Management Report on the 2003 Financial Year for DZ BANK AG

DZ BANK

Key Figures

DZ BANK AG 2003/2002

in € million	2003	2002
Profitability		
Operating result before risk provisioning	518	932
Risk provisioning	-371	-1,709
Operating result	147	-777
Net income for the year	80	55
Cost-income ratio[1] (in percent)	64.0	85.4
Financial Status		
Assets		
Loans and advances to other banks	75,948	80,364
of which: to affiliated banks	37,252	37,419
Loans and advances to non-bank customers	26,044	32,278
Securities[2]	54,767	58,217
Other assets	15,211	13,903
Liabilities		
Liabilities to banks	97,912	106,647
of which: to affiliated banks	36,351	39,619
Liabilities to non-bank customers	30,451	29,584
Certificated liabilities	26,051	31,113
Other liabilities	11,533	11,420
Proprietary capital according to balance sheet[3]	6,023	5,998
Balance sheet total	171,970	184,762
Business volume[4]	186,435	202,564
Regulatory capital ratios (KWG)		
Total capital ratio (in percent)	17.0	14.5
Tier 1 capital ratio (in percent)	12.2	10.5
Off-balance-sheet futures business		
Nominal volume	697,251	635,543
Replacement costs	13,948	13,494
Annual average employees	4,562	5,300

[1] 2002 figures include comparable operating income

[2] Bonds and other fixed-interest securities and equity shares and other variable-yield securities

[3] Balance sheet equity less cumulative profit including fund for general banking risks

[4] Balance sheet total including contingent liabilities and other obligations

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Management Report on the 2003 financial year for DZ BANK AG

I. Overview of trading in fiscal 2003

1. Macroeconomic framework

The fraught economic environment continued to present DZ BANK AG (DZ BANK) with exceptional challenges during the year under report. Most importantly, the uncertainty stemming from the Iraq crisis dashed the hopes of an economic upturn that had emerged at the start of the year. The output of the economy even weakened by a further 0.3 percent.

The persistently difficult conditions on the labor market weighed on consumer sentiment and private household demand fell again by 0.1 percent in 2003. Corporate investment activity also remained well below expectations as companies cut their plant and equipment investment by 3.0 percent year-on-year.

Domestic GDP did expand in the second half of 2003 – albeit at the exceptionally modest rate of just 0.2 percent – thanks to higher exports, which defied the strong appreciation of the euro to record an overall gain of 1.2 percent over the full year. This rise was helped by strong economic growth in the USA, eastern Europe and Asia. The first tentative progress on the economic policy reform front at the end of the year also helped produce a gradual improvement in the economic climate.

2. Continuation of the strategic realignment launched in 2001

During the year under report DZ BANK has successfully maintained our strategy of focusing our business activity more closely on the cooperative primary banks and applying a risk-aware lending policy. At the same time we were able to make further progress on the projects launched at the time of the merger in 2001 to migrate our databases and harmonise our IT platforms, and to bring many of these projects to a successful conclusion during 2003.

There have also been changes in DZ BANK's portfolio of businesses during the year, all of them aimed at strengthening the effectiveness of the integrated cooperative financial services sector as a whole:

- **Spin-off of payments processing division**

The separating out of DZ BANK's payments processing division into a newly-founded specialist company Transaktionsinstitut für Zahlungsverkehrsdienstleistungen AG, Frankfurt am Main, (Transaktionsinstitut) with effect from September 1, 2003 has created the nucleus for a neutral processing platform to service national and international payments transactions. The benefit of efficiency gains achieved through the expansion of transaction volumes and the modernisation of processing technologies will feed through to the local cooperative banks in the form of significantly reduced unit costs. In December 2003 WestLB AG, Düsseldorf, announced it is interested in partnering with Transaktionsinstitut. Between them, these banks handle no less than 26 percent of the total domestic payments traffic measured by numbers of transactions.

- Acquisition of norisbank AG, Nürnberg

DZ BANK's takeover of the specialist consumer credit provider norisbank AG as from October 1, 2003 has created the necessary foundation for increasing the cooperative financial services sector's share of this fast-growing market segment. norisbank's partner banks model gives local cooperative banks the opportunity to distribute its high-profile "easyCredit" brand product. norisbank has installed a high-grade risk management system and modern, low-cost processing technology. By the end of 2003 no less than 438 partner banks had already registered their interest in distributing "easyCredit".

- Cross-sector merger of securities processing businesses

The merger of the municipal savings bank sector's specialist service provider WPS WertpapierService Bank AG, Düsseldorf, with its cooperative sector equivalent Bank für Wertpapierservice and -systeme AG, Frankfurt am Main, to form Deutsche WertpapierService Bank AG, Frankfurt am Main, (dwpbank) in August 2003 has created Germany's biggest specialist securities processor. The involvement of further partners in future and the harmonisation of processing platforms will deliver permanent efficiency advances. At the end of November the new entity was able to sign an agreement on future cooperation with Dresdner Bank AG, Frankfurt am Main. The shares of dwpbank are held in equal proportions by the cooperative sector (40 percent by DZ BANK, 10 percent by WGZ-Bank Westdeutsche Genossenschafts-Zentralbank eG, Düsseldorf) and the savings bank sector. The intention is to bring further equity partners on board in the future.

- Amalgamation of factoring business with France-based Natexis Factorem S.A., Paris

In November 2003 Natexis Banque Populaire, Paris, and VR-LEASING AG, Eschborn, signed a joint-venture agreement to establish VR FACTOREM GmbH, Eschborn. The new undertaking, 51 percent owned by our French partner and 49 percent owned by VR-LEASING AG, will specialise in the provision of factoring services for small and midsize enterprises and also absorb the factoring operations of VR DISKONTBANK GmbH, Eschborn, a subsidiary of VR-LEASING AG. DZ BANK and Natexis Banque Populaire have also agreed to intensify our existing cooperation in the areas of research, asset management and private equity.

- Investment custody business

In January of the current year, Union Asset Management Holding AG, Frankfurt am Main, and DekaBank Deutsche Girozentrale, Frankfurt am Main, started to jointly explore the possibility of pooling their investment custody activities.

In order to further the structural streamlining of the DZ BANK Group, in addition to the initiatives described DZ BANK has also acquired (effective December 31, 2003) ReiseBank AG, Frankfurt am Main, and CashExpress Gesellschaft für Finanz- and Zahlungsverkehrsdienstleistungen mbH, Frankfurt am Main, from DVB Bank AG, Frankfurt am Main. These moves will free DVB Bank to focus on its core international transport finance and consultancy business.

3. Key results overview

DZ BANK's key income statement measures evolved as follows in the year under report:

Our **operating income** totaled € 1,440 million in the year under report (2002: € 1,883 million). Excluding the exceptional income of € 513 million under the previous year's share of affiliates heading and correcting the previous year's profit positions to reflect subsequent changes in accounting methods, this represents a change of + 29.3 percent.

Administrative expense moderated by 3.0 percent to € 922 million.

The **cost-income ratio** is 64.0 percent (2002: 85.4 percent).

Operating profit before risk provisions amounted to € 518 million. Allowing for the previously mentioned adjustments to the prior-year figures, this represents a € 355 million increase. Risk provisions were substantially reduced to € -371 million (2002: € -1,709 million).

Operating profit came in at € 147 million in 2003. After the balance of non-operating expenses and income of € -198 million, the net profit on the year was € 80 million.

We will propose the annual general meeting approves the distribution of a **dividend** of € 0.05 per share.

Income statement DZ BANK AG 2003/2002

in € million	2003	2002	Change in %
Net interest income [1]	753	1,223	-38.4
Net commission income	285	254	12.2
Net earnings from financial activities	322	205	57.1
Personnel expense	435	455	-4.4
Other administrative expenses [2]	487	496	-1.8
General and administrative expense	922	951	-3.0
Balance of other operating expense/ income	80	201	-60.2
Operating result before risk provisions	518	932	-44.4
Risk provisions	-371	-1,709	-78.3
Operating result	147	-777	> 100.0
Balance of other expenses/ income [3]	-198	807	> 100.0
Taxes	-131	-25	> 100.0
Net profit on period	80	55	45.5

[1] Includes current earnings, earnings from profit transfer agreements

[2] Other administrative expenses plus depreciation and write-downs on fixed and intangible assets

[3] Result from financial investments, special items with reserve character, extraordinary expenditure/income and other items

The **detailed breakdown** of the fiscal 2003 results is as follows:

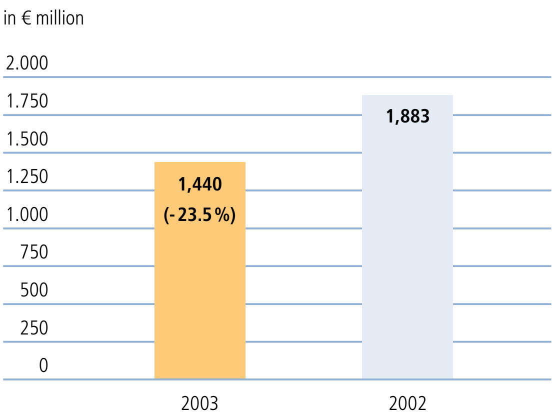
Net interest income

DZ BANK's net interest income (excluding shares of affiliates) was 14.6 percent lower year-on-year at € 409 million. It should be noted that this change is essentially the result of the two presentation methodology changes described below that were implemented last year and which are more consonant with the operating logic. Unlike last year, the expenses arising from prepayment penalties on the premature redemption of note loans and registered bonds are no longer shown as part of the balance of other (non-operating) expenses and income, but as part of the interest result. Furthermore, the net trading income total for 2003 includes for the first time the balance of income and expense from repurchase agreements that in the previous year was still part of the net interest income heading. If we adjust the previous year to reflect these two method changes, net interest income increased by 2.3 percent in 2003.

The credit and money market operations made a significant contribution to the overall interest result. The structured trade finance business in particular was able to make impressive progress. It was able to expand its market position thanks primarily to the encouraging growth of the demand for finance from the oil and gas sector – even though the domestic and European markets were marked by constrained demand and slow growth. We were also able to further strengthen our leading position in Germany as a provider of two-way-trade-backed export finance, in which the bank supports its customers' export business through financing arrangements that are then paid down against deliveries of marketable goods. The specialist market position we have established in earlier years in the financing of Hermes-backed export transactions also enabled us to sign additional framework agreements with foreign banks in India, Indonesia, Russia and the Ukraine; these will also provide the basis for future business.

The reported income from participations (share of affiliates) fell by 53.8 percent to € 344 million. It should be noted that the total for the 2002 year includes an amount of € 513 million arising from the previously mentioned strategic reorganization of the DZ BANK Group's entire businesses portfolio. Excluding this exceptional effect, our income from participations was € 113 million or 48.9 percent higher than the preceding year.

Total operating income of DZ BANK AG 2003/2002



Net commission income

The parent bank's fees and commissions surplus increased by 12.2 percent to € 285 million.

DZ BANK's securities-related business was exceptionally profitable overall last year and was able to substantially more than compensate for the earnings contributions of the other business lines, payments handling, lending and international operations.

During the year under report we significantly advanced the process of accelerating and concentrating our retail banking sales activities that was launched in 2002. The twin priorities were to extend our product offering and increase our product specialisation, in both cases centrally driven by customer interests. The uncertainty emanating from the Iraq crisis and the resulting slump of the stock market indices to multi-year lows in March 2003 combined with the difficult economic environment in Germany to shatter investors' confidence in risk assets and further reinforce our customers' pronounced need for security. Continuing the previous year's evident trend of increasing demand for structured products that offer capital guarantees coupled with the chance to participate in the rising value of selected baskets of stocks or indices, our certificates offering attracted exceptional interest – especially the MultiZins and VarioZins versions and the product innovation of the year in 2003, the MaxiRend Tracker. We were delighted in November 2003 when the readers of the specialist magazine "Zertifikate Journal" voted DZ BANK "Issuer of the Year" and the jurors of the "Welt am Sonntag" prize panel awarded us the distinction of "Best Issuer of Protected-Capital Products".

Net earnings from financial activities

Our net earnings from financial activities increased by 57.1 percent to € 322 million. If we adjust the prior-year total by the net result of repurchase agreements, the increase is 48.4 percent.

Substantial increases were recorded both in the area of equity-price-sensitive products and in the net income from trading exchange-rate risks and interest-rate risks.

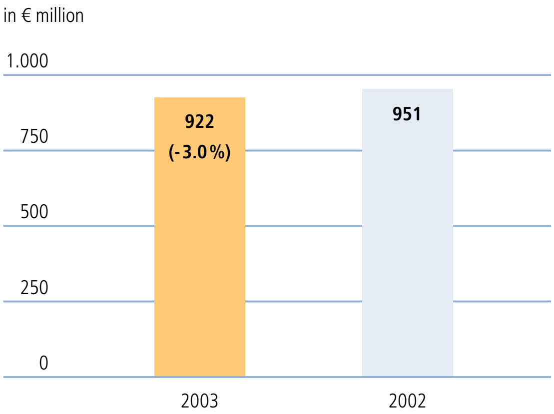
General and administrative expenses

The parent bank's general and administrative expenses were reduced by 3.0 percent to € 922 million. Within this total, personnel expenses moderated by 4.4 percent and non-personnel expenses reduced by 1.8 percent.

The cost-cutting program launched in 2001, the year of the merger, was continued in a systematic and focused manner during the year under report. The total savings volume in the area of personnel costs in 2003 was € 20 million; non-personnel costs reduced by € 9 million.

We expect the concentration of "back-office" services provision into the specialist companies Transaktionsinstitut, dwpbank and VR Kreditwerk Hamburg-Schwäbisch Hall AG, Hamburg and Schwäbisch Hall, to strengthen the competitiveness of DZ BANK and the entire integrated cooperative financial services sector.

Administrative expense DZ BANK AG 2003/2002



We passed further milestones and did further groundwork in 2003 on harmonising and integrating IT systems across the companies that make up the integrated cooperative financial services system. Having successfully introduced our central information and communications medium "DZ-InfoNet" in 2002, we expanded the functionality and performance spectrum of this platform during 2003 to transform it into the all-round information portal "VR-BankenPortal". Since the end of last year, the primary banks now have a central point of access to the product and service offerings of virtually all the cooperative financial services sector's household-name "product providers". The "Konto-Online" application integrated into the "VR-BankenPortal" site also allows local cooperative banks to obtain a close-to-real-time overview of their credit and current account positions vis-à-vis DZ BANK, and provides access to end-to-end-supported online transaction processing.

Additionally, the nationwide availability of the "GENO-Broker" application means all the cooperative banks within DZ BANK's territory can take advantage of this online service to support their investment advisers. "VR-Networld Brokerage" now provides a single system for dealing in securities for the customers of the local cooperative banks covered by the computing center of FIDUCIA IT AG at Karlsruhe. Integrating this capability into our systems landscape has released substantial synergies. The now nationwide availability of "VR Marktplatz", our market information platform designed for end customers, also represents a further substantial quality enhancement of our internet brokerage package.

The essential prerequirement for reorganising DZ BANK's IT systems was to reduce the wealth of different systems deployed in investment banking and to switch to the standard software of the SAP Banking Platform. One result was that we have already reduced our IT costs by 30 percent compared with 2001, the first year of the merger. By 2004, when we will have completed our technology harmonisation in less than three years, the total savings will be more than 50 percent.

In the year under report we were able to improve our cost-income ratio, adjusted for the exceptional factors in the prior-year profit headings, to 64.0 percent compared with 85.4 percent in 2002.

Net other operating income

The positive balance of other operating income and expense reduced last year by 60.2 percent to € 80 million. This was essentially due to the reclassification of corporation tax and municipal trade tax transfers arising from DZ BANK's tax unity with Group constituents. These transfers are reported in the 2003 financial statements under the taxes heading, whereas in the preceding year they were still a component of other operating income.

Provisions for risk

The 2003 net risk provisioning of € -371 million is only around one-fifth of the prior-year total of € -1,709 million. These figures demonstrate the progress we have made on cleaning non-strategy-conformant risks out of the credit portfolio. Valuation corrections were still necessary however, especially on exposures in the commercial real estate lending business and the energy sector.

Our new business, which as far as Germany is concerned was once again overshadowed by the clear signs of demand and growth weakness, remained subject to the binding risk limits and profitability criteria imposed immediately after the merger. We have continued to systematically refine our credit risk strategy and risk management procedures; another priority was to redesign the organisation of our credit management structures and processes in anticipation of the more demanding credit processing quality requirements that Basel II will impose as well as the Minimum Requirements for the Conduct of Lending Business (MaK).

Operating profit

Operating profit before provisions for risk totaled € 518 million for the year just ended.

If we correct the 2002 figures for the exceptional effects previously described, operating income increased by € 326 million to € 1,440 million. This rise contrasts with the € 29 million reduction of our general and administrative costs to € 922 million. On this basis therefore, our operating profit before provisions for risk improved in 2003 by € 355 million compared with the adjusted prior-year value of € 163 million. The € 1,338 million reduction in our net new risk provisioning to € -371 million includes an endowment of the prudential reserve (section 340f HGB).

The balance of other expenses and income closed 2003 at the amount of € -198 million (2002: € 807 million). This includes net earnings from financial activities in the sum of € -99 million (2002: € 1,094 million); this includes most importantly value adjustments on securities treated as fixed assets and an income contribution from the transactions surrounding the dwpbank joint venture. The sharp fall from the 2002 total primarily reflects the fact that the prior-year value was significantly distorted by an income contribution of € 1,168 million resulting from the fundamental strategic realignment of DZ BANK's participations portfolio. The extraordinary expenses total of € 78 million (2002: € 220 million) essentially comprises personnel and non-personnel restructuring expenses of € 60 million, expenses arising under the existing social plan from ongoing early retirement obligations of € 14 million, plus expenses of € 4 million in connection with the spin-off of the payment handling operation to the new Transaktionsinstitut .

The net profit on the year is € 80 million compared with € 55 million in 2002.

Regulatory capital

The detailed composition of DZ BANK's regulatory capital was as follows at December 31, 2003:

- Tier 1 capital stood at € 5,988 million (12.31.2002: € 5,985 million);
- Supplementary capital totaled € 5,163 million (12.31.2002: € 4,350 million);
- Tier 3 capital totaled € 6 million (12.31.2002: € 123 million).

In aggregate, our regulatory capital totaled € 10,992 million (12.31.2002: € 10,275 million) on the closing day of the year under report. Our KWG total capital ratio is now 17.0 percent (12.31.2002: 14.5 percent) and our core capital ratio is 12.2 percent (12. 31.2002: 10.5 percent).

Number of branches

As of December 31, 2003, the bank had four branch establishments in Germany and five abroad. The four German branch establishments oversee a further six business offices.

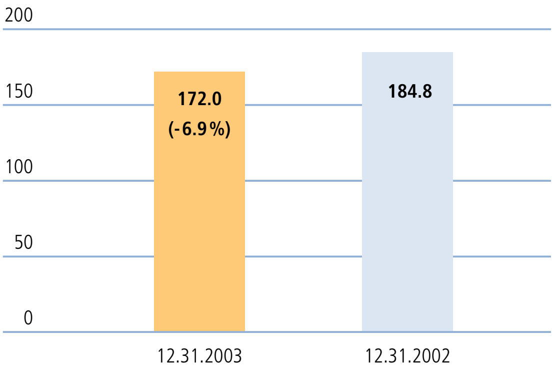
4. Balance sheet

Total assets

The bank's total assets as at December 31, 2003 were € 12.8 billion or 6.9 percent lower than a year earlier, at € 172.0 billion. The total volume of business amounted at the year-end to € 186.4 billion (12.31.2002: € 202.6 billion). The foreign branches accounted for around 10.7 percent of the balance sheet total or a volume of € 18.4 billion.

Balance sheet total of DZ BANK AG 12.31.2003/12.31.2002

in € billion



Off-balance-sheet futures transactions

The nominal volume of off-balance-sheet futures transactions was € 61.8 billion higher at € 697.3 billion as at December 31, 2003, while the replacement costs increased by € 0.5 billion to € 14.0 billion.

Placements with, and loans and advances to, other banks

Placements with, and loans and advances to, other banks reduced by € 4.4 billion to € 76.0 billion. Most of the decline related to claims on non-affiliated banks, which decreased by € 4.3 billion or 10.0 percent to € 38.7 billion. By contrast, deposits with and loans to affiliated banks only decreased by € 0.1 billion or 0.3 percent to € 37.3 billion.

Loans and advances to other (non-bank) customers

Loans and advances to non-bank customers reduced by € 6.3 billion to € 26.0 billion. The principal causes of this decline were the low-demand, low-growth character of the economic environment and DZ BANK's prudent and strict control of new business through the application of demanding risk and profitability criteria.

Securities

At € 54.8 billion, the value of the parent bank's securities holdings was € 3.4 billion lower than the prior-year figure. An increase of € 1.7 billion in the bonds and other fixed-interest securities heading compares with a decline of € 5.1 billion in the holdings of equity shares and other variable-yield securities.

Deposits from other banks

Liabilities to banks reduced by € 8.7 billion to € 97.9 billion. While the liabilities to affiliated banks declined by € 3.3 billion or 8.3 percent to € 36.3 billion, deposits from non-affiliated banks fell year-on-year by € 5.4 billion or 8.1 percent to € 61.6 billion.

Non-bank customer deposits

At € 30.5 billion, customer deposits were € 0.9 billion higher than a year earlier due to a sharp rise in the volume of time deposits coupled with slightly higher current deposits and overnight funds.

Certificated liabilities

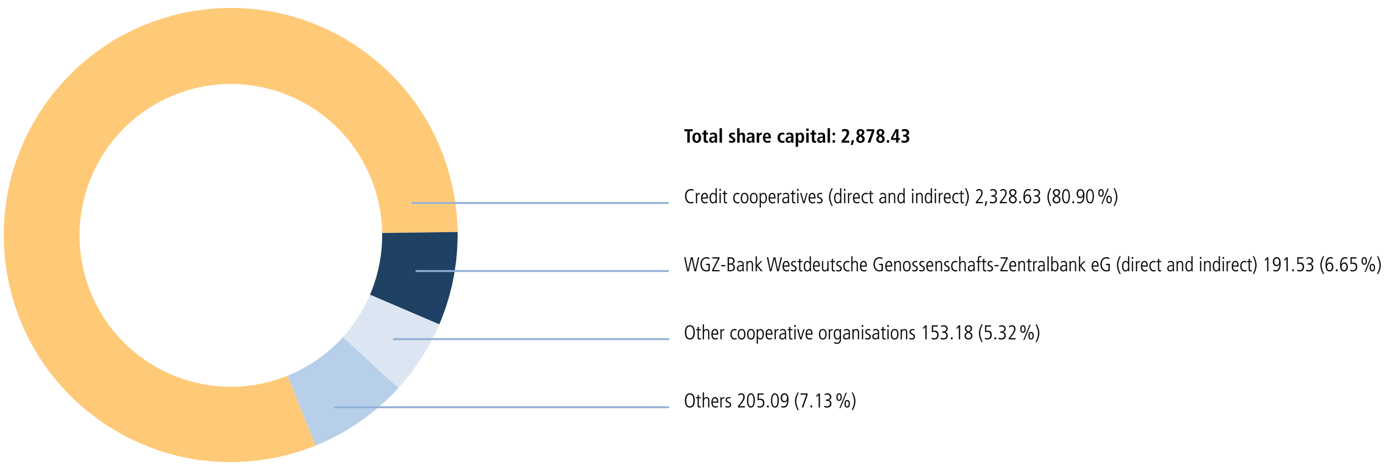
Certificated liabilities closed the year at € 26.1 billion (2002: € 31.1 billion). The issuance of own bonds was reduced by € 3.9 billion to € 24.0 billion in the year under report, while that of other certificated liabilities fell by € 1.1 billion to € 2.1 billion.

Capital and reserves

The reported equity of € 4.6 billion represents an increase of € 28 million. Of this total, € 25 million stems from the endowment of the surplus reserves and a further € 3 million stems from the marginal increase in the cumulative earnings total.

Share ownership structure of DZ BANK AG

in € million



II. Risk Report

1. DZ BANK's risk supervision system

The systematic and controlled acceptance of risks in relation to return targets is an integral component of corporate management at DZ BANK AG (DZ BANK). The operating activities resulting from our business model require the capability to effectively identify, measure and manage risk together with adequate capital backing. Our activities are guided by the principle that we only take on the minimum risk required to achieve our business-policy goals. We have implemented and we apply a risk monitoring and management system that fully complies with the statutory requirements while also going further and assisting our internal commercial management requirements.

Committees

The **Treasury Committee** is responsible for managing DZ BANK's market price risk and liquidity risk. The Treasury Committee meets weekly to discuss the management of the bank-wide risk and performance parameters as well as capital ratios, and prepares corresponding action proposals for submission to the full Board of Managing Directors.

The Board of Managing Directors has formed a **Credit Committee** from amongst its own members tasked with managing the bank's overall credit portfolio. The Credit Committee decides on significant loan commitments in relation to the bank's credit risk strategy.

Separation of functions

At DZ BANK we distinguish between risk management and risk controlling. **Risk management** encompasses the measures taken locally by the risk-bearing operating units to implement the risk strategy. The business units responsible for risk management decide whether to consciously assume or reduce risk. In doing so they observe the centrally prescribed universal prescriptions and the relevant risk limits. The risk management units are kept organisationally and functionally separate from the units they oversee. This applies most importantly in the areas of controlling, accounting and processing.

The separate **risk controlling** function is responsible for ensuring the permanent transparency of the risks entered into across all risk categories. Risk Control monitors limit compliance and produces all risk reports. This unit is additionally responsible for ensuring that the risk measurement approaches, procedures and models employed are methodologically up-to-date.

A **Risk Manual** is made available to all staff via the bank's Intranet. In addition to listing the universal prescriptions governing the management of risk capital and risk types, this manual also provides extensive description and explanations of the methods and processes deployed and of DZ BANK's responsibilities as group parent.

Internal Audit

Internal Audit is a second independent component of the bank's risk management and supervision system. It performs systematic and regular audits. Internal Audit is tasked with ensuring the functionality and effectiveness of the risk supervision system and also the rectification of established shortcomings. Internal Audit reports directly to the Chairman of the Board of Managing Directors. Germany's defined Minimum Requirements for the Organisation and Performance of Banks' Internal Audit Function are fully complied with.

Risk types

Default risk is the most important category of risk for DZ BANK. It results from our corporate banking and investment banking activities. Market price risk stems primarily from our trading operations and capital market investments. Liquidity risks are the typical risks of on-balance-sheet banking transactions. Finally, operational risks and strategic risks are associated with all forms of business activity.

The relative significance of each risk type was as follows at December 31, 2003:

DZ BANK AG's risk positions

in € million	Risk position 12.31.2003	Share
Default risk	**1,511**	**81%**
Market price risk	**36**	**2%**
Operational risk	**231**	**12%**
Strategic risk	**89**	**5%**

We measure default and market price risk using internal models based on value-at-risk approaches. We use the Basel II standard approach to estimate the loss potential arising from operational risk. The quantification of strategic risk is based on empirical benchmark analyses.

2. Risk capital management

One objective of DZ BANK's risk management is to ensure that the bank's overall risk exposure remains in harmony with its capital underpinning at all times. We do this by actively managing both our regulatory capital adequacy as defined by Principle I KWG and also the economic capital adequacy that results from our own internal risk measurement methods. We also integrate their risk capital requirements into our measurement of the performance of DZ BANK's main business lines and thereby extend the conventional earnings components by also factoring in the capital tied up by their risk exposures.

Managing regulatory capital adequacy

For the purposes of managing DZ BANK's regulatory capital adequacy, we work with significantly higher internal targets than the minimum standards defined by the regulators of 4 percent for the Tier 1 capital ratio and 8 percent for the total capital ratio. We perform an annual risk assets planning process to avoid unforeseen stressing of these capital ratios and ensure that the growth or reduction of our risk assets is in conformance with our defined strategy. This process ends with the specification of a planning target regulatory capital requirement. The covering of this need and the performance of the resulting issuance transactions is coordinated by our Treasury function.

DZ BANK's regulatory capital ratios on the KWG definition were as follows at December 31, 2003:

DZ BANK AG's regulatory capital requirement and regulatory capital ratios

in € billion	12.31.2003
Risk positions	**56.3**
Capital	
- Tier I capital	6.0
- Tier II and Tier III	5.2
Ratios	
- Tier I capital ratio	12.2 %
- Total capital ratio	17.0 %

These ratios were significantly higher than the prescribed minimum values at all times during 2003.

Managing economic capital adequacy

In addition to regulatory capital management, we have also established a system of economic capital management based on our internal risk measurement methods. This factors in not just the risk types defined by the present KWG Principle I, but all the relevant risk categories, in other words default risk, market price risk, operational risk and strategic risk. Default risk and market price risk are quantified using value-at-risk approaches. There is still a need for further methodological improvement, most importantly to ensure the economically adequate measurement of operational and strategic risk.

We use simple addition to aggregate the various types of risk in order to identify DZ BANK's risk capital requirement. This reflects our conservative assumptions that extreme losses occur simultaneously across all risk categories and that the various risk types correlate completely.

We derive the bank's **risk tolerance capacity** from the available risk cover assets. This value is determined on the basis of a commercial analysis of the group's capital after allowing for all relevant consolidation effects. Regulatory capital components that are external capital in character are excluded from the risk cover assets total. To this extent, our internal risk tolerance formula is more narrowly defined than the regulators' concept.

The risk tolerance capacity and the economic risk capital made available by the Board of Managing Directors of DZ BANK AG for the DZ BANK Group for the 2004 financial year were as follows:

DZ BANK Group's risk tolerance capacity

in € million	2004
Risk cover assets	**7,500**
Economic risk capital	**5,500**

Within DZ BANK and before consolidation, the risk capital provided was allocated to the risk categories as follows:

DZ BANK AG's risk capital according to risk categories

in € million	Risk capital 2004	Share
Default risk	**1,800**	**69 %**
Market price risk	**400**	**15 %**
Operational risk	**275**	**11 %**
Strategic risk	**124**	**5 %**

Our risk management process and operating risk limit systems are based on this framework.

Risk-capital-based performance management

To ensure that the risk capital requirement is also factored into the measurement of performance, the Board of Managing Directors of DZ BANK has decided to introduce two risk-capital-based performance ratios – RORAC (return on risk adjusted capital) and EVA (economic value added) to assist the management of the bank's principal business lines. RORAC is a relative return measure that shows the extent to which the respective business line has achieved a positive rate of return on the capital tied up by the risk it has entered into. EVA is an absolute performance measure that shows the business line's absolute earnings contribution after servicing the shareholders' return entitlement and therefore identifies the business line's economic value contribution to the overall success of DZ BANK. Both ratios are reciprocally reconcilable through the application of straightforward logic.

We will start reporting these ratios by operating segments in 2004. The first stage of the rollout is to use the regulatory capital requirement as a method of capital allocation. The changeover to Basel II will significantly, if not completely harmonise the measurement of economic and regulatory capital. Our objective is to put the main business lines' economic capital requirement right at the center of their performance management. We will do this by continuing to progressively refine the bank's internal risk measurement procedures and the essential data foundations they are built on.

We also see the ongoing strengthening of DZ BANK's risk capital management as helping to prepare the ground for us to meet the requirements of Basel II. Under the rubric of pillar 2 especially, the banking regulators will expect us to implement an internal capital adequacy process that encompasses all material risks and meshes seamlessly with other bank-wide management processes.

3. Default risk

We understand **default risk** as the risk of loss arising from the failure of a business partner to fulfill its contractual obligations. The risk of a loss can however also result from a downgrade of the counterparty's credit rating.

Risk strategy

We aim to engage in lending business primarily as the subsidiary partner of local cooperative banks. Building on this fundamental business policy decision, since 2003 DZ BANK has been implementing a credit risk strategy that concentrates on customers that offer a good credit standing and cross-selling potential. The starting point for applying this risk strategy is our risk tolerance capacity.

MaK-conformant structural and process organisation

The structural requirements defined by the banking regulators are already an integral component of our lending business organisation. We have implemented forward-looking structural and processing organisational arrangements that create the necessary foundation for the future risk-oriented conduct of our credit operations. For instance we have implemented a graduated competences scale that clearly defines credit process authorities from application through approval to ongoing contract processing including periodic loan monitoring with regular credit quality analysis, the whole system being documented in organisation manuals. Established reporting and review processes help keep the decision makers promptly informed of changes in the risk structures of our credit portfolios and provide the basis for the active management of default risk.

Rating systems and pricing in the lending operations

We are developing credit rating procedures in collaboration with the BVR cooperative banking industry association and the other cooperative central bank WGZ-Bank. The so-called **BVR II rating** is intended to produce a harmonised rating system for use right across the cooperative banking sector. BVR II ratings are differentiated by customer segments and we are successively extending them to cover all relevant customer groups. In developing these ratings, we have already taken account of the future Basel II requirements. Our goal is that when the development work is completed, all the new rating modules will satisfy the Basel II requirements for internal-ratings-based approaches. The credit analysis procedures also provide the basis for the introduction of risk-adjusted pricing in our lending operations and for the expansion of our activities in the area of securitising credit risks.

To ensure lending business is profitable we calculate **standard risk costs.** Standard risk costs are intended to cover the average anticipated losses. The procedure involves estimation coupled with post facto verification, i. e. pre- and post-calculation. The SRC are factored as a cost component into the contribution costing of transactions and are determined using empirical default probabilities. Other factors influencing the calculation of standard risk costs are the credit take-up rate (utilisation of the agreed facility) and the anticipated loss at the time of the default adjusted for customer-provided collateral. The aim of this approach is to permit credit-differentiated pricing. At the same time we want to ensure that in actuarial terms, our net risk provisioning – principally loan loss provisions and direct write-downs – is covered by the standard risk costs we receive on a long-term average basis. The integration of capital costs into the contribution margin calculation makes it possible to identify a risk-sensitive return on tied-up capital.

Early-warning systems and the work out unit

DZ BANK has built up a wide range of tools for monitoring and managing problem credit exposures in the classic lending business. These includes reports that assist the early detection of at-risk cases, the monitoring of exposures at latent risk of default, and the observation of acute default-threatened credits. These reports permit highly informative, target-group-specific and close-to-real-time reporting to the management levels and Board of Managing Directors. Credit structure analyses are also performed regularly to support the portfolio managers; these identify risk concentrations in the lending portfolio. As part of our rating-linked credit monitoring process, we also review the size of the agreed lines as the need arises, but always within maximum twelve-monthly intervals.

Identified problem loans are transferred to our work out unit at a very early critical stage. By providing hands-on "intensive care" and applying tailor-made rehabilitation concepts to critical problem cases, this specialist unit creates the necessary basis for rescuing and optimising problem risk positions.

Portfolio management

The implementation of a portfolio management organisation structure in 2003 has created the foundation for an aggregated management level that supplements specific risk management. The initial focus of our portfolio management effort during 2004 will be to establish a new structural limits system that will be centered on the lending operations' economic risks. Most importantly, this will allow us to adequately integrate the effects of correlated default risks into the operational management of our credit business. Based on detailed quantitative analyses and the ongoing assessment of our current aggregated credit risk position, this will also provide us with new opportunities to utilise the increasingly more liquid credit markets to actively manage DZ BANK's credit portfolio structure.

As part of our toolkit for actively managing default risk, we use the **securitisation of receivables** to optimise our risk-return ratio. Our ABS primary market activities are additionally intended to lighten the load on our economic and regulatory capital. We plan to further intensify these activities in the future. We will focus on multiseller transactions that will be designed to also provide our local cooperative bank partners with a vehicle for risk transfer and thereby improve the spread of their risks.

Managing credit exposures and lines

We further improved our exposure management system in 2003. Our established credit exposure reports system provides quarterly credit portfolio reporting. The report provides a breakdown of the various portfolios by exposure size, country assignment, residual term, sector and risk rating. It also analyses the ten biggest exposures by a range of risk parameters

DZ BANK has installed framework limits for individual business partners and borrower units. To support portfolio-level limit management, we also use analyses of selected strategic portfolios by parameters such as country, country group, product type or sector. Early warning processes have been implemented as the essential key to timely limit reviews. We have also defined processes for handling overdraft situations.

The basis for assessing **country risks** is DZ BANK's own country risk model. Each country's risk factors – essentially, macroeconomic risk ratios and certain political risk measures – are evaluated by the country risk model on the basis of a scoring approach that automatically generates a country risk index, whose reading determines the assignment of that state to one of the seven country risk classes. The best risk class A expresses a very low long-term risk, while the worst risk class G implies acute danger of losses.

Measuring the default risk on trading transactions

Default risk on trading transactions takes the forms of counterparty risk and issuer risk. Counterparty risk is made up of replacement risk and fulfillment risk.

To calculate the accepted value of the counterparty risk component of the **replacement risk** arising from the bank's trading operations, the current market value of the transaction concerned is increased by a so-called "add-on" – i.e. the markup for potential market price fluctuations during the lifetime of the transaction – based on the global add-on factors defined by Principle I. To calculate the exposure, we recognise the risk-reducing effects of both netting agreements and collateral agreements. Automating our collateral management process has enabled us to significantly increase the number of collateral agreements signed compared with 2002 and to steadily expand the circle of our collateral counterparties. We plan to extend the collateral management process to repo and securities lending transactions.

The accepted value of the counterparty risk component of the **fulfillment risk** is the payment owed, in other words the size of the amount the counterparty is due to actually pay to DZ BANK. The fulfillment risk is related to an assumed fulfillment period. The accepted value of the **issuer risk** is the sum of the current market values of the relevant securities.

Line management of default risk on trading transactions

To limit the default risk arising from trading transactions, we have implemented a volume-oriented limits system. These non-product-specific volume limits are further subdivided into maturity bands to help manage replacement risk at the counterparty level. A daily limit is assigned to manage fulfillment risk and each issuer is assigned a rating-dependent global or specific limit to help manage issuer risk.

As in the classic lending business, we have also implemented adequate early warning and overdrawn processes in respect of the trading operations. Daily reports notify the member of the Board of Managing Directors responsible for risk monitoring of any infringement of the counterparty and issuer risk lines. We also have monthly reports of all open forward transactions with significant counterparties. The Board of Managing Directors is additionally notified of counterparty risks through the monthly report required under the Minimum Requirements for the Conduct of Trading Transaction by Banks (MaH Report).

We use a centralised DP system to ensure the methodologically consistent measurement and supervision of the default risk from trading transactions. The vast majority of our front-office systems are linked into this software. Linking the collateral management system to this DP system ensures that collateral provided on OTC derivatives and forex transactions is automatically counted against the default risk arising from trading transactions. From 2004 onward, we will also be using this software to measure and monitor issuer risk.

Analysing the credit portfolio

An initial pointer to the inherent riskiness of the lending portfolio can be obtained by analysing the risk-weighted assets. The **risk assets structure** as defined by Principle I provides a clue to the relative risk of the credit portfolio based on at least a rough credit weighting. The changeover to Basel II and the significantly more highly differentiated risk weightings under the internal ratings-based approach means that this sort of analysis will in future generate much more risk-sensitive outcomes. The Basel committee will make the publication of what it calls the "average risk weight" of banks' credit portfolios mandatory in future under Basel II's pillar 3. DZ BANK's average risk weight has reduced compared with 2002:

DZ BANK AG: Average risk weight

Weighted risk assets	Average risk weights	
12.31.2003	12.31.2003	12.31.2002
€ 49.3 billion	43.5%	45.0%

Our work on the economic management of the credit portfolio draws a distinction between the anticipated losses on individual transactions and unexpected credit portfolio losses. Firstly we pre-empt "creeping" capital erosion by pre-calculating the anticipated loss per discrete transaction. We will have already performed the necessary calculation of the rating-dependent standard risk costs. Secondly we quantify the unforeseen loss on our credit portfolio using a credit value-at-risk approach. This is the basis for our economic capital adequacy analysis.

Since the fourth quarter of 2003 we have been calculating our **credit value-at-risk** on the basis of the data for the transaction-specific reporting date. This involves using our internal rating techniques to assign customers 1-year default probabilities. Transaction- and customer-specific loss rates are taken into account and default correlations between customers assigned according to their sector memberships. These parameters permit the direct determination of the anticipated value and standard deviation of the portfolio loss during the assumed one-year retention period. The loss distribution quantiles and the economic capital requirement are established using market-standard procedures.

The following summary shows the bank's risk potential based on this internal model:

Risk potential of DZ BANK AG's lending business

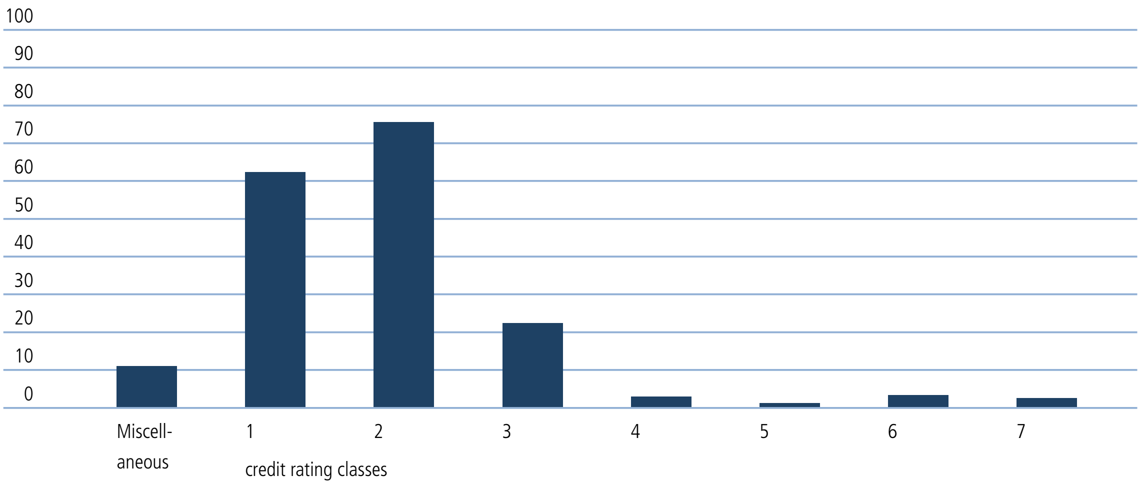
in € million	12.31.2003
Anticipated loss	**400**
Unexpected loss	**1,511**

We also regularly analyse our credit portfolio with regard to a wide range of differentiated discrete criteria such as risk structures based on our internal rating methodologies, sector structures or country risk groupings.

The chart below shows the take-up of credit facilities by BVR I **credit rating classes,** with the ascending order of ratings on the horizontal axis indicating reducing borrower credit quality.

Risk structure of DZ BANK AG's credit portfolio

Take-up of facilities (in € billion) at December 31, 2003



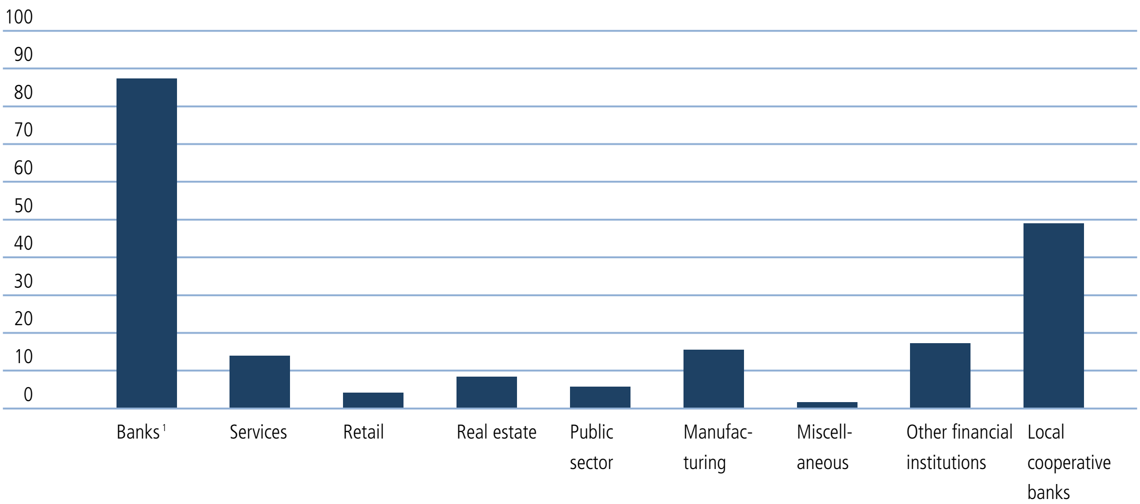
Under DZ BANK AG's default risk strategy, new lending business can be taken on up to a qualifying rating class ceiling of 3, provided the other ancillary conditions are fulfilled. Existing credit exposures that conflict with the credit risk strategy accordingly need to be reduced. All credit exposures subject to a specific risk provision are assigned to rating classes 6 and 7. The "critical" rating classes 4 through 7 account for 6 percent of the total credit volume. The "miscellaneous" heading covers business partners that did not require a credit quality judgment under the provisions of section 18 KWG or internal rules.

The credit portfolio's **sector structure** reflects our role within the cooperative financial services group:

As a central bank, we invest free liquidity into high-grade securities. This results in the exceptionally high proportion of claims on other banks in the assets total. Another of our central bank functions is the provision of refinancing resources to the local cooperative banks. This is the second-biggest assets position in our credit portfolio. We also assist the local cooperative banks in major financing deals for their corporate customers on a syndication basis. This and our direct business with domestic and international corporate customers explains the sector composition of the rest of the credit portfolio.

Sector structure of DZ BANK AG's credit portfolio

Credit volume (in € billion) at December 31, 2003



[1] Excluding cooperative banks

The following overview shows the **geographical distribution** of our credit portfolio by country risk groups.

The term gross utilisation relates to the types of business defined in section 19.1 KWG. We deduct collateral and allow for third-country insurance cover to identify the net utilisation rate. As of December 31, 2003 more than 98 percent of the bank's net foreign credit volume was assigned to the country risk groups A through C, for which we do not form country risk provisions. The 16 percent year-on-year reduction in the net utilisation results from our conservative risk policy and exchange rate effects. At present the country limits for Ivory Coast, Georgia, Uruguay and Venezuela have been suspended. No new business can be transacted in these countries until further notice.

Country risk structure of DZ Bank AG's total credit extended

in € million		Country limit utilisation			
CR group	**Group country limit**	**12.31.2003 Gross**	**12.31.2003 Net**	**12.31.2002 Gross**	**12.31.2002 Net**
A	**Unlimited**	**48,463**	**47,061**	**62,258**	**56,317**
B	**2,256**	**1,011**	**989**	**954**	**960**
C	**4,617**	**1,748**	**1,404**	**1,853**	**1,450**
D	**1,887**	**1,066**	**525**	**1,167**	**700**
E	**523**	**524**	**133**	**989**	**310**
F	**70**	**143**	**29**	**126**	**24**
G	**Case by case**	**70**	**32**	**80**	**9**
Unrated	**208**	**23**	**7**	**6**	**0**
Offshore	**Unlimited**	**3**	**3**	**157**	**157**
Total		**53,051**	**50,183**	**67,590**	**59,927**

DZ BANK AG: Default risk on trading transactions

in € billion	12.31.2003 Lines	12.31.2003 Utilisation	12.31.2002 Lines	12.31.2002 Utilisation
Replacement risk	134.5	18.7	131.5	25.4
Fulfillment risk	86.9	9.6	70.9	8.4
Issuer risk	88.3	27.5	109.5	30.0

Analysing default risk on trading transactions

Utilisation was significantly reduced in the area of **replacement risk** over the course of the year, primarily as a result of the recognition of close-out netting and collateral agreements to reduce risk. Moreover, the setting of restrictive limits resulted in a higher utilisation rate while simultaneously reducing risk. Our conservative limits policy also reduced our exposure in the area of **issuer risk.** The year-on-year increase in **fulfillment risk** was due to the first-time inclusion of cross currency swaps. Our participation in the so-called Continuous Linked Settlement initiative, a procedure for the worldwide clearing of foreign-currency trading payments, substantially reduced the risk arising from spot and forward foreign exchange transactions.

Risk provisioning and write-downs

Under the terms of our internal guidelines, a specific loan loss provision must be formed when a borrower's unsatisfactory financial circumstances or lack of adequate collateral provide reasonable grounds to question the collectibility of the outstanding entitlements when there are indications that the borrower will not be able to service the loan long-term. The specific risk provision must comply with the requirements of the Commercial Code, and most importantly comply with the prudential principle. In other words, it must be sufficiently dimensioned to at least cover the probable loss in the circumstances of the individual case. This requirement also applies for the valuation of collaterals.

The table below shows DZ BANK's provisions for risk compared with the preceding year.

DZ BANK AG: Risk provisioning

in € million	Specific loan loss provisions	Country risk provisions	Global loan loss provisions	Collective loan loss provisions
Position at 12.31. 2002	2,971	95	115	3
Change during 2003	-120	-21	-13	0
Position at 12.31. 2003	2,851	74	102	3

Summary and outlook

During 2003 we took further steps to improve the risk situation in DZ BANK's credit operations that had been put under strain in earlier years. The year's significant milestones include the progress made towards building a high-performance credit organisation, the improvements in our rating procedures and the resulting adoption of risk-sensitive pricing, and the expansion of our exposure management and risk early detection systems. The success of these initiatives is also reflected in the significantly lower level of new risk provisioning despite the persistently difficult economic environment. Based not least on the modestly positive outlook for the national economy, we expect this positive trend to continue in 2004.

During 2004 we intend to further refine and extend our exposure and line management. A central building block in this process will be the implementation of integrated data economies. We will also complete the coverage of our main customer segments by rolling out further BVR II rating modules. We will accompany this by introducing differentiated standard risk cost and capital cost sets specific to these segments. We will also continue to work on enhancing our credit value-at-risk management.

4. Market price risk

By market price risk we understand the risk of loss that can result from detrimental changes in market prices or price-determining parameters. Market price risk further subdivides according to the underlying factors into the following component categories: interest rate and exchange rate change risk, share price risk and commodity price risks.

Risk strategy

We engage in proprietary trading in fixed-income, equity and forex products primarily to support our customer business. In contrast to "traditional" own-account trading, which centers on the achieving of profit through risk-taking, we see the bank's core expertise as the ability to enter into and manage risk in order thereby to be in a position to offer a customer-demand-driven product range.

Market price risks are inherent in DZ BANK's customer-account and own-account trading activities. Market price risks also arise from our own securities issuance. Interest rate change risk is the most significant category of market price risk for DZ BANK.

Organisation and responsibilities

We manage market price risk on a distributed basis by portfolios, with the risk and performance responsibilities assigned to the individual portfolio managers. As a routine part of management reporting, the Risk Control unit provides daily, weekly and monthly information on the key market price risk and performance measures to both the members of the Board of Managing Directors responsible for risk management and risk controlling and the portfolio managers themselves.

Measuring and limiting market price risks

We measure market price risk using the **value-at-risk** concept (VaR). As required by principle I, we calculate the value-at-risk in our **trading portfolios** at a 99 percent confidence level and assuming a retention period of ten business days, including for internal risk management purposes. A value at risk calculation is performed daily for all levels of the portfolio hierarchy with the aid of an historic simulation over a one-year observation period. We do this using an **internal risk model** that has been approved by the German banking regulator (BaFin) for calculating the capital backing required for market price risk positions based on VaR – in line with Principle I. The add-on factor (relevant to the capital backing calculation) required by Clause 33 of Principle I is currently 0.6.

The market price risk arising from our **non-trading operations** is essentially dominated by our lending and issuance business and by separately assumed strategic positions. This risk is managed through the Central Planning and Strategic Positions portfolios. The Treasury division is responsible for operational risk management in respect of Central Planning.

We manage market price risk by means of a **limits system** that applies to all the sub-portfolios and which sets limits for both the market price risk entered into and also the losses that potentially accumulate over the course of the year. To support operational risk management within the trading divisions, during 2003 we introduced a sensitivities- and scenarios-oriented limits structure to supplement the existing value-at-risk-based risk management tools.

Back tests and stress tests

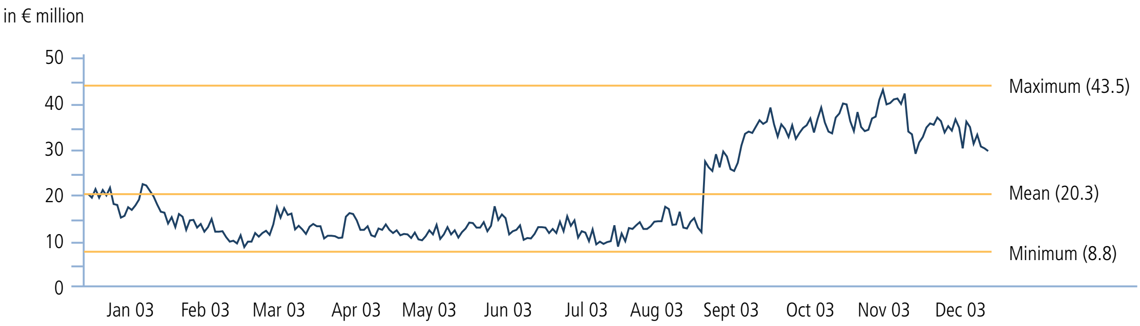
We perform **back tests** to verify the predictive quality of the value-at-risk approaches. This involves a comparison of the actual daily losses and gains with the VaR values calculated using the internal risk model. The model assumption for calculating the loss potential stipulates that the actual loss must not exceed the simulated VaR on more than one percent of trading days. During 2003, losses in excess of the simulated VaR at the entire trading portfolio level were experienced on three trading days.

We also run **stress tests** to factor extreme market movements into the internal risk model. The crisis scenarios tests involve simulating high-magnitude fluctuations in the risk factors and serve to identify potential losses not shown up by the daily VaR approach. These stress tests model both extreme market movements that have actually occurred in the past and also crisis scenarios which – irrespective of the market data history – are deemed to be economically relevant. The value losses simulated through this stress testing are used as the basis for continuously reviewing the adequacy of the internal limits hierarchy.

Analysis of market price risks

The value-at-risk in the trading portfolios amounted at December 31, 2003 to € 30.0 million (December 31, 2002: € 27.0 million). The chart shows the changes of the daily value-at-risk of the **trading divisions** over the course of 2003:

Change in DZ BANK AG's trading divisions' daily value-at-risk



The increased risk after September is primarily the result of including general credit spread risks in the risk calculation and essentially relates to our holdings of securities for trading purposes.

Our **non-trading portfolios** produced the following value-at-risk results for 2003.

The increased risk in the Central Planning portfolio is also primarily the result of including general credit spread risks in the risk calculation.

Summary and outlook

The prescribed framework limits for the assumption of market price risks, expressed as the allocated risk capital of € 400 million, were complied with at all times in 2003. On December 31, 2003 our all-portfolios correlated market price risk amounted to € 36 million.

We will continue to maintain the market price risk strategy we have applied in previous years during 2004 as well and will continue to base the limits we assign on the bank's risk tolerance capacity. As in previous years, our trading operations will continue to focus basically on customer servicing.

In recognition of the significance of the bank's credit products activities, a start was made in 2002 on creating a database of historic credit spread time series. We integrated general credit-spread risks into DZ BANK AG's internal risk model during 2003. We plan to integrate the trading divisions' specific interest rate risks into the internal risk model during 2004.

Value-at-risk in DZ BANK AG's non-trading portfolios

in € million	12.31.2003	2003 Mean	2003 Minimum	2003 Maximum	12.31.2002
Central Planning	**8.9**	**5.7**	**1.4**	**12.4**	**1.5**
Strategic Positions	**20.7**	**20.3**	**11.0**	**31.3**	**16.5**

5. Liquidity risk

By liquidity risk we mean the danger that insufficient funds will be available to fulfill due payment obligations (liquidity risk as strictly defined) or that funds can only be procured on more demanding conditions when needed (refinancing risk). Market liquidity risk is created by the holding of financial instruments that cannot be sold or settled at all, or only at a loss, due to insufficient market depth or disturbances of the market.

We subdivide liquidity risk into the following three maturity categories according to the periodicity of the liquidity processes involved: short-term (same business day up to 3 months), medium-term (3 months up to 2 years) and long-term (over 2 years).

Risk strategy

We manage our liquidity with the objective of ensuring our solvency (our capacity to pay) at all times. We also strive to sustainably minimise our liquidity costs.

Managing short and medium-term liquidity

The strategic framework requirements for liquidity management are defined and approved by the Treasury Committee. The operational management of short and medium-term liquidity is performed by our Treasury unit and covers both the euro and foreign-currency positions.

To assist liquidity management we use a daily analysis prepared by the Controlling unit of the bank's predicted and unforeseen liquidity flows. We use this report to monitor short-term liquidity risk including the most significant deterministic and stochastic cash-flows. Cover surplus and shortfall positions can be promptly detected in the maturity range from one day through to 3 months. The resulting countermeasures to procure additional liquidity or reduce the need for liquidity can then be initiated in a timely manner.

As part of the daily liquidity reporting system, the size of the intraday liquidity position is limited using a **traffic light model.** The management of intraday liquidity is established within the framework of the ongoing planning of the accounts maintained at central banks and other nostro accounts.

Our short and medium-term refinancing is built on the principle of appropriately broad diversification across investor groups, regions and products. Our principal source of refinancing is placements by local cooperative banks. Over the course of fiscal 2003 we reduced our unsecured refinancing by 11 percent. The following table shows the changes in the composition of the most important headings of our unsecured short and medium-term refinancing compared with 2002:

Unsecured short and medium-term refinancing of DZ BANK AG by investor groups

	12.31.2003	12.31.2002
Local cooperative banks	50 %	51 %
Interbanks	29 %	29 %
Corporate customers	16 %	13 %
Commercial paper/certificates of deposit	5 %	7 %

Since our ability to raise unsecured liquidity from the money market is restricted, our liquidity management function performs weekly and monthly analyses of the structure of our differentiated liabilities-side resources. These analyses provide management information and are the basis for the active management of our liabilities profile.

In addition to our internal management tools, the bank's short-term liquidity risk is also limited by **regulator-imposed rules.** We complied with the requirements of principle II KWG at all times during 2003:

Liquidity ratios of DZ BANK AG as per Principle II

	12.31.2003	09.30.2003	06.30.2003	03.31.2003	12.31.2002
Band I (up to 1 month)	**1.25**	**1.26**	**1.33**	**1.37**	**1.33**

To act as a liquidity-risk **early warning indicator** we use an internally defined planning threshold value of 1.20 for the maturity band I liquidity ratio. This value is based on empirical experience and is designed to provide a lower limit that secures the bank permanent liquidity discretion. Targeted countervailing measures are triggered as soon as the liquidity ratio reaches or falls below the level of the planning threshold.

To secure its day-to-day liquidity, the bank's liquidity management function has a portfolio of qualifying securities for central bank repurchase operations at its disposal that it can sell at short notice or deposit as security for refinancing transactions with central banks.

Managing long-term liquidity

We use the **liquidity process balance** tool to manage the bank's long-term liquidity processes. We draw up a liquidity process balance at least once a month and report it to the Treasury Committee. Strategically undesirable liquidity gaps are closed by managing the pattern of our issuance and repurchases. We also help to manage our liquidity by defining internal buying-in rates for liquidity-binding assets and liabilities balancing transactions.

Our long-term **funding** is generated through structured and unstructured capital market products that are mostly distributed via local cooperative banks' own- and third-party securities account operations. We are authorised to raise liquidity by issuing covered bonds – so-called DZ BANK Briefe.

Managing market liquidity risk

Market liquidity risk refers to our management of both market price risk and liquidity risk. In the context of **liquidity risk management,** the market liquidity of financial instruments is especially relevant when liquidity-binding positions need to be sold to raise short-term funds- for instance, during a liquidity crisis. As we would never expect the entire securities portfolio to be sold immediately and without loss in such circumstances, we on principle treat as not liquidatable all securities that cannot be used as refinancing-eligible collateral for open-market transactions with central banks.

In the context of market price risk management by contrast, market liquidity risk does not relate to the selling of liquidity-binding positions but to the hedging of open market risk positions. Portfolio managers bear the responsibility for, and manage, **hedging-related market liquidity risk.** Any losses incurred under this heading count towards the relevant manager's annual loss limit. Moreover market liquidity risks over the assumed retention period of 10 trading days are included in the value-at-risk calculated for the purposes of supervising market price risks. Significant hedging-related market liquidity risks only exist in relation to certain credit-risk-laden securities and credit derivatives positions. These are mainly asset backed securities held on the basis of strategic considerations.

Summary and outlook

The liquidity gaps identified by the liquidity process balance do not constitute potentially existence-threatening incongruences in DZ BANK's refinancing structure. We do not expect our liquidity risk to increase in 2004.

We are currently in the process of further upgrading our non-trading-related liquidity reporting. As well as completing our data picture of deterministic cash flows, we intend most importantly to improve our modeling of stochastic cash flows and refine our understanding and definition of position limits in respect of unforeseen liquidity processes both in the normal scenario and in crisis scenarios. We also hope to further refine our modeling and management of market liquidity risks in 2004.

6. Operational risk

We have made a start in 2003 on a large-scale project to design and implement sophisticated tools for controlling and managing operational risks. This involves overhauling all our existing methodologies and tools.

Basing our approach closely on the banking regulators' definition, we understand operational risk as the threat of losses caused through human actions, technological failures, process or project management weaknesses or external events. This definition includes legal risks, but excludes strategic risks and reputation risks.

Risk strategy

Our strategy for handling operational risk is based on the bank's risk tolerance capacity. At present the implementation of the risk strategy is predominantly qualitative in nature since our risk quantification system is still under development.

Organisation and responsibilities

Our functional organisation model provides a key point of reference for all our other tools, in that it comprehensively describes the roles and responsibilities of all process participants. The model distinguishes four top-level dimensions:

- Distributed risk management
- Central risk management
- Independent risk controlling
- Internal Audit

The fundamental management responsibility for operational risks has been distributed to the individual organisation units. Specified universal issues, such as personnel or IT management, are centrally supported by specialised units. To preserve the necessary separation of functions, a dedicated unit has been set up to perform independent controlling of operational risk; this unit is charged with developing and implementing methodologies for the controlling and management of operational risks and with supervising risk management.

Management tools

We **gather loss data** so that we can promptly analyse historic loss events in order to be able to identify trends in the development of risks and concentrations of operational risks in specific operating units. We are also using the collected loss data to build up the necessary data history to quantify operational risks in future.

In order to identify all operational risks and create the maximum possible transparency as to our risk situation, we have implemented a **self-assessment process.** This involves experts from the responsible units making judgments on their operational risk with the aid of prescribed questionnaires.

Finally we deploy a system of **risk indicators** based on prescribed thresholds combined with a traffic light system that enables us to draw conclusions about trends and thereby functions as an early warning screen.

7. Strategic risk

By strategic risk we understand the danger of losses that result from management decisions on the business-policy positioning of DZ BANK. Strategic risks are realised when important changes in environmental conditions or market trends are not recognised early enough or their impact is wrongly assessed and as a consequence disadvantageous fundamental decisions are made that are then difficult to reverse.

An important sub-aspect of strategic risk is **business risk.** By this we understand the potential for losses that results from the fact that falling revenue cannot be fully compensated by equivalent cost reductions. This risk is also referred to as fixed cost cover risk or cost overhang risk. We have made preliminary quantifications of our business risk using an earnings-at-risk approach coupled with intra-sector comparisons. The construction of suitable methods for measuring strategic risks has been flagged as a bolt-on development priority for our Risk Control unit. There are still no industry standards for quantifying strategic risk.

The **management of strategic risks** is the primary role of the Board of Managing Directors of DZ BANK. Our present system for managing strategic risk relies on the forward-looking evaluation of success factors coupled with the definition from these of performance targets for the business lines. This is founded on a revolving planning process that periodically updates the strategic multi-year plan and the annual operating plans. The core components of the planning process are the observation of market trends – most importantly in the area of customers, products and competitors – and environmental conditions, such as changes in the legal framework, plus critical analyses of our own strengths and weaknesses profile. A management information system monitors the achievement of targets.

As a result of important decisions of principle to reposition DZ BANK as a central bank, as a business bank and as a group holding company, significant steps were taken during 2003 to limit and actively manage our strategic risks. Substantial strategic risks arising from the merger that created DZ BANK were finally eliminated during the 2003 financial year. Among other achievements, we have realised almost all the synergy potential that we predicted on the non-personnel costs front, and we have largely completed the optimisation of our personnel structure.

8. Summary

DZ BANK has consistently operated within the boundaries of our risk tolerance capacity during 2003. We will ensure the same is true in 2004. Our economic risk-taking is commensurate with our capital backing. We also satisfied, and continue to satisfy, the regulatory capital adequacy requirements at all times; our capital ratios were and are substantially higher than the regulators' minimum standards.

We are deploying modern management and monitoring tools in every area of risk, and we will continue to progressively refine and improve them. We will be guided in this process by the future Basel II requirements for risk management.

III. Outlook

Using our combined strength to reap synergies and make the most of the economic upturn

We see more favorable economic omens for the 2004 financial year. We have developed a wealth of new products and simultaneously regrouped both processes and resources at the parent bank and across the DZ BANK Group during the year under report specifically to equip ourselves to actively exploit – together with our partners in the integrated cooperative financial services sector – the opportunities the market is about to offer us. In this light, we expect 2004 to bring improved results across the board.

This outlook is based on the anticipated brightening of the economic climate this year. After a year of economic stagnation in 2003 when consumer demand and corporate investment both contracted, we are confident that 2004 will see a slightly stronger contribution from the domestic component and a substantially stronger contribution from the export component of the German economy. The consequential effects of the government's program of legal reforms coupled with a cyclical recovery of corporate investment are likely to moderately stimulate overall domestic economic output.

Our chosen focus on the integrated cooperative financial services sector requires us both to continuously develop our products and most importantly to provide effective support for the local cooperative banks' sales organisation. We expect the product innovations that the Group companies put so much effort into last year and some of which will only come to market this year – including DZ BANK's new business customer products – to produce significant volume growth that should help the cooperative banking sector to increase our market share. Moreover, boosting the efficiency of our sales effort is a key focus of our drive to harvest synergies between the constituents of the cooperative sector, and we are confident of further positive progress on this front in the current year.

DZ BANK's administration costs are set to fall again, assuming the measures we are taking to boost the cost effectiveness of the Group's processes and functions deliver the anticipated positive effects. Thanks to our high-throughput central processing service providers such as Transaktionsinstitut für Zahlungsverkehrsdienstleistungen and dwpbank, the local cooperative banks will also share the benefit of these effects.

We are convinced of the effectiveness of the parent bank's and the Group's upgraded credit management systems. With new business now margin and risk-oriented, we have built a good foundation for further reducing our risk provisioning costs. We will continue to optimise our corporate portfolio in 2004 in line with our defined strategy.

To summarise these economic trends and this internal progress in a sentence, we believe the 2004 financial year will bring improved trading and results for DZ BANK and the DZ BANK Group and we are confident – especially in the light of our subsidiary role within the integrated cooperative financial services sector – that all our business partners are also set to share in this positive trend.

Report of the Supervisory Board

Dr Christopher Pleister
Chairman of the Supervisory Board
of DZ BANK AG

As required by the law and the Articles of Association, the Supervisory Board and its sub-committees have monitored the conduct of the business by the Board of Managing Directors during the 2003 financial year and have discussed and voted on the proposed transactions requiring their consent.

The Supervisory Board was kept regularly informed by the Board of Managing Directors about the situation and progress of the bank and the Group and the general trend of trading. The Supervisory Board held a total of six meetings whose primary focuses, in addition to the in-depth discussion of current business developments, were the future business policy of the bank including its principal strategic and organizational dimensions, and key issues concerning the integrated co-operative financial system.

The Supervisory Board was also kept informed about the bank's and the Group's risk situation and the refinement of their systems and procedures for controlling risks, especially market price and default risks and the other risks typical of the banking industry. Significant individual business transactions were submitted to the Supervisory Board for approval.

To enable it to perform its duties and comply with the statutory requirements, the Supervisory Board formed a Personnel Sub-committee, an Audit Sub-committee, a Credit and Investments Sub-committee and a Mediation Sub-committee pursuant to section 27.3 of the German Codetermination Act. The first three sub-committees met on several occasions. The full Supervisory Board was kept regularly informed about the activities of its sub-committees.

Outside of formal meetings, the chairman of the Supervisory Board and the chairmen of the Audit and the Credit and Investments Sub-committees were kept informed of key decisions and exceptional business occurrences through regular discussions with the chairman of the Board of Managing Directors.

Dr Rainer Märklin resigned from the Supervisory Board with effect from the end of the ordinary general meeting of shareholders held on May 28, 2003. Mr Helmut Gottschalk was elected as a new member of the Supervisory Board.

Dr Thomas Duhnkrack was appointed as a full member of the Board of Managing Directors with effect from January 1, 2003. Mr Uwe E. Flach and Mr Peter Dieckmann resigned from the Board of Managing Directors of DZ BANK as of December 31, 2003.

Deloitte & Touche GmbH, Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, and Ernst & Young AG, Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, jointly audited the bookkeeping records, annual financial statements and management report of DZ BANK for the year to December 31, 2003 presented by the Board of Managing Directors as well as the consolidated financial statements and the Group management report, and found them to be in conformance with the statutory regulations. The auditors accordingly issued an unqualified audit certificate in both cases. The audit reports were submitted to the members of the Supervisory Board and comprehensively examined and discussed. The Supervisory Board is in agreement with the findings of the auditors.

Representatives of the auditors attended the meeting of the Supervisory Board called to approve the annual financial statements in order to report in detail on the key audit outcomes. They also made themselves available to the members of the Supervisory Board to answer any queries.

The Supervisory Board and the Audit Sub-committee chaired by Mr Rolf Hildner have examined in detail the annual and consolidated financial statements and management reports for DZ BANK and the DZ BANK Group as well as the proposed appropriation of profits. We have no objections to raise.

At its meeting on April 14, 2004 the Supervisory Board approved the annual financial statements for the year to December 31, 2003 prepared by the Board of Managing Directors, which are therefore formally adopted. The Supervisory Board is in agreement with the proposal from the Board of Managing Directors for the appropriation of the available profits.

The Supervisory Board thanks the Board of Managing Directors and all employees for their exceptional personal commitment and efforts on behalf of the bank and the Group in 2003.

Frankfurt am Main, April 14, 2004

DZ BANK AG
Deutsche Zentral-Genossenschaftsbank,
Frankfurt am Main

Dr Christopher Pleister
Chairman, Supervisory Board

Annual Financial Statements of DZ BANK AG

Balance Sheet of DZ BANK AG as at December 31, 2003: Assets

in € million	(Notes)				12.31.2003	12.31.2002
1. Cash reserve					**317**	**221**
a) Cash on hand				5		8
b) Balances with central banks				312		213
of which: with Deutsche Bundesbank		296				(188)
2. Debt instruments of public-sector entities and bills of exchange eligible for refinancing at national central banks					**57**	**17**
Treasury bills as well as non-interest-earning treasury notes and similar debt instruments of public-sector entities				57		17
of which: eligible for refinancing at Deutsche Bundesbank		51				(2)
3. Placements with, and loans and advances to, other banks	(3, 5)				**75,948**	**80,364**
a) Repayable on demand				2,749		2,531
b) Term deposits and loans				73,199		77,833
4. Loans and advances to non-bank customers	(3)				**26,044**	**32,278**
of which: secured by mortgages		873				(1,029)
local authority loans		1,793				(2,121)
5. Bonds and other fixed-interest securities	(3, 11)				**53,343**	**51,716**
a) Money market instruments issued by				5		60
other issuers			5			(60)
of which: qualifying as repo collateral at Deutsche Bundesbank		0				(20)
b) Bonds issued by				51,050		49,031
ba) public sector issuers			4,109			(4,355)
of which: qualifying as repo collateral at Deutsche Bundesbank		3,523				(3,870)
bb) other issuers			46,941			(44,676)
of which: qualifying as repo collateral at Deutsche Bundesbank		32,457				(30,309)
c) Own bonds				2,288		2,625
Nominal volume		2,205				(2,539)
6. Equity shares and other variable-yield securities	(11)				**1,424**	**6,501**
of which: own participation shares		2				(25)
Nominal value		3				(24)
7. Participations	(11, 12)				**423**	**300**
of which: in banks		304				(187)
in financial services institutions		3				(3)
8. Shares in related companies	(11, 12)				**9,185**	**8,292**
of which: in banks		1,557				(1,196)
in financial services institutions		26				(34)
9. Assets held on trust basis	(7)				**1,824**	**1,857**
of which: trust loans		447				(470)

in € million	(Notes)				12.31.2003	12.31.2002
10. Equalization claims against government agencies including claims converted into bonds					**133**	**221**
11. Intangible assets	(12)				**0**	**0**
12. Property and equipment	(12)				**212**	**321**
13. Own equity or partnership shares	(13)				**24**	**24**
Nominal value		10				(10)
14. Other assets	(15)				**2,519**	**2,274**
15. Accrued income and deferred expenses	(16)				**517**	**376**
Total Assets					**171,970**	**184,762**

Balance Sheet of DZ BANK AG as at December 31, 2003: Equity and Liabilities

in € million	(Notes)				12.31.2003	12.31.2002
1. Deposits from other banks	(3, 5)				**97,912**	**106,647**
a) Repayable on demand				25,810		28,093
b) Fixed-term or agreed notice				72,102		78,554
2. Amounts owed to other depositors	(3)				**30,451**	**29,584**
a) Saving deposits				0		0
aa) With three month notice term			0			(0)
ab) With more than three month notice term			0			(0)
b) Other liabilities				30,451		29,584
ba) Repayable on demand			5,434			(5,294)
bb) Fixed-term or agreed notice			25,017			(24,290)
3. Liabilities in certificate form	(3)				**26,051**	**31,113**
a) Issued bonds				23,936		27,914
b) Other certificated liabilities				2,115		3,199
of which money market instruments		2,115				(3,199)
4. Liabilities arising from trust operations	(7)				**1,824**	**1,857**
of which: trust loans		447				(470)
5. Other liabilities	(17)				**3,190**	**3,093**
6. Accrued expenses and deferred income	(16)				**324**	**350**
7. Provisions					**1,240**	**1,214**
a) Provisions for pensions and similar obligations				454		439
b) Provisions for taxes				38		101
c) Other provisions				748		674
8. Subordinated liabilities	(18)				**2,722**	**2,649**
9. Participatory capital	(19)				**2,178**	**2,205**
of which: maturing within two year		172				(175)
10. Fund for general banking risks					**1,428**	**1,428**
11. Capital and reserves	(14)				**4,650**	**4,622**
a) Subscribed capital				2,879		2,879
b) Capital reserve				803		803
c) Surplus reserves				913		888
ca) Statutory reserve			9			(5)
cb) Reserve for own shares			24			(24)
cc) Other surplus reserves			880			(859)
d) Cumulative earnings				55		52
Total Equity and Liabilities					**171,970**	**184,762**

in € million	(Notes)			12.31.2003	12.31.2002
1. Contingent liabilities				**3,188**	**4,921**
Liabilities arising from guarantees and warranties provided *			3,188		4,921
2. Other liabilities				**11,277**	**12,881**
Irrevocable credit commitments			11,277		12,881

* See also disclosure in Note 31 "Other financial obligations"

Income Statement of DZ BANK AG
for the period from January 1 to December 31, 2003

in € million	(Notes)			2003	2002
1. Interest income from	(22)		**5,096**		**6,383**
a) Lending and money market operations		3,844			4,926
b) Fixed-interest securities and government-inscribed debt		1,252			1,457
2. Interest expense			**4,870**	**226**	**6,166**
3. Current income from				**429**	**893**
a) Equity shares and other variable-yield securities			183		262
b) Participations			6		18
c) Shares in associated companies			240		613
4. Income from profit pools and profit transfers or profit-sharing agreements				**98**	**113**
5. Commission income			**495**		**447**
6. Commission expense			**210**	**285**	**193**
7. Net income form financial transactions	(22)			**322**	**205**
8. Other operating income	(24)			**105**	**264**
9. General administrative expenses				**839**	**862**
a) Personnel expenses			435		455
aa) Wages and salaries		331			(357)
ab) Compulsory social security contributions and expenses for pension benefits and welfare		104			(98)
of which: for pensions provision		57			(48)
b) Other administrative expenses			404		407
10. Depreciation and write-downs on tangible and intangible assets				**83**	**89**
11. Other operating expenses	(25)			**25**	**63**
12. Depreciation and write-downs on loans and advances and certain securities, plus additions to provisions on lending business				**371**	**1,709**
13. Amortisation of participations,shares in related companies and revaluation of securities treated as fixed assets	(26)			**99**	**–**
14. Income from write-ups on participations, shares in related companies and securities treated as fixed assets				**–**	**1,094**
15. Expenses from the assumption of losses				**43**	**69**
16. Result of ordinary operations				**5**	**248**

in € million	(Notes)		2003	2002
17. Exceptional income	(28)	**22**		**2**
18. Exceptional expenses	(27)	**78**		**220**
19. Net exceptional result		**-56**	**-56**	**-218**
20. Taxes on income	(29)	**-123**		**-29**
21. Other taxes not included under “Other operating expenses” heading		**-8**	**-131**	**4**
22. Net income on period			**80**	**55**
23. Prior year's earnings carried forward			**0**	**0**
24. Withdrawls from surplus reserves			**–**	**5**
from other surplus reserves		–		5
25. Allocations to surplus reserves			**25**	**8**
a) to statutory reserve		4		3
b) To own-shares reserve		–		5
c) To other surplus reserves		21		–
26. Cumulative earnings			**55**	**52**

Notes to the financial statements of DZ BANK AG for the year to December 31, 2003

Basis

The financial statements of DZ BANK AG for the year ending December 31, 2003 have been prepared in accordance with the requirements of the German Commercial Code (HGB) and the Order on the Accounting of Credit Institutions and Financial Services Institutions (RechKredV). At the same time, the financial statements are in compliance with the provisions of Germany's Joint Stock Corporations Act (AktG), the DG BANK Transformation Act and DZ BANK AG's own statutes.

All monetary values are shown in millions of euro (€ m). For the sake of clarity, certain balance sheet and income statement headings have been aggregated.

Separate notes have been prepared for DZ BANK AG and the DZ BANK Group.

1 | Presentation and valuation methods

Claims on banks and non-bank customers (placements, loans and advances) are shown at their nominal value or cost of acquisition. Differences between their nominal value and disbursement value are shown under accrued and deferred items. Note receivables, registered bonds and lease receivables purchased from third parties are shown at purchase cost. Without exception, all receivables fall under current assets and are valued strictly at the lower of cost or market. The total shown for loans and advances to non-bank customers includes registered bonds and lease receivables assigned to the bank's investment book that are matched by corresponding hedge transactions that respectively constitute distinct valuation units.

Appropriate provision at the level of the anticipated loss was made in respect of all identifiable credit and country risks. Latent risks in the lending business are covered by global provisions, applied in accordance with the responsible authority's rules for the tax recognition of general provisions by banks. The basis of calculation is the average actual loan loss incurred in the preceding five financial years.

All securities held as current or fixed assets were valued in the reporting period strictly at the lower of cost or market. In the case of specifically identified securities held as fixed assets or as part of the liquidity reserve, their valuation has been linked with corresponding hedging transactions.

Financial trading transactions including note loans and registered bonds were valued at market prices or their synthetic valuations at the end of the year. Where standardized, exchange-traded products are concerned, the valuation is based on the end-of-year closing prices of the relevant stock exchanges. Swap trading positions were valued on the basis of the prevailing yield curves using the present value method.

Following a presentation policy change, price results on the premature redemption of issued note loans are now shown as part of the interest surplus in order to make clear their economic relationship with the results of closing the corresponding hedge transactions.

Current interest payments on swaps (including accrued and deferred items) and price gains and losses on note loans and registered bonds held for trading purposes were shown in the income statement under the heading of net income from financial activities. Those trading transactions in foreign exchange, securities and derivatives which are subject to the same market price change risk or credit risk (interest, exchange rate and other price risks plus spread risks) are also aggregated for accounting purposes into cross-product portfolios that form part of the bank's harmonized risk management system.

Within a portfolio, unrealized valuation losses are offset against unrealized valuation gains. Furthermore, realized losses are offset against residual valuation gains within the same portfolio provided the required criteria are fulfilled. A balancing item is included in the balance sheet under the other assets heading to the value of the unrealized profits offset against realized losses.

To ensure the accurate relation of earnings to operating units, these financial statements show the interest and dividend income from securities held for dealing purposes and for the first time from repurchase agreements, and the refinancing expenses assignable to dealing transactions, as part of net trading income.

Shares in related companies and participations are shown at cost of acquisition or updated book value.

The revaluation of assets and liabilities acquired from Genossenschaftsbank Berlin (GBB) in 1990 resulted in a claim for compensation against the currency conversion compensation fund (Ausgleichsfonds Währungsumstellung) under the terms of section 40 of the Accounting Act (DM-Bilanzgesetz – DMBilG). The values shown for these items are subject to future adjustment under the terms of section 36 of the same act.

Intangible fixed assets are capitalized at cost of acquisition or production. Tangible fixed assets are valued at cost of acquisition or production less regular depreciation over their expected service life, based in all cases on the values shown in the tables published by the German tax authorities. Minor-value assets are written off in full in the year of acquisition.

Operating equipment and systems, including office furniture, is depreciated on a straight-line basis. Depreciation is taken for the full year on acquisitions made in the first half of the year and for a half-year on additions in the second half of the year.

Liabilities are shown at their repayment value. The difference between their nominal and actual amounts has been taken to accruals and deferrals.

Provisions were made in the amount required on the basis of reasonable commercial judgment. Unrealized losses on uncompleted transactions aggregated together with other trading transactions in cross-product portfolios, are only shown as separate provisions in the commercial financial statements to the extent that they are not offset by unrealized profits.

Pension reserves are calculated according to actuarial principles. Current pension commitments to retired pensioners and contributions on behalf of ex-employees with pension entitlement are shown at their pro-rata value. The pension entitlements of still-active future beneficiaries are shown in accordance with section 6a of the Income Tax Act (Einkommenssteuergesetz – EStG). To ensure that current pension obligations are covered from independent resources, a substantial proportion of the current annuity obligations were transferred in 2003 to DZ BANK Mitarbeiter-Unterstützungseinrichtung GmbH.

The value of the fund for general banking risks required by section 340g HGB is unchanged at € 1,428 million. Prudential reserves have also been created pursuant to section 340f HGB.

Expense from financial investments is set off against corresponding income; in the same way expense and income from the valuation of lending business and securities in the liquidity reserve are shown net.

2 | Currency translation

In the financial statements of DZ BANK AG, foreign book assets, liabilities and securities holdings are translated into euro using the European Central Bank's official "ESCB reference rate" on the balance sheet date. Currency translation is fully in harmony with section 340h HGB and Statement 3/95 of the German Institute of Public Accountants (IDW).

Where specifically covered, shares in related companies and participations denominated in foreign currencies are translated using the official "ESCB reference rate" at the valuation and accounting date in line with section 340h HGB. "Specifically covered" refers to all investment assets internally released from Treasury to the care of the forex dealing unit for the purposes of managing currency risks.

Sufficient unrealized profits from unsettled foreign currency forward transactions in the trading portfolio are offset against unrealized losses in the same currency across all maturities to cancel out said losses. The remaining unrealized profits are offset against the realized losses from currency translation until exhausted, provided the required criteria are fulfilled. A balancing item is included in the balance sheet to the value of the unrealized profits offset in this way. Provisions for impending losses from unsettled transactions are made in the commercial accounts in respect of the remaining unrealized losses. No entry is made in respect of the balance of any unrealized profits remaining after offsetting.

Where foreign currency forward transactions were entered into for the purpose of hedging interest-bearing assets and liabilities, then their swap income and expense are treated as interest income or expense, reflecting their interest character.

Notes to the Balance Sheet

3 | Maturity structure of asset positions

in € million	12.31.2003	12.31.2002
Claims on other banks		
- less than 3 months	**25,083**	27,860
- between 3 months and 1 year	**10,603**	10,723
- between 1 year and 5 years	**19,723**	19,659
- more than 5 years	**17,790**	19,591
Claims on non-bank customers		
- less than 3 months	**4,227**	5,364
- between 3 months and 1 year	**3,594**	4,499
- between 1 year and 5 years	**8,232**	10,030
- more than 5 years	**7,254**	8,763
- no fixed term	**2,737**	3,622
Bonds and other fixed-interest securities		
- maturing in the subsequent year	**13,519**	12,374

3 | Maturity structure of liability positions

in € million	12.31.2003	12.31.2002
Liabilities to other banks with an originally agreed term or notice period		
- less than 3 months	**33,260**	38,083
- between 3 months and 1 year	**6,283**	8,288
- between 1 year and 5 years	**15,846**	16,045
- more than 5 years	**16,713**	16,138
Liabilities to non-bank customers		
a) Savings deposits with an agreed notice period of more than three months		
- between 3 months and 1 year	**0**	0
- between 1 year and 5 years	**0**	0
b) Other liabilities with an agreed term or notice period		
- less than 3 months	**9,013**	7,569
- between 3 months and 1 year	**1,739**	1,268
- between 1 year and 5 years	**4,205**	4,286
- more than 5 years	**10,060**	11,167
Liabilities in certificate form		
a) Bonds issued		
- maturing in the subsequent year	**7,524**	7,957
b) Other certificated liabilities		
- less than 3 months	**1,581**	2,631
- between 3 months and 1 year	**534**	568

4 | Related companies and companies with which a participation relationship exists

Claims and liabilities in respect of related companies:

in € million	12.31.2003	12.31.2002
Placements with, and loans and advances to, other banks	**8,639**	11,323
Loans and advances to non-bank customers	**2,256**	1,709
Bonds and other fixed-interest securities	**3,985**	3,343
Amounts owed to other banks	**5,083**	4,587
Amounts owed to non-bank customers	**1,671**	1,280
Certificated liabilities	**15**	208
Subordinated liabilities	**320**	24

Claims and liabilities in respect of companies with which a participation relationship exists:

in € million	12.31.2003	12.31.2002
Placements with, and loans and advances to, other banks	**18,972**	17,996
Loans and advances to non-bank customers	**1,118**	1,099
Bonds and other fixed-interest securities	**180**	3,246
Amounts owed to other banks	**16,725**	19,336
Amounts owed to non-bank customers	**724**	328
Certificated liabilities	**2,397**	5,477
Subordinated liabilities	**88**	63

A complete list of the investment holdings is lodged in the Commercial Register in Frankfurt am Main. A summary of the principal holdings is available on request from DZ BANK AG direct.

5 | Claims and liabilities in respect of affiliated banks

The reported claims and liabilities totals include the following sums due from or to affiliated banks:

in € million	12.31.2003	12.31.2002
Due from affiliated banks	**37,252**	37,419
of which: from cooperative central banks	434	82
Due to affiliated banks	**36,351**	39,619
of which: to cooperative central banks	36	27

6 | Subordinated assets

Subordinated assets are included in the following headings:

in € million	12.31.2003	12.31.2002
Placements with, and loans and advances to, other banks	**316**	305
Of which: due from related companies	16	–
due from participation-relationship companies	16	–
Loans and advances to non-bank customers	**157**	197
Of which: due from participation-relationship companies	26	–
Bonds and other fixed-interest securities	**567**	844
Of which: due from related companies	3	0
Shares and other variable-yield securities	**291**	400
Of which: due from related companies	72	72
due from participation-relationship companies	–	7

7 | Trust operations

The total value of the bank's trust assets and liabilities is apportioned between the following assets-side and liabilities-side headings:

in € million	12.31.2003	12.31.2002
Deposits with, and loans and advances to, other banks	446	469
Loans and advances to non-bank customers	1	1
Participations	1,377	1,387
Trust assets	**1,824**	1,857
Amounts owed to other banks	447	470
Amounts owed to other depositors	1,377	1,387
Trust liabilities	**1,824**	1,857

8 | Foreign-currency positions

Values of assets and liabilities in foreign currencies:

in € million	12.31.2003	12.31.2002
Assets	**19,133**	24,684
Liabilities	**17,771**	21,354

9 | Business subject to repurchase agreements

The book value at December 31, 2003 of the assets committed to sale and repurchase operations was € 13,454 million (2002: € 14,879 million).

10 | Assets assigned as security

Assets with the value stated below were assigned in respect of the following liabilities:

in € million	12.31.2003	12.31.2002
Amounts owed to banks	**31,337**	33,997
Amounts owed to other depositors	**2,881**	1,869

A total of € 2,278 million (2002: € 2,696 million) was additionally deposited as security for stock exchange forward transactions and under the terms of collateral agreements for OTC trading transactions.

11 | Securities eligible for stock exchange listing

Listed securities as a proportion of the total securities eligible for stock exchange listing in each category:

in € million	12.31.2003	12.31.2002
Bonds and other fixed-interest securities eligible for stock exchange listing	**53,343**	51,716
of which: listed	47,174	46,160
Shares and other variable-yield securities eligible for stock exchange listing	**1,283**	1,472
of which: listed	697	806
Participations eligible for stock exchange listing	**154**	138
of which: listed	154	138
Shares in related companies eligible for stock exchange listing	**1,974**	1,813
of which: listed	316	291

12 | Fixed asset structure and movements

	Cost of acquisition/production					Depreciation		Residual book value at	
in € million	01.01.2003	Additions	Disposals	Reclass.	Revalution	Current year	Cumula-tive	12.31.2003	12.31.2002
I. Intangible fixed assets	0	0	0	0	0	0	0	**0**	0
II. Tangible fixed assets	1,015	53	240	- 40	0	83	576	**212**	321
1. Land and buildings	139	3	55	- 39	0	2	17	31	95
2. Equipment	876	50	185	- 1	0	81	559	181	226
				Net changes					
III. Financial assets	25,011			477				**25,488**	24,603
1. Participations	395			28				423	300
2. Shares in related companies	8,329			856				9,185	8,292
3. Securities forming part of fixed assets	16,287			- 407				15,880	16,011

The book value of the land and buildings in use by DZ BANK AG in the course of its own operations amounted on December 31, 2003 to € 22 million (12.31.2002: € 83 million).

13 | Own shares

At the accounting date, DZ BANK AG held a total of 3,665,569 of its own registered unit shares representing in total € 9,530,479.40 or 0.3311 percent of the company's share capital.

Of this total, 200,000 shares had passed from the federal government to DG BANK AG on August 19, 1998 under the terms of section 2.2 of the DG BANK Transformation Act. This is equivalent to € 520,000.00 or 0.0181 percent of the company's share capital. DG BANK AG had also acquired a further 293,000 of its own shares on September 30, 1999 under the powers of a time-limited authority to acquire its own shares, approved by the general meeting held on June 15, 1999 and effective through October 31, 2000. This is equivalent to € 761,800.00 or 0.0265 percent of the company's share capital. Subsequently, DG BANK AG acquired a further 1,220,000 of its own unit shares on November 15, 1999. This is equivalent to € 3,172,000.00 or 0.1102 percent of the company's share capital.

On the strength of the resolution passed by the extraordinary general meeting held on August 16, 2001 to approve a time-limited authority, effective through January 31, 2003, permitting DZ BANK AG to acquire its own shares for purposes other than securities trading (section 71.1.8 AktG) up to an aggregate ceiling of 10 percent of the current share capital, DZ BANK AG acquired a further 5,082 of its own shares on December 28, 2001 equivalent to € 13,213.20 or 0.0005 percent of the company's share capital. This purchase was in connection with the partial consolidation of DZ BANK AG's circle of shareholders following the merger.

On the basis of the aforementioned resolution DZ BANK AG in January 2002 additionally acquired 475,648 own shares equivalent to € 1,236,684.80 of the registered capital and a share of the registered capital of 0.0430 percent. In February 2002 DZ BANK AG acquired 536,772 own shares equivalent to € 1,395,607.20 of the registered capital and a share of the registered capital of 0.0485 percent. In March 2002 DZ BANK AG acquired 859,848 own shares equivalent to € 2,235,604.80 of the registered capital and a share of the registered capital of 0.0777 percent. In April 2002 DZ BANK AG acquired 75,219 own shares equivalent to € 195,569.40 of the registered capital and a share of the increased registered capital of 0.0068 percent. These purchases were effected in connection with the partial consolidation of DZ BANK AG's circle of shareholders.

14 | Changes in capital structure

The subscribed capital of DZ BANK AG consists of its registered capital of € 2,878,427,240.00. The Company's subscribed capital is divided into 1,107,087,400 registered shares each conveying a notional proportional entitlement in the Company's share capital of € 2.60.

The parent bank's equity capital evolved as follows during the year under report:

in € million	01.01.2003	Additions/ (-)Withdrawals	12.31.2003
Subscribed capital	2,879		**2,879**
Capital reserve	803		**803**
Surplus reserves	888		**913**
- Statutory reserve	5	4	9
- Reserve for own-shares	24	–	24
- Other surplus reserves	859	21	880
	4,570	25	**4,595**
Cumulative profit	52		**55**
- Appropriation/distribution from prior year	52	-52	–
- Cumulative profit 2003	–	55	55
	4,622	28	**4,650**

The general meeting held on August 16, 2001 authorized the Board of Managing Directors, with the consent of the Supervisory Board, to increase the share capital of DZ BANK AG by up to € 50 million in total by issuing shares against cash contributions or contributions in kind on one or more occasions through to July 31, 2006. Provided the Supervisory Board agrees, the Board of Managing Directors may exclude the right of existing shareholders to subscribe to either a capital increase against cash contributions or a capital increase against contributions in kind where the capital increase is intended to finance the issue of new staff shares, the acquisition of companies or equity stakes in companies, or to make available equity interests in the bank to underpin strategic partnerships. Furthermore the Board of Managing Directors is empowered, with the consent of the Supervisory Board, to exclude the right of existing shareholders to subscribe in relation to fractional amounts ("Authorized capital I").

The general meeting also authorized the Board of Managing Directors, with the consent of the Supervisory Board, to increase the share capital of DZ BANK AG by up to € 100 million in total by issuing shares against cash contributions on one or more occasions through to July 31, 2006. The Board of Managing Directors may, with the consent of the Supervisory Board, exclude the right of existing shareholders to subscribe in relation to fractional amounts ("Authorized capital II").

The Board of Managing Directors did not make use of these authorities during the year under report.

15 | Other assets

The "Other assets" heading most importantly reports valuation gains from trading transactions after the offset of realized losses (€ 1,168 million) plus premiums for acquired option rights (€ 958 million).

16 | Accruals and deferrals

The asset and liability side accruals and deferrals headings include premiums/discounts totaling as follows:

in € million	12.31.2003	12.31.2002
Discount on payables	**292**	149
Discount on receivables	**119**	132
Premium on payables	**40**	37

17 | Other liabilities

This heading includes most importantly deferred option premiums received totaling € 3,005 million.

18 | Subordinated liabilities

Out of the total volume of subordinated liabilities as at December 31, 2003, € 2,420.2 million is recognized as qualifying (liable) capital within the definition of section 10.5 a of the German Banking Act (KWG) and € 5.8 million as third-tier capital within the definition of section 10.7 KWG.

The subordinated borrowings do not involve any early redemption obligation. The rights arising from these liabilities (including entitlement to interest) are secondary to the non-subordinated claims of all the issuer's other creditors in the event of bankruptcy or liquidation.

There is no agreement or intention to convert these funds to capital or another form of debt.

The subordinated liabilities have an average interest rate of 5.17 percent (2002: 6.06 percent) and initial terms of between 4 and 30 years.

The overall figure includes one single item which exceeds 10 per cent of the aggregate value of the subordinated liabilities. This € 300 million registered bond pays interest at the 3-month EURIBOR rate and matures in 2033, though the issuer has an annual call option first exercisable in 2008.

In the year under review, the liabilities shown under this heading resulted in expense amounting to € 135 million at DZ BANK AG (2002: € 171 million).

19 | Participatory capital

Out of the total volume of participatory capital as at December 31, 2003, € 1,968.2 million is recognized as qualifying (liable) capital within the definition of section 10.5 of the German Banking Act (KWG).

Participatory capital participates to the full extent in potential losses. Interest payments are only made subject to the availability of unappropriated profit. Participation certificate holders' entitlements to repayment of their capital are subordinate to the rights of other creditors.

The following series of bearer participation certificates have been issued:

Year of issue	**Nominal amount** in € million	**Interest rate** in percent	**Due**
1984	133	8.50	2011
1987	102	7.25	2006
1989	42	7.50	2009
1993	26	7.00	2008
1994	36	6.75	2006
1994	26	6.25	2005
1994	26	7.25	2004
1995	64	7.50	2006
1996	51	7.50	2006
1996	41	7.25	2007
1997	9	6.50	2004
1997	38	6.75	2008
1998	1	3.27	2004
1998	22	6.50	2010
1999	160	3.55*	2009
1999	1	7.00	2010
2000	60	6.25	2009
2000	1	2.75	2006
2001	100	5.50	2008
2001	61	7.60	2006
2002	28	6.50**	2011

* Tied to market rate: H1: 4.29 percent, H2: 3.55 percent.

** Distribution in respect of FY 2002 is scheduled to be paid together with 2003 payout on July 1, 2004.

The issue terms of the 1984, 1987, 1998 (maturing through 2004), and 2000 participatory capital tranches (maturing through 2006) make the eventual distribution dependent on the dividend declared.

Registered participation certificates with an aggregate nominal volume of € 1,016 million have been issued. This total is composed of 430 separate issues with original terms of between 6.6 and 15.6 years and bearing interest of between 5.38 per cent and 7.63 per cent.

Servicing the interest on the participation certificate stock involved expense of € 138 million in 2003 (2002: € 151 million).

20 | Off-balance-sheet futures business by product structure

The following table shows the breakdown of off-balance-sheet futures transactions by product area:

	Nominal amount					Replacement costs	
	Residual term			Total			
in € million	≤1 year	>1–5 years	>5 years	12.31.2003	12.31.2002	12.31.2003	12.31.2002
Interest-based transactions	**205,188**	**260,322**	**186,611**	**652,121**	587,896	**12.775**	12,569
OTC products							
FRAs	8,121	50	–	8,171	15,772	2	8
- Interest swaps (same currency)	152,453	206,701	159,469	518,623	432,401	11,993	11,962
- Interest options – calls	9,556	21,917	10,163	41,636	36,512	776	596
- Interest options – puts	15,453	30,639	16,943	63,035	46,851	–	–
- Other interest contracts	66	–	36	102	694	4	3
Exchange-traded products							
- Interest futures	19,038	1,015	–	20,053	55,261	–	–
- Interest options	501	–	–	501	405	–	–
Forex-based transactions	**16,777**	**9,010**	**3,724**	**29,511**	37,551	**799**	805
OTC products							
Forward exchange transactions	11,174	1,010	87	12,271	14,753	392	194
- Cross-currency swaps	3,033	7,667	3,629	14,329	18,229	353	592
- Forex options – calls	1,321	166	8	1,495	2,586	54	19
- Forex options – puts	1,231	167	–	1,398	1,982	–	–
Exchange-traded products							
- Forex futures	18	–	–	18	1	–	–
Equity and index-based transactions	**2,714**	**1,501**	**3,790**	**8,005**	4,820	**246**	62
OTC products							
- Equity and index options – calls	101	1,194	1,941	3,236	327	246	62
- Equity and index options – puts	416	278	1,849	2,543	2,841	–	–
- Other equity and index contracts	142	–	–	142	–	0	–
Exchange-traded products							
- Equity and index futures	907	–	–	907	933	–	–
- Equity and index options	1,148	29	–	1,177	719	–	–
Other transactions	**11**	**–**	**–**	**11**	–	**3**	–
- Precious metal transactions	11	–	–	11	–	3	–
Credit derivatives	**868**	**5,454**	**1,281**	**7,603**	5,276	**125**	58
Credit default swaps							
- DZ BANK as hedge beneficiary	217	2,906	1,137	4,260	2,735	115	34
- DZ BANK as hedge provider	608	2,499	144	3,251	2,449	7	20
Total return swaps							
- DZ BANK as hedge beneficiary	43	19	–	62	62	3	4
- DZ BANK as hedge provider	–	30	–	30	30	0	–
Total	**225,558**	**276,287**	**195,406**	**697,251**	635,543	**13,948**	13,494

A substantial proportion of the transactions listed here were entered into to hedge interest rate, exchange rate or market price fluctuations. The bulk of these transactions related to trading activities. The nominal volume of all transactions totaled € 697,251 million (2002: € 635,543 million). The replacement-purchase cost (the sum of positive market values) amounted to € 13,948 million without taking netting agreements into account (2002: € 13,494 million).

Off-balance-sheet futures business by counterparties structure

The following table shows the breakdown by counterparty:

	Replacement costs	
in € million	**12.31.2003**	**12.31.2002**
OECD central governments	–	16
Banks in OECD countries	12,752	12,783
Financial services institutions in OECD countries	–	416
Other companies and private individuals	1,196	276
Banks in non-OECD countries	0	3
Total	**13,948**	13,494

Notes to the Income Statement

21 | Breakdown of income by geographical markets

The following table shows the breakdown between the domestic and international markets for the aggregate of interest income, current income from shares and other variable-yield securities, participations and shares in related companies, commission income, net income from financial transactions, and other operating income:

in € million	2003	2002
Germany	5,567	7,128
International	727	1,063

22 | Change in the reporting of net interest and net trading income

The net income from financial transactions total includes a sum of € 33 million due to the first-time inclusion of the interest result on repurchase agreements under this heading.

23 | Administration and agency services provided for third parties

Services to third parties relate most significantly to securities custody administration and trust assets administration, plus the intermediation of insurance business.

24 | Other operating income

The "Other operating income" heading in the financial statements includes (amongst other items), income from fixed-asset disposals totaling € 44 million, income from the writing back of provisions totaling € 13 million, rent revenues of € 9 million, income from the Visa card operation totaling € 6 million, revenues from organized seminars and publications totaling € 6 million, fees for non-banking services totaling € 4 million, and tax refunds totaling € 4 million.

25 | Other operating expenses

The "Other operating expenses" heading includes (amongst other items) losses on fixed-asset disposals and write-downs on sundry assets totaling € 7 million, expenses arising from the Visa card operations totaling € 4 million, non-personnel costs in relation to buildings not used for banking totaling € 4 million, and compensation for performance failures totaling € 3 million.

26 | Write-downs on securities held as fixed assets

The strict application of the lower-of-cost-or-market valuation principle to all fixed-asset securities resulted in additional write-downs totaling € 53 million during the year.

27 | Exceptional expenses

The "Exceptional expenses" heading essentially includes personnel and non-personnel restructuring expenses totaling € 60 million, costs totaling € 14 million from ongoing early retirement obligations under the social plan currently in force, and total € 4 million expenses arising from the spin-off of the Payments Handling division into Transaktionsinstitut für Zahlungsverkehrsdienstleistungen AG.

28 | Exceptional income

The exceptional income heading includes an amount of € 22 million in consideration for the transfer of the Payments Handling division to Transaktionsinstitut für Zahlungsverkehrsdienstleistungen AG.

29 | Taxes on income

Revenues arising from taxes on income essentially comprise the corporation and municipal trade tax contributions received on the basis of tax unity relationships; such transfers amounted to € 101 million in the year under report and are shown under this heading for the first time. In 2002 tax transfers were included under other operating income.

Other disclosures

30 | Shareholder information

The proportion of DZ BANK AG's share capital held by cooperative enterprises was approximately 92.9 percent at December 31, 2003. The definition of cooperative enterprises includes the cooperative societies, the central cooperative institutions and other corporate entities and trading companies.

31 | Other financial obligations

The total amount of these liabilities is € 235 million (2002: € 274 million).

This amount does not include liabilities of € 7 million from capital shares of cooperative associations (2002: € 8 million).

DZ BANK AG has indemnified the protection scheme operated by the BVR cooperative banks association in respect of any obligations incurred by the guarantee fund in relation to Deutsche Genossenschafts-Hypothekenbank AG, VR DISKONTBANK GmbH, DVB Bank Aktiengesellschaft, or Frankfurt Bukarest Bank AG.

Furthermore, DG BANK AG has given transfer guarantee declarations to domestic companies and public institutions in respect of certain deposits at its branches in Great Britain and the USA for the event that the branches are prevented by national decision from discharging their repayment obligations.

In respect of three subordinated, consolidated credit institutions that are listed in the list of shareholdings required by section 285.11 HGB and identified therein as falling within the ambit of this declaration of responsibility, DZ BANK AG will ensure the ability of these companies to fulfill their contractual obligations in proportion to its shareholding and excluding political risk. During the year under report, DZ BANK AG has also issued a subordinated declaration of responsibility in respect of DZ BANK Capital Funding LLC I, Wilmington.

32 | Number of employees

The average number of persons employed in fiscal 2003 was as follows:

	2003	2002
Female staff		
Full-time employees	1,538	1,896
Part-time employees	508	565
Male staff		
Full-time employees	2,436	2,742
Part-time employees	80	97
Total employees	**4,562**	5,300

33 | Cover statement

The following cover is in place for the total value of bonds in circulation (including registered bonds):

in € million	12.31.2003	12.31.2002
Regular cover		
Loans and advances		
to banks	9,426	10,329
to non-bank customers	877	1,359
Bonds and other fixed-interest securities	14,440	10,596
Equalization claims	75	137
Total cover	**24,818**	22,421
Issued, covered		
bearer bonds	8,434	8,580
bonds registered to banks	5,936	3,438
bonds registered to non-bank customers	7,007	7,152
	21,377	19,170
Currently unissued bonds (held in treasury)	640	339
Registered bonds given over as collateral		
to banks	15	8
to non-bank customers	97	136
Cover requirement	**22,129**	19,653
Excess cover	**2,689**	2,768

34 | Cover assets trustees

The trustees are appointed by the German financial services regulator (Bundesanstalt für Finanzdienstleistungsaufsicht, BAFin) and their statutory duty is to ensure that the issuance, administration and collateralization of DZ BANK AG's covered bonds comply with the legal requirements and the provisions of the bank's own statutes as well as the bonds' terms and conditions.

Trustee:
Dr Ekkehard Buchwaldt
Presiding Judge, Superior Provincial Court
Frankfurt am Main, (retd.)

Deputy Trustee:
Dr Dieter Eschke
Presiding Judge, Superior Provincial Court
Frankfurt am Main, (retd.)

35 | Statutory bodies

The total remuneration for members of the Board of Managing Directors of DZ BANK AG during 2003 amounted to T€ 5,647 (2002: T€ 5,191) and T€ 428 for members of the Supervisory Board (2002: T€ 462).

Total emoluments of T€ 7,343 were paid to former members of the Board of Managing Directors or their surviving dependents (2002: T€ 6,866), and pension reserves of T€ 72,743 (2002: T€ 67,236) were endowed to their benefit.

Board of Managing Directors:

Dr Ulrich Brixner
(Chairman)

Uwe E. Flach
(Deputy Chairman,
to December 31, 2003)

Peter Dieckmann
(to December 31, 2003)

Dr Thomas Duhnkrack
(from January 1, 2003)

Heinz Hilgert

Wolfgang Kirsch

Albrecht Merz

Dietrich Voigtländer

Supervisory Board:
Dr Christopher Pleister
(Chairman)
President
Bundesverband der Deutschen Volksbanken
und Raiffeisenbanken e. V.

Helga Preußer
(First Deputy Chairwoman)
Employee
DZ BANK AG
Deutsche Zentral-Genossenschaftsbank

Rolf Hildner
(Second Deputy Chairman)
Chairman of the Board of Managing Directors
Wiesbadener Volksbank eG

Members:

Wolfgang Apitzsch
Attorney at law

Rüdiger Beins
Employee
DZ BANK AG
Deutsche Zentral-Genossenschaftsbank

Werner Böhnke
Chairman of the Board of Managing Directors
WGZ-Bank
Westdeutsche Genossenschafts-Zentralbank eG

Gerhard Bramlage
Chairman of the Board of Managing Directors
Emsländische Volksbank eG

Carl-Christian Ehlers
Chairman of the Board of Managing Directors
Kieler Volksbank eG

Dipl.-Kfm. Gerhard Engler
Bank Director (retd.)
Volksbank Müllheim eG

Helmut Gottschalk
Speaker of the Board of Managing Directors
Volksbank Herrenberg-Rottenburg eG
(from May 28, 2003)

Michael Groll
Management employee
DZ BANK AG
Deutsche Zentral-Genossenschaftsbank

Siegfried Hägele
Employee
VR Kreditwerk Hamburg-Schwäbisch Hall AG

Walter Kaufmann
Secretary
ver.di
United Services Trade Union

Sigmar Kleinert
Employee
DZ BANK AG
Deutsche Zentral-Genossenschaftsbank

Klaus Lambert
President & Chairman of the Board of Managing Directors
Genossenschaftsverband Frankfurt e. V.,
Hessen/Rheinland-Pfalz/Saarland/Thüringen

Dr Rainer Märklin
Bank Director (rtd.)
Volksbank Reutlingen eG
(to May 28, 2003)

Adolf Rückl
Operations Manager
Schwäbisch Hall Facility Management GmbH

Gudrun Schmidt
Regional Group Director
ver.di
United Services Trade Union

Bernhard Sorge
Member of the Board of Managing Directors
Raiffeisen-Volksbank Grafing-Ebersberg eG

Winfried Willer
Employee
VR Kreditwerk Hamburg-Schwäbisch Hall AG

Dr h. c. Uwe Zimpelmann
Member of the Board of Managing Directors
Landwirtschaftliche Rentenbank

36 | Appointments held by members of the Board of Managing Directors and employees on the supervisory boards of major corporations

Bank officers and directors served on the supervisory boards of the following major German corporations at December 31, 2003 (Group companies are identified by (*)):

Members of the Board of Managing Directors	Companies
Dr Ulrich Brixner (Chairman)	Bausparkasse Schwäbisch Hall AG, Schwäbisch Hall, Deputy Chairman of the Supervisory Board (*`)
	Deutsche Genossenschafts-Hypothekenbank Aktiengesellschaft, Hamburg, Chairman of the Supervisory Board (*)
	R+V Versicherung AG, Wiesbaden, Deputy Chairman of the Supervisory Board (*)
	Südzucker AG, Mannheim/Ochsenfurt, Member of the Supervisory Board
Uwe E. Flach (Deputy Chairman, to December 31, 2003)	Andreae-Noris-Zahn AG, Frankfurt am Main, Member of the Supervisory Board
	Deutsche Börse AG, Frankfurt am Main, Member of the Supervisory Board
	STADA-ARZNEIMITTEL AG, Bad Vilbel, Member of the Supervisory Board
Dr Thomas Duhnkrack	DVB Bank Aktiengesellschaft, Frankfurt am Main, Chairman of the Supervisory Board (*)
	VR-LEASING Aktiengesellschaft, Eschborn, Chairman of the Supervisory Board (*)

Heinz Hilgert	norisbank Aktiengesellschaft, Nürnberg, Chairman of the Supervisory Board (*) ReiseBank Aktiengesellschaft, Frankfurt am Main, Chairman of the Supervisory Board (*) R+V Versicherung AG, Wiesbaden, Member of the Supervisory Board (*) SÜDWESTBANK Aktiengesellschaft, Stuttgart, Deputy Chairman of the Supervisory Board (*) Union Asset Management Holding AG, Frankfurt am Main, Chairman of the Supervisory Board (*)
Wolfgang Kirsch	BAG Bankaktiengesellschaft, Hamm, Member of the Supervisory Board Bausparkasse Schwäbisch Hall AG, Schwäbisch Hall, Member of the Supervisory Board (*) Deutsche Genossenschafts-Hypothekenbank Aktiengesellschaft, Hamburg, Member of the Supervisory Board (*) Deutsche WertpapierService Bank AG, Frankfurt am Main, Member of the Supervisory Board (*) DVB Bank Aktiengesellschaft, Frankfurt am Main, Member of the Supervisory Board (*) EDEKABANK AG, Hamburg, Member of the Supervisory Board norisbank Aktiengesellschaft, Nürnberg, Deputy Chairman of the Supervisory Board (*) Südfleisch Holding Aktiengesellschaft, München, Member of the Supervisory Board

	VR-LEASING Aktiengesellschaft, Eschborn, Member of the Supervisory Board (*)
Albrecht Merz	BayWa Aktiengesellschaft, München, Member of the Supervisory Board
	R+V Allgemeine Versicherung AG, Wiesbaden, Member of the Supervisory Board (*)
	SÜDWESTBANK Aktiengesellschaft, Stuttgart, Chairman of the Supervisory Board (*)
	Transaktionsinstitut für Zahlungsverkehrsdienstleistungen AG, Frankfurt am Main, Member of the Supervisory Board (*)
Dietrich Voigtländer	Bausparkasse Schwäbisch Hall AG, Schwäbisch Hall, Member of the Supervisory Board (*)
	Deutsche WertpapierService Bank AG, Frankfurt am Main, Chairman of the Supervisory Board (*)
	FIDUCIA IT AG, Karlsruhe, Member of the Supervisory Board
	Karlsruher Hinterbliebenenkasse Aktiengesellschaft, Lebensversicherung für Beamte und Angestellte der öffentlichen Verwaltung, Karlsruhe, Deputy Chairman of the Supervisory Board
	Transaktionsinstitut für Zahlungsverkehrsdienstleistungen AG, Frankfurt am Main, Chairman of the Supervisory Board (*)
	VR Kreditwerk Hamburg-Schwäbisch Hall AG, Hamburg und Schwäbisch Hall, Member of the Supervisory Board (*)

Employees of DZ BANK AG	Companies
Ulrich Dexheimer	Raiffeisen-Warenzentrale Kurhessen-Thüringen GmbH, Kassel, Member of the Supervisory Board
Dr Wilhelm Esselmann	LOHMANN & CO. AG, Visbek, Member of the Supervisory Board
	NFZ Norddeutsche Fleischzentrale GmbH, Hamburg, Member of the Supervisory Board
	RHG Nord Raiffeisen Hauptgenossenschaft Nord AG, Kiel, Member of the Supervisory Board
Frank Westhoff	Stuttgarter Volksbank AG, Stuttgart, Member of the Supervisory Board

Frankfurt am Main, March 9, 2004

DZ BANK AG
Deutsche Zentral-Genossenschaftsbank

Board of Managing Directors

Dr Brixner	Dr Duhnkrack	Hilgert
Kirsch	Merz	Voigtländer

Independent audit opinion

Based on the conclusive findings of our audit, we have issued the following **unqualified audit opinion** dated March 15, 2004:

"We have audited the financial statements, together with the bookkeeping system, and the management report of DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, for the business year from 1 January to 31 December 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 (and supplementary provisions in the Articles of Association) are the responsibility of the Company's Board of Managing Directors. 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 and the generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). These 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 German 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 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 the Company's Board of Managing Directors, as well as evaluating the overall presentation of the annual financial statements and the 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 fair and true picture of the net assets, financial position and results of operations of the Company in accordance with German 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 15, 2004

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft

(Müller-Tronnier) (Wagner)
Wirtschaftsprüfer Wirtschaftsprüfer

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

(Prof. Dr Kläs) (Apweiler)
Wirtschaftsprüfer Wirtschaftsprüfer

Major subsidiaries and participating interests of DZ BANK AG

Banks

Name/head office	Consolidated[1]	Share of capital in percent
Bausparkasse Schwäbisch Hall AG, Schwäbisch Hall (indirectly)	•	**82.8**
Bellevue and More AG, Hamburg		50.0
Ceskomoravska stavebni sporitelna a. s., Praha		45.0
Fundamenta Magyar-Nemet Lakastakarekpentar Rt., Budapest		51.2
Prva stavebna sprital´na a. s., Bratislava		32.5
VR Kreditwerk Hamburg-Schwäbisch Hall AG, Hamburg und Schwäbisch-Hall (jointly with Deutsche Genossenschafts-Hypothekenbank AG)	•	60.0
cosba private banking ag, Zürich (indirectly)	•	**65.0**
Deutsche Genossenschafts-Hypothekenbank AG, Hamburg	•	**100.0**
Deutsche WertpapierService Bank, Frankfurt am Main		**40.0**
DVB Bank AG, Frankfurt am Main[2]	•	**92.3**
Nedship Bank N.V., Rotterdam	•	100.0
DZ Financial Markets LLC, New York		**100.0**
DZ BANK International S. A., Luxembourg-Strassen[2]	•	**89.7**
DZ CAPITAL MANAGEMENT GmbH, Frankfurt am Main		96.7
DZ BANK Ireland plc, Dublin[2]	•	**100.0**
Magyar Takarékszövetkezeti Bank Részvénytársaság, Budapest		**46.9**
norisbank AG, Nürnberg	•	**100.0**
Österreichische Volksbanken AG, Wien (indirectly)		**25.001[3]**
SÜDWESTBANK AG, Stuttgart	•	**89.6**

[1] Consolidated under terms of section 294.1 HGB; aggregate capital shares held by DZ Bank AG or the respective parent company
[2] Declaration of backing by DZ BANK AG
[3] Share of voting rights

Other specialist service providers

Name/head office	Consolidated[1]	Share of capital in percent
Betriebswirtschaftliches Institut der Deutschen Kreditgenossenschaften BIK GmbH, Frankfurt am Main		**73.6**
DZ Equity Partner GmbH, Frankfurt am Main		**100.0**
EURO Kartensysteme GmbH, Frankfurt am Main		**19.6**
Genossenschaftlicher Informationsservice GIS GmbH, Frankfurt am Main		**97.0**
GVA GENO-Vermögens-Anlage-Gesellschaft mbH, Frankfurt am Main		**66.7**
GZS Gesellschaft für Zahlungssysteme, Frankfurt am Main		**20.0**
Transaktionsinstitut für Zahlungsverkehrsdienstleistungen AG, Frankfurt am Main	•	**100.0**
VR-LEASING AG, Eschborn	•	**83.5**
BFL LEASING GmbH, Eschborn	•	70.9
VR-BAUREGIE GmbH, Eschborn	•	100.0
VR DISKONTBANK GmbH, Eschborn	•	100.0
VR FACTOREM GmbH, Eschborn		49.0
VR-IMMOBILIEN-LEASING GmbH, Eschborn	•	100.0
VR MEDICO LEASING GmbH, Eschborn		100.0

[1] Consolidated under terms of section 294.1 HGB; aggregate capital shares held by DZ BANK AG or the respective parent company

Investment trusts

Name/head office	Consolidated[1]	Share of capital in percent
Union Asset Management Holding AG, Frankfurt am Main	•	**64.8**
DEFO Deutsche Fonds für Immobilienvermögen GmbH, Frankfurt am Main	•	90.0
DIFA DEUTSCHE IMMOBILIEN FONDS AG, Hamburg	•	94.5
Union Investment Institutional GmbH, Frankfurt am Main	•	100.0
Union Investment Luxembourg S.A., Luxembourg	•	100.0
Union Investment Privatfonds GmbH, Frankfurt am Main	•	100.0
UNICO Asset Management S.A., Luxembourg	•	100.0

[1] Consolidated under terms of section 294.1 HGB; aggregate capital shares held by DZ BANK AG or the respective parent company

Insurance companies

Name/head office	Consolidated[1]	Share of capital in percent
R+V Versicherung AG, Wiesbaden	•	**73.0**
KRAVAG-Allgemeine Versicherungs-AG, Hamburg	•	76.0
KRAVAG-LOGISTIC Versicherungs-AG, Hamburg	•	51.0
R+V Allgemeine Versicherung AG, Wiesbaden	•	88.6
R+V Krankenversicherung AG, Wiesbaden	•	100.0
R+V Lebensversicherung AG, Wiesbaden	•	100.0
R+V Pensionsfonds AG, Wiesbaden (jointly with Union Asset Management Holding)	•	51.0
R+V Rechtsschutzversicherung AG, Wiesbaden	•	100.0

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