



DEUTSCHE BANK CAPITAL FUNDING TRUST III

Consolidated Financial Statements

December 31, 2003

(With Independent Auditors' Report Thereon)

(Confidential)



KPMG LLP
757 Third Avenue
New York, NY 10017



Independent Auditors' Report

The Board of Directors and Stockholders
Deutsche Bank Capital Funding Trust III:

We have audited the accompanying consolidated statement of financial condition of Deutsche Bank Capital Funding Trust III (the Trust) as of December 31, 2003, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Deutsche Bank Capital Funding Trust III as of December 31, 2003, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

September 3, 2004

DEUTSCHE BANK CAPITAL FUNDING TRUST III

Consolidated Statement of Financial Condition

December 31, 2003

Assets

Subordinated note receivable from affiliate	€ 516,336,462
Total assets	€ <u>516,336,462</u>

Liabilities and Stockholders' Equity

Long-term debt	€ 500,000,000
Total liabilities	<u>500,000,000</u>
Minority interest	<u>200</u>
Stockholders' equity:	
Common stock, €100 stated value per share. Authorized, issued, and outstanding 1 share	100
Retained earnings	<u>16,336,162</u>
Total stockholders' equity	<u>16,336,262</u>
Total liabilities and stockholders' equity	€ <u>516,336,262</u>

See accompanying notes to consolidated financial statements.

DEUTSCHE BANK CAPITAL FUNDING TRUST III

Consolidated Statement of Operations

Year ended December 31, 2003

Interest income	€ 33,000,000
Interest expense	<u>33,000,000</u>
Net income	<u>€ —</u>

See accompanying notes to consolidated financial statements.

DEUTSCHE BANK CAPITAL FUNDING TRUST III
Consolidated Statement of Changes in Stockholders' Equity
Year ended December 31, 2003

		<u>Common stock</u>	<u>Retained earnings</u>	<u>Total</u>
Balance as of December 31, 2002	€	100	—	100
Cumulative effect of a change in accounting principle		—	16,336,162	16,336,162
Balance at December 31, 2003	€	<u>100</u>	<u>16,336,162</u>	<u>16,336,262</u>

See accompanying notes to consolidated financial statements.

DEUTSCHE BANK CAPITAL FUNDING TRUST III

Consolidated Statement of Cash Flows

Year ended December 31, 2003

Cash flows from operating activities:

Net income

€ —

Net cash used in operating activities

—

Net change in cash and cash equivalents

—

Cash and cash equivalents at:

Beginning of year

—

End of year

€ —

Supplemental disclosure of cash flow information:

Cash paid during the year for:

Interest

€ 33,000,000

See accompanying notes to consolidated financial statements.

DEUTSCHE BANK CAPITAL FUNDING TRUST III

Notes to Consolidated Financial Statements

December 31, 2003

(1) Organization

Deutsche Bank Capital Funding Trust III (the Trust) is a statutory business trust created on June 18, 1999 under the laws of the State of Delaware. The Trust was incorporated for the sole purpose of issuing EUR 500 million of Trust Preferred Securities to investors. The proceeds from the issuance of the Trust Preferred Securities were used to purchase all the class B preferred stock from Deutsche Bank Capital Funding LLC III (the Company), a majority-owned consolidated subsidiary. The Trust does not engage in any business other than receiving and holding class B preferred stock, issuing the related Trust Preferred Securities, collecting dividends paid with respect to the class B preferred stock, paying interest to the holders of the Trust Preferred Securities, and performing other obligations required under the Trust's Amended and Restated Trust Agreement dated July 7, 1999. The consolidated financial statements and all transactions entered into by the Trust and the Company are denominated in Euros.

(2) Summary of Significant Accounting Policies

The accompanying consolidated financial statements have been prepared from the separate records maintained by the Trust, and may not necessarily be indicative of the consolidated financial condition and consolidated results of operations that would have existed if the Trust had been operated as an unaffiliated entity.

The Trust's consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America and prevailing industry practice, both of which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates may vary from actual results.

The consolidated financial statements of the Trust include the Company. The Trust 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 Trust consolidates those entities that do not meet these criteria when the Trust absorbs a majority of the entity's expected losses, or if no party absorbs a majority of the expected losses, when the Trust receives a majority of the entity's expected residual returns. All material intercompany transactions and accounts have been eliminated.

Interest income represents the payments received or receivable from the subordinated note receivable from affiliate and interest expense represents payments paid or payable from the issuance of long-term debt.

The Trust is a grantor trust and, as such, is a simple trust. Simple trusts must pass through all items of income and deductions to the grantor. Therefore, the Trust has no taxable income and no requirement to record a tax expense.

(3) Long-Term Debt

On July 7, 1999, the Trust issued EUR 500 million of Trust Preferred Securities. The Trust Preferred Securities have no stated maturity, but are redeemable, in whole or in part, at the option of the Company on September 30, 2004 (the Initial Redemption Date) or after the Initial Redemption Date, on any Class B Payment Date. Class B Payment Dates occur on March 30, June 30, September 30, and December 30 of each year. Holders of the Trust Preferred Securities will receive interest payments, on a noncumulative

DEUTSCHE BANK CAPITAL FUNDING TRUST III

Notes to Consolidated Financial Statements

December 31, 2003

basis, quarterly in arrears on March 30, June 30, September 30, and December 30 of each year, commencing September 30, 1999, at a fixed rate equal to 6.6%. Interest payments will be paid to the extent that the Trust has funds available from interest earned by the Company, a majority-owned consolidated subsidiary.

(4) Variable Interest Entities

Financial Accounting Standards Board 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. 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 Trust on July 1, 2003. Consequently, the Trust recorded a EUR 16 million gain as a cumulative effect of a change in accounting principle and total assets increased by EUR 16 million.

(5) Related Party Transactions

Related party transactions consist of a subordinated note receivable from affiliate and the associated interest income.

The common stock of the Trust is held by Deutsche Bank AG, acting through its New York Branch. The common and preferred stock A of the Company is held by Deutsche Bank AG.

Deutsche Bank AG, an affiliated entity, pays all administrative expenses incurred by the Trust and the Company.

(6) Fair Value of Financial Instruments

Statement of Financial Accounting Standards No. 107, *Disclosures about Fair Value of Financial Instruments*, requires the disclosure of fair value information about financial instruments for which it is practicable to estimate that value, whether or not the instrument is recognized in the consolidated statement of financial condition. 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 of anticipated cash flows.

The following are the estimated fair values of the Trust's financial instruments recognized on the consolidated statement of financial condition:

	December 31, 2003	
	Carrying amount	Fair value
Subordinated note receivable from affiliate	€ 516,336,462	€ 516,336,462
Long-term note	500,000,000	516,336,462