – average asset allocations at December 31, 2003 and 2002, by asset category are as follows:

	Target Allocation	Percentage of Plan Assets	
	Dec 31, 2004	**Dec 31, 2003**	Dec 31, 2002
Asset Category			
Equity securities	20%	**27%**	25%
Debt securities	75%	**65**%	61%
Real estate and other	5%	**8**%	14%
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. In the last quarter of 2003, the average equity share of the portfolios was reduced from 35% to below 30% and a further reduction to 20% is targeted by April, 2004. The lengthening of the average duration of the fixed income portfolio is expected to be achieved by December 2004. Implementation of the investment strategy may be limited by 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.

The Group expects to contribute approximately € 250 million to its pension plans in 2004, representing expected service costs in 2004.

Benefits expense for the years ended December 31, 2003, 2002 and 2001, included the following components:

	Pension Benefits			Postretirement Benefits		
in € m.	**2003**	2002	2001	**2003**	2002	2001
Service cost	**279**	323	309	**8**	4	4
Interest cost	**375**	384	367	**9**	8	10
Expected return on plan assets	**(409)**	(175)	(197)	**–**	–	–
Actuarial loss (gain) recognized	**66**	39	1	**–**	–	(1)
Settlement/curtailment	**(7)**	4	4	**–**	–	–
Amortization of unrecognized transition obligation (asset)	**(9)**	(10)	(10)	**–**	–	–
Total defined benefit plans	**295**	**565**	**474**	**17**	**12**	**13**
Defined contribution plans	**167**	228	175	**–**	–	–
Net periodic benefit expense	**462**	**793**	**649**	**17**	**12**	**13**

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[1]		
	2003	2002	2001	**2003**	2002	2001
Discount rate in determining expense	**5.4%**	5.7%	6.4%	**6.0%**	6.7%	7.2%
Discount rate in determining benefit obligations at year-end	**5.5%**	5.8%	6.1%	**5.9%**	6.7%	7.2%
Rate of increase in future compensation levels for determining expense	**3.5%**	3.0%	3.4%	**N/A**	N/A	N/A
Rate of increase in future compensation levels for determining benefit obligations at year-end	**3.3%**	2.0%	2.5%	**N/A**	N/A	N/A
Expected long-term rate of return on assets	**5.6%**	6.7%	8.1%	**N/A**	N/A	9.0%

N/A Not applicable

[1] The weighted-average actuarial assumptions for the postretirement plans reflect the assumptions used in the United States and the United Kingdom where the Group's postretirement plans are located.

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 2004 was based on the actual asset allocation as of the measurement date.

The ten-year government fixed interest bond yield equal for the country in which each plan is located was used as the basis for the risk-free return. An additional risk premium of 3.0%, 1.0% and 1.5% was then added to the risk-free return for equities, debt securities and real estate, respectively.

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 8.0% in the per capita cost of covered health care benefits was assumed for 2004. The rate is assumed to decrease gradually to 5.0% by 2007 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:

	One-Percentage Point Increase		One-Percentage Point Decrease	
in € m.	**2003**	2002	**2003**	2002
Effect on total of service and interest cost components	**3**	2	**(2)**	(2)
Effect on accumulated postretirement benefit obligation	**18**	18	**(16)**	(15)

In January 2004, the FASB issued Staff Position 106-1, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003" ("FSP"). 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. The FSP permits an entity to make a one-time election to defer recognizing the effects of the Act in accounting for its postretirement benefit plans under SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" ("SFAS 106"), until either authoritative accounting guidance is issued or plan assets and obligations are remeasured due to a significant event.

The Group has elected to defer recognition of the effects of the Act in accounting for its postretirement plans under SFAS 106, and the pension postretirement benefit obligations and expense reported in the accompanying financial statements and footnotes do not reflect the effects of the Act. Specific authoritative guidance on the accounting for the government subsidy is pending and that guidance, when issued, could require that the Group change previously reported information.

[26] Income Taxes

The components of income taxes (benefits) follow:

in € m.	**2003**	2002	2001
Domestic	**305**	215	486
Foreign	**968**	494	1,102
Current taxes	**1,273**	**709**	**1,588**
Domestic	**37**	2,992	100
Foreign	**232**	(512)	(259)
Deferred taxes	**269**	**2,480**	**(159)**
Total	**1,542**	**3,189**	**1,429**

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.	**2003**	2002	2001
Expected tax expense at German statutory income tax rate of 40.5% (39.2% for 2002 and 2001)	**1,116**	**1,391**	**707**
Reversal of 1999/2000 credits for tax rate changes	**215**	2,817	995
Effect of changes of German tax law	**154**	–	–
Domestic tax rate differential on dividend distribution	**1**	(65)	–
Tax-exempt gains on securities and other income	**(637)**	(1,824)	(1,077)
Foreign tax-rate differential	**(298)**	87	(146)
Change in valuation allowance	**99**	254	286
Nondeductible expenses	**647**	223	354
Goodwill amortization/impairment	**46**	24	363
Tax credit related to domestic dividend received	**(1)**	(7)	(109)
Tax rate differential on (income) loss on equity method investments	**171**	348	143
Other	**29**	(59)	(87)
Actual income tax expense	**1,542**	**3,189**	**1,429**

Effective from January 1, 2001, the corporate tax rate was reduced from 40% on retained earnings and 30% on distributed earnings to a single 25% rate. The domestic tax rate including corporate tax, solidarity surcharge, and trade tax used for calculating deferred tax assets and liabilities as of December 31, 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 will reverse after 2003 will revert to 39.2%.

For the years ended December 31, 2003, 2002 and 2001, 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 € 215 million, € 2,817 million and € 995 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, 2003, 2002 and 2001, 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 € 2.8 billion, € 3.0 billion and € 5.9 billion, respectively.

The enactment of the German Act for the reduction of Tax Allowances and Exemptions 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 tax expense of € 47 million.

The tax effects of each type of temporary difference and carryforward that give rise to significant portions of deferred income tax assets and liabilities are the following:

in € m.	**Dec 31, 2003**	Dec 31, 2002
Deferred income tax assets		
Trading activities	**13,612**	12,298
Net operating loss carryforwards and tax credits	**2,513**	2,632
Property and equipment, net	**521**	673
Other assets	**4,097**	2,253
Allowance for loan losses	**265**	152
Other provisions	**590**	593
Total deferred income tax assets	**21,598**	**18,601**
Valuation allowance	**(964)**	(949)
Deferred tax assets after valuation allowance	**20,634**	**17,652**
Deferred income tax liabilities		
Trading activities	**16,482**	13,197
Property and equipment, net	**546**	689
Securities valuation	**82**	82
Other liabilities	**1,156**	858
Total deferred income tax liabilities	**18,266**	**14,826**
Net deferred income tax assets	**2,368**	**2,826**

Included in other assets and other liabilities at December 31, 2003 and 2002 are deferred tax assets of € 3.6 billion and € 3.9 billion and deferred tax liabilities of € 1.3 billion and € 1.1 billion, respectively.

Certain foreign branches and companies in the Group have deferred tax assets related to net operating loss carryforwards and tax credits available to reduce future tax expense. The net operating loss carryforwards at December 31, 2003 were € 6.2 billion of which € 3.8 billion have no expiration date and € 2.4 billion expire at various dates extending to 2023. Tax credits were € 265 million of which € 133 million will expire in 2004 and € 13 million will expire in 2005 and € 119 million have other expiration dates. The Group has established a valuation allowance where realization of those losses and credits is not likely.

The Group did not provide income taxes or foreign withholding taxes on € 5.4 billion of cumulative earnings of foreign subsidiaries as of December 31, 2003 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.

[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 sum of 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, unvested deferred share awards and certain forward contracts.

The following table sets forth the computation of basic and diluted earnings per share:

in € m.	**2003**	2002	2001
Income before cumulative effect of accounting changes, net of tax	**1,214**	360	374
Cumulative effect of accounting changes, net of tax	**151**	37	(207)
Numerator for basic earnings per share – net income	**1,365**	**397**	**167**
Number of shares in m.			
Denominator for basic earnings per share – weighted-average shares outstanding	**559.3**	615.9	619.8
Effect of dilutive securities			
Derivatives	**11.3**	4.4	0.8
Convertible bonds	**–**	0.1	0.2
Deferred shares	**19.1**	6.1	2.0
Dilutive potential common shares	**30.4**	10.6	3.0
Denominator for diluted earnings per share – adjusted weighted-average shares after assumed conversions	**589.7**	**626.5**	**622.8**

The diluted earnings per share computations do not include the antidilutive effect of the following potential common shares:

In € m.	**2003**	2002	2001
Forward purchase contracts	**–**	–	33.5
Forward sale contracts	**3.1**	26.0	9.7
Put options sold	**–**	0.4	0.1
Call options sold	**1.3**	0.3	–
Stock compensation awards	**15.5**	0.2	–

in €	**2003**	2002	2001
Basic earnings per share			
Income before cumulative effect of accounting changes, net of tax	**2.17**	0.58	0.60
Cumulative effect of accounting changes, net of tax	**0.27**	0.06	(0.33)
Net income	**2.44**	**0.64**	**0.27**
Diluted earnings per share			
Income before cumulative effect of accounting changes, net of tax	**2.06**	0.57	0.60
Cumulative effect of accounting changes, net of tax	**0.25**	0.06	(0.33)
Net income	**2.31**	**0.63**	**0.27**

[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 businesses 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, 2003, 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 and sovereign organizations.

Private Clients and Asset Management (PCAM) combines the Group's asset management, private wealth management and private and business client activities. As of January 1, 2003 the Group completed a realignment of PCAM. As a consequence of this change, the three previous corporate divisions – Asset Management, Private Banking, and Personal Banking – were realigned into two new corporate divisions: Asset and Wealth Management (AWM), and Private and Business Clients (PBC). These two new Corporate Divisions include the following activities:

- AWM comprises two business divisions. The existing Asset Management Business Division (AM) focuses on managing assets on behalf of institutional clients, including pension funds, and providing mutual funds and other investment vehicles for private individuals. The new business division Private Wealth Management (PWM) focuses, globally, on the specific needs of demanding high net worth clients, their families and selected institutions. These clients were previously served within the former Private Banking Corporate Division.
- PBC serves clients previously served by Personal Banking, together with Private Banking clients not served by Private Wealth Management and 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 (CC)**, which supports cross-divisional management and leadership. As of January 1, 2003, all support activities, previously grouped under DB Services, were realigned either into the group divisions or into the Corporate Center. These units provide corporate services, information technology, consulting and transaction services to the entire organization. The goal of this realignment is to incorporate business-related support activities directly into the relevant business areas.

Changes in Management Responsibility

During 2003, management responsibility changed for the following significant businesses:

- The Private Clients Services business was transferred from the Corporate Banking & Securities Corporate Division to the Asset and Wealth Management Corporate Division.
- Small corporate German customers, previously assigned to the Corporate Banking & Securities Corporate Division, were transferred to the Private & Business Clients Corporate Division in context of the PCAM realignment.
- The Private Equity Fund of Funds Group and the third party funds business in Australia were transferred from the Corporate Investments Group Division to the Asset and Wealth Management Corporate Division.
- The Italian financial advisor network ("Finanza & Futuro Banca"), previously reported under Asset Management, was transferred to the corporate division Private & Business Clients.

Prior periods have been restated to conform to the current year's presentation.

Impact of Acquisitions and Divestitures During 2003

The effects of significant acquisitions and divestitures on segmental results are described below:

- 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 Bankgeschaeft, 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 31, 2003, the Group completed the sale of most of its Passive Asset Management business to Northern Trust Corporation.
- In January 31, 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, part of 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 was included in the Corporate Investment Group Division. The Group has accounted for this investment under the equity method.

Changes in the Format of Segment Disclosure

The most significant changes are as follows:

- The Group now discloses "underlying pre-tax profit", the ratios "underlying cost/income ratio" and "underlying RoE" (pre-tax) for its segments.
- The Group now includes severance payments and minority interest in underlying pre-tax profit. These items had been excluded from the previously disclosed "Income before nonoperating costs". In addition, the Group now includes severance payments in the "operating cost base".
- The Group, therefore, now separately discloses goodwill impairment/amortization, restructuring activities, minority interest and severance payments in order to provide more transparency. Previously these items were combined under the definition "nonoperating costs".
- The Group has refined some revenue components to reflect current business practice. For instance, revenues from insurance business are no longer disclosed separately, as the major part of it was sold in the second quarter of 2002.

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 impairment/amortization.
- *Underlying pre-tax profit*: Income before income taxes less restructuring activities, goodwill impairment/amortization 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 specific revenue items, net of policyholder benefits and claims. *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 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 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 and other, and average dividends.
- *Underlying RoE in %*: Underlying pre-tax profit (annualized) as a percentage of average active equity. *RoE 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.

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. Below, the Group provides the rationale for excluding certain items in deriving the measures above:

– *Net gains (losses) from businesses sold/held for sale*: We exclude these gains or losses from our calculations of underlying revenues and underlying pre-tax profit because they do not represent results of our 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 our portfolio of shareholdings in publicly-listed industrial companies, most of which we have held for over 20 years and which we are reducing over time. Because these investments do not relate to our customer-driven businesses, we exclude all revenues (positive and negative) related to these investments from our underlying results, except for dividend income from the investments, which we do 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 revenues and underlying pre-tax profit since they reflect results that are not related to our customer-driven businesses.
– *Net gain (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 our transformation strategy.
– *Policyholder benefits and claims*: For our internal steering purposes, we reclassify policyholder benefits and claims 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 our calculation of underlying pre-tax profits. Following the disposition of most of our 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 we manage provision for off-balance sheet positions and provision for loan losses together. This reclassification does not affect our calculation of underlying pre-tax profit.
– *Change in measurement of other inherent loan loss allowance*: In the third quarter of 2002, we took a charge of € 200 million to reflect a refinement in the measurement of our 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.
– *Restructuring activities and Goodwill impairment/amortization* are excluded from the calculation of operating cost base and thus underlying pre-tax profit because these items are not considered part of our day-to-day business operations and therefore not indicative of trends.
– *Minority interest*: Minority interests 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. We do not consider this item to be an operating expense, but as minority shareholder's portion of net income. Accordingly, we exclude such item in the determination of our 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. We have held most of our larger participations for over 20 years, and are reducing these holdings

over time. We realize gains and losses on these securities only when we sell them. Accordingly, the adjustments we make 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, we adjust our average total shareholders' equity for the effect of paying a dividend once a year following approval at the general shareholders' meeting.

Framework of the Group's Management's 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 which 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.

The Group further refined its framework of allocating average active equity to the segments. The overriding objective remains to link the allocation mechanism with the economic risk positions of a segment. Hence, to further increase the risk sensitivity of the framework and to explicitly assign the respective intangibles by division, the Group decided to include goodwill and other intangible assets with indefinite lifes along with economic capital as additional drivers of the book equity allocation. In 2002, the combined average goodwill/intangible assets and average economic risk positions approximated the average active book equity. Therefore, the € 3.8 billion average active equity formerly recorded in "Consolidation & Adjustments" was allocated to the segments when restating the full year 2002.

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, 2003, 2002 and 2001. Numbers may not add up due to rounding.

2003	Corporate and Investment Bank			Private Clients and Asset Management			Corporate Investments	Total Management Reporting
in € m. (except percentages)	Corporate Banking & Securities	Global Transaction Banking	Total	Asset and Wealth Management	Private & Business Clients	Total		
Net revenues[1]	**11,710**	**2,469**	**14,180**	**3,841**	**4,385**	**8,226**	**(916)**	**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]	8,226	1,735	9,961	3,092	3,606	6,698	681	17,340
Policyholder benefits and claims	–	–	–	21	–	21	–	21
Minority interest	13	–	13	13	2	15	(31)	(3)
Restructuring activities	(23)	(6)	(29)	–	–	–	–	(29)
Goodwill impairment	–	–	–	–	–	–	114	114
Total noninterest expenses[4]	**8,216**	**1,729**	**9,946**	**3,126**	**3,607**	**6,734**	**763**	**17,442**
Income (loss) before income taxes[5]	**2,735**	**791**	**3,527**	**715**	**456**	**1,172**	**(1,714)**	**2,984**
Add (deduct)								
Net (gains) losses from business sold/held for sale	–	(583)	(583)	(55)	4	(51)	141	(494)
Significant equity pick-ups/net (gains) losses from investments	–	–	–	–	–	–	938	938
Net (gains) losses on securities available for sale/industrial holdings including hedging	–	–	–	–	–	–	184	184
Net (gains) losses on the sale of premises	–	–	–	–	–	–	107	107
Restructuring activities	(23)	(6)	(29)	–	–	–	–	(29)
Goodwill impairment	–	–	–	–	–	–	114	114
Underlying pre-tax profit (loss)	**2,712**	**202**	**2,914**	**660**	**459**	**1,119**	**(232)**	**3,802**
Cost/income ratio in %	70	70	70	81	82	82	N/M	81
Underlying cost/income ratio in %	70	92	73	82	82	82	150	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	36	47	82	141	713
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]	12,849	1,409	14,258	6,324	1,521	7,844	5,236	27,338
Return on average active equity in %	21	56	25	11	30	15	(33)	11
Underlying return on average active equity in %	21	14	20	10	30	14	(4)	14
[1] Includes:								
Net interest revenues	2,502	642	3,144	290	2,377	2,666	142	5,952
Net revenues from external customers	11,601	2,602	14,202	4,053	4,092	8,145	(963)	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	386	100	486	81	136	218	65	769
Severance payments	192	66	258	79	314	393	20	671
[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.

N/M – Not meaningful.

2002	Corporate and Investment Bank			Private Clients and Asset Management			Corporate Invest-ments	Total Manage-ment Reporting
in € m. (except percentages)	Corporate Banking & Securities	Global Trans-action Banking	Total	Asset and Wealth Manage-ment	Private & Business Clients	Total		
Net revenues[1]	**11,164**	**2,612**	**13,776**	**3,747**	**5,772**	**9,518**	**3,000**	**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]	8,710	2,200	10,909	3,243	3,880	7,123	1,228	19,260
Policyholder benefits and claims	–	–	–	35	650	685	–	685
Minority interest	8	–	8	25	7	32	3	43
Restructuring activities	316	26	342	–	240	240	1	583
Goodwill impairment	–	–	–	–	–	–	62	62
Total noninterest expenses[4]	**9,034**	**2,226**	**11,259**	**3,303**	**4,777**	**8,080**	**1,293**	**20,632**
Income (loss) before income taxes[5]	**342**	**433**	**774**	**421**	**794**	**1,215**	**1,563**	**3,553**
Add (deduct)								
Net (gains) losses from business sold/held for sale	–	–	–	(8)	(503)	(511)	(18)	(529)
Significant equity pick-ups/net (gains) losses from investments	–	–	–	–	–	–	1,197	1,197
Net (gains) losses 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	342	–	240	240	1	583
Goodwill impairment	–	–	–	–	–	–	62	62
Underlying pre-tax profit (loss)	**858**	**458**	**1,316**	**413**	**532**	**945**	**(855)**	**1,406**
Cost/income ratio in %	81	85	82	88	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	09,394	26,536	750,238
Expenditures for additions to long-lived assets	374	104	478	199	44	244	332	1,054
Risk-weighted positions (BIS risk positions)	142,211	12,949	155,160	11,800	47,690	59,490	19,219	233,870
Average active equity[7]	14,798	2,073	16,871	6,337	1,513	7,850	6,522	31,243
Return on average active equity in %	2	21	5	7	52	15	24	11
Underlying return on average active equity in %	6	22	8	7	35	12	(13)	5
[1] Includes:								
Net interest revenues	3,519	874	4,393	92	2,653	2,745	44	7,181
Net revenues from external customers	11,120	2,736	13,856	3,879	5,536	9,416	2,909	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	474	143	617	103	224	327	132	1,076
Severance payments	242	18	260	87	49	136	19	416
[3] Includes:								
Equity method investments	571	38	609	1,154	19	1,173	3,944	5,725

[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.

N/M – Not meaningful.

2001 in € m. (except percentages)	Corporate and Investment Bank Corporate Banking & Securities	 Global Transaction Banking	 Total	Private Clients and Asset Management Asset and Wealth Management	 Private & Business Clients	 Total	Corporate Investments	Total Management Reporting
Net revenues[1]	**14,019**	**2,943**	**16,963**	**3,247**	**7,759**	**11,006**	**1,923**	**29,892**
Provision for loan losses	630	(19)	611	12	193	205	199	1,015
Provision for off-balance sheet positions	5	(34)	(29)	–	–	–	3	(26)
Total provision for credit losses	**636**	**(53)**	**582**	**12**	**193**	**205**	**201**	**988**
Operating cost base[2]	10,850	2,447	13,297	3,004	4,742	7,746	1,365	22,408
Policyholder benefits and claims	–	–	–	48	2,898	2,946	–	2,946
Minority interest	13	2	15	36	18	54	18	86
Restructuring activities	176	37	213	61	20	81	–	294
Goodwill amortization	425	66	490	197	36	233	135	858
Total noninterest expenses[4]	**11,463**	**2,552**	**14,016**	**3,346**	**7,715**	**11,060**	**1,517**	**26,593**
Income (loss) before income taxes[5]	**1,920**	**444**	**2,365**	**(110)**	**(149)**	**(259)**	**204**	**2,310**
Add (deduct)								
Net (gains) losses from business sold/held for sale	(180)	–	(180)	–	–	–	80	(100)
Significant equity pick-ups/net (gains) losses from investments	–	–	–	–	–	–	1,292	1,292
Net (gains) losses on securities available for sale/industrial holdings including hedging	–	–	–	–	–	–	(2,259)	(2,259)
Net (gains) losses on the sale of premises	–	–	–	–	–	–	(233)	(233)
Restructuring activities	176	37	213	61	20	81	–	294
Goodwill amortization	425	66	490	197	36	233	135	858
Underlying pre-tax profit (loss)	**2,341**	**548**	**2,889**	**147**	**(92)**	**55**	**(781)**	**2,163**
Cost/income ratio in %	82	87	83	103	99	100	79	89
Underlying cost/income ratio in %	78	83	79	94	98	96	170	87
Assets[3, 6]	661,019	23,562	673,720	36,017	96,419	131,573	121,006	898,046
Expenditures for additions to long-lived assets	648	115	763	31	113	144	133	1,040
Risk-weighted positions (BIS risk positions)	166,400	18,256	184,656	14,393	45,360	59,753	56,202	300,612
Average active equity[7]	15,534	2,681	18,216	4,043	1,615	5,659	6,904	30,778
Return on average active equity in %	12	17	13	(3)	(9)	(5)	3	8
Underlying return on average active equity in %	15	20	16	4	(6)	1	(11)	7
[1] Includes:								
Net interest revenues	3,744	1,012	4,756	154	3,369	3,523	108	8,386
Net revenues from external customers	14,053	3,005	17,058	3,473	7,437	10,910	1,801	29,769
Net intersegment revenues	(33)	(62)	(95)	(226)	322	96	122	123
Net income (loss) from equity method investments	(27)	–	(27)	(11)	3	(8)	(341)	(376)
[2] Includes:								
Depreciation, depletion and amortization	485	138	623	91	318	410	84	1,117
Severance payments	259	42	302	33	72	105	13	420
[3] Includes:								
Equity method investments	1,094	–	1,094	1,021	126	1,147	2,885	5,126

[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, 2003, 2002 and 2001, respectively:

	Corporate and Investment Bank		
in € m.	**2003**	2002	2001
Sales & Trading (equity)	**3,091**	2,473	3,768
Sales & Trading (debt and other products)	**6,069**	5,567	5,944
Total Sales & Trading	**9,160**	**8,040**	**9,712**
Origination (equity)	**486**	355	494
Origination (debt)	**555**	409	460
Total Origination	**1,041**	**764**	**954**
Advisory	**470**	528	579
Loan products	**1,471**	2,134	2,752
Transaction services	**1,886**	2,612	2,943
Other	**152**	(302)	22
Total	**14,180**	**13,776**	**16,963**

	Private Clients and Asset Management		
in € m.	**2003**	2002	2001
Portfolio/fund management	**2,615**	2,730	2,168
Brokerage	**1,591**	1,515	1,685
Loan/deposit products	**2,330**	2,425	2,471
Payments, account & remaining financial services	**823**	849	889
Other	**867**	2,000	3,794
Total	**8,226**	**9,518**	**11,006**

Reconciliation of Segmental Results of Operations to Consolidated Results of Operations According to U.S. GAAP

The following tables provide 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, 2003, 2002 and 2001.

in € m.	**Total Management Reporting**	**Consolidation & Adjustments**	**Total Consolidated**	Total Management Reporting	Consolidation & Adjustments	Total Consolidated	Total Management Reporting	Consolidation & Adjustments	Total Consolidated
			2003			2002			2001
Net revenues[1]	**21,490**	**(222)**	**21,268**	26,295	252	26,547	29,892	(351)	29,541
Provision for loan losses	**1,113**	**–**	**1,113**	2,091	–	2,091	1,015	9	1,024
Provision for off-balance sheet positions	**(50)**	**–**	**(50)**	18	(1)	17	(26)	(4)	(30)
Total provision for credit losses	**1,063**			2,110			988		
Noninterest expenses[2]	**17,442**	**7**	**17,449**	20,632	258	20,890	26,593	150	26,744
Income (loss) before income taxes[3]	**2,984**	**(228)**	**2,756**	**3,553**	**(4)**	**3,549**	**2,310**	**(507)**	**1,803**
Total assets	**795,818**	**7,796**	**803,614**	750,238	8,117	758,355	898,046	20,176	918,222
Risk-weighted positions (BIS risk positions)	**214,048**	**1,625**	**215,672**	233,870	3,609	237,479	300,612	4,468	305,079
Average active equity	**27,338**	**48**	**27,386**	31,243	2	31,245	30,778	–	30,778

[1] Net interest revenues and noninterest revenues.
[2] Excludes provision for off-balance sheet positions (reclassified to provision for credit losses).
[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 € 228 million in 2003, € 4 million in 2002 and € 507 million in 2001.
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 € (200) million in 2003, € 100 million in 2002 and € (200) million in 2001.
- 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 € 200 million in each of the years 2003 and 2002 within Consolidation & Adjustments.
- Debits related to the elimination of Group-internal rental income were € (106) million in 2003, € (115) million in 2002 and € (122) million in 2001.
- Insurance premiums of € 79 million in each of the years 2003 and 2002 and of € 39 million in 2001 were primarily related to the Group's re-insurance subsidiary which is not managed by an individual business segment.
- Mark-to-market losses for hedges related to share-based compensation plans were approximately € (100) million in 2002 and € (300) million in 2001.

– 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 provisions included no material items in each of the reported year.

Noninterest expenses reflected the following items:

– Credits related to the elimination of Group-internal rental expenses were € 106 million in 2003, € 115 million in 2002 and € 122 million in 2001.
– Policyholder benefits and claims of € 89 million in 2003, € 74 million in 2002 and € 56 million in 2001 were primarily related to the Group's re-insurance subsidiary which is not managed by an individual business segment.
– Credits related to certain share-based compensation plans were approximately € 100 million in each of the years 2002 and 2001 were not allocated to the business segments.
– Buyout costs for the Global Equity Plan amounted to approximately € (100) million in 2001.
– The remainder of noninterest expenses in each year was attributable to other corporate items outside of 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 was not material for each of the reported years.

Total net Revenues (net of Provision for Loan Losses) by Geographical Location

The following table presents net revenues (including provision for loan losses) by geographical location:

in € m.	**2003**	2002	2001
Germany	**5,786**	10,676	12,788
Europe (excluding Germany)[1]	**7,294**	6,237	7,443
North America (primarily U.S.)	**5,058**	5,218	6,106
South America	**70**	175	211
Asia-Pacific	**1,947**	2,150	1,969
Consolidated net revenues[2]	**20,155**	**24,456**	**28,517**

[1] Includes revenues from Africa, which were not material in 2003, 2002 and 2001.

[2] Consolidated total net revenues comprise interest revenues, interest expense, provision for loan losses 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.

[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, 2003, 2002, and 2001:

	2002 Plans						2001 Plan		**Total**
	Group Restructuring		Scudder Restructuring		CIB Restructuring		Group Restructuring		
in € m.	Severance	Other	Severance	Other	Severance	Other	Severance	Other	
Balance at Dec 31, 2000	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Additions	–	–	–	–	–	–	234	60	**294**
Utilization	–	–	–	–	–	–	22	–	**22**
Balance at Dec 31, 2001	**–**	**–**	**–**	**–**	**–**	**–**	**212**	**60**	**272**
Additions	235	105	83	3	215	50	–	–	**691**[1]
Utilization	203	92	57	–	77	27	173	54	**683**
Releases	–	–	–	–	–	–	20	2	**22**
Effects from exchange rate fluctuations	(2)	(1)	(12)	–	(10)	(4)	(19)	(4)	**(52)**
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**[2]
Effects from exchange rate fluctuations	–	(1)	(1)	–	(8)	(2)	–	–	**(12)**
Balance at Dec 31, 2003	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**

[1] Scudder restructuring of € 86 million was recorded as goodwill; net expense, after releases, was € 583 million.
[2] Scudder restructuring reserve releases of € 4 million were recorded against goodwill. € 29 million related to the CIB restructuring was released against net income.

During the year ended December 31, 2003, approximately 1,200 employees were terminated in conjunction with the various 2002 plans, resulting in payments of € 138 million against restructuring liabilities. There were no new restructuring plans recorded in 2003. During the year ended December 31, 2002, approximately 5,400 employees were terminated, resulting in a payment of € 510 million against restructuring liabilities.

The following is a description of the Group's restructuring plans.

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.
As of December 31, 2002, approximately 2,000 positions were eliminated. During the year ended December 31, 2003, approximately 100 additional employees were terminated in connection with the plan.

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.
As of December 31, 2002, approximately 800 positions were eliminated. During the year ended December 31, 2003, approximately 950 additional employees were terminated in connection with the plan. 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.

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.
As of December 31, 2002, approximately 850 positions were eliminated. During the year ended December 31, 2003, approximately 100 additional employees were terminated in connection with the plan. Reserves of € 4 million were released against goodwill in 2003.

2001 Plan

Group Restructuring. The Group recorded a pre-tax charge of € 294 million in the fourth quarter of 2001 related to a restructuring plan affecting CIB and PCAM. Of the total € 294 million original charge, € 213 billion related to the restructuring measures in CIB and € 81 million to PCAM, including € 14 million related to Private Clients Services (PCS) business line that was transferred from PCAM to CIB. The Group planned for a reduction of approximately 2,400 staff across all levels of the Group.
The restructuring in CIB covered steps to be taken because of changing market conditions in the year 2001 and to give further effect to the CIB organizational and business model that was created during 2001. It primarily impacted CIB's customer coverage and relationship management processes, certain aspects of the cash management, custody and trade finance businesses of Global Transaction Banking and the related elements of the settlement, infrastructure and real estate support functions.
The plan also included the further streamlining of the senior management structure in PCAM because of the re-organization of that group division's business model and operations, including real estate support.
As of December 31, 2001, approximately 200 positions were eliminated. During the year ended December 31, 2002, approximately 1,800 additional employees were terminated in connection with the plan. Due primarily to higher than expected staff attrition, actions related to the remaining positions included in the restructuring plan were not taken

and, therefore, reserves of € 20 million were released in 2002. The remaining infrastructure related reserve of € 2 million was also released during 2002.

[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 between regions.

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**	**211**	**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.

2001 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]	313,068	23,952	22,780	1,172	620
North America (primarily U.S.)	237,456	21,794	22,500	(706)	(901)
South America	2,433	816	708	108	41
Asia-Pacific	57,130	4,842	4,697	145	7
Total international	**610,087**	**51,404**	**50,685**	**719**	**(233)**
Domestic operations (Germany)	**308,135**	**23,156**	**22,072**	**1,084**	**400**
Total	**918,222**	**74,560**	**72,757**	**1,803**	**167**
International as a percentage of total above	66%	69%	70%	40%	N/M

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 2001.
N/M – Not meaningful.

[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 reprice 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, 2003, 2002 and 2001, 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 € 82 million, a loss of € 81 million and a gain of € 34 million, respectively. As of December 31, 2003, the longest term cash flow hedge outstanding, excluding hedges of existing variable rate instruments, matures in 2013.

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 and foreign exchange risk, but for which it is not cost beneficial to apply hedge accounting. Also included are negotiated transactions related to the Group's industrial holdings classified as available for sale, which the Group has entered into for strategic and economic purposes despite the fact that hedge accounting is precluded.

Net (gains) losses of € (13) million, € 226 million and € 27 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, 2003, 2002 and 2001, respectively.

Derivative Financial Instruments Indexed to Our Own Stock

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, 2003, the Group had outstanding call options to purchase approximately 3.5 million shares at a weighted-average strike price of € 67.11 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 € 37.5 million at December 31, 2003. A € 1 decrease in the price of Deutsche Bank common shares would have reduced the fair value of these options by € 0.8 million.

Related to trading activities, the following derivative contracts that are indexed to Deutsche Bank's own shares are outstanding at December 31, 2003.

Type of Contract	Settlement Alternative	Maturity	Number of Issuers 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	1,610,900	54.63	(300)	14,239
		> 3 months – 1 year	1,681,567	64.38	(693)	15,899
		> 1 year – 5 years	5,495,842	66,73	(1,259)	37,148
Sold Options	Net-cash	Up to 3 months	12,833,072	91.27	516	(6,059)
		> 3 months – 1 year	3,416,600	58,21	209	(20,425)
		> 1 year – 5 years	1,311,213	65,35	1,282	(1,354)
Forward Purchases	Deutsche Bank choice	Up to 3 months	12,000,000	59.25	(12,000)	76,115
	Net-cash/ physical[1]	> 3 months – 1 year	29,779,780	66.25	(29,780)	(33,357)
		>1 year – 5 years	3,720,220	69.00	(3,720)	(15,130)
Forward Sales	Counterparty choice					
	Net-cash/ physical[1]	> 3 months – 1 year	3,067,276	72.76	3,067	26,954
		> 1 year – 5 years	41,195,879	50.65	41,196	(474,562)

[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 Credit 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 our lending-related commitments:

in € m.	**Dec 31, 2003**	Dec 31, 2002
Commitments to extend credit		
Fixed rates[1]	**22,318**	21,724
Variable rates[2]	**66,566**	81,802

[1] Includes commitments to extend commercial letters of credit and guarantees of € 2.3 billion and € 2.2 billion at December 31, 2003 and 2002, respectively.
[2] Includes commitments to extend commercial letters of credit and guarantees of € 833 million and € 1.3 billion at December 31, 2003 and 2002, respectively.

In addition, as of December 31, 2003, commitments to enter into reverse repurchase and repurchase agreements totaled € 39.3 billion and € 23.5 billion, respectively. Commitments to enter into reverse repurchase and repurchase agreements amounted to € 38.1 billion and € 21.8 billion, respectively, as of December 31, 2002.

As of December 31, 2003 and 2002 the Group had commitments to contribute capital to equity method and other investments totaling € 399 million and € 829 million, respectively.

In connection with building leases, Group companies entered into commitments to purchase premises at the termination of the underlying contracts. The total obligation, primarily based on the estimated market values at termination date in the years 2019, 2020 and 2026 amounts to € 234 million.

The Group also enters regularly into various guarantee and indemnification agreements in the normal course of business. Probable losses under financial guarantees are provided for as part of the allowance for credit losses on lending-related commitments as shown in Note 8. The principal guarantees and indemnifications that the Group enters into are the following:

Financial guarantees, standby letters of credit and performance guarantees, with a carrying amount of € 666 million and € 610 million and with maximum potential payments of € 23.8 billion and € 32.6 billion as of December 31, 2003 and 2002, 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 (€ 14.8 billion) mature within five years, for € 1.9 billion the duration is more than five years and € 7.1 billion have revolving terms. These guarantees are collateralized with cash, securities and other collateral of € 5.5 billion and € 5.4 billion as of December 31, 2003 and 2002, respectively.

Market value guarantees with a carrying amount of € 9 million as of December 31, 2002 consist of agreements to pay customers if the value of mutual fund units purchased fall below a certain amount. The maximum amount of potential payments as of December 31, 2002 was € 13.5 billion and represented the total volume guaranteed of the respective funds. These guarantees have revolving terms and generally are not collateralized. The mutual funds to which these guarantees relate are consolidated effective July 1, 2003 with the application of FIN 46. The Group now records a liability on the Consolidated Balance Sheet related to the assets of these mutual funds.

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, 2003 was € 4.9 billion and € 66.2 billion, respectively. The carrying amount and maximum potential payments of written puts as of December 31, 2002, was € 10.4 billion and € 64.5 billion, respectively. More than half of the puts (€ 35.1 billion) mature within one year, € 20.7 billion have remaining exercise periods of more than one and up to five years and € 10.4 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 € 1 million and € 53 million, respectively, related to negative market values and € 588 million and € 2.3 billion, respectively, related to positive market values. Nearly all credit derivatives have remaining terms of one to five years. These contracts are typically uncollateralized.

Securities lending indemnifications require the Group to indemnify customers for the replacement costs or market value of securities loaned to third parties in the event the third parties fail to return the securities. These indemnifications had a maximum potential payment amount of € 45.3 billion and € 46.1 billion, at December 31, 2003 and 2002, respectively, with contract terms up to 6 months. The Group primarily receives cash as collateral in excess of the contract amounts. This collateral totaled € 45.9 billion and € 46.6 billion at December 31, 2003 and 2002, respectively.

[32] Concentrations of Credit Risk

The Group distinguishes its credit exposures among the following categories: loans, contingent liabilities, over-the-counter ("OTC") derivatives and tradable assets.

Loans exclude interest-earning deposits with banks, other claims (mostly unsettled balances from securities transactions) and accrued interest and include unearned (deferred) income net of origination costs.

Contingent liabilities include liabilities from guarantees, indemnity agreements and letters of credit. They exclude other commitments such as irrevocable loan commitments and placement and underwriting commitments. They also exclude other quantifiable indemnities and commitments.

OTC derivatives are the Group's credit exposures arising from OTC, derivative transactions. Credit exposure in OTC derivatives is measured by the cost to replace the contract if the counterparty defaults on its obligation, after netting. The costs of replacement amount to only a small portion of the notional amount of a derivative transaction. The Group calculates its credit exposure under OTC derivative transactions at any time as the replacement costs of the transactions based on marking them to market at that time.

Tradable assets, as defined for this purpose, include bonds, other fixed-income products and traded loans.

The following tables represent an overview of the Group's total credit exposure (other than credit exposure arising from repurchase and reverse repurchase agreements, securities lending and borrowing, interest-earning deposits with banks and irrevocable loan commitments) according to the industrial sectors and the geographical regions of the Group's counterparties. Credit exposure for these purposes consists of all transactions where losses might occur due to the fact that counterparties will not fulfill their contractual payment obligations. The gross amount of the exposure has been calculated without taking any collateral into account.

Credit Risk Profile by Industry Sector	Loans		Contingent Liabilities		OTC Derivatives		Tradable Assets		Total	
in € m.	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002
Banks and insurance	**10,521**	10,720	**4,990**	8,189	**46,597**	44,970	**62,480**	47,686	**124,588**	111,565
Manufacturing	**16,155**	22,545	**7,834**	10,211	**1,997**	2,389	**18,241**	17,142	**44,227**	52,287
Households	**54,937**	53,207	**862**	473	**357**	281	**–**	–	**56,156**	53,961
Public sector	**2,309**	4,584	**377**	241	**3,984**	1,792	**104,648**	95,356	**111,318**	101,973
Wholesale and retail trade	**11,824**	14,467	**2,454**	2,876	**691**	688	**3,589**	2,583	**18,558**	20,614
Commercial real estate activities	**13,606**	18,360	**722**	1,014	**300**	688	**1,447**	2,657	**16,075**	22,719
Other	**38,875**[1]	47,737[1]	**9,298**	11,200	**6,545**	9,487	**38,064**	31,157	**92,782**	99,581
Total	**148,227**	**171,620**	**26,537**	**34,204**	**60,471**	**60,295**	**228,469**	**196,581**	**463,704**	**462,700**

[1] Includes lease financing.

In the following table, exposures have been allocated to regions based on the 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	
in € m.	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002
Eastern Europe	**1,372**	1,679	**491**	730	**588**	678	**2,840**	4,186	**5,291**	7,273
Western Europe	**120,136**	133,732	**16,283**	23,618	**35,428**	35,094	**87,969**	76,971	**259,816**	269,415
Africa	**395**	618	**192**	177	**224**	451	**1,086**	951	**1,897**	2,197
Asia/Pacific	**7,176**	8,517	**2,624**	3,561	**7,072**	4,515	**36,019**	30,493	**52,891**	47,086
North America	**17,038**	24,643	**6,752**	5,814	**15,495**	17,698	**94,632**	78,464	**133,917**	126,619
Central and South America	**2,075**	2,373	**195**	296	**571**	597	**3,850**	2,984	**6,691**	6,250
Other[1]	**35**	58	**–**	8	**1,093**	1,262	**2,073**	2,532	**3,201**	3,860
Total	**148,227**	**171,620**	**26,537**	**34,204**	**60,471**	**60,295**	**228,469**	**196,581**	**463,704**	**462,700**

[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 Dec 31, 2003	Dec 31, 2002	Fair Value Dec 31, 2003	Dec 31, 2002
Financial Assets				
Cash and due from banks	**6,636**	8,979	**6,636**	8,979
Interest-earning deposits with banks	**14,649**	25,691	**14,660**	25,715
Central bank funds sold and securities purchased under resale agreements and securities borrowed	**185,215**	155,258	**185,351**	155,302
Trading assets	**345,371**	294,679	**345,371**	294,679
Securities available for sale	**24,631**	21,619	**24,631**	21,619
Other investments	**2,398**	4,504	**2,398**	4,504
Loans (excluding leases), net	**140,963**	163,002	**143,014**	165,486
Other financial assets	**53,812**	49,201	**53,812**	49,211
Financial Liabilities				
Noninterest-bearing deposits	**28,168**	30,558	**28,168**	30,558
Interest-bearing deposits	**277,986**	297,067	**278,262**	296,936
Trading liabilities	**153,234**	131,212	**153,234**	131,212
Central bank funds purchased and securities sold under repurchase agreements and securities loaned	**117,250**	99,499	**117,348**	99,515
Other short-term borrowings	**22,290**	11,573	**22,315**	11,581
Other financial liabilities	**72,132**	46,718	**72,126**	46,693
Long-term debt[1]	**97,480**	107,158	**97,848**	108,414

[1] Includes trust preferred securities as of December 31, 2002.

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, 2003, the fair value of commitments to extend credit approximated the allowance for these commitments of € 101 million.

[34] Litigation

On December 20, 2002, the U.S. Securities and Exchange Commission, the National Association of Securities Dealers, the New York Stock Exchange, the New York Attorney General, and the North American Securities Administrators Association (on behalf of state securities regulators) announced an agreement in principle with ten investment banks to resolve investigations relating to research analyst independence. Deutsche Bank Securities Inc. ("DBSI"), the U.S. SEC – registered broker – dealer subsidiary of Deutsche Bank, was one of the ten investment banks. Pursuant to the agreement in principle, and subject to finalization and approval of the settlement by DBSI, the Securities and Exchange Commission and state regulatory authorities, DBSI agrees, among other things: (i) to pay € 40 million, of which € 20 million is a civil penalty and € 20 million is for restitution for investors, (ii) to adopt internal structural and operational reforms that will further augment the steps it has already taken to ensure research analyst independence and promote investor confidence, (iii) to contribute € 20 million spread over five years to provide third-party research to clients, (iv) to contribute € 4 million towards investor education, and (v) to adopt restrictions on the allocation of shares in initial public offerings to corporate executives and directors. On April 28, 2003, U.S. securities regulators announced a final settlement of the research analyst investigations with most of these investment banks. Shortly before this date, DBSI located certain e-mail that was inadvertently not produced during the course of the investigation. As a result, DBSI was not part of the group of investment banks settling on that day. DBSI has cooperated fully with the regulators to ensure that all relevant e-mail is produced and is hopeful that this matter will be resolved shortly.

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, the Group's office buildings located at 130 Liberty Street and 4 Albany Street in New York were severely damaged. The Group's leased property and all leasehold improvements at 4 World Trade Center were destroyed. The Group's employees located at these office buildings, in addition to employees located in leased properties at 14-16 Wall Street, were relocated to contingency premises immediately following the terrorist attacks. Since then, these employees have re-occupied the premises at 14-16 Wall Street or have moved to other permanent locations in the New York area.

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 at 130 Liberty Street and 4 Albany Street. The Group has and continues to make claims for its costs related to the terrorist attacks, including those related to business interruption, through its insurance policies. These policies have coverage limits of U.S. $ 1.7 billion in total damages and a U.S. $ 750 million sub-limit for business interruption, service interruption and extra expenses. During 2003, the Group reached a settlement with two of its four insurers. In February 2004, the Group, its other two insurers and the Lower Manhattan Development Corporation (LMDC) reached an agreement under which the building at 130 Liberty Street will be taken down. The demolition will be paid for by the LMDC, subject to a cap amount above which costs will be borne by the two insurers. As part of the agreement, the LMDC is also expected to purchase the underlying land. Although announced, this agreement is subject to the final approval of the LMDC. The remaining claim with the two insurers has been directed to a binding arbitration process for final resolution.

As of December 31, 2003, the Group has received payments related to the partial settlement and other advances of approximately U.S. $ 676 million. At the conclusion of its remaining claim, which is dependent on the arbitration process discussed above, the Group believes that it will recover substantially all of its costs under its insurance policies. Pending that final settlement, however, there can be no assurance that all of the costs incurred, losses from business interruption, losses from service interruption or extra expenses will be paid by the insurance carriers. For the years ended December 31, 2003, 2002 and 2001, no losses have been 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, 2003**	Dec 31, 2002
Treasury bills and similar securities	**4,946**	7,653
Other bills eligible for refinancing with central banks	**483**	90
Total	**5,429**	**7,743**

Loans and advances to credit institutions and customers

in € m.	**Dec 31, 2003**	Dec 31, 2002
Loans and advances to credit institutions	**91,805**	**126,203**
Repayable on demand	**21,994**	65,444
Remaining maturity of		
up to three months	**52,693**	46,572
more than three months and up to one year	**6,564**	8,993
more than one year and up to five years	**5,816**	3,953
more than five years	**4,738**	1,241
Loans and advances to customers	**300,108**	**261,214**
Remaining maturity of		
up to three months	**191,154**	141,039
more than three months and up to one year	**22,169**	23,338
more than one year and up to five years	**38,185**	43,041
more than five years	**48,600**	53,796

Debt securities and other fixed-income securities

in € m.	**Dec 31, 2003**	Dec 31, 2002
Issued by public-sector issuers	**87,982**	88,742
Issued by other issuers	**128,209**	91,981
Total	**216,191**	**180,723**

Structure and development of other investments

in € m.	Equity Method Investments	Other Equity Investments	**Total**
Acquisition cost			
as of Jan 1, 2003	6,220	4,729	**10,949**
impairment	617	277	**894**
change in the group of consolidated companies	(133)	(289)	**(422)**
effects of exchange rate changes	(174)	(386)	**(560)**
additions	2,766	148	**2,914**
transfers	57	(57)	**–**
disposals	2,076	1,299	**3,375**
as of Dec 31, 2003	6,043	2,569	**8,612**
Amortization			
as of Jan 1, 2003	181	–	**181**
change in the group of consolidated companies	–	–	**–**
effects of exchange rate changes	27	–	**27**
additions	1	–	**1**
transfers	–	–	**–**
disposals	167	–	**167**
as of Dec 31, 2003	42	–	**42**
Book values			
as of Dec 31, 2003	6,001	2,569	**8,570**

Shareholdings in banks held at equity amounted to € 2,544 million (2002: € 2,227 million). Other equity investments included participating interests in the amount of € 1,133 million (2002: € 2,525 million), of which € 12 million (2002: € 69 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 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 € 5,979 million (2002: € 8,024 million).
Liabilities to participating interests and investments held at equity as well as trading liabilities related to these investees were € 1,869 million (2002: € 2,778 million).

Intangible assets and premises and equipment

Land and buildings with a book value totaling € 2,178 million (2002: € 3,819 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, 2003	11,077	1,467	13,749	**26,293**
impairment	114	0	27	**141**
change in the group of consolidated companies	(638)	10	(203)	**(831)**
effects of exchange rate changes	(1,326)	(231)	(609)	**(2,166)**
additions	–	5	991	**996**
transfers	–	–	–	**–**
disposals	–	72	4,207	**4,279**
as of Dec 31, 2003	8,999	1,179	9,694	**19,872**
Amortization/depreciation				
as of Jan 1, 2003	2,705	56	4,866	**7,627**
change in the group of consolidated companies	(205)	–	(34)	**(239)**
effects of exchange rate changes	(236)	(9)	(219)	**(464)**
additions	–	22	826	**848**
transfers	–	–	–	**–**
disposals	–	12	1,531	**1,543**
as of Dec 31, 2003	2,264	57	3,908	**6,229**
Book value				
as of Dec 31, 2003	6,735	1,122	5,786	**13,643**

Subordinated assets

The total amount of subordinated assets was € 1,198 million (2002: € 2,523 million).

Liabilities to credit institutions and customers

in € m.	**Dec 31, 2003**	Dec 31, 2002
Amounts owed to credit institutions	**238,393**	**232,113**
Repayable on demand	**145,241**	153,086
With agreed maturity dates or periods of notice		
up to three months	**68,239**	53,686
more than three months and up to one year	**8,762**	9,585
more than one year and up to five years	**8,309**	8,140
more than five years	**7,842**	7,616
Savings deposits	**27,315**	**28,386**
With agreed periods of notice		
up to three months	**19,009**	16,550
more than three months and up to one year	**6,256**	9,256
more than one year and up to five years	**2,026**	2,557
more than five years	**24**	23
Other liabilities to customers	**274,312**	**241,882**
Repayable on demand	**117,083**	118,973
With agreed maturity dates or periods of notice		
up to three months	**136,064**	96,101
more than three months and up to one year	**7,096**	9,074
more than one year and up to five years	**7,893**	9,878
more than five years	**6,176**	7,856
Debt securities issued	**74,664**	**87,093**
Other liabilities evidenced by paper	**42,335**	**34,981**
Remaining maturity of		
up to three months	**19,950**	18,048
more than three months and up to one year	**18,599**	15,133
more than one year and up to five years	**2,921**	1,640
more than five years	**865**	160

Provisions

in € m.	**Dec 31, 2003**	Dec 31, 2002
Provisions for pensions and similar obligations	**893**	995
Provisions for taxes	**5,317**	5,080
Provisions in insurance business	**8,834**	8,352
Other provisions	**6,279**	6,717
Total	**21,323**	**21,144**

Subordinated liabilities

The following table shows the significant subordinated liabilities:

Currency	Amount	Issuer/Type	Interest Rate	Maturity
DM	1,400,000,000.–	Deutsche Bank AG, bearer participatory certificate of 1992	8.75%	Jun 30, 2004
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
EUR	500,000,300.–	DB Capital Funding LLC III, Wilmington/USA, issue proceeds passed on to Deutsche Bank AG	6.60%	Jun 30, 2029
U.S.$	500,000,000.–	Deutsche Bank Finance N.V., Curaçao, callable note of 2002	var. 1.67%	Mar 27, 2012
U.S.$	1,100,000,000.–	Deutsche Bank Financial Inc., Dover/USA, „Yankee"-bond von 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

For the above subordinated liabilities there is no premature redemption obligation on the part of the issuers. In the 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, 2003**	Dec 31, 2002
Foreign currency assets	**402,900**	417,400
thereof U.S.$	**232,500**	231,900
Foreign currency liabilities (excluding capital and reserves)	**433,200**	392,700
thereof U.S.$	**258,100**	221,500
Change in total assets owing to parity changes for foreign currencies[1]	**(61,800)**	(52,900)
thereof due to U.S.$	**(41,500)**	(36,900)

[1] Based on the asset side.

Trust activities

Trust assets:

in € m.	**Dec 31, 2003**	Dec 31, 2002
Interest-earning deposits with banks	**640**	1,660
Securities available for sale	**1,374**	25
Loans	**2,959**	2,690
Others	**6,884**	936
Total	**11,857**	**5,311**

Trust liabilities:

in € m.	**Dec 31, 2003**	Dec 31, 2002
Deposits	**9,695**	1,569
Short-term borrowings	**0**	340
Long-term debt	**779**	2,441
Others	**1,383**	961
Total	**11,857**	**5,311**

Interest revenues

Interest revenues include interest income from debt securities available for sale and other investments in the amount of € 588 million (2002: € 1,257 million).

Dividend income from securities available for sale and other investments

Dividend income from securities available for sale and other investments amounted to € 386 million (2002: € 385 million). Included in this figure are dividend income on equity securities available for sale in the amount of € 278 million (2002: € 264 million).

Commission income

Commissions receivable amounted to € 11,817 million (2002: € 15,348 million) and commissions payable to € 2,485 million (2002: € 4,514 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.	**2003**	2002
Wages and salaries	**8,824**	9,265
Social security costs	**1,671**	2,093
thereof: those relating to pensions	**491**	805
Total	**10,495**	**11,358**

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.	**2003**	2002
Result from securities available for sale	**20**	3,523
Result from other investments[1]	**(100)**	812
Total	**(80)**	**4,335**

[1] Excluding investments held at equity and investments held by designated investment companies.

Extraordinary items

There are no extraordinary items to be reported for 2003 and 2002.

Board of Managing Directors and Supervisory Board

In 2003, the total compensation of the Board of Managing Directors was € 28,005,459 (2002: € 27,205,945), thereof € 23,693,460 (2002: € 22,449,960) for variable components. Former members of the Board of Managing Directors of Deutsche Bank AG or their surviving dependents received € 31,218,859 (2002: € 31,964,054). In addition to a fixed payment of € 736,117 (2002: € 174,580), the Supervisory Board received dividend-related emoluments totaling € 1,354,264 (2002: € 1,752,156).
Provisions for pension obligations to former members of the Board of Managing Directors and their surviving dependents totaled € 173,794,918 (2002: € 181,757,309).
At the end of 2003, loans and advances granted and contingent liabilities assumed for members of the Board of Managing Directors amounted to € 95,000 (2002: € 259,000) and for members of the Supervisory Board of Deutsche Bank AG to € 473,000 (2002: € 539,400).

Staff

The average number of effective staff employed in 2003 was 69,440 (2002: 82,935) of whom 29,786 (2002: 36,077) were women. Part-time staff are included in these figures proportionately. An average of 38,420 (2002: 45,623) 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. In the following cases, 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 carried on the balance sheet under German commercial law.

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. The tax bases are not reported 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. Negative market values from derivative financial instruments generally result in the recognition of provisions for possible losses from pending transactions, unless certain requirements for netting within "valuation units" are fulfilled.

Provisions

for pension plans and similar obligations. Forecasted salary growth is taken into account in the actuarial calculation of pension provisions. Adjustments of current pension payments are deferred and not fully written off 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 in 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.
- Our Group Risk Committee has responsibility for management and control of our risks.
- We manage credit, market, liquidity, operational and business risks in a coordinated manner at all relevant levels within our organization.
- The structure of our global risk management department 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 all risk management activities within our consolidated Group. The Group Chief Risk Officer chairs our Group Risk Committee, which has the mandate to:
- Define our risk appetite in a manner that is consistent with our overall business strategies;
- Approve risk policies, procedures and methodologies that are consistent with our risk appetite;
- Manage the portfolio of risks throughout our organization;
- Develop and implement a Group-wide consistent and applicable methodology for the measurement of Risk Adjusted Return on Economic Capital; and
- Approve the organizational structure of our risk management department and appoint its key management personnel.

The Group Risk Committee has delegated some of its tasks to sub-committees, the most relevant 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, we then have a divisional risk unit that has the mandate to:
- Ensure that the business conducted within its 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 its 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 its division.

Our controlling, audit and legal departments support our risk management function. They operate independently both of the Group Divisions and of the risk management department. 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.
- *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 to our earnings and capital arising from our potential inability to meet obligations when they are due without incurring unacceptable losses.

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, among others, legal and regulatory risk, and is based on regulatory discussions concerning operational risk.

General Business Risk

General 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 quickly adjust to these changing conditions.

Insurance Specific Risks

Following the sale of Deutscher Herold insurance companies to Zurich Financial Services Group in 2002, we are no longer engaged in any activities that result in insurance-specific risks that are 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. These quantitative tools and metrics generate the following types 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; and
– Information that quantifies exposures to losses that could arise from extreme movements in market prices or rates, using scenario analysis to simulate crisis situations.

We also calculate risk data for regulatory purposes.

As a matter of policy, we continuously 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 parts of our credit risk. Expected loss is a measurement of the credit 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 credit risk ratings, collateral, maturities and statistical averaging procedures into account to reflect the risk characteristics of our different types of exposures and facilities. All parameter assumptions are based on long-term 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 is a measure designed to state the amount of capital we need to absorb very severe unexpected losses arising from our exposures. "Very severe" in this context means a probability of 99.98% that our aggregated losses within one year will not exceed our economic capital for that 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 results, 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 aggregated 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 market values of our assets. 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 more detailed in Note [22].

Credit Risk

Credit risk makes up the largest part of our risk exposures. We manage our credit risk following these principles:

- Every extension of credit to any counterparty requires approval at the appropriate authority level.
- All of our Group Divisions must apply consistent standards in arriving at their credit decisions.
- 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 is also based on a risk-versus-return analysis.
- Every material change to a credit facility (such as its tenor, collateral structure or major covenants) requires 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 or counterparties 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 outcome of the credit decision, but also influences the level of decision-making authority we require to extend the credit, the terms and conditions of the transaction and the monitoring procedures we apply to the ongoing exposure.

We have our own in-house assessment methodologies, scorecards and rating scale for evaluating our client groupings. Our granular 26-grade rating scale 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.

The 26-grade rating scale is calibrated on a probability of default measure, which is based on a statistical analysis of historical defaults in our portfolio. We express these measures as a percentage probability that a counterparty will default on our exposure to it. We then assign these probabilities of default to categories that we regard as fundamentally equivalent to those of the major international rating agencies.

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.

Exposure Measurement for Approval Purposes

In making credit decisions, we measure and consolidate globally all exposures and facilities to the same obligor that carry credit risk. This includes loans, repurchase agreements, reverse repurchase agreements, letters of credit, guarantees and derivative transactions. Unless prohibited by regulations we exclude exposures that, in our opinion, do not expose us to any significant default risk. In addition, we typically exclude exposures relating to other categories of risk, such as market risk. These risks are subject to scrutiny under their own individual policies. For approval purposes, we do not distinguish between committed and uncommitted or advised and unadvised facilities. We treat any prolongation of an existing credit exposure as a new credit decision requiring the appropriate procedures and approvals.

A credit analysis forms the basis of every credit decision we make. This analysis contains an assessment of the material information necessary for a decision regarding a credit exposure. A credit report is then generated from this analysis. We generally update our credit reports annually and require credit reports for all initial credit approvals and for subsequent internal reviews; in case of medium-sized customers in Germany we make use of automatic monitoring systems based on current account and financial statement information. Where the credit officer is made aware of a serious deterioration of credit quality, either through the automatic monitoring system or other sources of information such as his normal credit analysis, he is compelled to prepare a new credit report and hence provides a new credit decision. Credit reports must contain the following: an overview of our relevant limits and exposures, a summary of our internal rating history of the counterparty, an overview of the particular facilities, key financial data, a short description of the reason for the report's submission and a summary credit risk assessment.

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. Accountability for recognition of problem credits rests with the relationship manager or comparable front office personnel in conjunction with the appropriate credit officer. We believe that customers where problems could arise must be identified well in advance to effectively manage the credit exposure. The objective of an early warning system is to address potential problems while adequate alternatives for action are still available. This early detection is a tenet of our credit culture and is intended to ensure that greater attention is paid to such an exposure.

In instances where we have identified customers where problems might arise, the respective exposure is placed on a watchlist. Additionally, we may refer individual exposures to a special loan management team. Within our consumer credit exposure, as described below, the delinquency status is tracked, which is the main basis for the transfer to a special loan management team. The function of this group is to effectively manage problem exposures by taking prompt corrective action to ensure asset values are preserved and losses are minimized. The special loan management team performs this function either through consultation with the credit unit or direct management of an exposure.

During 2003, the Loan Exposure Management Group (LEMG) was formed. As part of the bank’s overall framework of risk management, LEMG helps to manage the credit risk within the investment-grade loan portfolio for all loans with an original maturity greater than six months (excluding medium-sized German companies) on behalf of all Corporate and Investment Bank Group Division businesses.

LEMG provides the respective Corporate and Investment Bank Group Division businesses with a central pricing reference for new loan applications based on capital markets conditions. LEMG proactively distributes and mitigates credit risk and provides additional diversification of our loan portfolio through techniques that include but are not limited to the following: credit derivatives, securitization, loan sales and other structured products.

Credit Exposure

We define our total 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 protection transactions. When we describe our credit exposure, we distinguish between the following categories: loans, contingent liabilities, over-the-counter derivatives, and tradable assets. Listed below are some further details concerning our credit exposure categories:

- *"Loans"* exclude interest-earning deposits with banks, other claims (mostly unsettled balances from securities transactions) and accrued interest and include unearned (deferred) income net of origination costs.
- *"Contingent Liabilities"* include liabilities from guarantees, indemnity agreements and letters of credit. As of December 31, 2003, we excluded other quantifiable indemnities and commitments of € 108.1 billion, of which € 45.3 billion relate to securities lending on behalf of customers and € 62.8 billion relate to forward committed repurchase and reverse repurchase agreements. We also exclude other commitments such as irrevocable loan and placement and underwriting commitments. These exclusions were € 88.9 billion on December 31, 2003, and € 103.5 billion on December 31, 2002. At year-end 2003, 83% of our irrevocable loan commitments were to counterparties rated at the equivalent of investment-grade debt ratings from the major international rating agencies.
- *"OTC Derivatives"* are our credit exposures arising from over-the-counter, or OTC, derivative transactions. Credit exposure in OTC derivatives is measured by the cost to replace the contract if the counterparty defaults on its obligations, after netting. The costs of replacement amount to only a small portion of the notional amount of a derivative transaction. We calculate our credit exposure under OTC derivatives transactions at any time as the replacement costs of the transactions based on marking them to market at that time.
- *"Tradable Assets"* as defined for this purpose, include bonds, other fixed-income products and traded loans.

Our total credit exposure can be classified under two broad headings: corporate credit exposure and consumer credit exposure.

- Our consumer credit exposure consists of our smaller-balance standardized homogeneous loans, 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.
- Our corporate credit exposure consists of all remaining exposures not defined as consumer credit exposure. Corporate credit exposure is the largest credit exposure and is discussed below in more detail.

Corporate Credit Exposure

The following table breaks down our corporate credit exposure (other than credit exposure arising from repurchase and reverse repurchase agreements, securities lending and borrowing, interest-earning deposits with banks and irrevocable loan commitments) according to the creditworthiness categories of our counterparties.

	Loans		Contingent Liabilities		OTC Derivatives		Tradable Assets		Total	
in € m.	**Dec 31, 2003**	Dec 31, 2002	**Dec 31, 2003**	Dec 31, 2002	**Dec 31, 2003**	Dec 31, 2002	**Dec 31, 2003**	Dec 31, 2002	**Dec 31, 2003**	Dec 31, 2002
AAA-AA	**12,167**	11,043	**2,992**	3,275	**27,014**	22,977	**126,010**	120,732	**168,183**	158,027
A	**13,871**	16,610	**5,627**	6,061	**17,195**	20,281	**33,383**	24,949	**70,076**	67,901
BBB	**26,265**	30,549	**7,886**	10,598	**11,750**	10,745	**32,676**	27,115	**78,577**	79,007
BB	**25,292**	37,269	**6,573**	9,534	**3,784**	5,528	**23,417**	17,426	**59,066**	69,757
B	**5,749**	11,590	**1,799**	3,472	**621**	640	**6,756**	3,701	**14,925**	19,403
CCC and below	**6,947**	9,611	**1,660**	1,264	**107**	124	**6,227**	2,658	**14,941**	13,657
Total	**90,291**	**116,672**	**26,537**	**34,204**	**60,471**	**60,295**	**228,469**	**196,581**	**405,768**	**407,752**

The above table illustrates not only a general reduction in our lending-related credit exposures, which mainly took place in the U.S. and Germany, but also reflects an improvement in the credit quality of our loan book. The change in the creditworthiness of our corporate loan book in 2003 compared to 2002 is a consequence of an improving global economic climate in which our counterparties operate. This is evidenced by the portion of our corporate loan book carrying an investment-grade rating increasing from 50% on December 31, 2002, to 58% on December 31, 2003, with a corresponding reduction in the portion of our corporate loan book being classified as sub-investment grade.

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. This portfolio collectively represents a large number of individual smaller-balance loans to consumers and small businesses. We allocate this portfolio into various sub-portfolios according to our major product categories and geographical dispersion.

The table below presents 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, 2003	Dec 31, 2002	**Dec 31, 2003**	Dec 31, 2002	**Dec 31, 2003**	Dec 31, 2002
Consumer Credit Exposure Germany						
Consumer and Small Business Financing	**10,550**	11,326	**2.54**	1.91	**1.36**	0.75
Mortgage Lending	**34,617**	33,610	**2.33**	2.10	**0.28**	0.09
Consumer Credit Exposure Other Europe	**12,769**	10,012	**1.54**	4.14	**0.52**	0.59
Total Consumer Credit Exposure	**57,936**	**54,948**	**2.19**	**2.43**	**0.53**	**0.32**

The volume of our consumer credit exposure rose by € 3.0 billion, or 5.4%, from 2002 to 2003, driven mainly by our Spanish and Italian businesses. Total net credit costs increased from 0.32% of our total exposure in 2002 to 0.53% in 2003, mainly due to the impact of the difficult economic environment in Germany on the individual financial situation of some of our customers and falling real estate values in Germany. Net credit costs in Other European businesses remained materially unchanged. Loans delinquent by 90 days or more decreased from 2.43% to 2.19% reflecting increases in Germany more than offset by strong decreases in Other Europe. The sharp reduction of loans delinquent by 90 days or more in Other Europe resulted from charge-offs in the amount of € 240 million due to refinements of processes and procedures in the third quarter of 2003.

Total Credit Exposure

Our total credit exposures were € 576.2 billion on December 31, 2003, and € 600.7 billion on December 31, 2002. These figures include the exposures shown in the following table, as well as credit exposures arising from repurchase and reverse repurchase agreements, securities lending and borrowing, interest-earning deposits with banks and irrevocable loan commitments.

The following table breaks down our total credit exposure (other than credit exposure arising from repurchase and reverse repurchase agreements, securities lending and borrowing, interest-earning deposits with banks and irrevocable loan commitments) according to the industry sectors of our counterparties.

	Loans		Contingent Liabilities		OTC Derivatives		Tradable Assets		Total	
in € m.	**Dec 31, 2003**	Dec 31, 2002	**Dec 31, 2003**	Dec 31, 2002	**Dec 31, 2003**	Dec 31, 2002	**Dec 31, 2003**	Dec 31, 2002	**Dec 31, 2003**	Dec 31, 2002
Banks and insurance	**10,521**	10,720	**4,990**	8,189	**46,597**	44,970	**62,480**	47,686	**124,588**	111,565
Manufacturing	**16,155**	22,545	**7,834**	10,211	**1,997**	2,389	**18,241**	17,142	**44,227**	52,287
Households	**54,937**	53,207	**862**	473	**357**	281	**–**	–	**56,156**	53,961
Public sector	**2,309**	4,584	**377**	241	**3,984**	1,792	**104,648**	95,356	**111,318**	101,973
Wholesale and retail trade	**11,824**	14,467	**2,454**	2,876	**691**	688	**3,589**	2,583	**18,558**	20,614
Commercial real estate activities	**13,606**	18,360	**722**	1,014	**300**	688	**1,447**	2,657	**16,075**	22,719
Other	**38,875**[1]	47,737[1]	**9,298**	11,200	**6,545**	9,487	**38,064**	31,157	**92,782**	99,581
Total	**148,227**	**171,620**	**26,537**	**34,204**	**60,471**	**60,295**	**228,469**	**196,581**	**463,704**	**462,700**

[1] Includes lease financing.

The exposure to Households, as shown in the table above, primarily reflects our consumer credit exposure.

The following table breaks down our total credit exposure (other than credit exposure arising from repurchase and reverse repurchase agreements, securities lending and borrowing, interest-earning deposits with banks and irrevocable loan commitments) by geographical region. For this table, we have allocated exposures to regions based on the domicile of our counterparties, irrespective of any affiliations the counterparties may have with corporate groups domiciled elsewhere.

	Loans		Contingent Liabilities		OTC Derivatives		Tradable Assets		Total	
in € m.	**Dec 31, 2003**	Dec 31, 2002	**Dec 31, 2003**	Dec 31, 2002	**Dec 31, 2003**	Dec 31, 2002	**Dec 31, 2003**	Dec 31, 2002	**Dec 31, 2003**	Dec 31, 2002
Eastern Europe	**1,372**	1,679	**491**	730	**588**	678	**2,840**	4,186	**5,291**	7,273
Western Europe	**120,136**	133,732	**16,283**	23,618	**35,428**	35,094	**87,969**	76,971	**259,816**	269,415
Africa	**395**	618	**192**	177	**224**	451	**1,086**	951	**1,897**	2,197
Asia-Pacific	**7,176**	8,517	**2,624**	3,561	**7,072**	4,515	**36,019**	30,493	**52,891**	47,086
North America	**17,038**	24,643	**6,752**	5,814	**15,495**	17,698	**94,632**	78,464	**133,917**	126,619
Central and South America	**2,075**	2,373	**195**	296	**571**	597	**3,850**	2,984	**6,691**	6,250
Other[1]	**35**	58	**–**	8	**1,093**	1,262	**2,073**	2,532	**3,201**	3,860
Total	**148,227**	**171,620**	**26,537**	**34,204**	**60,471**	**60,295**	**228,469**	**196,581**	**463,704**	**462,700**

[1] Includes supranational organizations and other exposures that we have not allocated to a single region.

Credit Exposure from 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, 2003.

December 31, 2003	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:							
FRAs	911,860	67,385	44	979,289	572	(752)	(180)
Interest rate swaps (single currency)	3,138,669	4,029,380	3,213,600	10,381,649	167,263	(159,648)	7,615
Purchased interest rate options	200,892	453,959	422,469	1,077,320	25,451		25,451
Written interest rate options	186,951	463,175	472,712	1,122,838	–	(25,183)	(25,183)
Other interest rate trades	–	–	–	–	–	–	–
Exchange-traded products:							
Interest rate futures	191,196	77,232	1,687	270,115	–	–	–
Purchased interest rate options	129,935	36,299	–	166,234	122	–	122
Written interest rate options	106,545	32,623	–	139,168	–	(87)	(87)
Sub-total	4,866,048	5,160,053	4,110,512	14,136,613	193,408	(185,670)	7,738
Currency-related transactions:							
OTC products:							
Forward exchange trades	600,239	32,811	1,812	634,862	16,910	(18,696)	(1,786)
Cross currency swaps	734,874	228,535	135,950	1,099,359	30,187	(27,199)	2,988
Purchased foreign currency options	169,231	18,517	3,530	191,278	5,668	–	5,668
Written foreign currency options	171,650	21,207	1,909	194,766	–	(5,734)	(5,734)
Exchange-traded products:							
Foreign currency futures	6,154	8	–	6,162	–	–	–
Purchased foreign currency options	1,729	160	–	1,889	22	–	22
Written foreign currency options	1,945	160	–	2,105	–	(29)	(29)
Sub-total	1,685,822	301,398	143,201	2,130,421	52,787	(51,658)	1,129
Equity/index-related transactions:							
OTC products:							
Equity Forward	–	72	5	77	12	–	12
Equity/index swaps	37,965	35,474	5,151	78,590	2,930	(5,561)	(2,631)
Purchased equity/index options	42,929	46,368	9,685	98,982	12,168	–	12,168
Written equity/index options	41,237	67,988	11,779	121,004	–	(12,989)	(12,989)
Credit Derivatives	35,219	231,779	86,214	353,212	6,724	(9,498)	(2,774)
Exchange-traded products:							
Equity/index futures	34,597	255	–	34,852	–	–	–
Equity/index purchased options	31,742	21,306	1,775	54,823	4,854	–	4,854
Equity/index written options	32,213	22,736	1,035	55,984	–	(4,241)	(4,241)
Sub-total	255,902	425,978	115,644	797,524	26,688	(32,289)	(5,601)
Other transactions:							
OTC products:							
Precious metal trades	21,914	26,484	5,231	53,629	3,452	(2,892)	560
Nonprecious metal trades	29,929	11,440	436	41,805	6,516	(5,567)	949
Exchange-traded products:							
Futures	1,632	759	49	2,440	–	–	–
Purchased options	2,821	1,022	1	3,844	272	–	272
Written options	2,983	1,063	1	4,047	–	(241)	(241)
Sub-total	59,279	40,768	5,718	105,765	10,240	(8,700)	1,540
Total OTC business	**6,323,559**	**5,734,574**	**4,370,527**	**16,428,660**	**277,853**	**(273,719)**	**4,134**
Total exchange-traded business	**543,492**	**193,623**	**4,548**	**741,663**	**5,270**	**(4,598)**	**672**
Total	**6,867,051**	**5,928,197**	**4,375,075**	**17,170,323**	**283,123**	**(278,317)**	**4,806**
Positive market values after netting agreements					**65,653**		

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 the agreement covers upon the counterparty's default, resulting in one single net claim against the counterparty (called "close-out netting"). In addition, 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 enhance our risk management capacity. 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 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 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 frequently are 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.

Country Risk

We manage country risk through a number of risk measures and limits, the most important being:

Total Counterparty Exposure. We set limits on our aggregate credit exposure to counterparties that we view as being at risk if economic or political events occur, and which could lead to widespread credit defaults in a particular country (a "country risk event").

We include all credit extended to counterparties domiciled in that country (including non-guaranteed subsidiaries of foreign entities). We also include credit extended to offshore subsidiaries of those local clients.

Transfer Risk Exposure. Arises where we extend credit from one of our offices in one country to a counterparty in a different country. We define the transfer risk component of such credit risk as 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").

– For internal risk management purposes, transfer risk includes credit we have extended to our own international branches and subsidiaries, although for this disclosure we have not included these transactions.

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. In 2003, we replaced the country credit risk rating with sovereign foreign and local currency ratings. Our ratings now include:

– *Sovereign Ratings.* They estimate 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.

Our ratings are established by an independent country risk research function within our Credit Risk Management department.

All sovereign ratings and transfer risk ratings are reviewed, and revised or reaffirmed, 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 in which we conduct business. Ratings for countries that we view as particularly volatile, as well as all event risk scenario 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. We set country limits for all Emerging Markets countries as defined below. They include limits on total counterparty exposure, transfer risk exposure, and event risk scenario risk. 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.

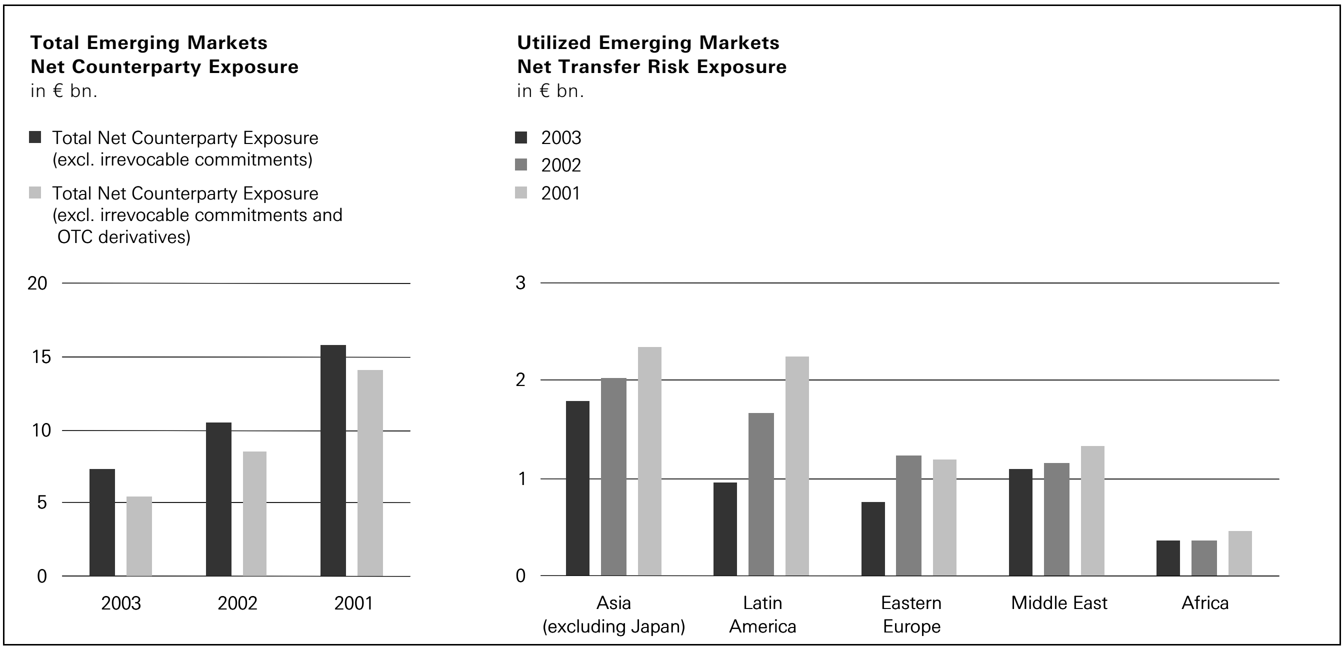
Monitoring Country Risk

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.

The bank specifically 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. In connection with this strategy, our Credit Risk Management department focuses particularly on our total counterparty exposure to Emerging Markets countries and regularly provides reports to our Group Credit Policy Committee.

Country Risk Exposure

The following charts show the development of total Emerging Markets counterparty exposure (net of collateral), and the utilized Emerging Markets transfer risk exposure (net of collateral) by region.



On December 31, 2003, our utilized transfer risk exposure to Emerging Markets (net of collateral) amounted to € 4.9 billion, down from € 6.4 billion on December 31, 2002 and € 7.6 billion on December 31, 2001.

Measuring our Default and Transfer Risk Exposures

We measure our exposure to default and transfer risk using expected loss and economic capital calculations. We base our expected loss and economic capital calculations on that part of our total credit exposure that we feel is exposed to default and transfer risk. We exclude exposures that we treat as subject to risks other than default and transfer risk (e.g., exposure for which we assign economic capital under market risk policies).

The following table shows our default and transfer risk exposure, and expected loss and economic capital, by Group Division, as we calculate it for expected loss and economic capital purposes.

December 31, 2003 in € m.	Corporate and Investment Bank	Private Clients and Asset Management	Other[1]	Total Group
Loans	74,197	71,182	2,848	148,227
OTC derivatives	60,376	95	–	60,471
Contingent liabilities	22,226	3,841	470	26,537
Irrevocable loan commitments	82,671	5,943	270	88,884
Repurchase and reverse repurchase agreements and securities lending and borrowing	8,981	1	–	8,982
Interest-earning deposits with banks	14,475	137	38	14,650
Total credit exposure[2]	262,926	81,199	3,626	347,751
Expected loss[2]	574	264	4	842
Economic capital usage for default and transfer risk[2]	5,600	1,146	37	6,783

[1] Primarily relates to the Corporate Investments Group Division.
[2] Excludes tradable assets.

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: Allowances we maintain to cover the default risk of specific exposures.

Inherent Loss Component

- *Country Risk Allowance:* Allowances we maintain to cover credit losses inherent in our pool of cross border loans to borrowers located in certain countries solely as a result of transfer risks.
- *Smaller-Balance Standardized Homogeneous Loan Loss Allowance:* Allowances we maintain at a portfolio level to cover credit losses inherent in these types of loans.
- *Other Inherent Loss Allowance:* Allowances we maintain as an estimate of credit losses that we have not otherwise identified.

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 watchlist.

Inherent Loss Component

The inherent loss component relates to all other loans we do not individually provide for, but which we believe to have incurred some inherent loss on a portfolio basis.

Country Risk Allowance. We establish a country risk allowance for loan exposures in countries where we have serious doubts about the ability of our counterparties to comply with the repayment terms due to the economic or political situation prevailing in the respective countries of domicile, that is, for transfer risks. We determine the percentage rates for our country risk allowance on the basis of a comprehensive matrix that encompasses both historical loss experience and 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 and 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 current and performing loans, as well as in delinquent and nonperforming loans within the smaller-balance standardized homogeneous loan portfolio.

Other Inherent Loss Allowance. This component of the allowance represents an estimate of our inherent losses resulting from the imprecisions and uncertainties in determining credit losses. This estimate of inherent losses excludes those exposures we have already considered in the specific loss component as described above or considered when establishing our allowance for smaller-balance standardized homogeneous loans. We have historically used a ratio of an entity's historical average losses (net of recoveries) to the historical average of its loan exposures, the result of which we applied to our corresponding period end loan exposures and adjusted the result for relevant environmental factors. As a consequence of our improved risk management processes and capabilities, in 2002 we refined the measure for calculating our other inherent loss allowance. This refinement was made in order to make the provision more sensitive to the prevailing credit environment and less based on historical loss experience. The new measurement incorporates the expected loss results, which we generate as part of our economic capital calculations, outlined above. Therefore, the new measurement considers, among other factors, our internal rating information which results in a better reflection of the current economic situation and consequently provides better guidance for losses inherent in the portfolio that have not yet been individually identified.

Charge-off Policy

We take charge-offs based on credit risk management's assessment when we determine that the loans are non-collectable. 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.

Prior to 2001, our entities regulated outside the United States, which accounted for approximately 87% of our net charge-offs in 2000, consistently charged off loans when all legal means of recovery had been exhausted. This practice resulted in charge-offs occurring at a later date than for our entities regulated in the United States.

We began to develop a methodology in 2001 to bring our worldwide charge-off practices more into line with industry practices in the United States and had anticipated that the timing of our charge-offs would accelerate. In 2001, entities regulated outside the United States began to implement this change, which resulted in a higher level of charge-offs relative to that which would have occurred under the prior practice.

Problem Loans

Our problem loans are comprised of nonaccrual loans, loans 90 days or more past due and still accruing and troubled debt restructurings. As of December 31, 2003 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, 2003, we have other interest-bearing assets that are nonperforming derived from a distressed loan portfolio held for sale in Asia amounting to € 126 million. However, these are not included in our total problem loans.
The following table presents the components of our 2003 and 2002 problem loans:

in € m.	**Dec 31, 2003** Impaired Loans[1]	Nonperforming Homogeneous Loans	Total	Dec 31, 2002 Impaired Loans[1]	Nonperforming Homogeneous Loans	Total
Nonaccrual loans	**4,980**	**1,062**	**6,042**	8,497	1,601	10,098
Loans 90 days or more past due and still accruing	**74**	**306**	**380**	233	276	509
Troubled debt restructurings	**201**	**–**	**201**	192	–	192
Total problem loans	**5,255**	**1,368**	**6,623**	**8,922**	**1,877**	**10,799**

[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 decrease in our total problem loans in 2003 is due to € 1.9 billion of gross charge-offs, a € 0.2 billion reduction due to deconsolidations, a € 0.5 billion reduction as a result of exchange rate movements and a € 1.6 billion net reduction of problem loans. The overall decrease in problem loans includes effects from refinements of processes and procedures relating to the smaller-balance standardized homogeneous portfolio in the third quarter 2003, namely € 460 million reduction in nonperforming smaller-balance standardized homogeneous loans less than 90 days past due and € 240 million charge-offs. Included in the € 1.4 billion nonperforming smaller-balance standardized homogeneous loans, as of December 31, 2003, are € 1.3 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.

The following table illustrates our total problem loans based on the domicile of our counterparty (within or outside Germany) for the last five years.

in € m.	**Dec 31, 2003**	Dec 31, 2002	Dec 31, 2001	Dec 31, 2000	Dec 31, 1999
Nonaccrual loans					
German	**3,448**	4,587	6,538	3,730	3,899
Non-German	**2,594**	5,511	4,990	2,824	2,104
Total nonaccrual loans	**6,042**	**10,098**	**11,528**[1]	**6,554**	**6,003**
Loans 90 days or more past due and still accruing					
German	**335**	439	658	1,028	985
Non-German	**45**	70	189	470	1,275
Total loans 90 days or more past due and still accruing	**380**	**509**	**847**	**1,498**	**2,260**
Troubled debt restructurings					
German	**20**	38	57	14	242
Non-German	**181**	154	222	141	154
Total troubled debt restructurings	**201**	**192**	**279**	**155**	**396**

[1] Total nonaccrual loans for 2001 includes approximately € 3.4 billion of impaired loans that were classified as potential problem loans in 2000.

Nonaccrual Loans. We place a loan 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 we will be unable to collect all principal and interest due according to the contractual terms of the loan agreement.

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 collectability of principal.

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 is due to charge-offs, deconsolidations, exchange rate movements, refinements in processes and procedures, net exposure reductions and improved credit quality.

As of December 31, 2002, our nonaccrual loans totaled € 10.1 billion, a net decrease of € 1.4 billion, or 12%, from 2001. The net decrease in nonaccrual loans is mainly due to charge-offs, deconsolidations and exposure reductions, partially offset by loans classified as nonaccrual for the first time.

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 recognize interest revenue. These loans are well secured and in the process of collection.

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 is mainly due to the placing of loans on nonaccrual status.

In 2002, our 90 days or more past due and still accruing interest loans decreased by € 338 million, or 40% to € 509 million. This decrease is mainly due to deconsolidations (€ 217 million), the placing of loans on nonaccrual status and charge-offs.

Troubled Debt Restructurings. Troubled debt restructurings are loans that we have restructured due to deterioration in the borrower's financial position. We may restructure these loans in one or more of the following ways:

- Reducing the stated interest rate for the remaining portion of the original life of the debt;
- Extending the maturity date (or dates) at an interest rate lower than the current market rate for new debt with a similar risk profile;
- Reducing the face amount or maturity amount of the debt; and
- Reducing the accrued interest on the debt.

If a borrower performs satisfactorily for one year under a restructured loan involving a modification of terms, 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. These loans are not included in the reported troubled debt restructurings amounts.
The volume of troubled debt restructurings is materially unchanged from that of December 31, 2002.
Our troubled debt restructurings totaled € 192 million as of December 31, 2002, a decrease of 31% from 2001. The decrease in our troubled debt restructurings is mainly due to exposure reductions and loans now classified as nonaccrual.

The following table shows the approximate effect on interest revenue of nonaccrual loans and troubled debt restructurings. It shows the gross interest income that would have been recorded in 2003 if those loans had been current in accordance with their original terms and had been outstanding throughout 2003 or since their origination, if we only held them for part of 2003. It also shows the amount of interest income on those loans that was included in net income for 2003. On the nonperforming other interest bearing assets we experienced a reduction of interest revenue of € 21 million.

in € m.	**2003**
German loans	
Gross amount of interest that would have been recorded at original rate	**155**
Less interest, net of reversals, recognized in interest revenue	**68**
Reduction of interest revenue	**87**
Non-German loans	
Gross amount of interest that would have been recorded at original rate	**162**
Less interest, net of reversals, recognized in interest revenue	**17**
Reduction of interest revenue	**145**
Total reduction of interest revenue	**232**

Allowance for Loan Losses

The following table sets forth 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 location of the borrowers.

in € m. (except percentages)	**Dec 31, 2003**		Dec 31, 2002		Dec 31, 2001		Dec 31, 2000		Dec 31, 1999	
German:										
Specific loan loss allowance:										
Banks and insurance	**38**	**3%**	37	1%	7	3%	67	4%	6	2%
Manufacturing	**338**	**6%**	317	5%	427	5%	668	5%	707	5%
Households (excluding mortgages)	**68**	**10%**	121	8%	102	5%	110	5%	64	5%
Households-mortgages	**17**	**17%**	5	15%	73	13%	58	12%	171	13%
Public sector	–	**1%**	–	1%	–	8%	–	8%	–	8%
Wholesale and retail trade	**154**	**3%**	130	3%	187	2%	359	3%	407	4%
Commercial real estate activities	**350**	**8%**	287	9%	643	11%	773	9%	689	9%
Other	**378**	**9%**	479	9%	606	9%	840	11%	990	13%
Specific German total	**1,343**		1,376		2,045		2,875		3,034	
Inherent loss allowance	**472**		495		1,098		1,395		1,435	
German total	**1,815**	**57%**	**1,871**	**51%**	**3,143**	**56%**	**4,270**	**57%**	**4,469**	**59%**
Non-German:										
Specific loan loss allowance	**1,128**		1,768		1,675		1,702		1,575	
Inherent loss allowance	**338**		678		767		773		1,237	
Non-German total	**1,466**	**43%**	**2,446**	**49%**	**2,442**	**44%**	**2,475**	**43%**	**2,812**	**41%**
Total allowance for loan losses	**3,281**	**100%**	**4,317**	**100%**	**5,585**	**100%**	**6,745**	**100%**	**7,281**	**100%**
Total specific allowance	**2,471**		3,144		3,720		4,577		4,609	
Total inherent loss allowance	**810**		1,173		1,865		2,168		2,672	
Total allowance for loan losses	**3,281**		**4,317**		**5,585**		**6,745**		**7,281**	

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 need provisions we have taken previously, 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)	**2003**	2002	2001	2000	1999
Allowance at beginning of year	**4,317**	**5,585**	**6,745**	**7,281**	**6,516**
Charge-offs					
German					
Banks and insurance	**3**	8	7	13	5
Manufacturing	**57**	196	280	123	127
Households (excluding mortgages)	**169**	400	214	37	41
Households-mortgages	**30**	45	27	39	48
Public sector	**–**	–	–	–	–
Wholesale and retail trade	**41**	140	192	60	81
Commercial real estate activities	**59**	127	209	148	158
Lease financing	**–**	–	1	3	2
Other	**217**	567	426	220	147
Total German	**576**	1,483	1,356	643	609
Non-German					
Excluding lease financing	**1,318**	1,244	697	652	215
Lease financing only	**–**	1	2	1	15
Total Non-German	**1,318**	1,245	699	653	230
Total charge-offs	**1,894**	**2,728**	**2,055**	**1,296**	**839**
Recoveries					
German					
Banks and insurance	**–**	–	–	–	1
Manufacturing	**7**	4	4	10	8
Households (excluding mortgages)	**48**	24	15	3	2
Households-mortgages	**–**	2	2	–	–
Public sector	**–**	–	–	–	–
Wholesale and retail trade	**6**	3	1	–	–
Commercial real estate activities	**2**	3	–	3	5
Lease financing	**–**	–	–	–	–
Other	**36**	42	11	35	5
Total German	**99**	78	33	51	21
Non-German					
Excluding lease financing	**67**	34	34	24	23
Lease financing only	**1**	–	–	–	6
Total Non-German	**68**	34	34	24	29
Total recoveries	**167**	**112**	**67**	**75**	**50**
Net charge-offs	**1,727**	**2,616**	**1,988**	**1,221**	**789**
Provision for loan losses	**1,113**	2,091	1,024	478	725
Other changes (currency translation and allowance related to acquisitions/divestitures)	**(422)**	(743)	(196)	207	829
Allowance at end of year	**3,281**	**4,317**	**5,585**	**6,745**	**7,281**
Percentage of total net charge-offs to average loans for the year	**1.04%**	1.15%	0.71%	0.39%	0.31%

The following table presents an analysis of the changes in the international component of the allowance for loan losses. As of December 31, 2003, 45% of our total allowance was attributable to international clients.

in € m.	**2003**	2002	2001	2000	1999
Allowance at beginning of year	**2,446**	**2,441**	**2,475**	**2,812**	**1,918**
Charge-offs	**1,318**	1,245	699	653	230
Recoveries	**68**	34	34	24	29
Net charge-offs	**1,250**	1,211	665	629	201
Provision for loan losses	**590**	1,500	710	219	296
Other changes (currency translation and allowance related to acquisitions/divestitures)	**(320)**	(284)	(79)	73	799
Allowance at end of year	**1,466**	**2,446**	**2,441**	**2,475**	**2,812**

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 new 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 principally due to 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 allowance for loan losses 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.

Our allowance for loan losses as of December 31, 2002 was € 4.3 billion, 23% lower than the € 5.6 billion at the end of 2001. This decrease in our allowance balance was principally due to increases in our charge-offs, partially offset by increases in our provisions due to adverse economic conditions that continued to persist in 2002. The overall reduction in our allowance for loan losses can also be attributed to net deconsolidations of € 421 million and exchange rate movements.

Our gross charge-offs grew to € 2.7 billion in 2002, an increase of € 673 million, or 33%, over 2001 charge-offs. Of the charge-offs for 2002, € 1.9 billion were related to our corporate credit exposure, mainly driven by our German and North American portfolios, and € 777 million were related to our consumer credit exposure.

Our provision for loan losses in 2002 was € 2.1 billion, an increase of 104% from the prior year. This amount is composed of both net new specific and inherent loan loss provisions. The provision for the year was primarily due to provisions raised to address the downturn in the telecommunications industry and specific loan loss provisions reflecting the deterioration in various industry sectors represented within our German portfolio and the Americas.

Our specific loan loss allowance was € 3.1 billion as of December 31, 2002, a decrease of € 576 million, or a 15% reduction from 2001. The change in our allowance includes a net specific loan loss provision of € 2.0 billion, 74% of which was for non-German clients. The provision was 111% higher than the previous year. The increased provision, however, was nearly offset by net charge-offs of € 1.8 billion. As the specific loan loss allowance is the largest component of our total allowance for loan losses, the net reduction in our specific loan loss allowance for 2002 is also due to the reasons outlined above for the overall reduction in our total allowance for loan losses.

Our inherent loan loss allowance totaled € 1.2 billion as of December 31, 2002, a decrease of € 692 million, or 37%, from the level at the end of 2001. A major driver of the net reduction was € 716 million net charge-offs in our smaller-balance standardized homogeneous loan portfolio, partially offset by a net provision for smaller-balance standardized homogeneous exposures of € 179 million. The volume of charge-offs in the smaller-balance standardized homogeneous portfolio in 2002 was affected by the establishment of days-past-due thresholds at which certain smaller-balance standardized homogeneous loan types are completely charged-off.

Our allowance for loan losses as of December 31, 2001 was € 5.6 billion, 17% lower than the € 6.7 billion at the end of 2000. This decrease in our allowance balance was principally due to increases in our charge-offs, offset by increases in provisions due to weakened economic conditions in 2001.

Our charge-offs grew to € 2.1 billion in 2001, an increase of € 759 million, or 59%, over 2000 charge-offs. This was principally due to a change in practice in our entities regulated outside the United States. Out of the total charge-offs for 2001 € 1.4 billion or two-thirds were in our German portfolio, of which € 957 million applied to clients in the medium-sized corporate portfolio and € 407 million related to smaller-balance standardized homogeneous exposures. Approximately 25% of the charge-offs in the German-Other category, which totaled € 426 million, related to a single medium-sized German corporate client in the construction industry. The remaining € 700 million were charge-offs in our non-German portfolio, of which € 402 million, or 58%, related to charge-offs in North America, principally in our leveraged business.

Our total provision for loan losses in 2001 was € 1.0 billion, an increase of 114% from the prior year. This amount was comprised of both new specific and inherent loan loss provisions, reflecting the downturn in the global economy.

Our specific loan loss allowance was € 3.7 billion as of December 31, 2001, a 19% decrease from 2000. The change in the allowance includes a specific loan loss provision of € 951 million, 70% of which was for non-German clients. The provision was 18% higher than the prior year and included increased provisions related to a single American borrower in the utilities industry, various Argentine exposures and our leveraged business. The increased provision was offset in part by € 1.6 billion in net charge-offs.

Our inherent loss allowance totaled € 1.9 billion as of December 31, 2001, a decrease of € 303 million, or 14%, from the level at the end of 2000. A major driver of the net reduction was € 383 million of charge-offs in our Private and Personal Banking business in Germany, partially offset by a provision for smaller-balance standardized homogeneous exposures of € 127 million. Furthermore, our country risk allowance shows a net decrease of 16%, reflecting the sell down of assets which previously attracted country risk allowance in Turkey and throughout Asia excluding Japan, and an increase in collateral held against cross border assets.

Our allowance for loans losses as of December 31, 2000 was € 6.7 billion, 7% lower than the € 7.3 billion at the end of 1999. This decrease in our allowance balance was principally due to increases in our charge-offs, lower specific provisions and a net release of our inherent loss provisions.

Our charge-offs increased to € 1.3 billion in 2000, a € 457 million, or 54%, increase over 1999 charge-offs. Of this increase, € 423 million was exclusively attributable to our non-German customers. Approximately 70%, or € 296 million, of this increase was due to charge-offs related to Russia and Iraq. We also had € 34 million of charge-offs for our German clients in the medium-sized corporate portfolio. Approximately 60% of the charge-offs captured in the German Other category related to a single medium-sized German corporate customer in the construction industry.

Our total provision for loan losses in 2000 was € 478 million, a decline of 34% from the prior year. This balance was composed of net new specific loan loss provisions and a release of our inherent loss provision. Our total net new specific loan loss provision amounted to € 805 million, which was almost equally split between German and non-German clients. Our specific loan loss provisions declined between 1999 and 2000, reflecting the improvement of the quality of our loan portfolio. Specific provisions were approximately 13% less in 2000 than the prior year due in large part to provisions we took in 1999 with respect to a significant exposure to a single German borrower in the real estate industry.

Our inherent loss allowance totaled € 2.2 billion as of December 31, 2000, a 19% drop from the level at the end of 1999. This decline reflected the effect of the € 296 million of charge-offs described above and country provision releases totaling € 154 million. Of the € 154 million country provision releases, € 88 million was due to reduced exposure (mainly in Brazil and Turkey), € 34 million was due to a net reduction in provisioning rates applied to individual countries, and the remaining amount related to other changes, primarily foreign exchange. In addition to a small increase in our allowances on the smaller-balance standardized homogeneous loan portfolio, we released a net € 98 million from our other inherent loss allowance in 2000 due to two legal entities: EUROHYPO AG and Bankers Trust. Each of these entities had a decrease in its loss factors in 2000 because of a decline in its historical average charge-offs and an increase in its average loan exposures.

Our allowance for loan losses at December 31, 1999 was € 7.3 billion, a 12% increase from 1998. This increase in our allowance for loan losses was principally due to substantial increases in our specific provisions, and the Bankers Trust acquisition (€ 477 million), partially offset by releases of country risk provisions, a substantial decrease in the inherent loss provision and a slight increase in charge-offs (€ 96 million).

Our total charge-offs increased 13% during 1999 to € 839 million. This increase was primarily attributable to the German domestic portfolio. Approximately 30% of the German-Other charge-off was related to the construction industry.

During 1999, our provision for loan losses totaled € 725 million, a 20% or € 183 million decrease from the preceding year. This decrease was mainly attributable to higher specific loan loss provisions, offset in part by releases of country risk provision. Our German specific provision increased to € 568 million, a 65% increase from the preceding year. This increase was mainly attributable to higher provisions for the German borrower we refer to above.

Our non-German specific provision totaled € 358 million in 1999, a 30% increase from the preceding year. This increase was due to the fact that we were able to specifically identify those exposures, recorded in various Emerging Market countries, which required a specific provision. At the same time, we released country risk provisions, particularly in Indonesia and Turkey.

The following table presents an analysis of the changes in our allowance for credit losses on lending related commitments.

in € m.	**2003**	2002	2001
Allowance at beginning of year	**485**	**496**	**453**
Provision for credit losses	**(50)**	17	(30)
Net charge-offs	**–**	–	(22)
Other changes (currency translation and allowance related to acquisitions/divestitures)	**(19)**	(28)	95
Allowance at end of year	**416**	**485**	**496**

Settlement Risk

Our extensive 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 (including specific risk as well as general risk, as described below);
- Equity price risk (including specific risk as well as general risk, as described below);
- Foreign exchange risk; and
- Commodity price risk.

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 interest rate, equity, foreign exchange, and commodity 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 all our market risks, both in trading and nontrading portfolios. Value-at-risk is also a common metric used in the management of our trading risks.

Our Board of Managing Directors and Group Risk Committee, supported by Group Market Risk Management, which is part of our internally 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 market risk disclosures for the trading businesses are based on German banking regulations, which permit banks to calculate market risk capital using their own internal models. In October 1998, the German Banking Supervisory Authority (now the German Federal Financial Supervisory Authority) approved our internal market risk models for calculating market risk capital for our general market risk and issuer-specific risk. It confirmed its approval in 2000 and the approval was renewed in 2002. We use our internal value-at-risk model, which we describe below, to calculate the market risk component of our regulatory capital.

Our value-at-risk disclosure is intended to ensure the consistency of market risk reporting for internal risk management, for regulatory purposes and for external disclosure. The overall value-at-risk limit for our Corporate and Investment Bank Group Division was € 73 million throughout the year 2003 (with a 99% confidence level, as we describe below, and a one-day holding period). The value-at-risk limit for our consolidated Group trading positions was € 77 million throughout the year 2003.

Differences in Market Risk Reporting between German Banking Regulations and U.S. GAAP

There are two significant areas where our determination of which assets are trading assets and which are nontrading assets differ under German banking regulations and U.S. GAAP.

First, material differences in the classification of assets as trading assets occur in some of our business units, which are considered to be trading units for regulatory and internal risk management reporting. In these units we have 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 money market loans and tradable loans and are primarily assigned to our Global Markets and Global Corporate Finance business divisions. At year-end 2003, € 1.7 billion of loans were classified as trading assets for regulatory reporting compared with € 3.9 billion at year-end 2002. The decrease was due to smaller loan volumes in some of our business areas out of which the most significant reduction related to our money market business activities.

Second, we have differences due to the application of hedge accounting. At December 31, 2003 the fair value of derivatives that were classified as nontrading assets for regulatory reporting but which were reported as non-qualifying hedges under U.S. GAAP amounted to € 1.0 billion in assets and € 1.3 billion in liabilities.

In addition, we exclude from our value-at-risk figures the foreign exchange risk arising from currency positions that German regulation permits us to exclude from currency 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 - all of which we refer to as structural currency positions. This approach is in accordance with German banking regulations and has the consent of the German Federal Financial Supervisory Authority. These holdings had a total book value of € 11.8 billion on December 31, 2003. Of this amount, 69% was denominated in U.S. dollars, 14% in pounds sterling, and 7% in Japanese yen. The remainder was distributed among various other currencies.

Also, we do not consolidate for German regulatory reporting purposes companies that are not 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 primarily our insurance companies and certain investment companies. These companies manage their market risks themselves (pursuant to the regulations applicable to these companies' risk management activities) and we do not include them in this market risk management disclosure. At December 31, 2003 these companies held € 10.9 billion of nontrading assets, while the amount of trading assets held was not material.

Value-at-Risk Analysis

We use the value-at-risk approach to derive quantitative measures for our trading book market risks under normal market conditions.

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 in a defined period 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 actual daily trading results.

Since January 1, 1999 we have calculated value-at-risk for both internal and external reporting using a 99% confidence level, in accordance with BIS rules. For internal reporting purposes, we use a holding period of one day. For regulatory reporting purposes, the holding period is ten days, i.e. if the portfolio is held without change for ten days there is a 1% chance that the portfolio's market value would decline by an amount greater than the value-at-risk figure.

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 nonlinear effects of the risk factors on the portfolio value. In our model, the nonlinear effects capture risks specific to derivatives. 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. Since 2002, we have used an aggregation approach based on full correlation among the various risk classes.

The value-at-risk for interest rate and equity price risks consists of two components each. The general risk describes value changes due to general market movements, while the specific risk has issuer-related causes. When aggregating general and specific risks, we assume that there is zero correlation between them.

We calculate value-at-risk using Monte Carlo simulations. A Monte Carlo simulation is a model that calculates profit or loss for a transaction for a large number (such as 10,000) of different market scenarios, which are generated by assuming a joint (log-) normal distribution of market prices based on the observed statistical behavior of the simulated risk factors in the last 261 trading days. However, we still use a variance-covariance approach to calculate specific interest rate risk for some portfolios, such as in our integrated credit trading and securitization businesses. In the variance-covariance method, we derive the estimate of the potential change in market prices from the variance-covariance matrix of the risk factors under consideration. Multiplying this matrix by the proper portfolio sensitivities yields the change in the portfolio value for price movements of one standard deviation which we scale with a factor of 2.33 in order to obtain a result for a 99% confidence level.

Back-Testing

We use back-testing on our trading units to verify the predictive power of the value-at-risk calculations. In back-testing, we compare actual income as well as the hypothetical daily profits and losses under the buy-and-hold assumption (in accordance with German regulatory requirements) with the estimates we had forecast using the 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 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 models, 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 models.

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 take the worst predicted losses resulting from applying these scenarios to the various portfolios as the economic capital for those businesses. 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 (weekly) market stress scenarios on the positions of every major trading portfolio.

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 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). These calculations are performed weekly.

In 2003 we implemented a refined aggregation process for trading market risk in order to better reflect correlations among market risk factors in stressed market conditions. Based on this refined aggregation, our economic capital usage for market risk arising from the trading units totaled € 1.0 billion on December 31, 2003 and € 0.8 billion on December 31, 2002, compared with € 0.9 billion for year-end 2002 based on our previous aggregation process.

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 limited by the obvious fact that our stress tests are necessarily limited in number and not all downside scenarios can be predicted and simulated. While the risk managers have used their best judgment to define worst case losses, with 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 the value-at-risk model may only be exact for small changes in market parameters.

We believe that the aggregate value-at-risk estimates for our consolidated Group as a whole stand up well against our back-testing procedures (as measured 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.

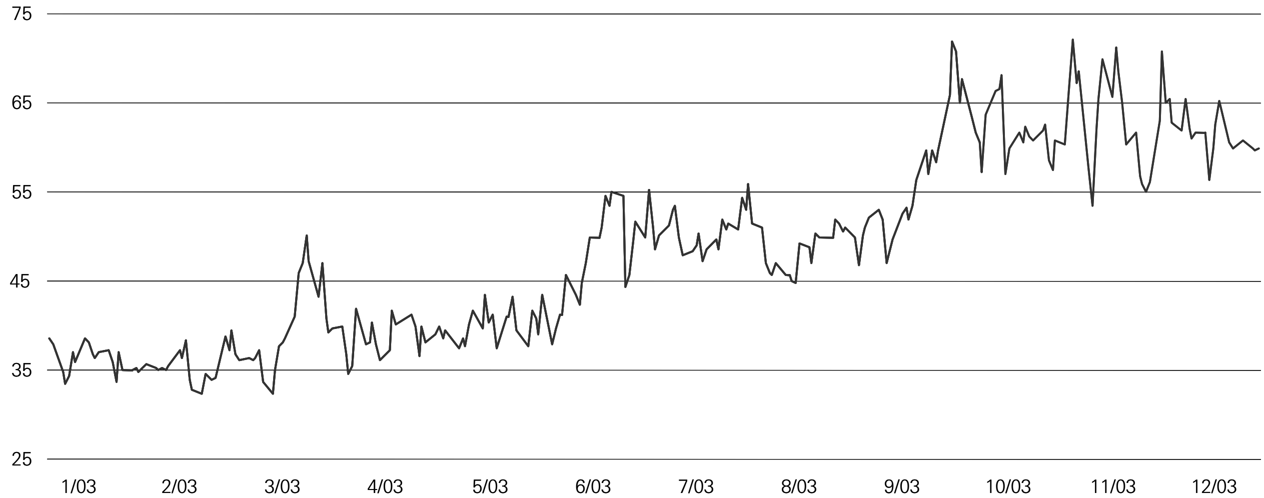
Value-at-Risk of the Trading Units of Our Corporate and Investment Bank Group Division

The following table shows the value-at-risk of our trading units in 2003 and 2002. The minimum and maximum value-at-risk amounts show the bands within which the values fluctuated during the periods specified. We calculate the value-at-risk with a holding period of one day and a confidence level of 99%. “Diversification effect” refers to the effect that the total value-at-risk on a given day is lower than the sum of the values-at-risk relating to the individual risk factors. 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.

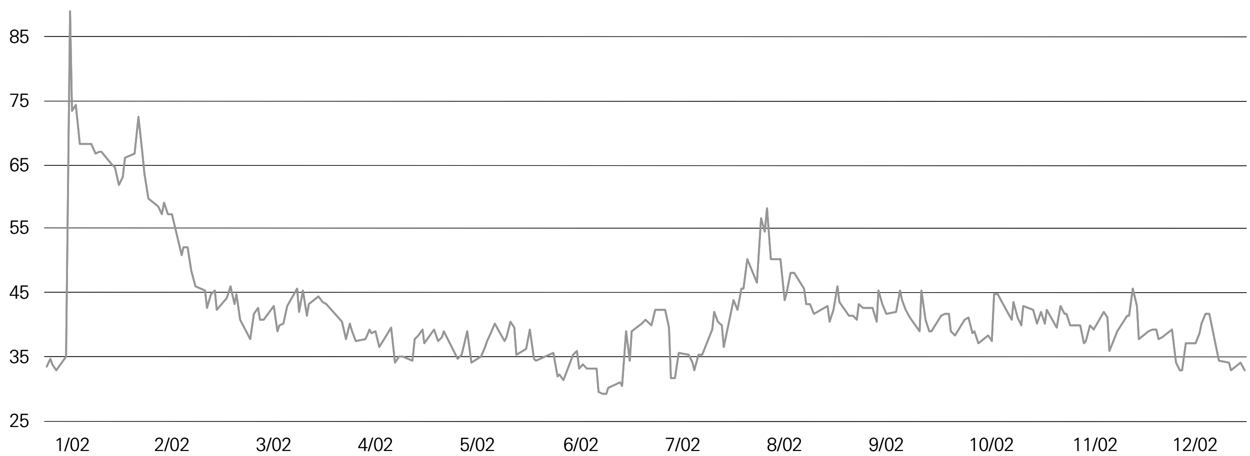
in € m.	Total 2003	Total 2002	Diversification Effect 2003	Diversification Effect 2002	Interest Rate Risk 2003	Interest Rate Risk 2002	Equity Price Risk 2003	Equity Price Risk 2002	Foreign Exchange Risk 2003	Foreign Exchange Risk 2002	Commodity Price Risk 2003	Commodity Price Risk 2002
Average	**48.44**	42.38	**33.48**	30.90	**45.86**	35.63	**21.94**	24.28	**7.71**	8.02	**6.41**	5.35
Maximum	**72.13**	88.86	**57.35**	47.54	**64.07**	58.48	**37.01**	89.26	**17.48**	29.25	**16.70**	8.66
Minimum	**32.27**	29.36	**21.89**	21.17	**27.62**	24.67	**12.97**	13.43	**3.17**	2.64	**3.33**	2.28
Year-end	**60.01**	32.94	**33.84**	22.50	**52.64**	29.12	**27.28**	13.75	**6.82**	6.84	**7.11**	5.73

The following graphs show the daily aggregate value-at-risk of our trading units in 2003 and 2002, including diversification effects.

Daily Value-at-risk of Trading Units in 2003
in € m.



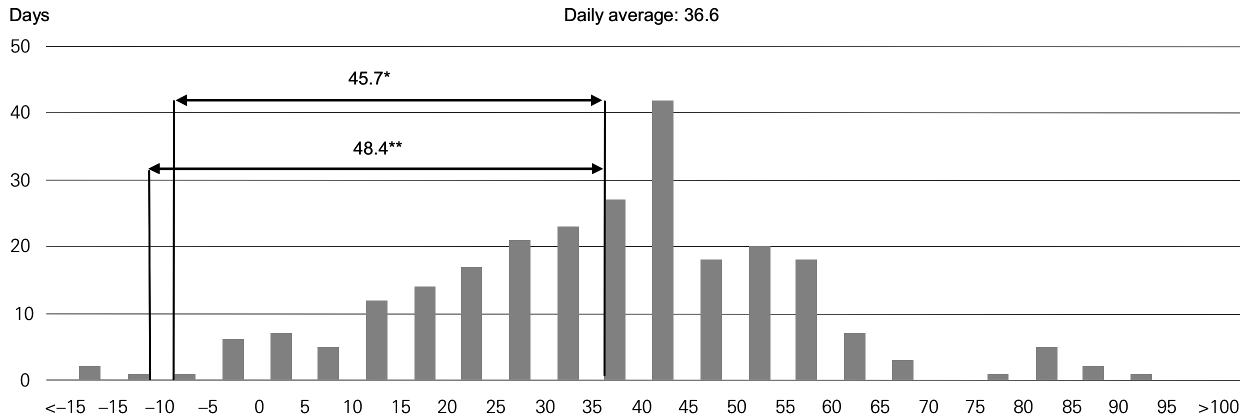
Daily Value-at-Risk of Trading Units in 2002
in € m.



Our trading value-at-risk increased over the year from an average of € 37.3 million in the first quarter of 2003 to € 62.6 million in the fourth quarter of 2003. Having remained below € 55.0 million in the first half of the year, our trading value-at-risk rose above this level in the third quarter of 2003 as correlations changed between equity markets and interest rate markets and both Global Markets and Global Equities Business Divisions increased positions.

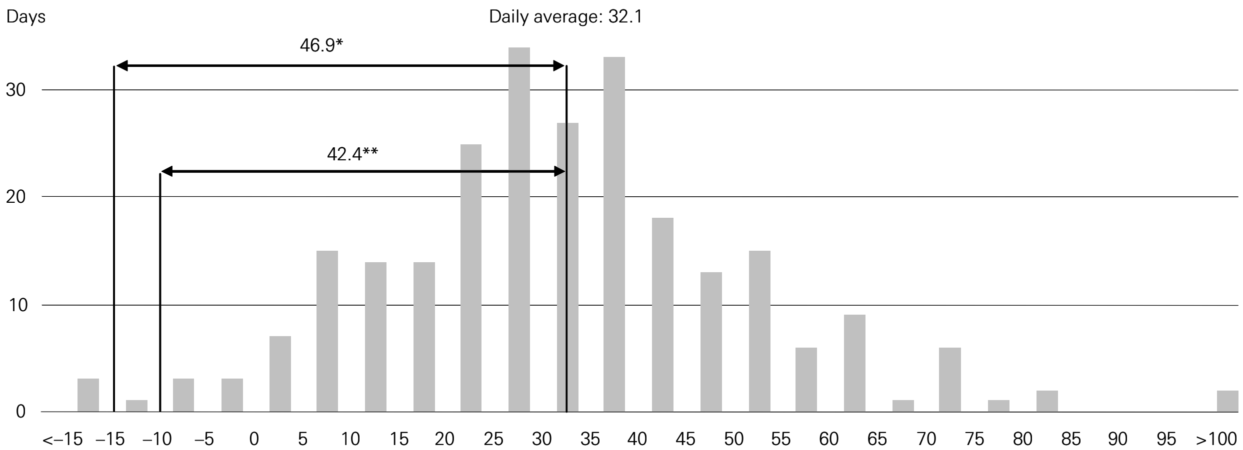
The following histograms show the distribution of actual daily income of our trading units in 2003 and 2002. The histograms indicate, for each year, the number of trading days on which we reached each level of trading income shown on the horizontal axis in millions of euro. The trading units achieved a positive income for over 96% of the trading days in both 2003 and 2002. On no trading day in either year did they incur an actual loss that exceeded the value-at-risk estimate for that day.

Daily Income of Trading Units in 2003
in € m.



* 99th percentile of daily income distribution.
**Average value-at-risk (confidence level 99%; one-day holding period).

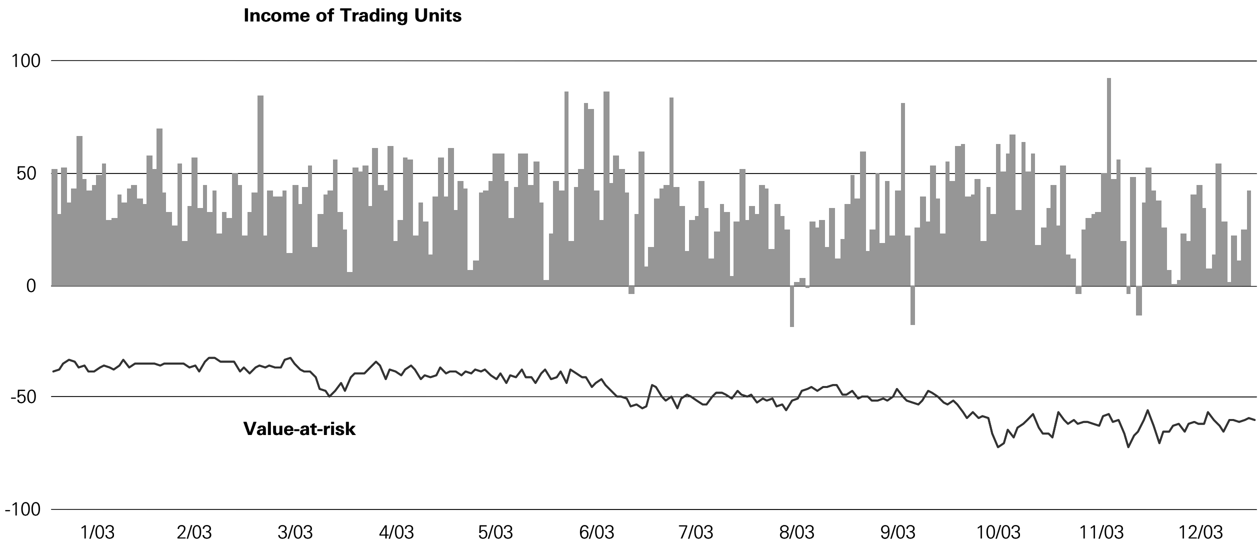
Daily Income of Trading Units in 2002
in € m.



* 99th percentile of daily income distribution.
**Average value-at-risk (confidence level 99%; one-day holding period).

The comparison of the distribution of our trading units' actual daily income with the average value-at-risk enables us to ascertain the reasonableness of our value-at-risk estimate. The histogram for 2003 shows that the actual distribution of our trading units' income produces a 99th percentile of only € 45.7 million below the average daily income level of € 36.6 million, which is less than the average value-at-risk estimate of € 48.4 million.
The value-at-risk and actual incomes of the trading units throughout the year are shown in the following graph.

Income of Trading Units and Value-at-risk in 2003
in € m.



There was no hypothetical buy-and-hold loss that exceeded our value-at-risk estimate for the trading units as a whole in 2003 and one hypothetical loss exceeding the value-at-risk in 2002. 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 slightly conservative.

Market Risk in Our Nontrading Portfolios

These risks, the biggest of which is equity price risk, constitute the largest portion of the market risks of our consolidated Group. We do not use value-at-risk as the primary metric for our nontrading portfolios because of the nature of these positions as well as the lack of transparency of some of the pricing. Instead we assess the risk of these 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 economic capital estimates needed to support the portfolios using a methodology which is consistent with that used for the trading 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 that range from 28% to 96%, depending on the individual asset.

Our economic capital estimates, which reflect the sensitivity of the value of our assets to very severe stresses, enable us to apply a constant and uniform measure across all of our nontrading portfolios and thereby actively monitor and manage the risks. See also "–Risk Management Tools-Economic Capital" and "– Market Risk-Stress Testing and Economic Capital." 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 Markets Finance business line within our Corporate and Investment Bank Group Division and is managed on the basis of value-at-risk as reflected in our trading value-at-risk numbers.

There are nontrading market risks held and managed in our Corporate and Investment Bank Group Division, our Private Clients and Asset Management Group Division and our Corporate Investments Group Division. On December 31, 2003, our total economic capital usage for all corporate investments and alternative assets was € 4.9 billion, which included € 1.3 billion for private equity, € 1.3 billion for industrial holdings and € 0.6 billion for real estate investments. This compares with a total economic capital usage of € 8.3 billion at December 31, 2002. In the total economic capital figures for year-end 2003 and 2002, no diversification benefits between the different asset categories (e.g., between private equity, industrial holdings, real estate, etc.) are taken into account.

The nontrading market risks in our Corporate Investments Group Division remain by far the biggest in the Group and are mainly incurred through industrial holdings and various legacy funds and equity investments. Our Private Clients and Asset Management Group Division primarily incurs nontrading market risk through its proprietary investments in mutual funds, hedge funds and real estate, which support the client asset management businesses. In our Corporate and Investment Bank Group Division the most significant parts of the nontrading market risks arise from strategic investments, hedge funds and other investments.

The total market value of our consolidated Group's nontrading equity investments under U.S. GAAP consisted of € 7.8 billion of equity securities available for sale (including the industrial holdings, the largest of which are shown in the table below) at December 31, 2003 and € 8.0 billion at year-end 2002. In addition, other investments held at equity totaled € 6.0 billion at both December 31, 2003 and December 31, 2002 and the book value of our other investments not held at equity totaled € 2.6 billion at December 31, 2003 compared to € 4.7 billion at year-end 2002. For further information on our other investments, in particular our investments held at equity, see Note [6] to the consolidated financial statements.

The asset and liability positions of some subsidiaries, including Deutsche Bank Privat- und Geschäftskunden AG and Deutsche Bank International Limited give rise to some nontrading market risks, resulting in a small amount of interest rate risk that is not transferred to the Corporate and Investment Bank Group Division as described above, but the residual risk on the subsidiaries is a small portion of the total.

Alternative Assets Investment Activities. All of our three Group Divisions engage in alternative assets investment activities. The Corporate Investments and the Private Clients and Asset Management Group Divisions conduct investment activities in alternative assets as principals, fiduciaries and on behalf of third parties as fund managers. We define alternative assets as direct investments in private equity, venture capital, mezzanine debt, real estate principal investments, investments in leveraged buy-out funds, venture capital funds and hedge funds. We manage our investments in hedge funds as principal in the Private Clients and Asset Management Group Division and on a smaller scale, in the Corporate and Investment Bank Group Division.

Group Corporate Investments/Alternative Assets Committee. To ensure a coordinated investment strategy, a consistent risk management process and appropriate portfolio diversification, our Group Corporate Investments/Alternative Assets Committee (which a member of our Board of Managing Directors chairs), supervises all of our alternative assets investment activities. The 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 Group Corporate Investments/Alternative Assets Committee.

The Group Corporate Investments/Alternative Assets Committee defines investment strategies, determines risk-adjusted return requirements, sets limits for investment asset classes, allocates economic capital among the various alternative assets units and approves policies, procedures and methodologies for managing alternative assets risk. The Group Corporate Investments/Alternative Assets Committee receives monthly portfolio reports showing performance, estimated market values, economic capital derived from stress tests and risk profiles of the investments. The committee also oversees the portfolio of industrial holdings and other strategic investments in entities held in our Corporate Investments Group Division. The Group Corporate Investments/Alternative Assets Committee has established dedicated investment commitment committees for each alternative asset category.

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 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.

As of December 31, 2003 the book value of our alternative assets investment portfolio amounted to € 4.3 billion compared with € 9.7 billion as of December 31, 2002. It consisted of € 2.0 billion of private equity investments, € 2.0 billion of real estate investments and € 0.3 billion of hedge fund investments.

The portfolio is dominated by the private equity and real estate investments, which totaled € 4.0 billion as of December 31, 2003 (at the end of 2002 the book value of our private equity and real estate investments was € 9.3 billion). They were primarily invested in Western Europe (58%) and North America (33%). In terms of industrial sectors we believe the majority of the private equity portfolio is well diversified. € 1.6 billion of the € 2.0 billion private equity investments were held in funds managed by external managers.

On December 31, 2003, our (undiversified) economic capital usage for alternative assets under the aegis of the Group Corporate Investments/Alternative Assets Committee (excluding industrial holdings) totaled € 2.0 billion compared with € 4.5 billion as of December 31, 2002.

Management of Our Mutual Funds. Our mutual fund investments after hedges (held in the Private Clients and Asset Management Group Division) amounted to € 0.3 billion at December 31, 2003 compared to € 1.1 billion as of December 31, 2002. These investments support our broad asset management fund offerings to clients and are sometimes used to seed new funds. They were invested predominantly in securities and shares of Western European issuers and across a broad mix of industries (including governments). Our economic capital usage for the risk arising from these holdings was € 34 million.

Management of Our Industrial Holdings. DB Investor is responsible for administering and restructuring our industrial holdings portfolio. However, Deutsche Bank AG holds some industrial holdings directly. DB Investor currently plans to continue selling most of its publicly listed holdings over the next few years, subject to the legal environment and market conditions.

We deem equity investments in nonbanking enterprises to be significant if their market value exceeds € 150 million. The total percentages and market values of the significant nonbank holdings directly and/or indirectly attributable to us were as follows on December 31, 2003 and on December 31, 2002.

Dec 31, 2003	Country of domicile	Share of capital (in %)	Market value (in € m.)
DaimlerChrysler AG	Germany	11.8	4,445
Allianz AG	Germany	2.5	965
Linde AG	Germany	10.0	509
Total			**5,919**

Dec 31, 2002	Country of domicile	Share of capital (in %)	Market value (in € m.)
DaimlerChrysler AG	Germany	11.8	3,403
Allianz AG	Germany	3.2	753
Linde AG	Germany	10.0	401
HeidelbergCement AG (previously Heidelberger Zement AG)	Germany	8.5	189
Total			**4,746**

Liquidity Risk

Liquidity risk management has been instrumental in maintaining a healthy funding profile during a year characterized by geopolitical tensions (e.g., the Iraq crisis) and by some market participants' perceived view of a German banking crisis, the latter a particular concern to us.

Funding Matrix

We have mapped all funding relevant assets and liabilities into time buckets corresponding to their maturities to create what we call the "Funding Matrix." Given that trading assets are typically more liquid than their contractual maturities suggest, we have divided them into liquids (assigned to the time bucket one year and under) and illiquids (assigned in equal installments to time buckets two to five years). We have modeled 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 accordingly. Wholesale banking products are bucketed based on their contractual maturities. We use the expected holding period to assign corporate investments to the Funding Matrix.

The Funding Matrix shows 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 cumulative mismatch vector, which enables us to predict whether any excess or shortfall will grow, decline or switch over time. The Funding Matrix forms the basis for our annual capital market issuance plan, which upon approval of our Group Asset and Liability Committee establishes issuing targets for securities by tenor, volume and instrument. Funding Matrix and issuance plan form the basis to determine the liquidity spread which is one component of the internal transfer price.
The funding matrix indicates that we are structurally long funded.

Short-term Liquidity

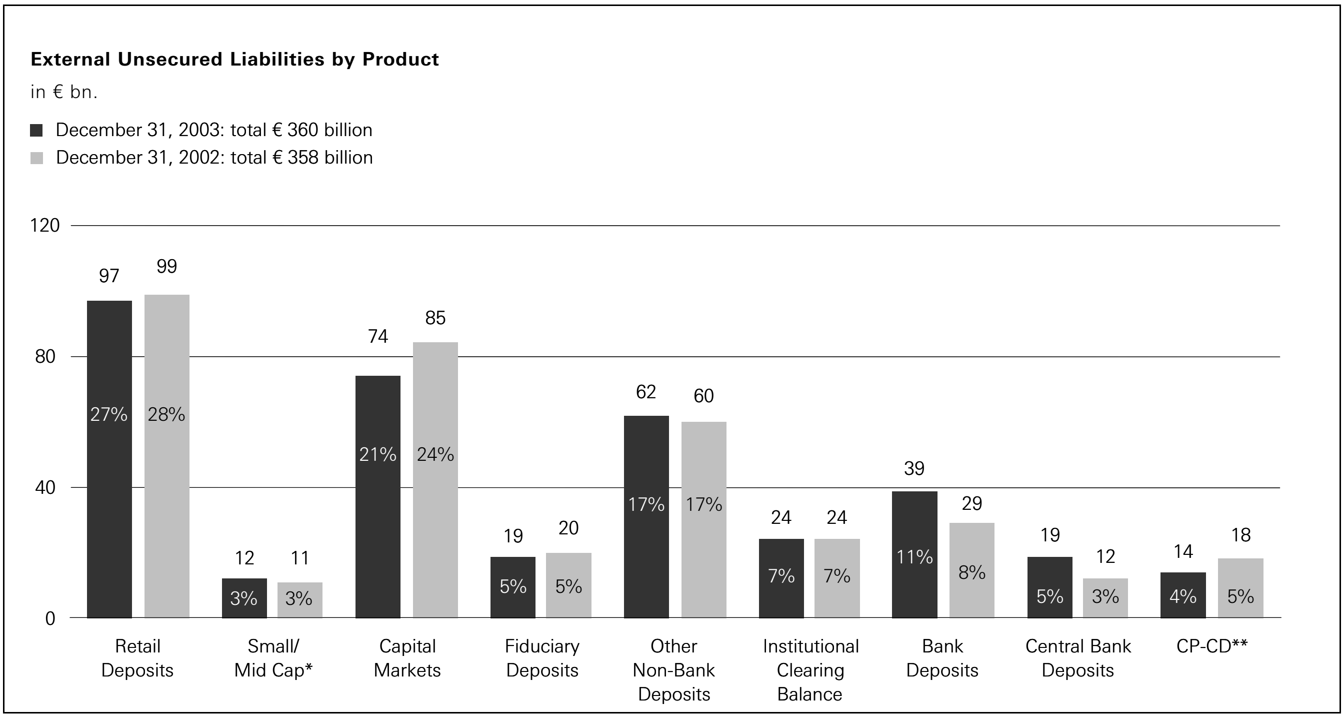
During 2003, we have extended the system that tracks net cash outflows from a horizon of eight weeks to 18 months. This system allows management to assess our short-term liquidity position in any location, region and globally on a by-currency, by-product, and by-division basis. The system captures all of our cash flows, thereby including liquidity risks resulting from off-balance sheet transactions as well as from transactions on our balance sheet. We model products that have no specific contractual maturities using statistical analysis to capture the actual behavior of their cash flows. Our Board of Managing Directors, upon the recommendations of our Group Asset and Liability Committee, has set global and regional cash outflow limits for the liquidity exposures of the first eight weeks, which we monitor on a daily basis. During February 2003, these limits were reduced by up to 20% in light of potential disruptions in the cash markets as a result of geopolitical tensions and the perceived German banking crisis. Subsequently in September, after such concerns faded, limits were marginally increased again. These limit changes come after substantial reductions of between 15% and 25% in the summer of 2002, which were reflecting changes in supply and demand assumptions in light of credit rating reviews and backtesting results, and display the active use of our liquidity risk management framework.

Unsecured Funding

Unsecured wholesale funding is a finite resource. Our Group Asset and Liability Committee has set limits to restrict utilization of unsecured wholesale funding. As with the cash outflow limits, the unsecured funding limits were adjusted during 2003 according to availability and business divisional demand.

Funding Diversification and Asset Liquidity

Diversification of our funding profile in terms of investor types, regions, products and instruments is an important part of our liquidity policy. 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 external unsecured funding numbers for 2002 have changed from last year's report because funds under 'Institutional Clearing Balances' had been previously netted against overdrafts and are now reported on a gross basis. Furthermore, the category 'Capital Markets' has been extended by structured equity products, which had previously been reported on a net basis. Additionally, we now show Commercial Papers and Certificates of Deposits with an original maturity of more than one year, as well as structured deposits, which were previously included under "Bank Deposits" and "Other Non-Bank Deposits", under "Capital Markets".



* Small/Mid Cap: refers to deposits by small and medium-sized German corporates.
**CP-CD: Commercial Paper/Certificates of Deposit.

The above chart shows the composition of our external unsecured liabilities as of December 31, 2003 both in Euro billion and as a percentage of our total unsecured liabilities. Our total external unsecured liabilities amounted to € 360 billion on that date. The liability diversification report is a management information tool we use to actively manage our liability composition and it contains all relevant external unsecured liabilities.

We track the volume and location within our consolidated inventory of unencumbered, liquid assets which we can use immediately to raise funds either in the repurchase agreement markets or by selling the assets. The securities inventory consists of a wide variety of liquid securities, which we can convert into cash even in times of market stress.

The liquidity of these assets is an important element in protecting us against short-term liquidity squeezes. By holding these liquid assets, we also protect ourselves against unexpected liquidity squeezes resulting from customers drawing large amounts under committed credit facilities. In addition, we maintained a € 32.8 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.

Stress Testing and Scenario Analysis

We employ stress testing and scenario analysis to evaluate the impact of sudden, unforeseen events with an unfavorable impact on the bank's liquidity. 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. They include internal scenarios such as operational risk, merger or acquisition, credit rating downgrade by 1 and 3 notches as well as external scenarios such as market risk, Emerging Markets, systemic shock and prolonged global recession. Additionally, we evaluate the liquidity impact of a crisis in the German banking sector. Under each of these scenarios we assume that all maturing assets will need to be rolled over and require funding whereas rollover of liabilities will be partially impaired (funding gap). We then model the steps we would take to counterbalance the resulting net shortfall in funding needs such as 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 framework. We take our contractual cash flows as a starting point, which enables us to track the 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 salability as described in the paragraph above complements the analysis. Our stress testing analysis provides guidance as to our ability to survive critical scenarios and would, if deficiencies were detected, cause us to make changes to our asset and liability structure. The analysis is performed monthly. The following report is illustrative for our stress testing results as of December 31, 2003. For each scenario, the table shows what our maximum funding gap would be over an eight-week horizon after occurrence of the triggering event, whether the risk to our liquidity would be immediate and whether it would improve or worsen over time and how much liquidity we believe we would have been able to generate at the time to close the gap.

Scenario	Funding Gap[1] in € m.	Liquidity Impact	Gap Closure[2] in € m.
Market Risk	2,946	Gradually increasing	95,361
Emerging Markets	11,056	Gradually increasing	97,065
Prolonged Global Recession	15,174	Gradually increasing	99,987
Systemic Shock	5,525	Immediate, Duration 2 weeks	95,361
DB downgrade to A1/P1 (short term) and A1/A+ (long term)	11,028	Gradually increasing	95,361
Operational Risk	7,098	Immediate, Duration 2 weeks	95,361
Merger & Acquisition	32,428	Gradually increasing, pay-out in week 6	95,361
DB downgrade to A2/P2 (short term) and A3/A- (long term)	38,399	Gradually increasing	96,948

[1] Funding gap after assumed partially impaired rollover of liabilities. All assets are renewed.
[2] Maximum liquidity generation based on counterbalancing and asset salability 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 will strive to assist in creating an industry standard that is appropriate to evaluate and manage liquidity risk.

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 German Federal Financial Supervisory Authority. We are in compliance with all applicable liquidity regulations.

Operational Risk

The banking industry, in close dialog with the Basel Committee on Banking Supervision, achieved further progress in 2003 in developing the new Regulatory Operational Risk Framework, although the discussions with the regulators concerning the capital and framework guidelines have not yet ended. On the basis of the 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, among others, legal and regulatory risk.

The development of guidelines, standards, tools and methodologies to measure and protect against operational risk is a major challenge to the banking sector. This is especially true in view of the new capital adequacy regulations currently under discussion, which will come into force at the end of 2006 and which will impose a capital charge for operational risks. Moreover the regulators specify in their paper "Sound Practices for the Management and Supervision of Operational Risk" qualitative demands regarding a bank's organization and risk management as well as quantitative directives for risk identification and risk measurement. We are working towards fulfilling these future requirements.

Managing Our Operational Risk

We are implementing a framework for managing our operational risk on a global basis. A Group Operational Risk Management Policy defines roles and responsibilities for managing and reporting operational risk. Divisional standards supplement this Group policy. Responsibility for operational risk management essentially lies with our Business Divisions. We are implementing four different systems for the management of operational risks:

- We perform operational risk "self-assessments" using our db-RiskMap tool. This results in a specific operational risk profile (high risk potential) for business lines, service functions and the Corporate Center. db-SAT complements the self-assessment approach. Focus is on business efficiency and improvement of controls.
- We collect losses arising from operational risk events in our db-Incident Reporting System database.
- We capture and monitor qualitative and quantitative risk indicators in our tool db-Score for transaction processing risk and information security risk.
- 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 on-going basis.

These systems help to give an overview of our current operational risk profiles and to define risk management measures and priorities. We monitor the status of framework implementation in a scorecard, which forms the basis for quarterly review by the Group Operational Risk Committee. As an incentive to implement this framework, we grant certain deductions of the economic capital for operational risk to the Business Divisions. The calculation of economic capital for operational risk is based on a statistical model using internal and external loss data with certain top-down assumptions.

The Chief Operational Risk Officer with Group-wide responsibility reports directly to our Group Chief Risk Officer. He is represented on the Group Risk Committee and is Chairman of the Group Operational Risk Committee. The latter committee, whose members include the divisional Operational Risk Officers and representatives of Service Functions and Corporate Center such as Audit, Controlling, Human Resources, Legal, Tax and Compliance, develops and implements our internal guidelines for managing operational risk. The Chief Operational Risk Officer is head of our Operational Risk Management, with responsibility to roll-out the Operational Risk framework, i.e. policy, tools, reporting. The Operational Risk Management functions of the Corporate Divisions are part of our independent Operational Risk Management function and report to the Chief Operational Risk Officer.

We seek to minimize operational risk associated with our communication, information and settlement systems through the development of back-up systems and emergency plans. We engage in regular employee training, operating instructions and inspections to help limit operational defects or mistakes. Where appropriate, we purchase insurance against operational risks.

Overall Risk Position

The table below shows the overall risk position of the Group as measured by the economic capital calculated for credit, market, business and operational risk; it does not include liquidity risk or the risk of our insurance companies. To determine our overall (nonregulatory) risk position, we aggregate the individual economic capital calculated for the various types of risk. This aggregation assumes that all the risk types are 100% correlated, i.e. it does not consider any diversification across risk types.

On December 31, 2003, our economic capital usage totaled € 16.7 billion, which is € 5.8 billion or 26% below the € 22.4 billion economic capital usage as of December 31, 2002. The following table shows the year-end 2003 allocation of total economic capital among the risk types compared to the allocation at year-end 2002.

Economic Capital Usage in € m.	**Dec 31, 2003**	Dec 31, 2002
Credit Risk	**7,363**	8,942
Market Risk	**5,912**	9,057
Trading Market Risk[1]	**972**	765
Nontrading Market Risk[2]	**4,940**	8,292
Business Risk	**1,117**	1,978
Operational Risk	**2,282**	2,449
Total Economic Capital Usage	**16,674**	**22,426**

[1] Trading market risk as shown in this table has been calculated using a refined aggregation process which we implemented in 2003, in order to better reflect correlations among market risk factors in stressed market conditions. Consequently, we have restated our trading market risk economic capital for December 31, 2002, which was previously reported as € 0.9 billion.

[2] Nontrading market risk economic capital includes the risk related to our industrial holdings. For year-end 2002, an amount of € 2.0 billion has been included in the table, compared to € 1.3 billion for the year-end 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 market risk economic capital is mainly caused by decreases in risk from alternative assets investments, principally private equity and real estate investments, as well as lower risk from industrial holdings. 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. In 2004, we plan to regularly calculate the diversification effects on economic capital across the credit and market risk categories. We estimate the diversification benefit across these categories as € 1.2 billion as of December 31, 2003, but this effect is not reflected in the table above. The diversification benefit across all risk types has not yet been calculated.

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 the U.S. Generally Accepted Accounting Principles and thus fulfill 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 United States Generally Accepted Auditing Standards 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 2, 2004
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, 2003 to December 31, 2003. 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 auditing standards generally accepted in the United States of America. 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, 2003 to December 31, 2003, 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, 2003 to December 31, 2003 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 9, 2004
KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Wiedmann
Wirtschaftsprüfer

Keese
Wirtschaftsprüfer

Interim Report for the nine months ended September 30, 2004

Discussion of Results

Deutsche Bank reported net income of € 680 million in the third quarter of 2004, up 18% from € 576 million in the third quarter of 2003. For the first nine months of 2004, net income was € 2.3 billion, up 145% from € 929 million in the first nine months of 2003. Diluted earnings per share were € 1.28, up 28% from € 1.00 in the third quarter 2003. For the first nine months of 2004, diluted earnings per share were € 4.13, up 166% from € 1.55 in the same period last year.

Group Highlights

Income before income taxes for the third quarter was € 1.0 billion, up 33% from the third quarter 2003, and € 3.7 billion for the first nine months of 2004, up 79% compared to the same period in 2003.

Reported revenues were € 5.1 billion, 2% lower than in the third quarter 2003. Total net interest and trading revenues were € 2.4 billion, a decrease of € 120 million or 5% compared to the third quarter 2003, with the decline primarily due to lower Sales & Trading (Equity) revenues, in part offset by higher net interest and trading revenues in Consolidation & Adjustments. Noninterest revenues excluding trading revenues were € 2.6 billion, an increase of € 15 million compared to the third quarter 2003. This change resulted from higher other revenues, including revenues from loans held for sale, revenues from qualifying hedges, and a gain on the sale of land and net insurance reimbursements, the latter both related to the September 11, 2001 terrorist attacks in New York City. This increase was in part offset by lower fee and commission income, mainly brokerage fees on securities activities, and by lower income from equity method investments, which in the third quarter 2003 included gains on the sale of real estate investment assets in Asset and Wealth Management.

Noninterest expenses were just under € 4.0 billion, a decline of 6% compared to the third quarter 2003. This demonstrates the continued success of our cost containment program. Compensation expenses were € 257 million lower than in the third quarter 2003, due in part to a decline in accruals for performance-based compensation, lower severance payments and reductions in headcount. The compensation ratio remained stable at 46% for the third consecutive quarter.

Provision for credit losses, which includes provisions for both loan losses and off-balance sheet exposures (the latter reported in other expenses), was € 58 million, a decline of 69% compared to the third quarter 2003. This represents the eighth consecutive quarter of declining provision for credit losses and reflects the continued benefits of effective credit risk management and an improved credit environment. Problem loans at the end of the quarter were € 5.4 billion, a decline of 25% from September 30, 2003, and of 18% from December 31, 2003.

In the third quarter 2004 Deutsche Bank pursued its share buyback program, purchasing a further 16 million shares, or 3% of shares issued, for € 919 million. Despite the share buyback program and a redemption of hybrid capital of € 677 million, the BIS core capital ratio of 9.2% at the end of the quarter remained above the target range of 8–9%.

Market risk was managed tightly, with a 23% reduction in value-at-risk during the third quarter, predominantly driven by reduced exposures, principally fixed income positions, and also by improved diversification across business lines.

Business Segment Review

Corporate and Investment Bank Group Division

The Corporate and Investment Bank's (CIB) third quarter 2004 underlying pre-tax profit was € 555 million, a decline of € 140 million, or 20%, from € 695 million in the third quarter 2003. Underlying revenues of € 2.9 billion were down by € 379 million, or 12%, versus the third quarter 2003. Reported revenues in the third quarter 2003 also included gains of € 59 million from the sale of most of the bank's global securities services business. The first nine months underlying pre-tax profit was almost identical to the previous year at € 2.5 billion. While underlying revenues for the first nine months were below the same period 2003, most of the decline was due to the effects of unfavorable movements in foreign exchange rates.

Sales & Trading (Debt and other products) generated underlying revenues of € 1.4 billion, up by € 97 million, or 7%, versus the third quarter 2003. The bank's debt businesses continue to focus on delivering higher-value customized products to clients, in particular through structured interest rate and credit derivatives and securitized products. Flow businesses in foreign exchange and government bonds also experienced a modest recovery in client volumes during the quarter. For the first nine months, underlying revenues were € 5.0 billion, up by € 106 million, or 2%, versus the same period 2003, continuing to benefit from a strong geographical diversity and customer focus.

Sales & Trading (Equity) generated underlying revenues of € 400 million compared to € 745 million in the third quarter 2003. The equity derivative and prime services businesses performed strongly, but continued difficult market conditions adversely affected DB Advisors, the bank's in-house proprietary trading business. In addition, while the customer flow portion of the convertibles business remained profitable, low volatility and narrowing spreads negatively impacted the convertibles proprietary trading portfolios. Revenues in both DB Advisors and convertibles were significantly below the levels of the third quarter 2003 as was the case in the second quarter 2004 compared to the prior year second quarter. The cash equity business also continued to be impacted by pressure on margins and low volume, particularly in Europe. In the first nine months underlying revenues of € 1.7 billion were € 529 million below the same period 2003 with the same trends highlighted above predominating.

Origination and Advisory generated underlying revenues of € 459 million, essentially unchanged compared to the third quarter 2003. Origination (Debt) revenues continue to show a strong position in higher-growth areas such as corporate bonds, emerging markets and high-yield debt. Origination (Equity) revenues fell compared to the third quarter 2003, reflecting lower levels of activity in the European issuance markets, our area of greatest strength historically. The bank also affirmed its commitment to avoid transactions with inadequate or negative returns. Advisory revenues were essentially unchanged year-on-year. The strength of the advisory franchise was underscored in the third quarter 2004, when Deutsche Bank was ranked among the top three in U.S. M&A by volume of announced deals by Thomson Financial.

Loan Products generated underlying revenues of € 224 million, down by 34% versus the third quarter 2003. This was due in part to additional portfolio management costs, including mark-to-market adjustments on credit risk hedge positions, reflecting tightening credit spreads in the quarter. Revenues were additionally impacted by reduced net interest and fees, as loan volume declined in the bank's global corporates and mid-cap portfolios. On a year-to-date basis, underlying revenues of € 866 million decreased by € 159 million from € 1.0 billion, mainly as a result of the aforementioned reductions in loan volume.

Transaction Services generated underlying revenues of € 464 million, similar to the third quarter 2003. The decline of € 61 million in underlying revenues in the first nine months of 2004 compared to the same period last year was primarily a consequence of the sale of most of the bank's global securities services business in 2003. The success of the business was recognized in September when the bank was named "Best House at Cash Management" in the Bank of the Year Awards 2004 according to The Banker magazine.

Provision for credit losses in the third quarter was € 2 million, significantly down from the € 136 million recorded in the third quarter last year, reflecting the benefits of enhanced credit discipline and an improved credit environment. For the first nine months, provision for credit losses totaled € 82 million, compared to € 616 million in the same period in 2003.

CIB's operating cost base in the third quarter was € 2.3 billion, a 4% reduction from the same quarter last year. This decline was primarily driven by reduced performance-related compensation. For the first nine months, the operating cost base was € 7.6 billion, an increase of € 81 million from the same period of 2003.

Private Clients and Asset Management Group Division

Private Clients and Asset Management (PCAM) generated underlying pre-tax profit of € 344 million in the third quarter of 2004, up 5% from the third quarter 2003. In a difficult market environment, underlying revenues were € 2.0 billion in third quarter 2004, down by 6% from third quarter 2003. The operating cost base was € 1.5 billion, down by € 148 million, or 9%, versus the third quarter 2003. For the first nine months, underlying pre-tax profit was € 1.1 billion, an increase of 37% from the same period 2003. The provision for credit losses for the third quarter of 2004 was € 55 million, € 6 million above the third quarter of 2003.

Asset and Wealth Management (AWM) generated underlying pre-tax profit of € 100 million, a decrease of € 131 million versus the third quarter 2003. Underlying revenues of € 829 million were € 178 million below the third quarter 2003, which included significant revenues from the real estate business, including € 74 million in gains on the sale of certain real estate investments in asset management. Additionally, challenging market conditions and the impact of unfavorable foreign exchange rate movements resulted in significantly reduced brokerage revenues and lower portfolio/fund management revenues. For the first nine months, underlying pre-tax profit was € 391 million, a decrease of € 50 million from the same period 2003. AWM's operating cost base was € 723 million in the third quarter of 2004. The decline of € 56 million compared to the third quarter 2003 was attributable to reduced performance-based compensation as well as lower non-compensation costs.

Asset Management's underlying revenues during the third quarter 2004 suffered from lower performance fees in Continental Europe and in the hedge fund business. Net revenues for the prior year quarter benefited significantly from the aforementioned gains on the sale of real estate investments. Net asset outflows in asset management were € 11 billion during the third quarter 2004, largely in the U.K. institutional business. However, the bank continued to see growth in other invested asset classes with net new assets of € 1 billion in the real estate business and € 241 million in the hedge fund business. In the first nine months our German mutual fund company, DWS, further improved its market share of net mutual fund inflows to over 50% as measured by the German Investment Association, BVI.

In Private Wealth Management net underlying revenues declined compared to the third quarter 2003, predominantly caused by the stronger Euro as well as lower brokerage revenues resulting from the ongoing uncertainty in stock markets, which led to a decrease in customer activity.

Private & Business Clients (PBC) generated an underlying pre-tax profit of € 243 million in the third quarter of 2004, an increase of € 149 million or 156% compared to third quarter 2003. In the third quarter of 2004, underlying revenues were € 1.1 billion, an increase of € 61 million, or 6%, versus the third quarter of 2003 mainly due to higher loans and deposits revenues, improved revenues from portfolio/fund management products and higher revenues from insurance products (which are reported in Payments, account and remaining financial services). The Deutsche Bank customer satisfaction index improved, which supports prospects for future growth. The operating cost base was € 826 million, a decline of € 92 million, or 10%, versus the third quarter 2003, with most of the reduction attributable to lower severance payments. The underlying cost/income ratio improved to 73%, down 13 percentage points from the third quarter 2003. For the first nine months, underlying pre-tax profit was € 742 million, an increase of 92%, compared to € 386 million for same period 2003, fully in line with PBC's full-year underlying pre-tax profit target of € 1 billion.

Corporate Investments Group Division

Corporate Investments (CI) generated an underlying pre-tax loss of € 61 million in the third quarter of 2004, essentially unchanged from a loss of € 62 million in the third quarter of 2003. For the first nine months, CI generated an underlying pre-tax loss of € 40 million compared to an underlying pre-tax loss of € 194 million for the same period 2003. The improvement this year reflects the continued success of the strategy to de-risk the bank by reducing its exposure to alternative assets. The third quarter 2004 was the eleventh consecutive quarter of reductions in such exposure, which was € 2.1 billion at September 30, 2004, a 50% reduction from € 4.1 billion at the end of the third quarter of 2003. Underlying revenues were € 18 million in the third quarter of 2004 compared to € 38 million in the third quarter 2003. The decline in underlying revenues included the effect of the deconsolidation of maxblue Americas. Reported net revenues of € 119 million in the third quarter of 2004 included a benefit of € 51 million arising from the sale of land at 130 Liberty Street (the bank's lower Manhattan premises damaged during the terrorist attacks of September 11, 2001) and from net insurance reimbursements of losses suffered by the bank as a consequence of those terrorist attacks. Revenues in the quarter also reflected net gains from equity method investments and other investments of € 24 million, and net gains related to our industrial holdings portfolio of € 26 million, all of which are excluded from underlying revenues. CI's underlying revenues in the second quarter 2004 of € 224 million included seasonal dividend income of € 209 million, mainly from our industrial holdings. CI's operating cost base was € 78 million in the third quarter 2004, including the cost of eliminating excess space, totaling € 20 million, resulting from headcount reductions and the sale of businesses. Similar charges in the third quarter of 2003 amounted to € 36 million. The decrease of € 23 million in the operating cost base from 2003 also reflected reductions resulting from the sale of maxblue Americas as well as project-related costs in 2003.

Consolidation & Adjustments

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, income before income taxes was € 46 million versus a loss before income taxes of € 233 million in the third quarter 2003. The improvement reflected lower charges from 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. Also contributing to the increase was € 110 million of interest income on tax refunds resulting from ongoing audits of prior period tax returns. For the first nine months, the loss before income taxes was € 163 million in 2004 and € 209 million in 2003.

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 September 30, 2004, and the related consolidated statements of income and comprehensive income for the three month and nine month periods ended September 30, 2004 and 2003, and the related statements of changes in shareholders' equity and cash flows for the nine month periods ended September 30, 2004 and 2003. 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), October 28, 2004

Consolidated Statement of Income

Income Statement

in € m.	Three months ended Sep 30, 2004	Three months ended Sep 30, 2003	Nine months ended Sep 30, 2004	Nine months ended Sep 30, 2003
Interest revenues	**6,637**	7,015	**20,864**	21,425
Interest expense	**5,479**	5,403	**16,853**	16,835
Net interest revenues	**1,158**	**1,612**	**4,011**	**4,590**
Provision for loan losses	**83**	174	**361**	894
Net interest revenues after provision for loan losses	**1,075**	**1,438**	**3,650**	**3,696**
Commissions and fees from fiduciary activities	**773**	801	**2,343**	2,403
Commissions, broker's fees, markups on securities underwriting and other securities activities	**851**	921	**2,828**	2,672
Fees for other customer services	**665**	657	**1,890**	1,904
Insurance premiums	**21**	29	**80**	83
Trading revenues, net	**1,273**	940	**4,725**	4,253
Net gains (losses) on securities available for sale	**39**	69	**257**	(125)
Net income (loss) from equity method investments	**54**	139	**253**	(569)
Other revenues	**222**	(7)	**218**	849
Total noninterest revenues	**3,898**	**3,549**	**12,594**	**11,470**
Compensation and benefits	**2,327**	2,584	**7,632**	7,967
Net occupancy expense of premises	**286**	286	**906**	948
Furniture and equipment	**43**	48	**135**	134
IT costs	**396**	457	**1,274**	1,395
Agency and other professional service fees	**196**	196	**569**	575
Communication and data services	**142**	151	**454**	480
Policyholder benefits and claims	**31**	37	**109**	102
Other expenses	**546**	473	**1,437**	1,400
Goodwill impairment	**–**	–	**–**	114
Restructuring activities	**–**	–	**–**	(29)
Total noninterest expenses	**3,967**	**4,232**	**12,516**	**13,086**
Income before income tax expense and cumulative effect of accounting changes	**1,006**	**755**	**3,728**	**2,080**
Income tax expense	**323**	252	**1,331**	1,178
Reversal of 1999/2000 credits for tax rate changes	**3**	78	**120**	124
Income before cumulative effect of accounting changes, net of tax	**680**	**425**	**2,277**	**778**
Cumulative effect of accounting changes, net of tax	**–**	151	**–**	151
Net income	**680**	**576**	**2,277**	**929**

Earnings per Share

in €	Three months ended Sep 30, 2004	Sep 30, 2003	Nine months ended Sep 30, 2004	Sep 30, 2003
Earnings per common share				
Basic				
Income before cumulative effect of accounting changes, net of tax	**1.42**	0.80	**4.55**	1.36
Cumulative effect of accounting changes, net of tax	**–**	0.28	**–**	0.27
Net income	**1.42**	**1.08**	**4.55**	**1.63**
Diluted				
Income before cumulative effect of accounting changes, net of tax[1]	**1.28**	0.73	**4.13**	1.30
Cumulative effect of accounting changes, net of tax	**–**	0.27	**–**	0.25
Net income	**1.28**	**1.00**	**4.13**	**1.55**
Number of shares in m.				
Denominator for basic earnings per share – weighted-average shares outstanding	**479.7**	535.6	**500.3**	570.0
Denominator for diluted earnings per share – adjusted weighted-average shares after assumed conversions	**512.4**	556.1	**539.0**	598.1

[1] Including effect of derivatives on net income applicable for the calculation of diluted earnings per share. The effect for the three and nine months ended September 30, 2004 was € (0.05) and € (0.09). For the three months ended September 30, 2003 the effect was € (0.04).

Consolidated Statement of Comprehensive Income

Statement of Comprehensive Income

in € m.	Three months ended Sep 30, 2004	Sep 30, 2003	Nine months ended Sep 30, 2004	Sep 30, 2003
Net income	**680**	**576**	**2,277**	**929**
Reversal of 1999/2000 credits for tax rate changes	**3**	78	**120**	124
Unrealized gains (losses) on securities available for sale				
Unrealized net gains (losses) arising during the period, net of tax and other	**(632)**	116	**(500)**	380
Net reclassification adjustment for realized net (gains) losses, net of applicable tax and other	**(31)**	(67)	**(203)**	310
Unrealized net gains (losses) on derivatives hedging variability of cash flows, net of tax	**9**	(1)	**(13)**	(11)
Foreign currency translation				
Unrealized net gains (losses) arising during the period, net of tax	**(230)**	(44)	**83**	(486)
Net reclassification adjustment for realized net (gains) losses, net of tax	**–**	–	**6**	(41)
Total other comprehensive income (loss)	**(881)**	**82**	**(507)**	**276**
Comprehensive income (loss)	**(201)**	**658**	**1,770**	**1,205**

Consolidated Balance Sheet

Assets

in € m.	**Sep 30, 2004**	Dec 31, 2003
Cash and due from banks	**8,332**	6,636
Interest-earning deposits with banks	**17,047**	14,649
Central bank funds sold and securities purchased under resale agreements	**119,643**	112,419
Securities borrowed	**81,735**	72,796
Bonds and other fixed-income securities	**218,042**	204,324
Equity shares and other variable-yield securities	**71,933**	66,306
Positive market values from derivative financial instruments	**61,671**	65,460
Other trading assets	**7,899**	9,281
Total trading assets	**359,545**	345,371
Securities available for sale	**21,214**	24,631
Other investments	**7,528**	8,570
Loans, net	**137,457**	144,946
Premises and equipment, net	**5,753**	5,786
Goodwill	**6,778**	6,735
Other intangible assets, net	**1,118**	1,122
Other assets related to insurance business	**7,404**	8,249
Due from customers on acceptances	**81**	60
Accrued interest receivable	**4,184**	3,612
Pending securities transactions past settlement date	**13,010**	11,082
Other assets	**54,224**	36,950
Total assets	**845,053**	**803,614**

Liabilities and Shareholders' Equity

in € m.	**Sep 30, 2004**	Dec 31, 2003
Noninterest-bearing deposits	**29,337**	28,168
Interest-bearing deposits	**307,731**	277,986
Total deposits	**337,068**	306,154
Bonds and other fixed-income securities	**75,362**	66,685
Equity shares and other variable-yield securities	**27,840**	25,382
Negative market values from derivative financial instruments	**61,995**	61,167
Total trading liabilities	**165,197**	153,234
Central bank funds purchased and securities sold under repurchase agreements	**107,183**	102,433
Securities loaned	**18,194**	14,817
Other short-term borrowings	**17,897**	22,290
Acceptances outstanding	**81**	60
Insurance policy claims and reserves	**8,386**	9,071
Accrued interest payable	**4,769**	3,793
Pending securities transactions past settlement date	**12,715**	10,390
Other liabilities	**44,259**	53,380
Long-term debt	**99,980**	97,480
Obligation to purchase common shares	**3,058**	2,310
Total liabilities	**818,787**	**775,412**
Common shares, no par value, nominal value of € 2.56	**1,392**	1,490
Additional paid-in capital	**11,147**	11,147
Retained earnings	**19,635**	20,486
Common shares in treasury, at cost	**(953)**	(971)
Equity classified as obligation to purchase common shares	**(3,058)**	(2,310)
Share awards	**1,204**	954
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	**1,234**	1,937
Unrealized net losses on derivatives hedging variability of cash flows, net of tax	**(16)**	(3)
Foreign currency translation, net of tax	**(1,611)**	(1,700)
Total accumulated other comprehensive loss	**(3,101)**	(2,594)
Total shareholders' equity	**26,266**	**28,202**
Total liabilities and shareholders' equity	**845,053**	**803,614**

Consolidated Statement of Changes in Shareholders' Equity

Statement of Changes in Shareholders' Equity

in € m.	Nine months ended Sep 30, 2004	Sep 30, 2003
Common shares		
Balance, beginning of year	**1,490**	1,592
Retirement of common shares	**(98)**	(102)
Balance, end of period	**1,392**	1,490
Additional paid-in capital		
Balance, beginning of year	**11,147**	11,199
Net losses on treasury shares sold	**–**	(36)
Other	**–**	(16)
Balance, end of period	**11,147**	11,147
Retained earnings		
Balance, beginning of year	**20,486**	22,087
Net income	**2,277**	929
Cash dividends declared and paid	**(828)**	(756)
Dividend related to equity classified as obligation to purchase common shares	**96**	–
Net gains (losses) on treasury shares sold	**84**	(400)
Retirement of common shares	**(2,472)**	(1,801)
Other	**(8)**	(29)
Balance, end of period	**19,635**	20,030
Common shares in treasury, at cost		
Balance, beginning of year	**(971)**	(1,960)
Purchases of shares	**(29,829)**	(20,154)
Sale of shares	**26,776**	19,217
Shares retired	**2,570**	1,903
Treasury shares distributed under employee benefit plans	**501**	645
Balance, end of period	**(953)**	(349)
Equity classified as obligation to purchase common shares		
Balance, beginning of year	**(2,310)**	(278)
Additions	**(1,241)**	(2,911)
Deductions	**493**	879
Balance, end of period	**(3,058)**	(2,310)
Share awards – common shares issuable		
Balance, beginning of year	**2,196**	1,955
Deferred share awards granted, net	**1,235**	863
Deferred shares distributed	**(501)**	(645)
Balance, end of period	**2,930**	2,173
Share awards – deferred compensation		
Balance, beginning of year	**(1,242)**	(1,000)
Deferred share awards granted, net	**(1,235)**	(863)
Amortization of deferred compensation, net	**751**	437
Balance, end of period	**(1,726)**	(1,426)
Accumulated other comprehensive loss		
Balance, beginning of year	**(2,594)**	(3,604)
Reversal of 1999/2000 credits for tax rate changes	**120**	124
Change in unrealized net gains on securities available for sale, net of applicable tax and other	**(703)**	690
Change in unrealized net gains/losses on derivatives hedging variability of cash flows, net of tax	**(13)**	(11)
Foreign currency translation, net of tax	**89**	(527)
Balance, end of period	**(3,101)**	(3,328)
Total shareholders' equity, end of period	**26,266**	**27,427**

Consolidated Statement of Cash Flows

Cash Flow Statement

in € m.	Nine months ended Sep 30, 2004	Sep 30, 2003
Net income	**2,277**	**929**
Adjustments to reconcile net income to net cash used in operating activities		
Provision for loan losses	**361**	894
Restructuring activities	**–**	(29)
Net (gain) loss on sale of securities available for sale, other investments, loans and other	**(349)**	6
Deferred income taxes, net	**463**	324
Impairment, depreciation and other amortization and accretion	**1,368**	2,439
Cumulative effect of accounting changes, net of tax	**–**	(151)
Share of net loss (income) from equity method investments	**(198)**	84
Net change in		
Trading assets	**(29,318)**	(45,990)
Other assets	**(19,146)**	(11,427)
Trading liabilities	**11,973**	31,029
Other liabilities	**9,183**	18,952
Other, net	**515**	613
Net cash used in operating activities	**(22,871)**	**(2,327)**
Net change in		
Interest-earning deposits with banks	**(4,014)**	9,607
Central bank funds sold and securities purchased under resale agreements	**(7,401)**	(12,293)
Securities borrowed	**(8,939)**	(42,871)
Loans	**4,580**	12,152
Proceeds from		
Sale of securities available for sale	**17,950**	11,443
Maturities of securities available for sale	**3,113**	4,400
Sale of other investments	**1,977**	1,187
Sale of loans	**6,373**	1,013
Sale of premises and equipment	**76**	1,465
Purchase of		
Securities available for sale	**(22,735)**	(15,759)
Other investments	**(889)**	(1,996)
Loans	**(2,813)**	(4,894)
Premises and equipment	**(500)**	(629)
Net cash received (paid) for business combinations/divestitures	**(39)**	2,383
Other, net	**170**	150
Net cash used in investing activities	**(13,091)**	**(34,642)**
Net change in		
Deposits	**30,951**	(8,334)
Securities loaned and central bank funds purchased and securities sold under repurchase agreements	**8,127**	35,808
Other short-term borrowings	**1,178**	7,023
Issuances of long-term debt and trust preferred securities	**22,240**	25,054
Repayments and extinguishments of long-term debt and trust preferred securities	**(21,102)**	(21,211)
Purchases of treasury shares	**(29,829)**	(20,154)
Sale of treasury shares	**26,859**	18,683
Cash dividends paid	**(828)**	(756)
Other, net	**18**	(28)
Net cash provided by financing activities	**37,614**	**36,085**
Net effect of exchange rate changes on cash and due from banks	**44**	(683)
Net increase (decrease) in cash and due from banks	**1,696**	(1,567)
Cash and due from banks, beginning of period	**6,636**	8,979
Cash and due from banks, end of period	**8,332**	7,412
Interest paid	**15,865**	17,047
Income taxes paid, net	**268**	388

Basis of Presentation

The accompanying consolidated financial statements as of September 30, 2004 and 2003 and for the three and nine 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 2003 Annual 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 04-8

In October 2004, the Financial Accounting Standards Board (FASB) ratified the consensus reached in EITF Issue No. 04-8, "The Effect of Contingently Convertible Debt on Diluted Earnings Per Share." 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 is not expected to have a material impact on our consolidated financial statements.

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." These 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 Issue 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 will be required beginning December 31, 2004. Management is currently evaluating the effect these disclosures will have 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 the reporting period 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. The adoption of FSP 106-2 did not have a material impact on our consolidated financial statements.

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 are not expected to have a material effect on our consolidated annual financial statements.

EITF 03-6

In March 2004, the FASB ratified the consensus reached on EITF Issue No. 03-6, "Participating Securities and the Two-Class Method under FASB Statement No. 128, Earnings Per Share." 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 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 (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.

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 third quarter of 2004 there were no significant changes regarding the organizational structure, the management responsibilities and the format of segment disclosure.

All prior periods have been restated to conform to the current year's presentation.

Effective July 2004, the Group sold its wholly owned subsidiary DB Payment Projektgesellschaft to the Betriebscenter für Banken Deutschland GmbH & Co. KG (BCB), a 100% subsidiary of Deutsche Postbank AG. Henceforth BCB provides payment transaction services to the Group for its German domestic and parts of the foreign payment transactions. The DB Payment Projektgesellschaft had been managed within the infrastructure groups of the Private Clients and Asset Management Group Division.

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 funds 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.

Segmental Results of Operations

Three months ended Sep 30, 2004 in € m. (except percentages)	Corporate and Investment Bank Corporate Banking & Securities	 Global Trans-action Banking	 Total	Private Clients and Asset Management Asset and Wealth Manage-ment	 Private & Business Clients	 Total	Corporate Invest-ments	Total Manage-ment Reporting
Net revenues	**2,394**	**466**	**2,860**	**854**	**1,126**	**1,980**	**119**	**4,959**
Underlying revenues	2,394	464	2,858	829	1,126	1,955	18	4,830
Provision for loan losses	22	3	26	(1)	57	56	1	83
Provision for off-balance sheet positions[1]	(10)	(14)	(24)	(0)	(0)	(1)	0	(24)
Total provision for credit losses	**12**	**(10)**	**2**	**(2)**	**57**	**55**	**1**	**58**
Operating cost base	1,917	385	2,302	723	826	1,549	78	3,929
Minority interest	(2)	–	(2)	7	(0)	7	(0)	5
Restructuring activities	–	–	–	–	–	–	–	–
Goodwill impairment	–	–	–	–	–	–	–	–
Policyholder benefits and claims	–	–	–	7	–	7	–	7
Provision for off-balance sheet positions[1]	(10)	(14)	(24)	(0)	(0)	(1)	0	(24)
Total noninterest expenses	**1,905**	**372**	**2,277**	**737**	**825**	**1,562**	**78**	**3,916**
Income before income taxes	**466**	**91**	**557**	**119**	**244**	**362**	**41**	**960**
Add (deduct)								
Net gains on securities available for sale/ industrial holdings including hedging	–	–	–	–	–	–	(26)	(26)
Significant equity pick-ups/net gains from investments[2]	–	–	–	–	–	–	(24)	(24)
Net gains from businesses sold/held for sale	–	(2)	(2)	(18)	(0)	(19)	–	(21)
Net gains on sale of premises	–	–	–	–	–	–	(51)	(51)
Restructuring activities	–	–	–	–	–	–	–	–
Goodwill impairment	–	–	–	–	–	–	–	–
Underlying pre-tax profit (loss)	**466**	**89**	**555**	**100**	**243**	**344**	**(61)**	**838**
Cost/income ratio in %	80	83	80	86	73	79	65	79
Underlying cost/income ratio in %	80	83	81	87	73	79	N/M	81
Assets[3]	730,603	18,519	736,011	36,123	77,247	113,305	16,538	838,531
Risk-weighted positions (BIS risk positions)	128,207	11,908	140,115	11,672	53,467	65,139	10,533	215,787
Average active equity	11,467	1,477	12,944	5,096	1,766	6,861	3,935	23,741
Pre-tax return on average active equity in %	16	25	17	9	55	21	4	16
Underlying pre-tax return on average active equity in %	16	24	17	8	55	20	(6)	14

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 Sep 30, 2003 in € m. (except percentages)	Corporate and Investment Bank: Corporate Banking & Securities	Corporate and Investment Bank: Global Transaction Banking	Corporate and Investment Bank: Total	Private Clients and Asset Management: Asset and Wealth Management	Private Clients and Asset Management: Private & Business Clients	Private Clients and Asset Management: Total	Corporate Investments	Total Management Reporting
Net revenues	**2,766**	**529**	**3,295**	**1,017**	**1,065**	**2,083**	**8**	**5,385**
Underlying revenues	2,766	471	3,236	1,007	1,065	2,072	38	5,346
Provision for loan losses	147	(35)	112	(2)	55	52	9	174
Provision for off-balance sheet positions[1]	35	(12)	23	(2)	(2)	(4)	(1)	18
Total provision for credit losses	**182**	**(46)**	**136**	**(4)**	**53**	**49**	**8**	**192**
Operating cost base	1,978	417	2,395	779	917	1,697	100	4,192
Minority interest	10	–	10	(0)	0	0	(8)	2
Restructuring activities	–	–	–	–	–	–	–	–
Goodwill impairment	–	–	–	–	–	–	–	–
Policyholder benefits and claims	–	–	–	11	–	11	–	11
Provision for off-balance sheet positions[1]	35	(12)	23	(2)	(2)	(4)	(1)	18
Total noninterest expenses	**2,023**	**406**	**2,429**	**788**	**916**	**1,704**	**91**	**4,223**
Income (loss) before income taxes	**596**	**158**	**754**	**232**	**95**	**327**	**(92)**	**988**
Add (deduct)								
Net gains on securities available for sale/ industrial holdings including hedging	–	–	–	–	–	–	(33)	(33)
Significant equity pick-ups/net losses from investments[2]	–	–	–	–	–	–	38	38
Net (gains) losses from business sold/held for sale	–	(59)	(59)	(0)	–	(0)	25	(34)
Net (gains) losses on sale of premises	–	–	–	–	–	–	–	–
Restructuring activities	–	–	–	–	–	–	–	–
Goodwill impairment	–	–	–	–	–	–	–	–
Underlying pre-tax profit (loss)	**596**	**100**	**695**	**231**	**95**	**326**	**(62)**	**959**
Cost/income ratio in %	72	79	73	78	86	82	N/M	78
Underlying cost/income ratio in %	72	89	74	77	86	82	N/M	78
Assets (as of Dec 31, 2003)[3]	693,414	16,709	681,722	48,138	78,477	124,606	18,987	795,818
Risk-weighted positions (BIS risk positions)	132,277	14,098	146,375	12,907	50,459	63,366	14,442	224,183
Average active equity	12,544	1,373	13,917	5,715	1,549	7,263	4,358	25,538
Pre-tax return on average active equity in %	19	46	22	16	25	18	(8)	15
Underlying pre-tax return on average active equity in %	19	29	20	16	25	18	(6)	15

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.

Nine months ended Sep 30, 2004 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 revenues	**8,678**	**1,449**	**10,127**	**2,614**	**3,352**	**5,966**	**553**	**16,646**
Underlying revenues	8,678	1,418	10,096	2,560	3,376	5,936	239	16,271
Provision for loan losses	151	8	159	(7)	193	186	16	361
Provision for off-balance sheet positions[1]	(58)	(19)	(77)	(1)	(1)	(2)	0	(79)
Total provision for credit losses	**93**	**(11)**	**82**	**(7)**	**192**	**184**	**16**	**282**
Operating cost base	6,364	1,193	7,557	2,167	2,442	4,610	266	12,433
Minority interest	(2)	–	(2)	9	0	9	(2)	4
Restructuring activities	–	–	–	–	–	–	–	–
Goodwill impairment	–	–	–	–	–	–	–	–
Policyholder benefits and claims	–	–	–	36	–	36	–	36
Provision for off-balance sheet positions[1]	(58)	(19)	(77)	(1)	(1)	(2)	0	(79)
Total noninterest expenses	**6,304**	**1,174**	**7,478**	**2,212**	**2,442**	**4,653**	**263**	**12,394**
Income before income taxes	**2,223**	**267**	**2,490**	**409**	**718**	**1,127**	**273**	**3,891**
Add (deduct)								
Net gains on securities available for sale/ industrial holdings including hedging	–	–	–	–	–	–	(176)	(176)
Significant equity pick-ups/net gains from investments[2]	–	–	–	–	–	–	(56)	(56)
Net (gains) losses from businesses sold/held for sale	–	(31)	(31)	(18)	24	6	(30)	(56)
Net gains on sale of premises	–	–	–	–	–	–	(51)	(51)
Restructuring activities	–	–	–	–	–	–	–	–
Goodwill impairment	–	–	–	–	–	–	–	–
Underlying pre-tax profit (loss)	**2,223**	**236**	**2,459**	**391**	**742**	**1,133**	**(40)**	**3,552**
Cost/income ratio in %	73	82	75	85	73	78	48	75
Underlying cost/income ratio in %	73	84	75	85	72	78	111	76
Assets[3]	730,603	18,519	736,011	36,123	77,247	113,305	16,538	838,531
Risk-weighted positions (BIS risk positions)	128,207	11,908	140,115	11,672	53,467	65,139	10,533	215,787
Average active equity	11,579	1,372	12,951	5,072	1,669	6,742	3,974	23,667
Pre-tax return on average active equity in %	26	26	26	11	57	22	9	22
Underlying pre-tax return on average active equity in %	26	23	25	10	59	22	(1)	20

[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.

Nine months ended Sep 30, 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 revenues	**9,117**	**2,045**	**11,162**	**2,777**	**3,291**	**6,067**	**(981)**	**16,249**
Underlying revenues	9,117	1,479	10,596	2,694	3,291	5,985	388	16,970
Provision for loan losses	668	(35)	633	3	221	224	36	894
Provision for off-balance sheet positions[1]	24	(41)	(17)	(0)	(0)	(0)	(2)	(19)
Total provision for credit losses	**692**	**(76)**	**616**	**3**	**221**	**224**	**34**	**875**
Operating cost base	6,142	1,334	7,476	2,240	2,682	4,921	569	12,967
Minority interest	16	–	16	11	2	13	(21)	7
Restructuring activities	(23)	(6)	(29)	(0)	(1)	(1)	–	(29)
Goodwill impairment	–	–	–	–	–	–	114	114
Policyholder benefits and claims	–	–	–	27	–	27	–	27
Provision for off-balance sheet positions[1]	24	(41)	(17)	(0)	(0)	(0)	(2)	(19)
Total noninterest expenses	**6,158**	**1,288**	**7,446**	**2,278**	**2,683**	**4,961**	**660**	**13,067**
Income (loss) before income taxes	**2,291**	**793**	**3,083**	**496**	**387**	**883**	**(1,677)**	**2,289**
Add (deduct)								
Net losses on securities available for sale/ industrial holdings including hedging	–	–	–	–	–	–	313	313
Significant equity pick-ups/net losses from investments[2]	–	–	–	–	–	–	922	922
Net (gains) losses from business sold/held for sale	–	(566)	(566)	(55)	–	(55)	134	(488)
Net (gains) losses on sale of premises	–	–	–	–	–	–	–	–
Restructuring activities	(23)	(6)	(29)	(0)	(1)	(1)	–	(29)
Goodwill impairment	–	–	–	–	–	–	114	114
Underlying pre-tax profit (loss)	**2,267**	**221**	**2,488**	**440**	**386**	**827**	**(194)**	**3,121**
Cost/income ratio in %	67	65	67	82	82	82	N/M	81
Underlying cost/income ratio in %	67	90	71	83	81	82	147	76
Assets (as of Dec 31, 2003)[3]	693,414	16,709	681,722	48,138	78,477	124,606	18,987	795,818
Risk-weighted positions (BIS risk positions)	132,277	14,098	146,375	12,907	50,459	63,366	14,442	224,183
Average active equity	13,003	1,449	14,452	5,771	1,527	7,297	5,168	26,918
Pre-tax return on average active equity in %	23	73	28	11	34	16	(43)	11
Underlying pre-tax return on average active equity in %	23	20	23	10	34	15	(5)	15

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 three and nine months ended September 30, 2004 and 2003:

Revenue Components of the Corporate and Investment Bank Group Division

	Three months ended		Nine months ended	
in € m.	**Sep 30, 2004**	Sep 30, 2003	**Sep 30, 2004**	Sep 30, 2003
Origination (equity)	**73**	146	**321**	299
Origination (debt)	**270**	204	**735**	670
Total Origination	**344**	**350**	**1,056**	**969**
Sales & Trading (equity)	**400**	745	**1,727**	2,256
Sales & Trading (debt and other products)	**1,439**	1,342	**4,973**	4,867
Total Sales & Trading	**1,839**	**2,087**	**6,700**	**7,123**
Advisory	**115**	112	**327**	336
Loan products	**224**	338	**866**	1,026
Transaction services	**464**	471	**1,418**	1,479
Other	**(127)**	(62)	**(240)**	229
Total	**2,860**	**3,295**	**10,127**	**11,162**

Revenue Components of the Private Clients and Asset Management Group Division

	Three months ended		Nine months ended	
in € m.	**Sep 30, 2004**	Sep 30, 2003	**Sep 30, 2004**	Sep 30, 2003
Portfolio/fund management	**655**	652	**1,878**	1,909
Brokerage	**379**	409	**1,227**	1,232
Loan/deposit	**593**	555	**1,778**	1,728
Payments, account & remaining financial services	**229**	217	**641**	608
Other	**125**	251	**442**	590
Total	**1,980**	**2,083**	**5,966**	**6,067**

Reconciliation of Segmental Results of Operations to Consolidated Results of Operations According to U.S. GAAP

	Three months ended					
	Sep 30, 2004			Sep 30, 2003		
in € m.	**Total Management Reporting**	**Consolidation & Adjustments**	**Total Consolidated**	Total Management Reporting	Consolidation & Adjustments	Total Consolidated
Net revenues	**4,959**	**97**	**5,056**	5,385	(224)	5,161
Provision for loan losses	**83**	**–**	**83**	174	–	174
Noninterest expenses	**3,916**	**51**	**3,967**	4,223	9	4,232
Income (loss) before income taxes[1]	**960**	**46**	**1,006**	**988**	**(233)**	**755**
Total assets	**838,531**	**6,522**	**845,053**	795,818[2]	7,796[2]	803,614[2]
Risk-weighted positions (BIS risk positions)	**215,787**	**1,745**	**217,533**	224,183	2,150	226,333
Average active equity	**23,741**	**825**	**24,566**	25,538	1,108	26,646

[1] Income (loss) before income tax expense and cumulative effect of accounting changes.
[2] As of December 31, 2003.

	Nine months ended					
	Sep 30, 2004			Sep 30, 2003		
in € m.	**Total Management Reporting**	**Consolidation & Adjustments**	**Total Consolidated**	Total Management Reporting	Consolidation & Adjustments	Total Consolidated
Net revenues	**16,646**	**(41)**	**16,605**	16,249	(189)	16,060
Provision for loan losses	**361**	**–**	**361**	894	–	894
Noninterest expenses	**12,394**	**122**	**12,516**	13,067	20	13,086
Income (loss) before income taxes[1]	**3,891**	**(163)**	**3,728**	**2,289**	**(209)**	**2,080**
Total assets	**838,531**	**6,522**	**845,053**	795,818[2]	7,796[2]	803,614[2]
Risk-weighted positions (BIS risk positions)	**215,787**	**1,745**	**217,533**	224,183	2,150	226,333
Average active equity	**23,667**	**1,559**	**25,225**	26,918	1,245	28,163

[1] Income (loss) before income tax expense and cumulative effect of accounting changes.
[2] As of December 31, 2003.

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, income before income taxes was € 46 million versus a loss before income taxes of € 233 million in the third quarter 2003. The improvement reflected lower charges from 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. Also contributing to the increase was € 110 million of interest income on tax refunds resulting from ongoing audits of prior period tax returns. For the first nine months, the loss before income taxes was € 163 million in 2004 and € 209 million in 2003.

Information on the Income Statement

Net Interest and Trading Revenues

	Three months ended		Nine months ended	
in € m.	**Sep 30, 2004**	Sep 30, 2003	**Sep 30, 2004**	Sep 30, 2003
Net interest revenues	**1,158**	1,612	**4,011**	4,590
Trading revenues, net	**1,273**	940	**4,725**	4,253
Total net interest and trading revenues	**2,431**	**2,552**	**8,736**	**8,843**
Breakdown by Group Division/CIB product:				
Sales & Trading (equity)	**238**	498	**1,051**	1,788
Sales & Trading (debt and other products)	**1,116**	1,093	**4,248**	4,251
Total Sales & Trading	**1,354**	1,591	**5,299**	6,039
Loan products[1]	**135**	206	**544**	612
Transaction services	**210**	205	**619**	663
Remaining products[2]	**(87)**	(103)	**(170)**	(261)
Total Corporate and Investment Bank	**1,613**	1,899	**6,292**	7,054
Private Clients and Asset Management	**691**	694	**2,248**	1,988
Corporate Investments	**(7)**	(48)	**134**	(18)
Consolidation & Adjustments	**134**	8	**63**	(182)
Total net interest and trading revenues	**2,431**	**2,552**	**8,736**	**8,843**

[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

	Pension benefits		Postretirement benefits	
	Nine months ended		Nine months ended	
in € m.	**Sep 30, 2004**	Sep 30, 2003	**Sep 30, 2004**	Sep 30, 2003
Service cost	**192**	229	**6**	4
Interest cost	**292**	307	**8**	6
Expected return on plan assets	**(292)**	(335)	**–**	–
Actuarial loss recognized	**48**	54	**–**	–
Settlement/curtailment	**(1)**	(6)	**–**	–
Amortization of unrecognized transition obligation (asset) in accordance with SFAS 87	**13**	(7)	**–**	–
Total defined benefit plans	**252**	**242**	**14**	**10**
Defined contribution plans	**109**	128	**–**	–
Net periodic benefit expense	**361**	**370**	**14**	**10**

In addition to the contributions expected for 2004 as disclosed in the Financial Report 2003 on page 98, a special contribution of approximately € 8 million was made in the United Kingdom in June 2004. During 2004 certain subsidiaries in Luxembourg and Germany contributed € 21 million to the segregated pension fund by an initial funding.

As a result, the Group expects to fund its pension schemes in 2004 for a total of approximately € 280 million.

SFAS 123 Pro forma Information

in € m.	Three months ended Sep 30, 2004	Three months ended Sep 30, 2003	Nine months ended Sep 30, 2004	Nine months ended Sep 30, 2003
Net income, as reported	**680**	576	**2,277**	929
Add: Share-based compensation expense included in reported net income, net of related tax effects[1]	**154**	88	**419**	236
Deduct: Share-based compensation expense determined under fair value method for all awards, net of related tax effects[1]	**(154)**	(85)	**(423)**	(139)
Pro forma net income	**680**	**579**	**2,273**	**1,026**
Earnings per share				
Basic – as reported	**€ 1.42**	€ 1.08	**€ 4.55**	€ 1.63
Basic – pro forma	**€ 1.42**	€ 1.09	**€ 4.54**	€ 1.80
Diluted – as reported[2]	**€ 1.28**	€ 1.00	**€ 4.13**	€ 1.55
Diluted – pro forma[2]	**€ 1.28**	€ 1.01	**€ 4.12**	€ 1.71

[1] Amounts for the three and nine months ended September 30, 2004 and 2003 do not reflect any share-based awards related to the 2004 and 2003 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 effect of derivatives on net income applicable for the calculation of diluted earnings per share. The effect for the three and nine months ended September 30, 2004 was € (0.05) and € (0.09). For the three months ended September 30, 2003 the effect was € (0.04).

Information on the Balance Sheet

Securities Available for Sale

in € m.	Sep 30, 2004 Fair value	Gross unrealized holding gains	Gross unrealized holding losses	Amortized cost	Dec 31, 2003 Fair value	Gross unrealized holding gains	Gross unrealized holding losses	Amortized cost
Debt securities	**15,135**	**251**	**(155)**	**15,039**	16,813	252	(174)	16,735
Equity securities	**6,079**	**1,196**	**(31)**	**4,914**	7,818	1,897	(18)	5,939
Total	**21,214**	**1,447**	**(186)**	**19,953**	**24,631**	**2,149**	**(192)**	**22,674**

Problem Loans

in € m.	Sep 30, 2004 Impaired loans	Nonperforming homogeneous loans	Total	Dec 31, 2003 Impaired loans	Nonperforming homogeneous loans	Total
Nonaccrual loans	**3,983**	**1,086**	**5,069**	4,980	1,062	6,042
Loans 90 days or more past due and still accruing	**39**	**250**	**288**	74	306	380
Troubled debt restructurings	**89**	**–**	**89**	201	–	201
Total	**4,111**	**1,336**	**5,446**	**5,255**	**1,368**	**6,623**

Allowances for Credit Losses

Allowance for on-balance sheet positions in € m.	Nine months ended Sep 30, 2004	Nine months ended Sep 30, 2003
Balance, beginning of year	**3,281**	**4,317**
Provision for loan losses	**361**	894
Net charge-offs	**(1,027)**	**(1,489)**
Charge-offs	**(1,138)**	(1,608)
Recoveries	**111**	119
Allowance related to acquisitions/divestitures	**3**	(100)
Foreign currency translation	**5**	(190)
Balance, end of period	**2,623**	**3,432**

Allowance for off-balance sheet positions in € m.	Nine months ended Sep 30, 2004	Nine months ended Sep 30, 2003
Balance, beginning of year	**416**	**485**
Provision for credit losses on lending-related commitments	**(79)**	(20)
Allowance related to acquisitions/divestitures	**–**	1
Foreign currency translation	**1**	(13)
Balance, end of period	**338**	**453**

Other Assets

Other assets include loans held for sale of € 8,710 million and € 7,110 million at September 30, 2004 and December 31, 2003, respectively. These loans held for sale were acquired or originated in the course of our securitization activities.

Long-term Debt

in € m.	**Sep 30, 2004**	Dec 31, 2003
Senior debt		
Bonds and notes		
Fixed rate	**46,001**	47,364
Floating rate	**39,978**	37,217
Subordinated debt		
Bonds and notes		
Fixed rate	**9,414**	10,379
Floating rate	**4,587**	2,520
Total	**99,980**	**97,480**

Other Financial Information

Variable Interest Entities (VIEs)

The following table includes information on consolidated and significant non-consolidated VIEs under FIN 46(R).

	Consolidated VIEs	Significant VIEs	
Sep 30, 2004, in € m.	Aggregated total assets	Aggregated total assets	Maximum exposure to loss
Commercial paper programs	1,483	18,772	22,890
Guaranteed value mutual funds	635	7,606	7,606
Asset securitization and other	18,214	1,838	303
Commercial real estate leasing vehicles and closed-end funds	1,060	1,668	96

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 primarily 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.	**Sep 30, 2004**	Dec 31, 2003
Commitments to extend credit		
Fixed rates[1]	**24,394**	22,318
Variable rates[2]	**89,789**	66,566
Financial guarantees, standby letters of credit and performance guarantees	**24,044**	23,772
Total	**138,227**	**112,656**

[1] Includes commitments to extend commercial letters of credit and guarantees of € 2.5 billion and € 2.3 billion at September 30, 2004 and December 31, 2003, respectively.

[2] Includes commitments to extend commercial letters of credit and guarantees of € 0.8 billion and € 0.8 billion at September 30, 2004 and December 31, 2003, respectively.

Value-at-risk by Risk Category[1,2]

	Value-at-risk total		Interest rate risk		Equity price risk		Commodity price risk		Foreign exchange risk	
in € m.	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003
Value-at-risk[3]	**67.9**	60.0	**59.4**	52.6	**29.7**	27.3	**8.9**	7.1	**9.1**	6.8
Minimum value-at-risk[4]	**54.5**	32.3	**47.7**	27.6	**19.9**	13.0	**3.8**	3.3	**2.9**	3.2
Maximum value-at-risk[4]	**97.9**	72.1	**91.1**	64.1	**40.5**	37.0	**10.1**	16.7	**25.9**	17.5
Average value-at-risk[4]	**73.9**	48.4	**66.4**	45.9	**28.9**	21.9	**7.1**	6.4	**9.8**	7.7

[1] All figures for 1-day holding period; 99% confidence level (CIB trading units only).

[2] Value-at-risk is not additive due to correlation effects.

[3] Figures for 2003 as of December 31, 2003; figures for 2004 as of September 30, 2004.

[4] Amounts show the bands within which the values fluctuated during the period January 1 to September 30, 2004 and the year 2003, respectively.

Capital According to BIS

in € m.	Sep 30, 2004	Dec 31, 2003
Tier I		
Common shares	**1,392**	1,490
Additional paid-in capital	**11,147**	11,147
Retained earnings, equity classified as obligation to purchase common shares, treasury shares, cumulative translation adjustment, share awards	**15,217**	16,459
Minority interests	**601**	347
Hybrid capital instruments		
Noncumulative trust preferred securities	**2,632**	3,287
Equity contributed on silent partnership interests	**576**	572
Items deducted (principally goodwill and tax effect of available for sale securities)	**(11,655)**	(11,684)
Total core capital	**19,910**	**21,618**
Tier II		
Unrealized gains on listed securities (45% eligible)	**539**	830
Other inherent loss allowance	**487**	503
Hybrid capital instruments		
Cumulative trust preferred securities	**836**	831
Subordinated liabilities, if eligible according to BIS	**8,043**	6,089
Total supplementary capital	**9,905**	**8,253**
Total regulatory capital[1]	**29,815**	**29,871**

[1] Currently we do not have Tier III capital components.

BIS Risk Position and Capital Adequacy Ratios

in € m.	Sep 30, 2004	Dec 31, 2003
BIS risk position[1]	**217,533**	215,672
BIS capital ratio (Tier I + II + III)[2]	**13.7%**	13.9%
BIS core capital ratio (Tier I)	**9.2%**	10.0%

[1] Primarily comprised of credit risk weighted assets. Also includes market-risk equivalent assets of € 11.1 billion and € 9.5 billion at September 30, 2004 and December 31, 2003, respectively.
[2] Currently we do not have Tier III capital components.

Other Information

Supervisory Board

Effective July 29, 2004, Dr. Michael Otto resigned from his post as a member of the Supervisory Board of Deutsche Bank AG. He had been a member of the Supervisory Board since 1989.

Dr. Karl-Gerhard Eick was appointed by the register court as a new member of the Supervisory Board on August 3, 2004. Dr. Karl-Gerhard Eick is head of the Finance and Controlling Division and Deputy Chairman of the Management Board of Deutsche Telekom AG, Bonn.

Litigation

On April 28, 2003, 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") announced a final settlement with ten investment banks concerning investigations relating to research analyst independence. Shortly before this date, Deutsche Bank Securities Inc. ("DBSI"), Deutsche Bank's U.S. SEC-registered broker dealer subsidiary, located certain e-mail that was inadvertently not produced during the course of the investigation. As a result, DBSI was not part of the group of investment banks settling on that day.

On August 26, 2004, after taking steps to ensure production of all responsive e-mail, DBSI reached a settlement with the U.S. securities regulators. DBSI neither admitted nor denied the allegations. DBSI agreed to pay: (i) $ 50 million, of which $ 25 million is a civil penalty and $ 25 million is for restitution for investors, (ii) $ 25 million over five years and 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 the e-mail production issue. Deutsche Bank has provided for the current exposures in its financial statements.

In addition, in settling the matter, DBSI agreed to adopt certain reforms designed to bolster analyst independence and promote investor confidence. DBSI has already voluntarily adopted most of these reforms.

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.

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 measure.

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.
- *Underlying pre-tax profit*: Income before income taxes less restructuring activities, goodwill impairment 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 (post-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.

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 25, 2004 on page F-73, F-74 and S-12 and in our Financial Report 2003 on page 108 and 109.

Reconciliation of Group Reported to Underlying Results

Set forth below are the reconciliations to non-U.S. GAAP financial measures starting from the most directly comparable U.S. GAAP financial measures.

in € m.	Three months ended Sep 30, 2004	Three months ended Sep 30, 2003	Change in %	Nine months ended Sep 30, 2004	Nine months ended Sep 30, 2003	Change in %
Reported net revenues[1]	**5,056**	**5,161**	**(2)**	**16,605**	**16,060**	**3**
Add (deduct)						
Net (gains) losses on securities available for sale/industrial holdings including hedging	**(26)**	(33)	(21)	**(176)**	313	N/M
Significant equity pick-ups/net (gains) losses from investments[2]	**(24)**	38	N/M	**(56)**	922	N/M
Net gains from businesses sold/held for sale	**(21)**	(34)	(39)	**(56)**	(488)	(89)
Net gains on the sale of premises	**(51)**	–	N/M	**(51)**	–	N/M
Policyholder benefits and claims[3]	**(31)**	(37)	(18)	**(109)**	(102)	7
Underlying revenues	**4,904**	**5,095**	**(4)**	**16,157**	**16,706**	**(3)**
Reported provision for loan losses	**83**	**174**	**(53)**	**361**	**894**	**(60)**
Provision for off-balance sheet positions[4]	**(24)**	17	N/M	**(79)**	(20)	N/M
Total provision for credit losses	**58**	**191**	**(69)**	**282**	**874**	**(68)**
Reported noninterest expenses	**3,967**	**4,232**	**(6)**	**12,516**	**13,086**	**(4)**
Add (deduct)						
Restructuring activities	**–**	–	N/M	**–**	29	N/M
Goodwill impairment	**–**	–	N/M	**–**	(114)	N/M
Minority interest	**(4)**	(3)	41	**(4)**	(8)	(46)
Policyholder benefits and claims[3]	**(31)**	(37)	(18)	**(109)**	(102)	7
Provision for off-balance sheet positions[4]	**24**	(17)	N/M	**79**	20	N/M
Operating cost base	**3,957**	**4,175**	**(5)**	**12,481**	**12,912**	**(3)**
Reported income before income taxes[5]	**1,006**	**755**	**33**	**3,728**	**2,080**	**79**
Add (deduct)						
Net (gains) losses on securities available for sale/industrial holdings including hedging	**(26)**	(33)	(21)	**(176)**	313	N/M
Significant equity pick ups/net (gains) losses from investments[2]	**(24)**	38	N/M	**(56)**	922	N/M
Net gains from businesses sold/held for sale	**(21)**	(34)	(39)	**(56)**	(488)	(89)
Net gains on the sale of premises	**(51)**	–	N/M	**(51)**	–	N/M
Restructuring activities	**–**	–	N/M	**–**	(29)	N/M
Goodwill impairment	**–**	–	N/M	**–**	114	N/M
Underlying pre-tax profit	**884**	**726**	**22**	**3,389**	**2,912**	**16**

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 to Underlying Ratios

in € m.	Three months ended Sep 30, 2004	Three months ended Sep 30, 2003	Change	Nine months ended Sep 30, 2004	Nine months ended Sep 30, 2003	Change
Reconciliation of cost ratios						
Reported noninterest expenses	**3,967**	**4,232**	**(6)%**	**12,516**	**13,086**	**(4)%**
Deduct						
Compensation and benefits	**2,327**	2,584	(10)%	**7,632**	7,967	(4)%
Non-compensation noninterest expenses	**1,640**	**1,648**	**(0)%**	**4,884**	**5,119**	**(5)%**
Add (deduct)						
Restructuring activities	**–**	–	N/M	**–**	29	N/M
Goodwill impairment	**–**	–	N/M	**–**	(114)	N/M
Minority interest	**(4)**	(3)	41%	**(4)**	(8)	(46)%
Policyholder benefits and claims	**(31)**	(37)	(18)%	**(109)**	(102)	7%
Provision for off-balance sheet positions	**24**	(17)	N/M	**79**	20	N/M
Non-compensation operating cost base	**1,630**	**1,591**	**2%**	**4,850**	**4,945**	**(2)%**
Cost/income ratio	**78.5%**	82.0%	(3.5) ppt	**75.4%**	81.5%	(6.1) ppt
Underlying cost/income ratio	**80.7%**	81.9%	(1.2) ppt	**77.2%**	77.3%	(0.1) ppt
Compensation ratio	**46.0%**	50.1%	(4.1) ppt	**46.0%**	49.6%	(3.6) ppt
Underlying compensation ratio	**47.5%**	50.7%	(3.2) ppt	**47.2%**	47.7%	(0.5) ppt
Non-compensation ratio	**32.4%**	31.9%	0.5 ppt	**29.4%**	31.9%	(2.5) ppt
Underlying non-compensation ratio	**33.2%**	31.2%	2.0 ppt	**30.0%**	29.6%	0.4 ppt
Reconciliation of profitability ratios						
Net income	**680**	**576**	**18%**	**2,277**	**929**	**145%**
Add (deduct)						
Reversal of 1999/2000 credits for tax rate changes	**3**	78	(96)%	**120**	124	(3)%
Cumulative effect of accounting changes, net of tax	**–**	(151)	N/M	**–**	(151)	N/M
Adjusted net income	**683**	**503**	**36%**	**2,397**	**902**	**166%**
Average shareholders' equity	**26,557**	**28,424**	**(7)%**	**27,773**	**29,508**	**(6)%**
Add (deduct)						
Average unrealized net gains on securities available for sale, net of tax and average deferred taxes relating to 1999 and 2000 tax rate changes in Germany	**(1,592)**	(1,407)	13%	**(1,697)**	(557)	N/M
Average dividends	**(400)**	(372)	8%	**(851)**	(788)	8%
Average active equity	**24,566**	**26,646**	**(8)%**	**25,225**	**28,163**	**(10)%**
Return on average shareholders' equity (post-tax)	**10.2%**	8.1%	2.1 ppt	**10.9%**	4.2%	6.7 ppt
Adjusted return on average active equity (post-tax)	**11.1%**	7.6%	3.5 ppt	**12.7%**	4.3%	8.4 ppt
Pre-tax return on average shareholders' equity	**15.2%**	10.6%	4.6 ppt	**17.9%**	9.4%	8.5 ppt
Pre-tax return on average active equity	**16.4%**	11.3%	5.1 ppt	**19.7%**	9.8%	9.9 ppt
Underlying pre-tax return on average active equity	**14.4%**	10.9%	3.5 ppt	**17.9%**	13.8%	4.1 ppt
Equity turnover (based on average shareholders' equity)	**76.2%**	72.6%	3.6 ppt	**79.7%**	72.6%	7.1 ppt
Equity turnover (based on average active equity)	**82.3%**	77.5%	4.8 ppt	**87.8%**	76.0%	11.8 ppt
Underlying equity turnover (based on average active equity)	**79.8%**	76.5%	3.3 ppt	**85.4%**	79.1%	6.3 ppt
Profit margin	**19.9%**	14.6%	5.3 ppt	**22.5%**	13.0%	9.5 ppt
Underlying profit margin	**18.0%**	14.3%	3.7 ppt	**21.0%**	17.4%	3.6 ppt

ppt – percentage points N/M – Not meaningful

Excerpts from the Annual Report of the Bank for the year ended December 31, 2003 (Unconsolidated Financial Statements) in accordance with German Generally Accepted Accounting Principles

Management Report

In 2003 we came a decisive step closer to our goal of thoroughly transforming the bank by implementing our strategic initiatives. We achieved – and, in some cases, comfortably exceeded – the targets we had set ourselves for the first stage of our management agenda. The implementation of stage two, which we intend to use as a basis for profitable growth, started in the middle of last year. We made further progress with our policy of focusing on our core business and cutting our operating costs. We will be rigorous in continuing this strategy in the current year. We improved the quality of our credit portfolio thanks to our effective risk management. The nascent economic recovery should enable us to further scale back our risk provisioning.

In the spring of last year we successfully completed our share repurchase programme, retiring 40 million shares. This amounted to 6.4% of our share capital. In September 2003 we utilized the authorization given by the most recent General Meeting to launch a new share repurchase programme that allows us to repurchase up to 10% of our outstanding shares.

Deutsche Bank AG generated net income of € 0.8 billion in 2003. We will propose to the General Meeting on June 2, 2004 that a dividend of € 1.50 per share be paid (€ 1.30 per share in 2002). The increase in our dividend reflects our confidence in the abilities of our employees and the soundness of our business model. It also underlines our firm belief that we can continue to strengthen the bank's performance.

Profit and loss account

Net interest income below the extraordinarily high 2002 figure

Total income – consisting of net interest income, net commission income and net income from financial transactions – came to € 11,138 million after € 14,376 million in 2002. The main reason for the 22.5% decline was the 58.2% decrease in net interest income to € 3,264 million, which in 2002 had been boosted by substantial non-recurrent items resulting from the disposal of industrial holdings.

Consequently, income from shareholdings in affiliated companies fell by € 3.5 billion (74.2%) to € 1,208 million. Of the income from profit-pooling, profit-transfer and partial profit-transfer agreements totalling € 1,043 million (a decrease of € 303 million), € 526 million related to Deutsche Bank Privat- und Geschäftskunden AG, € 314 million to DB Capital Markets (Deutschland) GmbH, and € 107 million to DB Export-Leasing GmbH.

Net commission income down

At € 4,326 million, net commission income made the largest contribution to total income. It declined year on year by € 347 million, or 7.4%. The performance of commission income varied from business to business. Commissions from services rendered for subsidiaries were lower. In addition, income from asset management and international business decreased. Commissions from equity brokerage, bond issues and agency business performed encouragingly.

Successful trading business

Our trading business was particularly successful. Net income from financial transactions improved by 88.3% to € 3,548 million. Income from trading in equities and equity derivatives increased on the back of the performance of the international stock markets.

Moderate rise in costs

Administrative expense grew by € 506 million (5.4%) to € 9,945 million; the staff expenses contained therein rose by € 368 million to € 5,500 million. The main reason for this was the € 290 million increase in additions to pension provisions. This expense stems largely from the one-off effect of converting defined-benefit pension schemes to defined-contribution schemes.

Other administrative expenses grew by € 197 million (5.0%) to € 4,148 million. This increase was largely a result of our greater utilization of services rendered by our subsidiaries and the rising expenditure on buildings in connection with the reduction of redundant office space. By contrast, our communications costs and business operating costs were considerably lower year on year.

Write-downs, depreciation and amortization of tangible and intangible assets came to € 297 million (2002: € 364 million).

The balance of other operating income/expenses resulted in net income of € 234 million. This includes the proceeds from the disposal of our Global Securities Services business.

Sharp decrease in risk provisioning

Write-downs of and value adjustments to claims and certain securities as well as additions to provisions for possible loan losses are reported at € 363 million (2002: € 1,842 million) after having been offset against income pursuant to section 340f (3) of the German Commercial Code (HGB). The reduction in our risk provisioning reflects an improvement in the quality of our credit portfolio and the nascent economic recovery.
Portions of our provision for latent risks in our lending business (general value adjustment) were released. After an expense of € 548 million had been incurred in 2002, net income of € 117 million was earned on securities of the liquidity reserve (certain securities).

Operating profit

The bank generated an operating profit of € 1,064 million during the year under review. On balance, exchange rate movements had no material impact on this result.

Other expenses

Write-downs of and value adjustments to participating interests, shares in affiliated companies and securities treated as fixed assets came to € 807 million after having been offset against income pursuant to section 340c (2) HGB. The expense principally concerns value adjustments to participating interests and shares in affiliated companies.

Taxes

The reported tax benefit of € 708 million largely stems from the release of tax provisions; this release had become necessary following a decision by Germany's Federal Fiscal Court on a legal issue of great importance to the entire financial services industry, as a result of which these provisions were unlikely to be utilized.

As in 2002, the bank earned net income of € 820 million during the year under review. € 780 million of the reserve for the bank's own shares was released owing to its smaller holdings of its own shares; we transferred this amount to the other revenue reserves.

Net income unchanged

Including the profit of € 53 million carried forward from 2002, the distributable profit comes to € 873 million. We propose to our shareholders that this distributable profit be appropriated to pay an increased dividend of € 1.50 (2002: € 1.30) per share.
This increased the total dividend payout by € 117 million; on the other hand, this payout was reduced by € 52 million owing to the retirement of 40 million shares as part of the share repurchase programme.

Proposed appropriation of profit: raise dividend

From the profit and loss account of Deutsche Bank AG:

			Change	
in € m.	2003	2002	in € m.	in %
Interest income[1]	16,371	18,706	– 2,335	– 12.5
Current income[2]	2,676	6,691	– 4,015	– 60.0
Total interest income	19,047	25,397	– 6,350	– 25.0
Interest expenses	15,783	17,579	– 1,796	– 10.2
Net interest income	**3,264**	**7,818**	**– 4,554**	**– 58.2**
Commission income	5,477	5,512	– 35	– 0.6
Commission expenses	1,151	839	+ 312	+ 37.1
Net commission income	**4,326**	**4,673**	**– 347**	**– 7.4**
Net income from financial transactions	**3,548**	**1,885**	**+ 1,663**	**+ 88.3**
Wages and salaries	4,278	4,182	+ 96	+ 2.3
Compulsory social security contributions[3]	1,222	950	+ 272	+ 28.6
Staff expenses	5,500	5,132	+ 368	+ 7.2
Other administrative expenses[4]	4,445	4,307	+ 138	+ 3.2
Administrative expense	**9,945**	**9,439**	**+ 506**	**+ 5.4**
Balance of other operating income/expenses	234	– 374	+ 608	
Risk provisioning	363	1,842	– 1,479	– 80.3
Operating profit	**1,064**	**2,721**	**– 1,657**	**– 60.9**
Balance of other income/expenses	**– 920**	**– 2,167**	**+ 1,247**	
Net income before taxes	**144**	**554**	**– 410**	**– 73.9**
Taxes	– 676	– 266	– 410	
Net income	**820**	**820**	**0**	
Profit carried forward from the previous year	53	8	+ 45	
	873	**828**	**+ 45**	**+ 5.4**
Withdrawal from revenue reserves	**780**	**1,226**	**– 446**	
– from the reserve for own shares	780	–	+ 780	
– from other revenue reserves	–	1,226	– 1,226	
Allocations to revenue reserves	**780**	**1,246**	**– 466**	
– to the reserve for own shares	–	1,246	– 1,246	
– to other revenue reserves	780	–	+ 780	
Distributable profit	**873**	**808**	**+ 65**	**+ 8.0**

[1] From lending and money market business, fixed-income securities and government-inscribed debt.
[2] From equity shares and other variable-yield securities, participating interests, shares in affiliated companies (including profit and loss transfer agreements) and leasing business.
[3] Including expenses for pensions and other employee benefits.
[4] Including standard depreciation of tangible assets.

Balance sheet

The total assets of Deutsche Bank AG grew by € 41.5 billion during the year under review to € 742.4 billion due to an increase in securities holdings, compared to a decrease of € 30.3 billion in 2002. Exchange rate movements, particularly in the U.S. dollar, considerably dampened this volume growth.

Total credit extended

Total credit extended (excluding reverse repos and claims arising from securities lending and securities spot deals) declined by € 8.7 billion to € 183.8 billion, after which it accounted for just under one quarter of the bank's total assets (end of 2002: 27.5 %). This decrease took place solely at our branches outside Germany. Credit totalling € 159.0 billion (decrease of € 10.0 billion) was extended to corporate and institutional customers, while loans to private and small business clients came to € 5.4 billion (down by € 1.2 billion); loans to banks, which form part of the total credit extended, increased by € 3.0 billion to € 16.1 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):

			Change	
in € bn.	31.12.2003	31.12.2002	in € bn.	in %
Claims on customers	**167.2**	**179.2**	**– 12.0**	**– 6.7**
with a residual period of				
up to 5 years[1]	147.2	163.8	– 16.6	– 10.2
over 5 years	20.0	15.4	+ 4.6	+ 30.0
Discounts[2]	**0.5**	**0.2**	**+ 0.3**	
Loans to banks	**16.1**	**13.1**	**+ 3.0**	**+ 22.1**
with a residual period of				
up to 5 years[1]	14.2	10.3	+ 3.9	+ 37.3
over 5 years	1.9	2.8	– 0.9	– 33.1
Total	**183.8**	**192.5**	**– 8.7**	**– 4.5**

[1] Including those repayable on demand and those with an indefinite period.
[2] Unless reported under claims.

Claims on banks (excluding loans) remained virtually unchanged at € 126.9 billion (down by € 0.3 billion). These include claims of € 46.6 billion on the Group's own banks. The total volume of reverse repos – including transactions concluded with customers – grew to € 149.5 billion (up by € 8.4 billion).

Liabilities to banks increased by € 34.7 billion to € 323.4 billion as a result of higher balances on clearing accounts repayable on demand at our foreign branches; our Group banks' deposits included in this figure came to € 85.0 billion (decrease of € 6.5 billion).

Securities

Holdings of securities were substantially increased due to the growth in trading activity. Our holdings of bonds and other fixed-income securities grew by € 31.4 billion to € 143.5 billion, while our holdings of equity shares and other variable-yield securities expanded by € 36.5 billion to € 74.5 billion. The majority of these were trading securities.

Participating interests

The shareholdings reported under participating interests declined by € 1.3 billion to € 1.2 billion. Additions of € 0.7 billion to our portfolio of participating interests were more than offset by disposals and necessary value adjustments totalling € 2.0 billion.

Shares in affiliated companies

Shares in affiliated companies are reported at € 34.7 billion (decrease of € 0.1 billion). Additions and disposals (including necessary value adjustments) more or less balanced each other out.

Own shares

The General Meeting on June 10, 2003 adopted a resolution to launch a further share buy-back programme, which allows up to 10% of our outstanding shares to be repurchased. Under this resolution, the bank had repurchased 16.5 million of its own shares by the end of 2003. Together with its other holdings of shares, which are used for trading purposes, the bank held a total of 16.7 million of its own shares on December 31, 2003 (year-end 2002: 39.7 million).

Customer deposits

After additions totalling € 22.6 billion, customer deposits amounted to € 276.6 billion. Of the new deposits taken, € 13.7 billion related to time deposits and € 8.0 billion to deposits repayable on demand. Savings deposits grew substantially by € 0.9 billion (61%) to € 2.5 billion.

Liabilities in certificate form increased on balance by € 5.6 billion to € 75.2 billion; redemptions of money market instruments (certificates of deposit) totalled € 2.1 billion, while other liabilities in certificate form (especially index-linked certificates) amounting to € 7.7 billion were raised.

The table below gives a breakdown of the bank's liabilities:

			Change	
in € bn.	31.12.2003	31.12.2002	in € bn.	in %
Liabilities to banks	**323.4**	**288.7**	**+ 34.7**	**+ 12.0**
repayable on demand	178.4	132.7	+ 45.7	+ 34.4
with agreed period or notice period	145.0	156.0	– 11.0	– 7.0
Liabilities to customers	**276.6**	**254.0**	**+ 22.6**	**+ 8.9**
savings deposits	2.5	1.6	+ 0.9	+ 61.1
other liabilities				
repayable on demand	101.9	93.9	+ 8.0	+ 8.5
with agreed period or notice period	172.2	158.5	+ 13.7	+ 8.6
Liabilities in certificate form	**75.2**	**69.6**	**+ 5.6**	**+ 8.1**
bonds and notes in issue	25.3	25.3	–	–
other liabilities in certificate form	49.9	44.3	+ 5.6	+ 12.6
(thereof: money market instruments)	(24.1)	(26.2)	(–2.1)	(– 8.0)

Subordinated liabilities increased by € 1.5 billion to € 9.0 billion owing to the bank's issuance of its own bonds.

Capital and reserves

The capital and reserves of Deutsche Bank AG (including distributable profit, which increased by € 0.1 billion to € 0.9 billion) decreased by € 1.6 billion to € 20.0 billion. During the year under review, the Board of Managing Directors utilized the authorization it had been granted by the General Meeting to retire some of the bank's own shares under the share buy-back programme. It retired a total of 40 million shares worth € 1.7 billion.
€ 0.8 billion of the reserve for the bank's own shares was released owing to its smaller holdings of its own shares compared to year-end 2002; we transferred this amount to the other revenue reserves.

Regulatory capital and reserves as defined by the German Banking Act (KWG) totalled € 23.8 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).

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. The Group Chief Risk Officer, who is a member of our Board of Managing Directors, is responsible for all risk management activities within the consolidated Group. He chairs our Group Risk Committee, which has responsibility for managing the risk within the Group.

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 manages the market risks arising from all of the trading portfolios in the Corporate and Investment Bank Group Division. The interest rate risk from the (nontrading) banking book is managed by the Global Markets Finance business within the Corporate and Investment Bank Group Division. The only market risks not managed in the Corporate and Investment Bank Group Division are those arising from the nontrading equity and fund positions and certain subsidiaries. Deutsche Bank uses risk limits in the management of its market risks, together with a number of risk tools, including risk sensitivities, value-at-risk, stress testing and economic capital metrics. The Board of Managing Directors and the Group Risk Committee, supported by Group Market Risk Management, as part of the independent risk management function, sets a Group-wide value-at-risk limit for the trading book market risks. Group Market Risk Management sub-allocates this overall limit to the Group Divisions and below that to specific business lines and trading portfolio groups and geographical regions.

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

Responsibility for operational risk management essentially lies with the Corporate Divisions. The Group Chief Risk Officer appointed a Chief Operational Risk Officer. He is represented on the Group Risk Committee and is Chairman of the Group Operational Risk Committee. The Operational Risk Management functions of the Corporate Divisions are part of our independent Operational Risk Management function and report to the Chief Operational Risk Officer.

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.	31.12.2003	31.12.2002
Risk-weighted assets of the banking book	152,065	144,631
Market risk equivalent and default risk of the trading book	52,379	51,669
Total	**204,444**	**196,300**

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.	31.12.2003	31.12.2002
Core capital (Tier I)	17,542	18,046
Supplementary capital (Tier II)	8,786	7,139
Items deducted pursuant to § 10 (6) German Banking Act	(2,578)	(2,920)
Available Tier III capital	–	–
Total eligible own funds	**23,750**	**22,265**
Liable capital ratio	15.6%	15.4%
Overall ratio	11.6%	11.3%

With an overall ratio of 11.6%, Deutsche Bank AG is well above the minimum ratio of 8% prescribed by the German Banking Act.

Outlook

Throughout 2003 stability and confidence returned to the global economy and to the financial markets. At the beginning of 2004 most leading indicators point to a further acceleration of global economic activity, which is reflected in robust global equity markets. The U.S. economy will continue to be the mainstay of global growth. After growing a healthy 3% in 2003, U.S. gross domestic product (GDP) is seen to expand by some 4% in the current year based on rising investment and employment. The recovery in the euro zone should broaden in 2004 as private consumption will benefit from lower inflation, supported by the strength of the euro. German GDP growth in 2004 could reach 2% bringing it slightly above the euro zone's average. This, however, requires some pick-up in consumption which has remained sluggish so far. Recent updates to business surveys have shown that despite the strength of the world economy the appreciation of the euro is providing a damper for activity in the industrial sector.

Risks arise mainly from the U.S. where the transition to a self-sustained growth in 2005 might fail, leading to a current-account-induced U.S. dollar crisis, putting the potential adjustment burden on the rest of the world. Finally, risk premiums in the credit markets have dropped to levels which make financial markets extremely vulnerable to shocks from, among other factors, the developments in the Middle East or terrorism.

For Deutsche Bank, 2003 was a year when the results of our transformation program were reflected in our bottom line and the progressing development of our franchise received positive recognition from the markets. But we have also used the previous year to lay the ground for the next phase of our strategy: building a springboard for growth.

In our Corporate and Investment Bank (CIB) we have launched systematic growth initiatives to further strengthen the franchise, such as closing the product and distribution gap between us and the top three players in all aspects of U.S. fixed income in Global Markets; expanding structured products in the U.S. and into Asia/Pacific for Global Equities; further building our U.S. mergers & acquisitions, equity capital markets and debt products business within Global Corporate Finance; introducing market-based-loan pricing in our Global Banking Division; and selling risk management products through Global Trade Finance in Global Transaction Banking.

We are also determined to generate further profitable growth in Private Clients and Asset Management (PCAM). We will continue our efforts to increase efficiency and optimize the product and service range. A comprehensive portfolio of business initiatives is aimed at capturing additional profit growth potential. Our Asset Management Business Division aims to increase our client base and build our brand and culture from within a strictly-controlled cost environment. Going forward, our Private Wealth Management Business Division intends to increase invested assets, revenues, and overall contribution to the bottom line of the Group. Our Private & Business Clients Corporate Division aims to deliver profitable growth through attracting and keeping clients, and team building. The business seeks to attract and keep customers by serving them throughout their lives, and matching the right advisor with the right offering to the right customer.

In Corporate Investments, we expect to continue to reduce our exposure to non-core activities in 2004 through a continuation of our strategy of opportunistic realization whilst preserving/enhancing value in the portfolio as a whole. This will allow us to re-deploy capital and other resources back into our core client businesses.

Risk discipline made significant progress in 2003 and we expect further progress to be supported by improving economic conditions in 2004. We will continue to closely manage risk-weighted assets. We will increasingly use hedging strategies and securitization structures to the extent that they enable us to manage economic risk and risk-weighted assets in efficient ways. We will expand our use of market-based loan pricing. With support of this pricing framework, we will continue to reallocate our balance sheet towards more profitable customer relationships.

Continued cost discipline will remain a clear priority and we are committed to maintain our rigorous attitude to reducing our cost base, constantly improving the efficiency of our businesses, infrastructure platforms and internal processes. We are confident we can attain this goal as the impact of earlier cost cutting measures become fully visible in the current financial year and as additional cuts in infrastructure costs are made.

Capital management will be further supported by our continued determination to return capital to shareholders. Given the current strength of our core capital ratio, we are very confident that also our second program will successfully support our strategic targets, without compromising our strong capitalization.

Our transformation strategy lays a solid foundation for continued growth. We have set aggressive but realistic targets for phase two of our management agenda.

The year 2004 has started well for us, and we are confident that, if the world's economies and financial markets continue to develop positively, our growth objectives are achievable.

Balance Sheet

of Deutsche Bank AG as at December 31, 2003

Assets in € m.				31.12.2003	31.12.2002
Cash reserve					
a) cash on hand			16		18
b) balances with central banks			5,579		9,470
thereof: with Deutsche Bundesbank	3,935				(8,301)
c) balances with post office banks			–		–
				5,595	9,488
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			1,530		542
thereof: eligible for refinancing at Deutsche Bundesbank	333				(169)
b) bills of exchange			538		167
thereof: eligible for refinancing at Deutsche Bundesbank	474				(70)
				2,068	709
Claims on banks					
a) repayable on demand			68,038		69,237
b) other claims			74,937		71,158
				142,975	140,395
thereof: reverse repos	52,041				(49,829)
Claims on customers				288,935	286,437
thereof: secured by mortgage charges	3,820				(5,336)
loans to or guaranteed by public-sector entities	2,553				(3,455)
reverse repos	97,431				(91,287)
Bonds and other fixed-income securities					
a) money market instruments					
aa) of public-sector issuers		1,092			603
ab) of other issuers		5,955			5,917
thereof: eligible as collateral for Deutsche Bundesbank advances	93				(–)
			7,047		6,520
b) bonds and notes					
ba) of public-sector issuers		58,770			44,516
thereof: eligible as collateral for Deutsche Bundesbank advances	38,474				(28,868)
bb) of other issuers		76,126			57,222
thereof: eligible as collateral for Deutsche Bundesbank advances	13,571				(12,741)
			134,896		101,738
c) own debt instruments			1,543		3,853
nominal amount	1,770				(3,721)
				143,486	112,111
Equity shares and other variable-yield securities				74,523	38,066
Participating interests				1,156	2,496
thereof: in banks	334				(476)
in financial services institutions	6				(3)
Shares in affiliated companies				34,676	34,775
thereof: in banks	5,357				(5,352)
in financial services institutions	960				(985)
Assets held on a trust basis				944	527
thereof: loans on a trust basis	423				(489)
Intangible assets				610	702
Tangible assets				716	1,189
Own shares (accounting par value € 43 million)				965	1,745
Sundry assets				42,049	67,107
Tax deferral				2,456	2,341
Prepaid expenses				1,247	2,782
Total Assets				**742,401**	**700,870**

Liabilities in € m.				31.12.2003	31.12.2002
Liabilities to banks					
a) repayable on demand			178,352		132,689
b) with agreed period or notice period			145,006		156,000
				323,358	288,689
thereof:					
repos	37,990				(42,022)
Liabilities to customers					
a) savings deposits					
aa) with agreed notice period of three months		1,567			522
ab) with agreed notice period of more than three months		866			988
			2,433		1,510
b) other liabilities					
ba) repayable on demand		101,899			93,933
bb) with agreed period or notice period		172,224			158,522
			274,123		252,455
				276,556	253,965
thereof:					
repos	52,614				(48,638)
Liabilities in certificate form					
a) bonds in issue			25,322		25,276
b) other liabilities in certificate form			49,838		44,273
				75,160	69,549
thereof:					
money market instruments	24,141				(26,237)
own acceptances and promissory notes in circulation	29				(75)
Liabilities held on a trust basis				944	527
thereof: loans on a trust basis	423				(489)
Sundry liabilities				28,192	46,944
Deferred income				593	2,200
Provisions					
a) provisions for pensions and similar obligations			2,733		2,448
b) provisions for taxes			1,590		2,301
c) other provisions			3,581		3,795
				7,904	8,544
Special items with partial reserve character				–	16
Subordinated liabilities				8,965	7,458
Participatory capital				728	1,342
thereof: due in less than two years	728				(1,342)
Capital and reserves					
a) subscribed capital			1,490		1,592
conditional capital € 226 m. (31.12.2002: € 232 m.)					
b) capital reserve			11,062		10,960
c) revenue reserves					
ca) statutory reserve		13			13
cb) reserve for own shares		965			1,745
cc) other revenue reserves		5,598			6,518
			6,576		8,276
d) distributable profit			873		808
				20,001	21,636
Total Liabilities				**742,401**	**700,870**
Contingent liabilities					
a) contingent liabilities from rediscounted bills of exchange			–		–
b) liabilities from guarantees and indemnity agreements (see also pages 24 and 26)			23,174		27,983
c) liability arising from the provision of collateral for third-party liabilities			4		–
				23,178	27,983
Other obligations					
a) repurchase obligations under agreements to sell securities with an option to repurchase them			–		–
b) placement and underwriting obligations			–		–
c) irrevocable credit commitments			73,360		78,345
				73,360	78,345

Profit and Loss Account

of Deutsche Bank AG for the year ended December 31, 2003

Expenses in € m.			2003	2002
Interest expenses			15,783	17,579
Commission expenses			1,151	839
Administrative expenses				
a) staff expenses				
aa) wages and salaries	4,278			4,182
ab) compulsory social security contributions and expenses for pensions and other employee benefits	1,222			950
		5,500		5,132
thereof: for pensions	603			(313)
b) other administrative expenses		4,148		3,951
			9,648	9,083
Write-downs and depreciation of and value adjustments to tangible and intangible assets			297	364
Other operating expenses			794	510
Write-downs of and value adjustments to claims and certain securities as well as additions to provisions for possible loan losses			363	1,842
Write-downs of and value adjustments to participating interests, shares in affiliated companies and securities treated as fixed assets			807	1,846
Expenses from assumption of loss			156	120
Extraordinary expenses			2	223
Income taxes			– 708	– 303
Other taxes, unless reported under other operating expenses			32	37
Net income			820	820
Total Expenses			**29,145**	**32,960**

		2003	2002
Net income		820	820
Profit carried forward from the previous year		53	8
		873	828
Withdrawal from revenue reserves			
– from reserve for own shares	780		–
– from other revenue reserves	–		1,226
		780	1,226
Allocations to revenue reserves			
– to reserve for own shares	–		1,246
– to other revenue reserves	780		–
		780	1,246
Distributable profit		**873**	**808**

Income in € m.		2003	2002
Interest income from			
a) lending and money market business	12,999		15,279
b) fixed-income securities and government-inscribed debt	3,372		3,427
		16,371	18,706
Current income from			
a) equity shares and other variable-yield securities	200		507
b) participating interests	193		161
c) shares in affiliated companies	1,208		4,677
		1,601	5,345
Income from profit-pooling, profit-transfer and partial profit-transfer agreements		1,043	1,346
Commission income		5,477	5,512
Net income from financial transactions		3,548	1,885
Other operating income		1,059	136
Income from the release of special items with partial reserve character		16	16
Extraordinary income		30	14
Total Income		**29,145**	**32,960**

Notes to the Accounts

The annual financial statements of Deutsche Bank AG for the 2003 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 (€).

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 calculated in accordance with actuarial principles 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.

Proprietary trading

The prudence principle is applied to the calculation of gains and losses arising from trading activities. Trading in securities, financial instruments (including derivatives), foreign exchange and precious metals is structured – also for accounting purposes – as 'books' or portfolios. An institutionalized risk management system and the application of strict limits lead to a direct adjustment of risk positions, so that market and price risks almost completely offset each other.
Gains and losses on portfolios of OTC derivatives and swaps are calculated using the present value method. Gains are recognized *pro rata temporis* for the reporting period; losses are provisioned in full.
In accordance with established principles for the formation of valuation units in proprietary trading, the commercial-law computation of gains on permanently hedged portfolios is based on their market value. Organizational precautions ensure that no unrealized gains arising from open positions are recognized in the profit and loss account.

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 foreign branches (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:

	listed		unlisted	
in € m.	31.12.2003	31.12.2002	31.12.2003	31.12.2002
Bonds and other fixed-income securities	119,978	94,922	23,508	17,189
Equity shares and other variable-yield securities	68,362	33,873	1,604	341
Participating interests	–	489	–	2
Shares in affiliated companies	–	–	47	1,912

The item 'Equity shares and other variable-yield securities' (€ 74,523 million) includes € 3,035 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:

	Acquisition/manufacturing costs			Depreciation/write-downs and value adjustments			Book values	
in € m.	Balance at 1.1.2003	Additions	Disposals	Cumulative	Current year	Disposals	Balance at 31.12.2003	Balance at 31.12.2002
Intangible assets	735	11	19	83	51	17	610	702
Tangible assets	2,590	187	717	1,486	246	388	716	1,189
land and buildings	307	14	274	57	4	52	38	286
office furniture and equipment	2,192	173	407	1,429	229	333	633	812
leased equipment	91	–	36	–	13	3	45	91
			Changes					
Participating interests			– 1,340				1,156	2,496
Shares in affiliated companies			– 99				34,676	34,775
Bonds and other fixed-income securities			+ 56				56	–
Equity shares and other variable-yield securities			– 1				26	27

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, 2003) and in cumulative depreciation/write-downs and value adjustments. Land and buildings with a total book value of € 24 million were used as part of our own activities.

Subordinated assets are reported as follows:

Subordinated assets

in € m.	31.12.2003	31.12.2002
Claims on banks	1,306	2,050
Claims on customers	343	493
Bonds and other fixed-income securities	689	313
Equity shares and other variable-yield securities	–	47

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 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

At the end of 2003, a deferral of € 2,456 million was capitalized pursuant to section 274 (2) HGB. It corresponds 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 2003, 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 the distribution on participatory capital proposed for the 2003 financial year, 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 € 442 million. Accrued but not yet matured interest of € 134 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	5.405%	27.3.2007
€	1,100,000,000	Deutsche Bank AG bond of 2003	5.125%	31.1.2013
€	1,000,000,000	Deutsche Bank AG registered bond of 2003	5.33%	19.9.2023
€	500,000,300	DB Capital Funding LLC III, Wilmington/U.S.A., issue proceeds passed on to us	6.60%	30.6.2029
€	300,000,000	Deutsche Bank AG registered bond of 2003	3.15%	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	1.519%	30.4.2009
U.S.$	650,000,000	DB Capital Funding LLC I, Wilmington/U.S.A., issue proceeds passed on to us	7.872%	30.6.2009
U.S.$	500,000,000	Deutsche Bank Finance N.V., Curaçao/Netherlands Antilles, issue proceeds passed on to us	1.93%	27.3.2012
U.S.$	800,000,000	Deutsche Bank Financial Inc., Dover/U.S.A., issue proceeds passed on to us	5.375%	2.3.2015

Participatory capital

The participatory capital issued amounts to € 0.7 billion as at December 31, 2003. This item comprises the bearer participatory certificates with warrants issued in 1992 amounting to DM 1.4 billion (€ 0.7 billion), which mature at the end of 2003. Redemption will be on June 30, 2004, subject to the stipulations on loss participation. The participatory certificate entitles the bearer to an annual dividend payment of 8.75% of par value, which ranks prior to the profit attributable to shareholders.
The distribution of € 64 million on the participatory capital for the 2003 financial year is reported under sundry liabilities.

The General Meeting on May 17, 1999 authorized the Board of Managing Directors to issue participatory certificates with warrants and/or convertible participatory certificates, bonds with warrants, and convertible bonds up to a total of € 2.5 billion on one or more occasions on or before April 30, 2004; conditional capital of € 80,000,000 is available for this purpose.

Own shares

In the course of 2003, the bank and its affiliated companies bought 520,388,657 Deutsche Bank shares at prevailing market prices and sold 520,796,020 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 May 22, 2002 and June 10, 2003 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 May 22, 2002 expired once the authorization of June 10, 2003 became effective. The average purchase price was € 50.38 per share; the average selling price was € 50.07. The resulting loss was reported under operating profit.

The bank's own shares bought and sold during 2003 corresponded to roughly 89% of its share capital. The largest holding on any one day was 4.40% and the average daily holding 0.66% of its share capital.

The bank was authorized by the General Meeting resolution of June 10, 2003 to purchase its own shares amounting to up to 10 per cent of its current share capital on or before September 30, 2004 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 bank'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 bank'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. The price paid for the shares must not be more than 10 per cent above or more than 20 per cent below the average share price quoted on the Frankfurt Stock Exchange on the last three trading days prior to the obligation to purchase the shares through the stock market. If a public offering is made, the price paid for the shares must not be more than 10 per cent below or more than 15 per cent above the average share price quoted 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 May 22, 2002 and was valid until September 30, 2003, expired as soon as the authorization of June 10, 2003 came into effect.
At the end of 2003, the bank's holdings of its own shares amounted to 144,625 pursuant to section 71 (1) number 7 of the German Joint Stock Corporation Act and to 16,527,468 pursuant to section 71 (1) number 8 of the German Joint Stock Corporation Act, i.e. 0.02% and 2.84% 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 € 964,986,046.92. On December 31, 2003, 1,855,874 (end of 2002: 2,028,050) Deutsche Bank shares, i.e. 0.32% (end of 2002: 0.33%) 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 581,854,246 registered no par value shares. This number decreased in 2003 due to the retirement of 40,000,000 shares as part of the share buy-back programme.
Excluding holdings of the bank's own shares, the number of shares in issue as at December 31, 2003 came to 565,182,153 (end of 2002: 582,129,710); the average number of shares in issue in the year under review was 574,821,752.

The following table shows the changes in subscribed, authorized and conditional capital:

in €	Subscribed capital	Authorized capital	Authorized capital excl. shareholders' pre-emptive rights	Conditional capital
Balance at 31.12.2002	**1,591,946,869.76**	**655,822,970.30**	**30,000,000.00**	**231,614,835.20**
Capital reduction through retirement of 40,000,000 shares pursuant to General Meeting resolution of May 22, 2002	– 102,400,000.00			
Increase pursuant to General Meeting resolution of June 10, 2003		128,000,000.00		
Expiry of General Meeting resolution of May 20, 1998		– 127,822,970.30		
Expiry of option rights pursuant to General Meeting resolution of May 20, 1998				– 695,296.00
Expiry of option rights pursuant to General Meeting resolution of May 17, 1999				– 4,746,147.84
Balance at 31.12.2003	**1,489,546,869.76**	**656,000,000.00**	**30,000,000.00**	**226,173,391.36**

Authorizations given by the General Meeting

Authorized capital

The General Meeting granted the Board of Managing Directors five differently structured authorizations to increase the share capital – with the consent of the Supervisory Board – through the issue of new shares (authorized capital) as follows:

- by a further € 50,000,000 against cash payments, on or before April 30, 2004; 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 17, 1999);
- by up to € 250,000,000 against cash payments, on or before April 30, 2004, with pre-emptive rights being granted to shareholders (General Meeting resolution of May 17, 1999);
- 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).

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 Articles of Association contain the following authorizations for the issue of shares and/or options to employees of Deutsche Bank:

- The authorized capital of € 30,000,000 granted by the General Meeting resolution of June 9, 2000 is intended for the issue of staff shares. Shareholders' pre-emptive rights are excluded.

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. Between 2001 and 2003, this authorization was utilized to grant option rights on shares amounting to € 9,292,249.60. Although the conditional capital now amounts to € 30,973,391.36, it can no longer be used.

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 Xetra trading 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.

Change in capital and reserves

in € m.		
Balance at 31.12.2002		**21,636**
Distribution in 2003		– 755
Profit carried forward		– 53
Capital reduction through retirement of own shares		
– derecognition of subscribed capital	– 102	
– allocation to capital reserve	+ 102	
– withdrawal from other revenue reserves	– 1,700	– 1,700
Revenue reserves		
– withdrawal from reserve for own shares	– 780	
– allocation to other revenue reserves	+ 780	–
Distributable profit for 2003		+ 873
Balance at 31.12.2003		**20,001**

Regulatory capital and reserves pursuant to the German Banking Act totalled € 23.8 billion.

Contingent liabilities

Liabilities from guarantees and indemnity agreements, as reported on the balance sheet, are broken down as follows:

in € m.	31.12.2003	31.12.2002
Guarantees	16,349	20,706
Letters of credit	2,446	3,675
Credit liabilities	4,379	3,602

Other obligations

The irrevocable credit commitments (€ 73,360 million) include commitments of € 63,809 million for loans and discounts in favour of non-banks.

Sundry obligations

Annual payment obligations under rental agreements and leases amount to € 466 million with residual maturities of up to 20 years. These obligations include € 134 million to affiliated companies. There are longer-term obligations to purchase goods and services totalling € 1.6 billion as part of outsourcing projects.

Liabilities for possible calls on not fully paid-up shares in public and private limited companies and other shares amounted to € 153 million at the end of 2003 and other liabilities for possible calls to € 26 million. Joint liabilities pursuant to section 24 of the German Private Limited Companies Act (GmbHG) amounted to € 28 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 € 68 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 € 0.1 million as at December 31, 2003.

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 € 320 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 € 690 million as at December 31, 2003.

There are contingent liabilities totalling € 59 million in connection with the resale of the trading company Klöckner & Co. AG, Duisburg.

Furthermore, there remain other obligations of € 186 million arising from third-party put options and of € 52 million arising from indemnity, maintenance and insurance agreements.

For all liabilities established before the hive-down of the retail business into Bank 24 AG – which trades as Deutsche Bank Privat- und Geschäftskunden AG – became effective, the bank is liable as an involved legal entity pursuant to section 133 (1) of the German Transformation Act (UmwG) for five years from the date on which the entry of the hive-down in the Commercial Register is deemed to have been officially announced; the hive-down was entered in the Commercial Register on September 1, 1999.

Declaration of backing[1]

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 Asset Management International GmbH, Frankfurt am Main (formerly: Deutsche Asset Management GmbH)

Deutsche Asset Management Investmentgesellschaft mbH vormals DEGEF Deutsche Gesellschaft für Fondsverwaltung mbH, Frankfurt am Main

Deutsche Australia Limited, Sydney

Deutsche Bank Americas Holding Corp., New York/U.S.A. (formerly: Deutsche Bank North America Holding Corp.)

Deutsche Bank Luxembourg S.A., Luxembourg

Deutsche Bank (Malaysia) Berhad, Kuala Lumpur

Deutsche Bank Polska S.A., Warsaw

Deutsche Bank (Portugal), S.A., Lisbon (formerly: Deutsche Bank de Investimento, S.A.)

Deutsche Bank Rt., Budapest

Deutsche Bank S.A., Buenos Aires

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

Deutsche Bank S.A./N.V., Brussels

Deutsche Bank, Sociedad Anónima Española, Barcelona

Deutsche Bank Società per Azioni, Milan

Deutsche Bank (Suisse) S.A., Geneva

Deutsche Futures Singapore Pte Ltd., Singapore (formerly: Deutsche Morgan Grenfell Futures Pte Ltd.)

Deutsche Morgan Grenfell Group plc, London

Deutsche Securities Limited, Hong Kong (formerly: Deutsche Morgan Grenfell Capital Markets Limited)

Deutsche Securities Asia Limited, Hong Kong

DWS Holding & Service GmbH, Frankfurt am Main (formerly: Deutsche Asset Management Europe GmbH)

DWS Investment GmbH, Frankfurt am Main (formerly: DWS Deutsche Gesellschaft für Wertpapiersparen mbH)

DWS Investment S.A., Luxembourg (formerly: DB Investment Management S.A.)

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.	31.12.2003	31.12.2002
Other claims on banks	**74,937**	**71,158**
with a residual period of		
up to three months	55,256	50,167
more than three months and up to one year	10,806	14,894
more than one year and up to five years	6,310	3,251
more than five years	2,565	2,846
Claims on customers	**288,935**	**286,437**
with a residual period of		
up to three months	212,802	210,078
more than three months and up to one year	22,547	32,616
more than one year and up to five years	32,395	24,340
more than five years	20,956	15,407
with an indefinite period	235	3,996

Of the bonds and other fixed-income securities of € 143,486 million, € 20,073 million mature in 2004.

Maturity structure of liabilities

in € m.	31.12.2003	31.12.2002
Liabilities to banks with agreed period or notice period	**145,006**	**156,000**
with a residual period of		
up to three months	106,242	94,404
more than three months and up to one year	14,255	18,775
more than one year and up to five years	16,086	25,229
more than five years	8,423	17,592
Savings deposits with agreed notice period of more than three months	**866**	**988**
with a residual period of		
up to three months	401	452
more than three months and up to one year	281	315
more than one year and up to five years	180	218
more than five years	4	3
Other liabilities to customers with agreed period or notice period	**172,224**	**158,522**
with a residual period of		
up to three months	121,535	111,995
more than three months and up to one year	7,960	23,208
more than one year and up to five years	29,976	17,484
more than five years	12,753	5,835
Other liabilities in certificate form	**49,838**	**44,273**
with a residual period of		
up to three months	16,172	15,417
more than three months and up to one year	15,769	14,655
more than one year and up to five years	15,280	7,125
more than five years	2,617	7,076

Of the issued bonds of € 25,322 million, € 6,419 million mature in 2004.

Prepaid expenses and deferred income

The prepaid expenses of € 1,247 million include a balance of € 281 million pursuant to section 250 (3) HGB. The deferred income of € 593 million contains € 157 million in balances pursuant to section 340e (2) HGB.

Trust business

	Assets held in trust			Liabilities held in trust	
in € m.	31.12.2003	31.12.2002	in € m.	31.12.2003	31.12.2002
Claims on banks	468	13	Liabilities to banks	11	12
Claims on customers	419	489	Liabilities to customers	933	515
Equity shares and other variable-yield securities	42	25			
Participating interests	15	–			
Total	**944**	**527**	**Total**	**944**	**527**

Information on affiliated, associated and related companies

	Affiliated companies		Associated and related companies	
in € m.	31.12.2003	31.12.2002	31.12.2003	31.12.2002
Claims on banks	50,118	46,323	190	2,672
Claims on customers	149,491	128,291	872	766
Bonds and other fixed-income securities	902	1,276	1,582	82
Liabilities to banks	85,025	91,555	50	26
Liabilities to customers	89,948	70,355	1,111	357
Liabilities in certificate form	1,334	3,386	–	–
Subordinated liabilities	6,937	5,860	–	–

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.	31.12.2003	31.12.2002
Liabilities to banks	9,457	11,285
Liabilities to customers	486	630

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 € 66,073 million related exclusively to securities sold under repo agreements.

Foreign currencies

The total amount of assets denominated in foreign currency was the equivalent of € 423,400 million at the balance sheet date; the total value of liabilities was the equivalent of € 407,970 million.

Forward deals

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, option deals and option contracts linked to interest rates and indices;

– exchange rate-linked transactions
  foreign exchange and precious metal forwards, cross-currency swaps, option rights in certificate form, option deals and option contracts 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, option deals and option contracts 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.

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.	2003	2002
Germany	11,640	13,283
Europe excl. Germany	11,793	12,525
Americas	2,481	3,443
Africa/Asia/Australia	2,142	2,333
Total	**28,056**	**31,584**

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 € 1,059 million, other operating income consists mainly of € 40 million in income from the release of provisions not concerning lending or securities-related business, proceeds of € 286 million from the disposal of the Global Securities Services business, income of € 32 million from leasing, and realized foreign exchange gains of € 536 million on gains and losses carried forward at branches outside Germany.

Other operating expenses

Other operating expenses of € 794 million include € 53 million in diverse expenses for compensation payments, processing errors, and the reimbursement of interest and commissions from previous years, € 66 million in insurance premiums for operational risks, € 27 million in losses on the sale of furniture and equipment and payments for the early termination of leases on bank premises, € 105 million in exchange rate differences, particularly as a result of the translation of the capital allocated to our foreign branches (including gains and losses carried forward) and € 265 million in expenses for other property, mainly losses incurred on the sale of buildings.

Other information

Board of Managing Directors and Supervisory Board

In 2003, the total remuneration of the Board of Managing Directors came to € 28,005,458.54, € 23,693,460 of which represented variable forms of compensation.
Former members of the Board of Managing Directors of Deutsche Bank AG or their surviving dependants received € 31,218,858.64. In addition to a fixed payment of € 736,116.63, the Supervisory Board received dividend-related remuneration totalling € 1,354,263.75.
Provisions for pension obligations to former members of the Board of Managing Directors or their surviving dependants totalled € 173,794,918.
At the end of 2003, loans and advances granted and contingent liabilities assumed for members of the Board of Managing Directors amounted to € 95,000 and for members of the Supervisory Board of Deutsche Bank AG to € 473,000.
The members of the Board of Managing Directors and the Supervisory Board are listed on pages 33 and 34.
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 27,965 (2002: 31,132), 10,797 of whom were women. Part-time employees are included proportionately in these figures. An average of 13,403 (2002: 14,133) 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 2, 2004

Deutsche Bank Aktiengesellschaft
The Board of Managing Directors

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, 2003. 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 8, 2004

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Wiedmann	Keese
Wirtschaftsprüfer	Wirtschaftsprüfer

PRINCIPAL PLACE OF BUSINESS OF THE BANK

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D-60325 Frankfurt am Main
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THE COMPANY

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THE TRUST

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LEGAL ADVISORS

To the Managers with regard to U. S. law
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To Deutsche Bank, the Company, the Trust and the Delaware Trustee with regard to Delaware law
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Aufgrund des vorstehenden Prospektes wurden die

Stück 900.000
Noncumulative Trust Preferred Securities
(Rückzahlung zum Liquidationswert von € 1.000 je Vorzugsanteil)

– ISIN DE000A0DTY34 –

des

Deutsche Bank Capital Funding Trust VI

zum Amtlichen Markt an der Frankfurter Wertpapierbörse

zugelassen.

Frankfurt am Main, im Januar 2005

Deutsche Bank Aktiengesellschaft