DEUTSCHE BANK AKTIENGESELLSCHAFT
Form 424B2
December 01, 2015

Pricing Supplement No. 2595B

*To product supplement B dated July 31, 2015,*

*prospectus supplement dated July 31, 2015, and*

*prospectus dated July 31, 2015*

**Registration Statement No. 333-206013**

**Dated November 25, 2015; Rule 424(b)(2)**

**Deutsche Bank AG**

**$5,251,000 Securities Linked to the Common Stock of Gilead Sciences, Inc. due December 1, 2016**

**General**

- The securities are designed for investors who seek a return linked to the performance of the common stock of Gilead Sciences, Inc. (the "**Underlying**"), and will pay a coupon on a monthly basis that accrues at a rate of 9.50% per annum regardless of the performance of the Underlying. A Knock-Out Event will occur if the Closing Price of the Underlying is less than the Threshold Price (70.00% of the Initial Price) on any day during the Observation Period. If a Knock-Out Event has not occurred, for each $1,000 Face Amount of securities, investors will receive a cash payment at maturity equal to the Face Amount. If a Knock-Out Event has occurred and the Final Price is equal to or greater than the Initial Price, for each $1,000 Face Amount of securities, investors will receive a cash payment at maturity equal to the Face Amount. However, if a Knock-Out Event has occurred and the Final Price is less than the Initial Price, Deutsche Bank AG will deliver to investors at maturity a number of shares of the Underlying per $1,000 Face Amount of securities equal to the Face Amount *divided by* the Initial Price (the "**Share Delivery Amount**"), which will likely have a value that is less than the Face Amount and may have no value at all. Investors should be willing to accept the risk of losing some or all of their initial investment and the risk of owning shares of the Underlying if a Knock-Out Event has occurred and the Final Price is less than the Initial Price. Any payment at maturity is subject to the credit of the Issuer.

- Senior unsecured obligations of Deutsche Bank AG due December 1, 2016

- Minimum purchase of $1,000. Minimum denominations of $1,000 (the "**Face Amount**") and integral multiples thereof

- The securities priced on November 25, 2015 (the "**Trade Date**") and are expected to settle on December 1, 2015 (the "**Settlement Date**").

**Key Terms**

Issuer: Deutsche Bank AG, London Branch

| | |
|---|---|
| Issue Price: | 100% of the Face Amount |
| Underlying: | Common stock of Gilead Sciences, Inc. (Ticker: GILD) |
| Coupon: | The securities will pay Coupons in arrears on an unadjusted basis on the monthly Coupon Payment Dates in 12 equal installments based on the rate of approximately 9.50% per annum. Each installment will equal $7.9167 per $1,000 Face Amount of securities. |
| Coupon Payment Dates[1]: | December 28, 2015, January 25, 2016, February 25, 2016, March 28, 2016, April 25, 2016, May 25, 2016, June 27, 2016, July 25, 2016, August 25, 2016, September 26, 2016, October 25, 2016 and December 1, 2016 (the Maturity Date). |
| Payment at Maturity: | Any payment you receive at maturity (excluding the applicable Coupon payment) will be determined as follows:<br><br>• **If a Knock-Out Event does not occur**, you will receive a cash payment per $1,000 Face Amount of securities at maturity equal to the Face Amount.<br><br>• **If a Knock-Out Event occurs and the Final Price is equal to or greater than the Initial Price**, you will receive a cash payment per $1,000 Face Amount of securities at maturity equal to the Face Amount.<br><br>• **If a Knock-Out Event occurs and the Final Price is less than the Initial Price,** Deutsche Bank AG will deliver to you at maturity a number of shares of the Underlying per $1,000 Face Amount of securities equal to the Share Delivery Amount.<br><br>***In this circumstance, the shares of the Underlying delivered as the Share Delivery Amount at maturity are expected to be worth less than your initial investment and may have no value at all.*** *If you receive the Share Delivery Amount at maturity, we will pay cash in lieu of delivering any fractional shares in an amount equal to that fraction multiplied by the closing price of the Underlying on the Final Valuation Date. Any payment at maturity is subject to the credit of the Issuer.* |
| Threshold Price: | $74.60, equal to 70.00% of the Initial Price |

*(Key Terms continued on next page)*

**Investing in the securities involves a number of risks. See "Risk Factors" beginning on page 7 of the accompanying product supplement, page PS-5 of the accompanying prospectus supplement and page 12 of the accompanying prospectus and "Selected Risk Considerations" beginning on page PS-7 of this pricing supplement.**

**The Issuer's estimated value of the securities on the Trade Date is $995.00 per $1,000 Face Amount of securities, which is less than the Issue Price. Please see "Issuer's Estimated Value of the Securities" on page PS-2 of this pricing supplement for additional information.**

**By acquiring the securities, you will be bound by, and deemed to consent to, the imposition of any Resolution Measure (as defined below) by our competent resolution authority, which may include the write down of all, or a portion, of any payment on the securities. If any Resolution Measure becomes applicable to us, you may lose some or all of your investment in the securities. Please see "Resolution Measures" on page PS-3 of this pricing supplement for more information.**

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities or passed upon the accuracy or the adequacy of this pricing supplement or the accompanying product supplement, prospectus supplement or prospectus. Any representation to the contrary is a criminal offense.

| | Price to Public | Discounts and Commissions[1] | Proceeds to Us |
|---|---|---|---|
| Per Security | $1,000.00 | $1.0286 | $998.9714 |
| Total | $5,251,000.00 | $5,401.18 | $5,245,598.82 |

(1) For more detailed information about discounts and commissions, please see "Supplemental Plan of Distribution (Conflicts of Interest)" in this pricing supplement. The securities will be sold with underwriting discounts and commissions of $1.0286 per $1,000 Face Amount of securities.

The agent for this offering is our affiliate. For more information see "Supplemental Plan of Distribution (Conflicts of Interest)" in this pricing supplement.

*The securities are not bank deposits or savings accounts and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other U.S. or foreign governmental agency or instrumentality.*

**CALCULATION OF REGISTRATION FEE**

| Title of Each Class of Securities Offered | Maximum Aggregate Offering Price | Amount of Registration Fee |
|---|---|---|
| Securities | $5,251,000.00 | $528.78 |

**Deutsche Bank Securities**

November 25, 2015

| | |
|---|---|
| | *(Key Terms continued from previous page)* |
| Knock-Out Event: | A Knock-Out Event occurs if the Closing Price of the Underlying is less than the Threshold Price on any day during the Observation Period. |
| Observation Period: | The period from but excluding the Trade Date to and including the Final Valuation Date |
| Initial Price: | $106.57, equal to the closing price of the Underlying on November 24, 2015. **The Initial Price is not the closing price of the Underlying on the Trade Date.** |
| Final Price: | The Closing Price of the Underlying on the Final Valuation Date |
| Closing Price: | The official closing price of one share of the Underlying on the relevant date of calculation *multiplied by* the then-current Stock Adjustment Factor |
| Stock Adjustment Factor: | Initially 1.0, subject to adjustment upon the occurrence of certain corporate events affecting the Underlying. See “Description of Securities — Anti-Dilution Adjustments for Reference Stock” in the accompanying product supplement. |
| Share Delivery Amount: | 9.3835 shares of the Underlying per $1,000 Face Amount of securities, which is equal to approximately (1) the Face Amount *divided by* (2) the Initial Price, subject to adjustments in the case of certain corporate events as described in the accompanying product supplement. |
| Trade Date: | November 25, 2015 |
| Settlement Date: | December 1, 2015 |
| Final Valuation Date [2]: | November 28, 2016 |
| Maturity Date[2]: | December 1, 2016 |
| Listing: | The securities will not be listed on any securities exchange. |
| CUSIP: | 25152RU68 |
| ISIN: | US25152RU689 |

[1] Subject to adjustment as described under “Description of Securities — Periodic and Contingent Coupons” in the accompanying product supplement.

[2] Subject to adjustment as described under “Description of Securities — Adjustments to Valuation Dates and Payment Dates” in the accompanying product supplement.

**Issuer's Estimated Value of the Securities**

The Issuer's estimated value of the securities is equal to the sum of our valuations of the following two components of the securities: (i) a bond and (ii) an embedded derivative(s). The value of the bond component of the securities is calculated based on the present value of the stream of cash payments associated with a conventional bond with a principal amount equal to the Face Amount of securities, discounted at an internal funding rate, which is determined primarily based on our market-based yield curve, adjusted to account for our funding needs and objectives for the period matching the term of the securities. The internal funding rate is typically lower than the rate we would pay when we issue conventional debt securities on equivalent terms. This difference in funding rate, as well as the agent's commissions, if any, and the estimated cost of hedging our obligations under the securities, reduces the economic terms of the securities to you and is expected to adversely affect the price at which you may be able to sell the securities in any secondary market. The value of the embedded derivative(s) is calculated based on our internal pricing models using relevant parameter inputs such as expected interest and dividend rates and mid-market levels of price and volatility of the assets underlying the securities or any futures, options or swaps related to such underlying assets. Our internal pricing models are proprietary and rely in part on certain assumptions about future events, which may prove to be incorrect.

The Issuer's estimated value of the securities on the Trade Date (as disclosed on the cover of this pricing supplement) is less than the Issue Price of the securities. The difference between the Issue Price and the Issuer's estimated value of the securities on the Trade Date is due to the inclusion in the Issue Price of the agent's commissions, if any, and the cost of hedging our obligations under the securities through one or more of our affiliates. Such hedging cost includes our or our affiliates' expected cost of providing such hedge, as well as the profit we or our affiliates expect to realize in consideration for assuming the risks inherent in providing such hedge.

The Issuer's estimated value of the securities on the Trade Date does not represent the price at which we or any of our affiliates would be willing to purchase your securities in the secondary market at any time. Assuming no changes in market conditions or our creditworthiness and other relevant factors, the price, if any, at which we or our affiliates would be willing to purchase the securities from you in secondary market transactions, if at all, would generally be lower than both the Issue Price and the Issuer's estimated value of the securities on the Trade Date. Our purchase price, if any, in secondary market transactions will be based on the estimated value of the securities determined by reference to (i) the then-prevailing internal funding rate (adjusted by a spread) or another appropriate measure of our cost of funds and (ii) our pricing models at that time, less a bid spread determined after taking into account the size of the repurchase, the nature of the assets underlying the securities and then-prevailing market conditions. The price we report to financial reporting services and to distributors of our securities for use on customer account statements would generally be determined on the same basis. However, during the period of approximately three months beginning from the Trade Date, we or our affiliates may, in our sole discretion, increase the purchase price determined as described above by an amount equal to the declining differential between the Issue Price and the Issuer's estimated value of the securities on the Trade Date, prorated over such period on a straight-line basis, for transactions that are individually and in the aggregate of the expected size for ordinary secondary market repurchases.

**Resolution Measures**

On May 15, 2014, the European Parliament and the Council of the European Union published a directive for establishing a framework for the recovery and resolution of credit institutions and investment firms (commonly referred to as the "**Bank Recovery and Resolution Directive**"). The Bank Recovery and Resolution Directive requires each member state of the European Union to adopt and publish by December 31, 2014 the laws, regulations and administrative provisions necessary to comply with the Bank Recovery and Resolution Directive. Germany has adopted the Recovery and Resolution Act (*Sanierungs- und Abwicklungsgesetz*, or "**Resolution Act**"), which became effective on January 1, 2015. The Resolution Act may result in the securities being subject to any Resolution Measure by our competent resolution authority if we become, or are deemed by our competent supervisory authority to have become, "non-viable" (as defined under the then applicable law) and are unable to continue our regulated banking activities without a Resolution Measure becoming applicable to us. By acquiring the securities, you will be bound by and deemed to consent to the provisions set forth in the accompanying prospectus, which we have summarized below.

By acquiring the securities, you will be bound by and will be deemed to consent to the imposition of any Resolution Measure by our competent resolution authority. Under the relevant resolution laws and regulations as applicable to us from time to time, the securities may be subject to the powers exercised by our competent resolution authority to: (i) write down, including to zero, any payment (or delivery obligations) on the securities; (ii) convert the securities into ordinary shares or other instruments qualifying as core equity tier 1 capital; and/or (iii) apply any other resolution measure, including (but not limited to) a transfer of the securities to another entity, an amendment of the terms and conditions of the securities or the cancellation of the securities. We refer to each of these measures as a "**Resolution Measure**."

Furthermore, by acquiring the securities, you:

- are deemed irrevocably to have agreed, and you will agree: (i) to be bound by any Resolution Measure; (ii) that you will have no claim or other right against us arising out of any Resolution Measure; and (iii) that the imposition of any Resolution Measure will not constitute a default or an event of default under the securities, under the senior indenture dated November 22, 2006 among us, Law Debenture Trust Company of New York, as trustee, and Deutsche Bank Trust Company Americas, as issuing agent, paying agent, authenticating agent and registrar, as amended and supplemented from time to time (the "**Indenture**"), or for the purpose of the Trust Indenture Act of 1939, as amended (the "**Trust Indenture Act**");

- waive, to the fullest extent permitted by the Trust Indenture Act and applicable law, any and all claims against the trustee and the paying agent for, agree not to initiate a suit against the trustee and the paying agent in respect of, and agree that neither the trustee nor the paying agent will be liable for, any action that the trustee or the paying agent takes, or abstains from taking, in either case in accordance with the imposition of a Resolution Measure by our competent resolution authority with respect to the securities; and will be deemed irrevocably to have (i) consented to the imposition of any Resolution Measure as it may be imposed without any prior notice by the competent resolution authority of its decision to exercise such power with respect to the securities and (ii) authorized, directed and requested The Depository Trust Company ("**DTC**") and any participant in DTC or other intermediary through which you hold such securities to take any and all necessary action, if required, to implement the imposition of any Resolution Measure with respect to the securities as it may be imposed, without any further action or direction on your part or on the part of the trustee, paying agent, issuing agent, authenticating agent, registrar or calculation agent.

*This is only a summary, for more information please see the accompanying prospectus dated July 31, 2015, including the risk factor "The securities may become subordinated to the claims of other creditors, be written down, be converted or become subject to other resolution measures. You may lose part or all of your investment if any such measure becomes applicable to us."*

**Additional Terms Specific to the Securities**

You should read this pricing supplement together with product supplement B dated July 31, 2015, the prospectus supplement dated July 31, 2015 relating to our Series A global notes of which these securities are a part and the prospectus dated July 31, 2015. You may access these documents on the website of the Securities and Exchange Commission (the "**SEC**") at.www.sec.gov as follows (or if such address has changed, by reviewing our filings for the relevant date on the SEC website):

Product supplement B dated July 31, 2015:

http://www.sec.gov/Archives/edgar/data/1159508/000095010315006059/crt_dp58181-424b2.pdf

Prospectus supplement dated July 31, 2015:

http://www.sec.gov/Archives/edgar/data/1159508/000095010315006048/crt-dp58161_424b2.pdf

Prospectus dated July 31, 2015:

http://www.sec.gov/Archives/edgar/data/1159508/000119312515273165/d40464d424b2.htm

Our Central Index Key, or CIK, on the SEC website is 0001159508. As used in this pricing supplement, "**we**," "**us**" or "**our**" refers to Deutsche Bank AG, including, as the context requires, acting through one of its branches.

This pricing supplement, together with the documents listed above, contains the terms of the securities and supersedes all other prior or contemporaneous oral statements as well as any other written materials including preliminary or indicative pricing terms, correspondence, trade ideas, structures for implementation, sample structures, brochures or other educational materials of ours. You should carefully consider, among other things, the matters set forth in this pricing supplement and in "Risk Factors" in the accompanying product supplement, prospectus supplement and prospectus, as the securities involve risks not associated with conventional debt securities. We urge you to consult your investment, legal, tax, accounting and other advisers before deciding to invest in the securities.

**Deutsche Bank AG has filed a registration statement (including a prospectus) with the Securities and Exchange Commission for the offering to which this pricing supplement relates. Before you invest, you should read the prospectus in that registration statement and the other documents relating to this offering that Deutsche Bank AG has filed with the SEC for more complete information about Deutsche Bank AG and this offering. You may**

**obtain these documents without cost by visiting EDGAR on the SEC website at.www.sec.gov. Alternatively, Deutsche Bank AG, any agent or any dealer participating in this offering will arrange to send you the prospectus, prospectus supplement, product supplement and this pricing supplement if you so request by calling toll-free 1-800-311-4409.**

**You may revoke your offer to purchase the securities at any time prior to the time at which we accept such offer by notifying the applicable agent. We reserve the right to change the terms of, or reject any offer to purchase, the securities prior to their issuance. We will notify you in the event of any changes to the terms of the securities and you will be asked to accept such changes in connection with your purchase of any securities. You may also choose to reject such changes, in which case we may reject your offer to purchase the securities.**

**What Are the Possible Payments on the Securities at Maturity, Assuming a Range of Hypothetical Performances for the Underlying?**

The table below illustrates the hypothetical Payments at Maturity per $1,000 Face Amount of securities for a hypothetical range of performances for the Underlying from -100% to +100% (excluding any Coupon payment). The table and the hypothetical examples set forth below reflect the Threshold Price of 70.00% of the Initial Price. The actual Initial Price and Threshold Price are set forth on the cover of this pricing supplement. The following results are based solely on the hypothetical examples cited. You should consider carefully whether the securities are suitable to your investment goals. The numbers appearing in the table and examples below may have been rounded for ease of analysis and it has been assumed that no event affecting the Underlying has occurred during the term of the securities that would cause the calculation agent to adjust the Stock Adjustment Factor and/or the Share Delivery Amount.

| | **A Knock-Out Event *Does Not* Occur During the Observation Period** | | **A Knock-Out Event *Does* Occur During the Observation Period** | | |
|---|---|---|---|---|---|
| **Hypothetical Return of the Underlying (%)** | **Payment at Maturity (excluding Coupon payments) ($)** | **Return on the Securities at Maturity (%)** | **Hypothetical Payment at Maturity (excluding Coupon payments) if hypothetical Final Price is greater than or equal to the Initial Price ($)** | **Value of the Share Delivery Amount if the hypothetical Final Price is less than the Initial Price*** | **Hypothetical Return on the Securities at Maturity (%)** |
| 100.00% | $1,000.00 | 0.00% | $1,000.00 | N/A | 0.00% |
| 90.00% | $1,000.00 | 0.00% | $1,000.00 | N/A | 0.00% |
| 80.00% | $1,000.00 | 0.00% | $1,000.00 | N/A | 0.00% |
| 70.00% | $1,000.00 | 0.00% | $1,000.00 | N/A | 0.00% |
| 60.00% | $1,000.00 | 0.00% | $1,000.00 | N/A | 0.00% |
| 50.00% | $1,000.00 | 0.00% | $1,000.00 | N/A | 0.00% |
| 40.00% | $1,000.00 | 0.00% | $1,000.00 | N/A | 0.00% |
| 30.00% | $1,000.00 | 0.00% | $1,000.00 | N/A | 0.00% |
| 20.00% | $1,000.00 | 0.00% | $1,000.00 | N/A | 0.00% |
| 10.00% | $1,000.00 | 0.00% | $1,000.00 | N/A | 0.00% |
| 0.00% | $1,000.00 | 0.00% | $1,000.00 | N/A | 0.00% |
| -10.00% | $1,000.00 | 0.00% | N/A | $900.00 | -10.00% |
| -20.00% | $1,000.00 | 0.00% | N/A | $800.00 | -20.00% |
| -30.00% | $1,000.00 | 0.00% | N/A | $700.00 | -30.00% |
| -40.00% | N/A | N/A | N/A | $600.00 | -40.00% |
| -50.00% | N/A | N/A | N/A | $500.00 | -50.00% |
| -60.00% | N/A | N/A | N/A | $400.00 | -60.00% |
| -70.00% | N/A | N/A | N/A | $300.00 | -70.00% |
| -80.00% | N/A | N/A | N/A | $200.00 | -80.00% |
| -90.00% | N/A | N/A | N/A | $100.00 | -90.00% |
| -100.00% | N/A | N/A | N/A | $0.00 | -100.00% |

* The value of the Share Delivery Amount is equal to the number of shares included in the Share Delivery Amount *multiplied by* the closing price of the Underlying on the Maturity Date. If you receive the Share Delivery Amount at maturity, we will pay cash in lieu of delivering any fractional shares in an amount equal to that fraction multiplied by the closing price of the Underlying on the Final Valuation Date. For purposes of this table and the below hypothetical examples, the closing price of one share of the Underlying on the Maturity Date is deemed to be the same as the hypothetical Final Price as of the Final Valuation Date.

**Hypothetical Examples of Amounts Payable at Maturity**

The following hypothetical examples illustrate how the Payments at Maturity set forth in the table above are calculated and reflect the Coupon rate of 9.50% per annum.

**Example 1: A Knock-Out Event has not occurred and the Final Price is greater than the Initial Price.** Because the Closing Price of the Underlying on all days during the Observation Period, including the Final Valuation Date, was greater than or equal to the Threshold Price, a Knock-Out Event has not occurred. Because a Knock-Out Event has not occurred, even though the price of the Underlying has increased over the term of the securities, the investor receives a Payment at Maturity of $1,000 per $1,000 Face Amount of securities. In addition, the investor will receive Coupon payments totaling $95.00 per $1,000 Face Amount of securities over the term of the securities.

**Example 2: A Knock-Out Event has not occurred and the Final Price is less than the Initial Price.** Because the Closing Price of the Underlying on all days during the Observation Period, including the Final Valuation Date, was greater than or equal to the Threshold Price, a Knock-Out Event has not occurred. Because a Knock-Out Event has not occurred, the investor receives a Payment at Maturity of $1,000 per $1,000 Face Amount of securities. In addition, the investor will receive Coupon payments totaling $95.00 per $1,000 Face Amount of securities over the term of the securities.

**Example 3: A Knock-Out Event has occurred and the Final Price is greater than the Initial Price.** Because the Closing Price of the Underlying on at least one day during the Observation Period was less than the Threshold Price, a Knock-Out Event has occurred. Because a Knock-Out Event has occurred and the Final Price is greater than the Initial Price, the investor receives a Payment at Maturity of $1,000 per $1,000 Face Amount of securities. In addition, the investor will receive Coupon payments totaling $95.00 per $1,000 Face Amount of securities over the term of the securities.

**Example 4: A Knock-Out Event has occurred and the Final Price is less than the Initial Price.** Because the Closing Price of the Underlying on at least one day during the Observation Period was less than the Threshold Price, a Knock-Out Event has occurred. Because a Knock-Out Event has occurred and the Final Price is less than the Initial Price, Deutsche Bank AG will deliver to you on the Maturity Date a number of shares of the Underlying equal to the Share Delivery Amount for each $1,000 Face Amount of securities you hold and will pay cash in lieu of any fractional shares included in the Share Delivery Amount at the closing price of the Underlying on the Final Valuation Date. The value of shares received at maturity and the total return on the securities at that time depends on the closing price of the Underlying on the Maturity Date, and will likely result in a loss of some or all of your investment. In this example, we assume a hypothetical Initial Price of $105.00, a hypothetical Share Delivery Amount of 9.5238 and a hypothetical Final Price of $52.50 and that the closing price of one share of the Underlying on the Maturity Date is the same as the hypothetical Final Price on the Final Valuation Date. The actual Share Delivery Amount and Initial Price are set forth on the cover of this pricing supplement.

| | |
|---|---|
| Value on the Maturity Date of shares of the Underlying received: | $472.50 (9 shares × $52.50) |
| Amount of cash received for fractional shares at the Final Price: | $27.50 (0.5238 shares × $52.50) |
| Total: | $500.00 |
| Total return on the securities: | -50.00% |

In addition, the investor will receive Coupon payments totaling $95.00 per $1,000 Face Amount of securities over the term of the securities.

**Selected Purchase Considerations**

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- **THE SECURITIES OFFER A HIGHER COUPON IN EXCHANGE FOR EXPOSURE TO DOWNSIDE RISK OF THE UNDERLYING** — The securities will pay Coupons on the monthly Coupon Payment Dates in 12 equal installments that accrue at a rate of 9.50% per annum. This rate may be higher than the yield received on debt securities of comparable maturity issued by us or an issuer with a comparable credit rating, because you are taking downside risk of the Underlying if a Knock-Out Event occurs and the Final Price is less than the Initial Price. **Any payment on the securities is subject to our ability to satisfy our obligations as they become due.**

- **COUPON PAYMENTS** — The securities will pay Coupons in arrears on an unadjusted basis on the monthly Coupon Payment Dates in 12 equal installments based on the rate of 9.50% per annum, regardless of the performance of the Underlying. Each installment will equal $7.9167 per $1,000 Face Amount of securities.

- **RETURN LINKED TO THE PERFORMANCE OF THE UNDERLYING —** The securities are linked to the performance of the common stock of Gilead Sciences, Inc. (the "**Underlying**") as described herein. For more information on the Underlying, please see "The Underlying" in this pricing supplement.

- **TAX CONSEQUENCES** — Due to the lack of direct legal authority, there is substantial uncertainty regarding the U.S. federal income tax consequences of an investment in the securities. Our special tax counsel, Davis Polk & Wardwell LLP, believes that it is reasonable to treat a security for U.S. federal income tax purposes as a put option (the "**Put Option**") written by you to us with respect to the Underlying, secured by a cash deposit equal to the Issue Price of the security (the "**Deposit**"), which will have an annual yield based on our cost of borrowing, as shown below. Our special tax counsel has advised, however, that it is unable to conclude that it is more likely than not that this treatment will be upheld, and that alternative treatments are possible that could materially and adversely affect the timing and character of income or loss on your securities. Generally, if this treatment is respected, only a portion of each Coupon payment will be attributable to interest on the Deposit; the remainder will represent premium attributable to your grant of the Put Option ("**Put Premium**").

Under this treatment, if you purchase the securities at issuance for their Issue Price, (a) interest on the Deposit will be taxed as ordinary interest income, while the Put Premium will not be taken into account prior to maturity or other taxable disposition of your securities, (b) if at maturity you receive cash equal to the Face Amount of your securities and the applicable Coupon payment, you will recognize short-term capital gain in an amount equal to the total Put Premium received, and (c) if at maturity you receive the Underlying, you generally will not recognize gain or loss with respect to the Put Premium or the Underlying received; instead, the total Put Premium will reduce your basis in the Underlying received.

In 2007, the U.S. Treasury Department and the Internal Revenue Service (the “**IRS**”) released a notice requesting comments on various issues regarding the U.S. federal income tax treatment of “prepaid forward contracts” and similar instruments. While it is not clear whether the securities would be viewed as similar to the typical prepaid forward contract described in the notice, any Treasury regulations or other guidance promulgated after consideration of these issues could materially and adversely affect the tax consequences of an investment in the securities, possibly with retroactive effect.

Non-U.S. holders should note that, notwithstanding anything to the contrary in the section of the accompanying product supplement entitled “U.S. Federal Income Tax Consequences,” recently promulgated Treasury regulations imposing a withholding tax on certain “dividend equivalents” under certain “equity linked instruments” will not apply to the securities.

You should review carefully the section of the accompanying product supplement entitled “U.S. Federal Income Tax Consequences.” The preceding discussion, when read in combination with that section, constitutes the full opinion of our special tax counsel regarding the material U.S. federal income tax consequences of owning and disposing of the securities.

Under current law, the United Kingdom will not impose withholding tax on payments made with respect to the securities.

For a discussion of certain German tax considerations relating to the securities, you should refer to the section in the accompanying prospectus supplement entitled “Taxation by Germany of Non-Resident Holders.”

**You should consult your tax adviser regarding the U.S. federal tax consequences of an investment in the securities (including possible alternative treatments and the issues presented by the 2007 notice), as well as tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction.**

Consistent with the position described above, the Deposit will have an annual yield based on our cost of borrowing of 0.63%, paid monthly.

**Selected Risk Considerations**

An investment in the securities involves significant risks. Investing in the securities is not equivalent to investing directly in the Underlying. In addition to these selected risk considerations, you should review the "Risk Factors" sections of the accompanying product supplement, prospectus supplement and prospectus.

- **YOUR INVESTMENT IN THE SECURITIES MAY RESULT IN A LOSS** — The securities do not guarantee any return of your investment. The payment at maturity is based on whether or not a Knock-Out Event occurs and whether the Final Price is greater than, equal to or less than the Initial Price. If the Closing Price of the Underlying is less than the Threshold Price on any day during the Observation Period, a Knock-Out Event will have occurred. If a Knock-Out Event has occurred and the Final Price is less than the Initial Price, Deutsche Bank AG will deliver to you at maturity a number of shares of the Underlying per $1,000 Face Amount of securities equal to the Share Delivery Amount. The shares of the Underlying delivered as the Share Delivery Amount at maturity are expected to be worth less than your investment and may have no value at all. In this circumstance, you are expected to lose some or all of your investment at maturity. **Any payment on the securities is subject to our ability to satisfy our obligations as they become due.**

- **YOUR RETURN ON THE SECURITIES IS LIMITED TO THE FACE AMOUNT PLUS COUPON PAYMENTS AND YOU WILL NOT PARTICIPATE IN ANY INCREASE IN THE PRICE OF THE UNDERLYING** — The securities will not pay more than the Face Amount, in addition to the Coupon payments, for each $1,000 Face Amount of securities. You will not participate in any increase in the price of the Underlying even if the Final Price is greater than the Initial Price. The maximum Payment at Maturity will be $1,000 per $1,000 Face Amount of securities (excluding Coupon payments), regardless of any increase in the price of the Underlying, which may be significant.

- **THE SECURITIES ARE SUBJECT TO THE CREDIT OF DEUTSCHE BANK AG** — The securities are senior unsecured obligations of Deutsche Bank AG and are not, either directly or indirectly, an obligation of any third party. Any payment(s) to be made on the securities depends on the ability of Deutsche Bank AG to satisfy its obligations as they become due. An actual or anticipated downgrade in Deutsche Bank AG's credit rating or increase in the credit spreads charged by the market for taking Deutsche Bank AG's credit risk will likely have an adverse effect on the value of the securities. As a result, the actual and perceived creditworthiness of Deutsche Bank AG will affect the value of the securities and, in the event Deutsche Bank AG were to default on its obligations or become subject to a

Resolution Measure, you might not receive any amount(s) owed to you under the terms of the securities and you could lose your entire investment.

- **THE SECURITIES MAY BECOME SUBORDINATED TO THE CLAIMS OF OTHER CREDITORS, BE WRITTEN DOWN, BE CONVERTED OR BECOME SUBJECT TO OTHER RESOLUTION MEASURES. YOU MAY LOSE SOME OR ALL OF YOUR INVESTMENT IF ANY SUCH MEASURE BECOMES APPLICABLE TO US** — On May 15, 2014, the European Parliament and the Council of the European Union published the Bank Recovery and Resolution Directive for establishing a framework for the recovery and resolution of credit institutions and investment firms. The Bank Recovery and Resolution Directive required each member state of the European Union to adopt and publish by December 31, 2014 the laws, regulations and administrative provisions necessary to comply with the Bank Recovery and Resolution Directive. To implement the Bank Recovery and Resolution Directive, Germany has adopted the Resolution Act, which became effective on January 1, 2015. The Resolution Act may result in the securities being subject to the powers exercised by our competent resolution authority to impose a Resolution Measure on us, which may include: writing down, including to zero, any payment on the securities; converting the securities into ordinary shares or other instruments qualifying as core equity tier 1 capital; or applying any other resolution measure, including (but not limited to) transferring the securities to another entity, amending the terms and conditions of the securities or cancelling of the securities. We expect additional Resolution Measures to become applicable to us when the European regulation of July 15, 2014 relating to the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund (commonly referred to as the “**SRM Regulation**”) becomes effective on January 1, 2016. On May 26, 2015, the German Federal Government published a draft bill of a Resolution Mechanism Act. One of this law’s primary purposes would be to conform German law to the SRM Regulation. In addition, the draft bill proposes that in the event of an insolvency proceeding, senior unsecured debt instruments would by operation of law rank junior to all other outstanding unsecured unsubordinated obligations, but in priority to all contractually subordinated instruments. The proposed subordination would not apply if the terms of the senior unsecured debt instruments provide that (i) the repayment amount depends on the occurrence or non-occurrence of a future event, or will be settled in kind, or (ii) the interest amount depends on the occurrence or non-occurrence of a future event, unless it depends solely on a fixed or variable reference interest rate and will be settled in cash. Instruments that are typically traded on money markets would not be subject to the proposed subordination. The proposed order of priorities would apply to insolvency proceedings commenced on or after January 1, 2016. If enacted, the proposed subordination of senior unsecured debt instruments could apply to the securities, which would most likely result in a larger share of loss being allocated to the securities in the event of an insolvency proceeding or the imposition of any Resolution Measures by the competent resolution authority. The final version of the Resolution Mechanism Act may provide for additional Resolution Measures that may become applicable to us. Imposition of a Resolution Measure would likely occur if we become, or are deemed by our competent supervisory authority to have become, “non-viable” (as defined under the then applicable law) and are unable to continue our regulated banking activities without a Resolution Measure becoming applicable to us. **You may lose some or all of your investment in the securities if a Resolution Measure becomes applicable to us.**

By acquiring the securities, you would have no claim or other right against us arising out of any subordination or Resolution Measure, and we would have no obligation to make payments under the securities following the imposition of a Resolution Measure. In particular, the imposition of any Resolution Measure will not constitute a default or an event of default under the securities, under the Indenture or for the purpose of the Trust Indenture Act. Furthermore, because the securities are subject to any Resolution Measure, secondary market trading in the securities may not follow the trading behavior associated with similar types of securities issued by other financial institutions which may be or have been subject to a Resolution Measure.

In addition, by your acquisition of the securities, you waive, to the fullest extent permitted by the Trust Indenture Act and applicable law, any and all claims against the trustee and the paying agent for, agree not to initiate a suit against the trustee and the paying agent in respect of, and agree that neither the trustee nor the paying agent will be liable for, any action that the trustee or the paying agent takes, or abstains from taking, in either case in accordance with the imposition of a Resolution Measure by our competent resolution authority with respect to the securities. **Accordingly, you may have limited or circumscribed rights to challenge any decision of our competent resolution authority to impose any Resolution Measure.**

- **THE ISSUER'S ESTIMATED VALUE OF THE SECURITIES ON THE TRADE DATE WILL BE LESS THAN THE ISSUE PRICE OF THE SECURITIES** — The Issuer's estimated value of the securities on the Trade Date (as disclosed on the cover of this pricing supplement) is less than the Issue Price of the securities. The difference between the Issue Price and the Issuer's estimated value of the securities on the Trade Date is due to the inclusion in the Issue Price of the agent's commissions, if any, and the cost of hedging our obligations under the securities through one or more of our affiliates. Such hedging cost includes our or our affiliates' expected cost of providing such hedge, as well as the profit we or our affiliates expect to realize in consideration for assuming the risks inherent in providing such hedge. The Issuer's estimated value of the securities is determined by reference to an internal funding rate and our pricing models. The internal funding rate is typically lower than the rate we would pay when we issue conventional debt securities on equivalent terms. This difference in funding rate, as well as the agent's commissions, if any, and the estimated cost of hedging our obligations under the securities, reduces the economic terms of the securities to you and is expected to adversely affect the price at which you may be able to sell the securities in any secondary market. In addition, our internal pricing models are proprietary and rely in part on certain assumptions about future events, which may prove to be incorrect. If at any time a third party dealer were to quote a price to purchase your securities or otherwise value your securities, that price or value may differ materially from the estimated value of the securities determined by reference to our internal funding rate and pricing models. This difference is due to, among other things, any difference in funding rates, pricing models or assumptions used by any dealer who may purchase the securities in the secondary market.

- **INVESTING IN THE SECURITIES IS NOT THE SAME AS INVESTING IN THE UNDERLYING** — The return on the securities may not reflect the return you would have realized if you had directly invested in the Underlying. For instance, you will not participate in any potential increase in the price of the Underlying, which could be significant, even though at maturity you may be exposed to the negative performance of the Underlying.

- **IF THE PRICE OF THE UNDERLYING CHANGES, THE VALUE OF YOUR SECURITIES MAY NOT CHANGE IN THE SAME MANNER** — Your securities may trade quite differently from the price of the Underlying. Changes in the price of the Underlying may not result in comparable changes in the value of your securities.

- **NO DIVIDEND PAYMENTS OR VOTING RIGHTS** — As a holder of the securities, you will not have any voting rights or rights to receive cash dividends or other distributions or other rights that holders of the Underlying would have.

- **SINGLE STOCK RISK** — The price of the Underlying can rise or fall sharply due to factors specific to the Underlying and its issuer, such as stock price volatility, earnings, financial conditions, corporate, industry and regulatory developments, management changes and decisions and other events, as well as general market factors, such as general stock market volatility and levels, interest rates and economic and political conditions. For additional information about the Underlying and its issuer, please see "The Underlying" in this pricing supplement and the issuer's SEC filings referred to in that section.

- **ANTI-DILUTION PROTECTION IS LIMITED, AND THE CALCULATION AGENT MAY MAKE ADJUSTMENTS IN ADDITION TO, OR THAT DIFFER FROM, THOSE SET FORTH IN THE ACCOMPANYING PRODUCT SUPPLEMENT** — The calculation agent will make adjustments to the Stock Adjustment Factor, which will initially be set at 1.0, and/or the Share Delivery Amount, for certain events affecting the Underlying. The calculation agent is not required, however, to make adjustments in response to all corporate actions, including if the issuer of the Underlying or another party makes a partial tender or partial exchange offer for the Underlying. If such an event occurs that does not require the calculation agent to make an adjustment, the value of the securities may be materially and adversely affected. In addition, you should be aware that the calculation agent may, at its sole discretion, make adjustments to the Stock Adjustment Factor or any other terms of the securities that are in addition to, or that differ from, those described in the accompanying product supplement to reflect changes occurring in relation to the Underlying or any other security received in a reorganization event in circumstances where the calculation agent determines that it is appropriate to reflect those changes to ensure an equitable result. Any alterations to the specified anti-dilution adjustments for the Underlying or any other security received in a reorganization event described in the accompanying product supplement may be materially adverse to investors in the securities. You should read "Description of Securities — Anti-Dilution Adjustments for Reference Stock" in the accompanying product supplement in order to understand the adjustments that may be made to the securities.

- **IN SOME CIRCUMSTANCES, YOU MAY RECEIVE THE EQUITY SECURITIES OF ANOTHER COMPANY AND NOT THE UNDERLYING AT MATURITY** — Following certain corporate events relating to the issuer of the Underlying where the issuer of the Underlying is not the surviving entity, you may receive the equity securities of a successor to the issuer of the Underlying or any cash or any other assets distributed to holders of the Underlying in such corporate event. The occurrence of these corporate events and the consequent adjustments may materially and adversely affect the value of the securities. For more information, see the section "Description of Securities — Anti-Dilution Adjustments for Reference Stock" in the accompanying product supplement. Regardless of the occurrence of one or more dilution or reorganization events, you should note that at maturity, excluding any Coupon payment, for each $1,000 Face Amount of securities, you will receive an amount in cash from Deutsche Bank AG equal to the Face Amount unless a Knock-Out Event has occurred and the Final Price is less than the Initial Price.

- **THERE IS NO AFFILIATION BETWEEN THE ISSUER OF THE UNDERLYING AND US, AND WE HAVE NOT PARTICIPATED IN THE PREPARATION OF, OR VERIFIED, ANY DISCLOSURE BY THE ISSUER OF THE UNDERLYING** — We are not affiliated with the issuer of the Underlying. However, we or our affiliates may currently or from time to time in the future engage in business with the issuer of the Underlying, including extending loans to, making equity investments in, or providing advisory services to, such issuer, including merger and acquisition advisory services. In the course of this business, we or our affiliates may acquire non-public information about the issuer of the Underlying and we will not disclose any such information to you. Nevertheless, neither we nor our affiliates have participated in the preparation of, or verified, any information about the Underlying or the issuer of the Underlying. You, as an investor in the securities, should make your own investigation into the issuer of the Underlying. The issuer

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Basic:

| | | |
|---|---|---|
| Weighted average number of common shares | | |
| | 4,829,960 | |
| | 2,119,335 | |
| Net income per common share | | |
| $ | 0.07 | |
| $ | 0.10 | |

| | | |
|---|---|---|
| Diluted: | | |
| Weighted average number of common shares | 8,006,380 | 6,557,060 |
| Net income per common share | $ 0.04 | $ 0.03 |

See accompanying notes



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ANZA CAPITAL, INC.
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

| | Three Months | Three Months |
|---|---|---|

| | Ended July 31, 2003 | Ended July 31, 2002 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net income | $ 321,985 | $ 228,850 |
| Adjustments to reconcile net income to net cash used in operating activities: | | |
| Depreciation | 12,685 | 10,438 |
| Stock compensation to consultants and employees | - | 1,080 |
| Amortization of discounts on loans | - | 10,242 |
| Amortization of deferred stock compensation | - | 30,958 |
| Changes in operating assets and liabilities: | | |
| Increase in commissions and accounts receivable | (699,847) | (298,041) |
| Increase in loans held for sale, net | (5,882,310) | (1,479,546) |
| Increase in prepaids and other current assets | (16,728) | (12,179) |
| Increase in accounts payable | 426,779 | 497,880 |
| Increase in commissions payable | 1,628,417 | 401,267 |
| Increase in accrued and other liabilities | 154,526 | 19,481 |
| Net cash used in operating activities | (4,054,493) | (589,570) |
| Cash flows from investing activities: | | |
| Acquisitions of property and equipment | (40,833) | (16,572) |
| Advances to employees, net | - | (51,336) |
| Net cash used in investing activities | (40,833) | (67,908) |
| Cash flows from financing activities: | | |
| Payments on bridge loan | - | (199,100) |
| Advances from warehouse line of credit, net | 5,846,832 | 1,449,580 |
| Repurchase of E Preferred | (23,849) | (7,257) |
| Dividends on E Preferred | (6,152) | (9,743) |
| Payment on capital lease obligation | - | (19,319) |
| Net cash provided by financing activities | 5,816,831 | 1,214,161 |
| Net increase in cash | 1,721,505 | 556,683 |
| Cash at beginning of period | 2,755,659 | 707,851 |
| Cash at end of period | $ 4,477,164 | $ 1,264,534 |
| Non-cash financing activities: | | |
| Conversion of C Preferred to common stock | $ - | $ 34,359 |

| | | | | |
|---|---|---|---|---|
| Issuance of preferred stock of subsidiary for marketable securities | $ | 800,000 | $ | - |
| Supplemental cash flow information: | | | | |
| Cash paid for interest | $ | 70,800 | $ | 27,937 |
| Income taxes were not significant during the periods presented | | | | |

See accompanying notes

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NOTES TO INTERIM FINANCIAL STATEMENTS

Note 1. Unaudited interim financial statements

The interim financial data as of July 31, 2003 is unaudited; however, in the opinion of management, the interim data includes all adjustments, consisting of normal recurring adjustments, necessary to present fairly the Company s consolidated financial position as of July 31, 2003, and the results of their operations and their cash flows for the three months ended July 31, 2003 and 2002. The results of operations are not necessarily indicative of the operations, which may result for the year ending April 30, 2004. Also, in the opinion of management, all disclosures required on Form 10-Q were fully furnished. The Company s annual report on Form 10-KSB for the year ended April 30, 2003 should be read in connection with this quarterly report.

Note 2. Reclassifications

Certain prior year amounts have been reclassified for comparative purposes. The amounts reclassified are summarized in the table below.

| | Three Months Ended July 31, 2002 | | |
|---|---|---|---|
| | As Originally Filed | As Reclassified | Difference |
| Broker commissions | $ 10,956,287 | $ 10,951,066 | $ (5,221) |
| Sales of loans, net | - | 5,221 | 5,221 |
| Cost of revenues broker commissions | 7,999,523 | 7,891,685 | (107,838) |
| General and administrative expenses | 1,930,687 | 1,631,104 | (299,583) |
| Salaries and wages | 878,317 | 1,177,900 | 299,583 |
| Selling and marketing expenses | - | 107,838 | 107,838 |

The amounts were reclassified to appropriately disclose costs and expenses directly related to revenue generating activities. Further, salaries and wages, and selling and marketing expenses have been broken out of general and administrative expenses as these costs has become individually significant. In addition, all expenses relating to compensation, such as payroll taxes, have been reclassified into salaries and wages.

Note 3. Segment disclosure

Segments were determined based on services provided by each segment. Performance of the segments is evaluated on net income. For the three months ended July 31, 2003 and 2002, management has provided the following information with respect to its operating segments (in thousands).



| | Revenues | | Net Income | | Assets | |
|---|---|---|---|---|---|---|
| | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 |
| Loan brokering | $ 18,393 | $ 10,951 | $ 107 | $ 284 | $ 8,353 | $ 3,046 |
| Mortgage banking | 239 | 5 | (34) | (9) | 13,378 | 2,549 |
| Notary Services | 810 | 157 | 243 | 28 | 457 | 86 |
| Real Estate Brokerage | 151 | 206 | 1 | (7) | 8 | 4 |
| | $ 19,593 | $ 11,319 | 317 | 296 | 22,196 | 5,685 |
| Corporate | | | 5 | (67) | 371 | 495 |
| Total | | | $ 322 | $ 229 | $ 22,567 | $ 6,180 |

Note 4. Impact of recently issued accounting statements

In December 2002, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 148, Accounting for Stock-Based Compensation-Transition and Disclosure ("SFAS 148") which addresses financial accounting and reporting for recording expenses for the fair value of stock options. SFAS 148 provides alternative methods of transition for a voluntary change to fair value-based method of accounting for stock-based employee compensation. Additionally, SFAS 148 requires more prominent and more frequent disclosures in financial statements about the effects of stock-based compensation. The provisions of SFAS 148 are effective for fiscal years ending after December 15, 2002, with early application permitted in certain circumstances. The interim disclosure provisions are effective for financial reports containing financial statements for interim periods beginning after December 15, 2002. ANZA has elected to continue to apply the intrinsic value-based method of accounting as allowed by APB No. 25 for employee stock-based compensation. The disclosure effects of SFAS 148 are not significant to the Company for quarters presented since minimal activity occurred in 2003 and no grants were made to employees during the quarter.

In November 2002, the FASB issued Interpretation No. 45, Guarantors Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others ("FIN 45"). FIN 45 elaborates on the existing disclosure requirements for most guarantees, including loan guarantees such as standby letters of credit. It also requires that at all times a company issues a guarantee, ANZA must recognize an initial liability for the fair market value of the obligations it assumes under that guarantee and must disclose that information in its interim and annual financial statements. The initial recognition and measurement provisions of FIN 45 apply on a prospective basis to guarantees issued or modified after December 31, 2002. ANZA will apply the provisions of FIN 45 to any guarantees issued after December 31, 2002. As of July 31, 2003, ANZA had certain guarantees relating to its mortgage banking operations which are not considered significant. Such guarantees, and ANZA's potential liability for those guarantees were satisfied soon after the quarter. ANZA did not incur any costs or expense in satisfying these guarantees.



Note 5. Loans Held for Sale

Loans held for sale consist of conventional uninsured mortgages originated by the Company, with various interest rates. Details of the loans are as follows:

| | July 31, 2003 (Unaudited) | | | April 30, 2003 | | |
|---|---|---|---|---|---|---|
| Loans Range | Number of Loans | Total Loan Amount | Average Interest Rate | Number of Loans | Total Loan Amount | Average Interest Rate |
| $20,000 to $100,000 | 11 | $ 561,646 | 6.82% | 9 | $ 533,712 | 9.33% |
| $100,001 to $200,000 | 24 | 3,565,862 | 6.01% | 11 | 1,677,968 | 5.89% |
| $200,001 to $300,000 | 15 | 3,473,700 | 5.25% | 5 | 1,181,350 | 5.63% |
| $300,001 to $400,000 | 8 | 2,771,525 | 5.83% | 4 | 1,356,800 | 5.63% |
| Over $400,000 | 6 | 3,111,200 | 4.88% | 6 | 2,851,793 | 5.81% |
| Total | 64 | $ 13,483,933 | | 35 | $ 7,601,623 | |

Note 6. Marketable Securities

The Company s marketable equity securities are classified as "available-for-sale" in accordance with the provisions of SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Accordingly, such investments are presented as current assets and are carried at their estimated fair values, based on market quotations, in the accompanying financial statements. Unrealized gains and losses are excluded from net income (loss) and reported as a separate component of shareholders equity, net of related deferred taxes, and as a component of comprehensive income at July 31, 2003. At July 31, 2003, there are no current year or cumulative gains or losses to be recorded. When management determines that investments are permanently impaired, it records a provision for loss to operations. Marketable securities may include restricted common stock of publicly traded companies.

Note 7. Goodwill

For purchase business combinations completed prior to June 30, 2001, the net carrying amount of goodwill is $195,247 at July 31, 2003. Goodwill, during the periods presented, was not amortized in accordance with SFAS 142. Management believes the carrying value of goodwill will be recovered through future cash flows.

Note 8. Warehouse Line of Credit

The Company maintains a $13,000,000 warehouse line of credit which expires on March 31, 2004. It is likely that the line will be increased to $25,000,000 based on recent discussions with the lender. The agreement is personally guaranteed by ANZA s chief executive officer. The credit agreement calls for various ratios and net worth requirements, minimum utilization requirements, and limits the warehouse period to 45 days for any specific loan. The interest rate is adjustable, based upon a published prime rate, plus an additional 1% to 3% and is payable monthly. The rate varies depending on the type of loan (conforming or non-conforming) with higher rates on non-conforming loans. The line of credit is collateralized by our loans held for sale.

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Note 9. Accrued Liabilities

Accrued liabilities consist of the following as of:

| | July 31, 2003 (unaudited) | April 30, 2003 |
|---|---|---|
| Accrued salary and benefits | $ 138,489 | $ 143,645 |
| Accrued losses for brokered loans | 300,000 | 300,000 |
| Accrued losses for states audits | 100,000 | - |
| Accrued professional fees | 22,900 | 71,210 |
| Accrued interest | - | 17,482 |
| | $ 561,389 | $ 532,337 |

Note 10. Earnings Per Share

Dilutive securities which are included in the calculation of dilutive EPS for the three months ended July 31, 2003, include the Series D Convertible Preferred Stock, the Series E Convertible Preferred Stock, and the Series F Convertible Preferred Stock into approximately 3,176,420 shares of common stock.

Dilutive securities included in the calculation of dilutive EPS for the three months ended July 31, 2002, include the Series C Preferred, the Series A Preferred, Laguna warrants and employee options convertible into approximately 4,437,725 shares of common stock.

Note 11. Stockholders Equity

From time to time, the Company s board of directors authorizes the issuance of common stock. The Company values shares of common stock based on the closing ask price of the securities on the date the directors approve such issuance. In the event the Company issues common stock subject to transferability restrictions under Rule 144 of the Exchange Act of 1933, the Company discounts the closing ask prices by 10% to value its common stock transactions. No such issuances occurred for either period presented.

SERIES E CONVERTIBLE PREFERRED STOCK

During the three months ended July 31, 2003, ANZA repurchased 23,849 shares of Series E Convertible Preferred Stock for $23,849. Also during the period, the Company declared and distributed $6,152 of dividends relating to the Series E Convertible Preferred Stock.

ISSUANCE OF PREFERRED STOCK OF SUBSIDIARY

AMRES authorized 1,250,000 shares of Class A preferred stock on July 18, 2003. The Class A preferred stock is no par value and accrues dividends at a rate of 10% per annum. There are no voting, liquidation, redemption or conversion rights associated with the Class A Preferred Stock.

On July 18, 2003 (with an effective closing date of July 31, 2003), the Company entered into a transaction to issue 1,000,000 shares of Class A preferred stock in exchange for 66,946 shares of Sutter Holding Company, Inc. ("Sutter") restricted common stock. As additional consideration, the Company issued to Sutter warrants to acquire 1,000,000 shares of its common stock. The value of the Class A preferred stock and warrants was determined using the value of the shares of Sutter common stock amounting to $800,000, or $11.95 per share. The warrants are exercisable beginning in one (1) year, and for a period of four (4) years thereafter. There is no exercise price associated with the warrants as the warrants can only be exercised by delivering one (1) share of AMRES Preferred Stock for each share of Anza common stock to be acquired.



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Under the terms of the agreement with Sutter, if during the first twelve (12) months following the closing, the value of the Sutter Shares drops below $800,000 during the thirty (30) days before the end of each of the Company s fiscal quarters, then Sutter will issue to AMRES additional shares of Sutter common stock so that the value of the original shares plus the incremental shares equals $800,000. Either party may rescind the Agreement on ninety (90) days written notice up until the date which is 275 days after the closing date. Finally, AMRES and Sutter have each executed an Irrevocable Proxy granting all voting rights in the Sutter Shares and the shares of Anza common stock acquired upon exercise of the Anza Warrants to the respective Board of Directors of each company.

The Company has accounted for the Class A preferred stock of its subsidiary by reflecting such preferred stock as a non-current liability in the consolidated financial statements.

Note 12. Contingencies

Oaktree Litigation

In March 2003, AMRES was served with a lawsuit brought by Oaktree Funding Corporation ("Oaktree") against nineteen defendants, including AMRES, the appraiser, escrow company, notary public, and borrowers involved in six (6) different loan transactions brokered by AMRES and funded by Oaktree. The Complaint alleges, among other things, that the defendants committed fraud, breach of contract, negligent misrepresentation, RICO violations, and unfair business practices. The Complaint requests damages in excess of $1,500,000, plus attorneys fees, interest, penalties, and punitive damages.

The Company is vigorously defending this lawsuit although the Company believes that the action lacks merit. The Company has not yet filed an Answer to the Complaint, but has filed a demurrer to the complaint in an effort to have the court dismiss AMRES, or in the alternative to dismiss certain causes of action against AMRES. However, it is the belief of the Company and of legal counsel that the maximum exposure attributable to this lawsuit is $140,000. The Company has accrued a liability for this amount in the consolidated financial statements as of July 31, 2003 and April 30, 2003.

Other Actions

AMRES is named in two actions in which plaintiffs have alleged certain improprieties against certain branch managers. Management is vigorously defending these actions. It is the belief of AMRES management and of legal counsel that the maximum exposure attributable to these lawsuits is $105,000. The Company has accrued a liability for this amount in the consolidated financial statements as of July 31, 2003, and April 30, 2003.

The Company is subject to a limited number of claims and actions, which arise in the ordinary course of business. The litigation process is inherently uncertain, and it is possible that the resolution of the Company s existing and future litigation may adversely affect the Company s financial position, results of operations and cash flows. All legal costs are expensed as incurred.

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Indemnifications

On December 9, 2002, the Company received notification from HUD requesting indemnification on up to 23 loans brokered by a former loan officer of the Company. AMRES executed and provided an indemnification agreement to HUD, as requested. On February 13, 2003, HUD notified AMRES that (i) without the loans originated by this particular loan officer, AMRES default and claim rate would be an acceptable level to HUD, and (ii) as a result of the termination of that loan officer, and the indemnification agreement, the matter was closed. The Company carries errors and omissions insurance coverage, which may offset any potential losses, which may be incurred by the Company with respect to these loans. The Company s insurance carrier has granted representation by counsel to AMRES. The Company maintained an accrual of $55,000 in the accompanying consolidated financial statements at July 31, 2003 and April 30, 2003 to account for the potential deductible the Company could incur if all of these loans result in losses.

State Audits

AMRES is currently in the process of undergoing several state audits, which are typical in this industry. Often these audits uncover instances of non-compliance with various state licensing requirements. These instances of non-compliance may also translate into a particular state levying a fine or penalty against the Company. In August of 2003, the Company resolved an action with the State of Arizona and paid a settlement in the amount of $10,000. The

Company is also in the process of settling actions raised by the states of Nevada and Kansas. AMRES is close to final resolution of these matters and expects the total settlement to be in the range of $70,000 - $90,000, with Kansas accounting for the majority of the settlement (approximately $50,000 - $60,000).

The Company does not expect any of these audits to uncover significant non-compliance issues which would impair its ability to conduct business in a particular state in the future. However, based on the status of certain ongoing audits, the Company believes it is likely that a certain amount of fines or penalties could be assessed in particular states. As such, the Company has recorded a liability in the consolidated financial statements in the amount of $100,000 related to these state audits in the quarter ended July 31, 2003, which are included in general and administrative expenses.



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ITEM 2 Management s Discussion and Analysis

The following discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of many factors. The following discussion should be read together with our financial statements and the notes to those financial statements included elsewhere in this quarterly report.

Except for historical information, the materials contained in this Management s Discussion and Analysis are forward-looking (within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934) and involve a number of risks and uncertainties. These include the Company s historical losses, the need to manage its growth, general economic downturns, intense competition in the financial services and mortgage banking industries, seasonality of quarterly results, and other risks detailed from time to time in the Company s filings with the Securities and Exchange Commission. Although forward-looking statements in this Quarterly report reflect the good faith judgment of management, such statements can only be based on facts and factors currently known by the Company. Consequently, forward-looking statements are inherently subject to risks and uncertainties, actual results and outcomes may differ materially from the results and outcomes discussed in the forward-looking statements. Readers are urged to carefully review and consider the various disclosures made by the Company in this Quarterly report, as an attempt to advise interested parties of the risks and factors that may affect the Company s business, financial condition, and results of operations and prospects.

OVERVIEW

We are a holding company which currently operates through five (5) subsidiaries, namely American Residential Funding, Inc., a Nevada corporation (AMRES), Expidoc.com, Inc., a California corporation (Expidoc), Titus Real Estate LLC, a California limited liability company (Titus Real Estate), Bravo Realty.com, a Nevada corporation (Bravorealty.com), and Bravo Real Estate Services, Inc. (Bravo Real Estate Network).

Anza Capital, Inc. (ANZA) is a financial services company, whose primary subsidiary, American Residential Funding, Inc. (AMRES), provides home financing through loan brokerage and banking. Another subsidiary, Expidoc.com, arranges for notaries to perform loan document signing services for lenders, the largest being Ditech.com. Bravo Real Estate Services, Inc. is in the process of launching a real estate brokerage franchise business. Bravo Realty.com has had limited operations in the last two years and Titus Real Estate LLC is currently non-operational.

AMRES has provided the majority of consolidated revenue and profitability for the three months ended July 31, 2003, representing approximately 95% of consolidated revenues. AMRES has benefited greatly by the historic drop in interest rates, which created a home refinancing boom. Over sixty percent (60%) of the loan business AMRES has experienced has been home refinancing. As rates appear to have bottomed in late June 2003, AMRES has seen a significant drop in loan applications. This should be reflected in a revenue drop in November 2003 through March 2004, at which time the spring rebound in home sales should occur. With loan production currently around 1,100 loans per month, and without the effect of offsetting measures, business may drop to an estimated 600 loans per month.



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AMRES is establishing various business initiatives to reduce its reliance on the refinancing market. These initiatives include:

- Expanding its mortgage banking operations, as there is a higher level of profitability delivered from banking loans compared to loan brokerage. This initiative includes establishing a wholesale operation, which would allow AMRES to fund loans brokered by other companies.
- Building strategic alliances with other business models such as loan lead generators, builders, realtors and trade associations.
- Promoting more direct-to-consumer lending, through marketing, with products that are less sensitive to fluctuations in interest rates, such as home equity loans, construction loans and sub-prime loans. Areas we will explore for expansion include AlumniHome Loan.com, maxrelo.com, builder business, Lending Tree and joint ventures with other sources of loans such as debt counselors, realtor associations and affinity groups.
- Continuing to solicit new branches to join our network, especially those branch operations that are "purchase-home sensitive."
- Reducing operating costs through efficiencies generated by new software and operating systems.

AMRES continues its plan to spend a significant amount of its operating profit to establish the firm s new business model, as well as the costs associated with managing our rapid growth.

Subsequent to the quarter ended July 31, 2003, AMRES mortgage banking operations sold 21 loans, incurring a loss of approximately $106,000, which was recorded as a reserve at July 31, 2003. The loss incurred on these loans was a result of several factors as follows: a sudden increase in interest rates prior to our committing the loans for sale, our lack of internal systems to monitor our loan portfolio which prevented us from reacting to market changes in a timely manner, and a lack of experienced personnel in key positions within our mortgage banking division. We have recorded a provision in the consolidated financial statements as of July 31, 2003 to account for the loss incurred upon the sale of these loans. We do have in place guaranteed contracts in which we can "pre-sell" loans funded on our line. These guaranteed contracts are only valid provided we "lock a rate" and complete all funding procedures required prior to the rate lock expiration. As discussed below, we believe we have adequately addressed the issues that created the losses on these particular loans, limiting our exposure in future periods for similar losses to occur.

The AMRES mortgage banking platform, which will allow the transformation from predominately a mortgage broker to a banker, is currently closing approximately $15,000,000 loans monthly, versus over $200,000,000 in brokered loans for AMRES as a whole. This increase in banking will allow profitable operations at lower levels of volume. AMRES mortgage banking currently has a staff of 15, and is expanding as quickly as quality control and additional experienced employees allow. It is anticipated that monthly loan production could double to $30,000,000 in four to six months. Warehouse lines to fund loans have been increased to $13,000,000 with First Collateral Services, and new and experienced senior management is currently in place. AMRES mortgage banking has established relationships with several investors to purchase our funded loans, including IndyMac Bank, Countrywide Funding, Flagstar Bank and New Century Mortgage. AMRES has purchased software (DataTrack) to manage the mortgage banking process, as well as software to provide our branches with automated underwriting (LoanScore).



AMRES has recently established a corporate managed "direct to consumer" loan production division. The corporate loan officers and processors are purchasing Internet leads from proven providers such as LendingTree.com. As with AMRES mortgage banking, this division has had negative cash flow as loan production ramps up. We are targeting 10-20% of AMRES total loan production to come from this new division by Spring 2004.

AMRES continues to add new branches, at a pace of five to six a month. We have slowed down the number of new branches due to an increase in quality standards, minimum volume requirements, and state preferences. While branches number approximately 200, we have targeted 50 branches for "probation" and possible termination. AMRES has been fortunate to acquire some loan production branches of several of our competitors. As the mortgage industry continues to contract, AMRES is investing in human and cash capital to attract branches, production and staff from other firms in the industry. While our net worth does not allow any major acquisition efforts, we have made various contacts in our industry soliciting referrals of new business.

The mortgage industry, heading into the last quarter of 2003, has seen a 50% drop in loan originations, which has affected AMRES. As such, we are taking plans to both reorganize our operating structure, as well as reduce the expense required to support this platform. ANZA incurred over $75,000 in costs associated with moving corporate office personnel into new operating stations and upgrading software and hardware. Our target is to reduce our operating expenses by 25%, and more if required.

If we experience a significant slow down in the refinance business, and are unsuccessful in the business initiatives described above to expand our sources of revenue, we are prepared to take aggressive and immediate actions to reduce our cost structure. If our total loan volume should decline, we will need fewer personnel to carry out the functions needed to support the loan process. Specifically, we would reduce headcount in such areas as compliance, accounting and marketing. In addition, we will continually monitor our branch performance, closing under-producing branches to help control our expenses. If implemented, these measures should offset any potential decline in revenues from loans brokered. However, should we experience significant and rapid declines in loan volume; it is unlikely that our cost containment measures will be able to completely offset the impact of the potential lost revenue.

Due to the record loan production through August 2003, staffing requirements will remain high through early October to complete compliance requirements. Continued, and increased, expenses will occur from state compliance audits, loans brokered with recourse back to AMRES, and unpaid branch liabilities. While we believe we have set aside adequate reserves for these issues, there are no guarantees, due to the very high volume of past loans, that these reserves are sufficient.

Expidoc.com, our loan document signing/notary service, has benefited greatly from the refinance boom, having provided ANZA Capital with over $150,000 in cash flow for the quarter ending July 31, 2003. This trend has continued through September 2003. However, Expidoc has seen a 50% drop in new orders from their largest customer, Ditech.com. We anticipate Expidoc will remain profitable as we continue our marketing efforts to secure additional clients.

Bravo Real Estate Network has completed all approvals to sell real estate brokerage franchises. They are concentrating efforts, through November 2003, to sell master regions, in an effort to jump start the program. To the extent we are not as successful as we would plan, Bravo will be "shelved" until the market conditions warrant a re-start of operations.



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We achieved an annual profit for the first time during the year ended April 30, 2003; however, significant changes in interest rates could have a negative impact on our profitability in future periods.

CRITICAL ACCOUNTING POLICIES

Anza s consolidated financial statements and related public financial information are based on the application of accounting principles generally accepted in the United States ("GAAP"). GAAP requires the use of estimates, assumptions, judgments and subjective interpretations of accounting principles that have an impact on the assets, liabilities, revenue and expense amounts reported. These estimates can also affect supplemental information contained in the external disclosures of Anza including information regarding contingencies, risk and financial condition. Anza believes its use of estimates and underlying accounting assumptions adhere to GAAP and are consistently and conservatively applied. Valuations based on estimates are reviewed for reasonableness and conservatism on a consistent basis throughout Anza. Primary areas where financial information of Anza is subject to the use of estimates, assumptions and the application of judgment include accounts receivable allowances, and loan losses on loans held for sale, which have been historically and favorably low. These significant estimates also include our evaluation of impairments of intangible assets (see further discussion below). In addition, the recoverability of deferred tax assets must be assessed as to whether these assets are likely to be recovered by Anza through future operations. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ materially from these estimates under different assumptions or conditions. We continue to monitor significant estimates made during the preparation of our financial statements.



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Loans Held for Sale

Mortgage loans held for sale represent mortgage loans originated and held by AMRES, pending sale, to interim and permanent investors. AMRES sells loans it originates, typically within 30 days of origination, rather than hold them for investment. AMRES sells loans to institutional loan buyers under an existing contract. AMRES sells the servicing rights to its loans at the time it sells those loans. At the time a loan is sold, AMRES has no continuing interest since servicing rights are transferred at the time of sale in accordance with paragraph 5 of SFAS 140. Recourse provisions generally relate to first payment defaults, or breach of representations and warranties, or fraud, with respect to the loans sold. The recourse provision, because of its very brief term (30 days), is not practical to value in accordance with paragraph 6 of SFAS 140, since the value is deminimus. In the event AMRES management becomes aware of a default, the financial asset and liability is reinstated and an assessment of the impact of losses is made. To date, AMRES has not repurchased a loan as a result of its origination practices.

Fair Value of Assets Acquired and Liabilities Assumed In Purchase Combinations and Review for Impairments

The purchase combinations we evaluate and complete require us to estimate the fair value of the assets acquired and liabilities assumed in the combinations. These estimates of fair value may be based on independent appraisal or our business plan for the entities acquired including planned redundancies, restructuring, use of assets acquired and assumptions as to the ultimate resolution of obligations assumed for which no future benefit will be received. Should actual use of assets or resolution of obligations differ from our estimates, revisions to the estimated fair values would be required. If a change in estimate occurs after one year of the acquisition, the change would be recorded in our statement of operations.

Valuation of Long-Lived and Intangible Assets

The recoverability of these assets requires considerable judgment and is evaluated on an annual basis or more frequently if events or circumstances indicate that the assets may be impaired. As it relates to goodwill and indefinite life intangible assets, we apply the impairment rules in accordance with SFAS No. 142. As required by SFAS No. 142, the recoverability of these assets is subject to a fair value assessment, which includes several significant judgments regarding financial projections and comparable market values. As it relates to definite life intangible assets, we apply the impairment rules as required by SFAS No. 142, "Accounting for the Impairment of Long-Lived Assets and Assets to Be Disposed Of" which also requires significant judgment and assumptions related to the expected future cash flows attributable to the intangible asset. The impact of modifying any of these assumptions can have a significant impact on the estimate of fair value and, thus, the recoverability of the asset. The net carrying amount of goodwill is $195,247 ($20,000 related to Titus and $175,247 related to Expidoc) at July 31, 2003. Management believes the carrying value of goodwill will be recovered through future cash flows.

Income Taxes

We recognize deferred tax assets and liabilities based on the differences between the financial statement carrying amounts and the tax bases of assets and liabilities. We regularly review our deferred tax assets for recoverability and establish a valuation allowance based upon historical losses, projected future taxable income and the expected timing of the reversals of existing temporary differences. During 2003 and 2002, we estimated the allowance on net deferred tax assets to be one hundred percent (100%) of the net deferred tax assets.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED JULY 31, 2002 COMPARED TO THE THREE MONTHS ENDED JULY 31, 2003

Revenues

Revenues increased by $8,273,997, or 73.1%, to $19,593,343 for the three months ended July 31, 2003, compared to $11,319,346 for the three months ended July 31, 2002. The growth in revenues is primarily attributable to the expansion and growth of AMRES primarily through the brokering of loans, and the growth of Expidoc.com. AMRES accounted for over 95% of consolidated revenues for both periods. AMRES, as did most of the mortgage industry, benefited greatly from the decline in interest rates over the last three months. Typically, as interest rates fall, the refinance market grows, expanding the market of interested borrowers beyond those borrowing for the purchase of their primary residence. During May 2003 and the early part of June 2003, interest rates were at near record lows. AMRES benefited from this market upturn, as they had the capacity in terms of people and infrastructure to accommodate the additional business. Management believes that a significant increase in interest rates could slow the rapid growth ANZA has experienced over the last two fiscal years. Beginning in late June of 2003, interest rates appeared to have bottomed out and actually started to rise at that point.

More significantly, the increase in loan production in the branch program at AMRES was the major contributor to the growth in revenue. AMRES was comprised of approximately 200 branches as of July 31, 2003, compared to over 300 branches as of July 31, 2002. We made a concerted effort to close certain net branches that were not producing an adequate volume in monthly loan production. This has allowed us to concentrate our resources on the best performing branches. For the three months ended July 31, 2003, the total revenue associated with the AMRES Branches was approximately $15.0 million, compared to total revenue associated with the AMRES Branches of $8.5 million for the three months ended July 31, 2002. The Net Branch program is expected to continue to be a primary growth vehicle in the future. In addition, the mortgage banking division of AMRES is expected to continue its expansion over the next several months.



Revenues for Expidoc also increased significantly, $809,619 for the period ended July 31, 2003 compared to $156,685 for the period ended July 31, 2002. The increase is primarily a result of Expidoc.com refocusing its market strategy to secure higher volume customers as compared to servicing many low-volume customers. This change in focus is evidenced by the securing of business with such customers as Ditech.com. Management believes this to be the best strategy to focus on, as it allows Expidoc to both benefit from economies of scale and provide the highest level of service to its customer base. Management realizes that the loss of any one significant customer could have a material negative impact on the growth and profitability of Expidoc. As such, we have begun a marketing campaign to acquire new customers and have increased our customer base to 15 as of July 31, 2003.

Bravorealty.com became operational in January of 2001. For the three months ended July 31, 2003, revenues declined slightly to $150,658 compared with revenues of approximately $206,374 for the period ending July 31, 2002. This decline can be attributed to our shift in focus to launch a franchise type model. We have reviewed the current model and have determined that a franchise type model will provide us the best opportunity to grow our real estate business quicker and with a higher degree of profitability. As such, during the current quarter, we invested capital and management resources in this venture. Continuing startup costs related to the franchise operations are not expected to be significant, and will be paid from the cash generated from our operations.

Revenues from Titus were not material for either period presented. Titus is currently not operating.

Costs of Revenues

Commissions are paid on oans funded. Commissions increased by $5,473,538 or 69.4%, for the three months ended July 31, 2003, to $13,365,223 from $7,891,685 for the three months ended July 31, 2002. This increase is primarily related to the increased revenues discussed above. As a percentage of revenue, the cost of revenue increased by 0.6%, to 72.7% compared to 72.1% for the three months ended July 31, 2003 and the three months ended July 31, 2002, respectively. This increase is attributable to a higher percentage of total loan volume being closed by the branch operations. We earn a flat percentage on all loans closed within the branch program (.375% of the total loan value, with a minimum fee of $550). By comparison, our split with the corporate branches fluctuates based on the level of monthly commissions, with AMRES earning a higher percentage of the total commission as the monthly revenue increases. Thus, in any period in which there is a larger percentage of revenue growth associated with the net branches, our total commissions expense would tend to be higher as a percentage of revenue.

Notary and other costs associated with Expidoc.com and Bravorealty.com increased by $282,321, or 104.4%. This increase is directly related to the increase in revenues generated from these entities, especially Expidoc.com.

Consolidated gross profit increased by $2,518,138, or 80.0% for the three months ended July 31, 2003 to $5,675,514 from $3,157,376 for the three months ended July 31, 2002.

General and Administrative Expenses

General and administrative expenses totaled $2,643,215 for the three months ended July 31, 2003, compared to $1,631,104 for the three months ended July 31, 2002. This increase of $1,012,111 can be attributed primarily to the business growth of the operating subsidiaries, namely AMRES, as additional personnel, office space and other administrative costs are required to handle the expansion .

For the three months ended July 31, 2003, we have recorded a provision for State audits in the amount of $100,000. This amount relates to fines and penalties which can be expected as a result of those audits due to non-material compliance issues with state licensing requirements. We have grown rapidly over the last year or so and have attempted to put in place the appropriate infrastructure and resources to meet the demands of our growth. We believe that our infrastructure has caught up to the rapid growth and that many of the issues which may result in compliance fees and or penalties being levied in the current period have been addressed to minimize such fines and penalties in future periods. Fines and penalties for the three months ended July 31, 2002 were not significant.

Salaries and Wages

Salaries and wages totaled $2,649,937 in fiscal three months ended July 31, 2003, compared to $1,177,900 for the fiscal three months ended July 31, 2002. The increase of $1,472,037 is directly related to the expansion of AMRES operations. As of July 31, 2003, our employee base was approximately 600 individuals. Further, the addition of many high producing branches has added significant payroll costs. In an order support the rapid increase in loan volume, we nearly doubled the number of support staff at our corporate headquarters in the areas of compliance, accounting and human resources.

Selling and Marketing Expense

Selling and marketing expense relates primarily to costs incurred for prospecting activities to obtain new clients (borrowers). These costs include acquiring "leads" which translate into funded loans. Selling and marketing expenses for the three months ended July 31, 2003 amounted to $116,845 compared to $107,838 in the prior period. The primary reason for the decline as a percentage of total revenue is that during the most recent three months, interest rates were at such record low points that the "pool" of borrowers interested in refinancing was abundant, thus helping us limit the amount of funds we had to direct toward acquiring prospective clients.

Interest Expense

Interest expense was $72,800 as of July 31, 2003, compared to $28,667 as of July 31, 2002. This increase is associated with higher average balances on our warehouse line of credit. This line is utilized to fund loans in our mortgage banking operations. During the first quarter of 2003, the mortgage banking operations were just getting started. As of July 31, 2003, we have authorization for $13,000,000 to be drawn against our warehouse line of credit

Interest Income

Interest income amounted to $129,268 for the three months ended July 31, 2003 compared to $16,983 for the three months ended July 31, 2002. The increase in interest income during the current period is directly related to our increased cash balances available to earn interest. As of July 31, 2003, our cash balance was $4,477,164 compared to a cash balance of $1,264,534 as of July 31, 2002.

Income Taxes

Our income taxes have not been material during the periods presented because of utilization of Anza's net operating loss carryforwards for federal income tax reporting purposes. California suspended net operating losses usage for fiscal 2003 and 2004. In 2003, we deducted losses associated with the LoanNet transactions, as we sold our rights to the shares originally issued for the exchange transaction in February 2000. The loss deduction amounted to approximately $2.1 million. No deferred tax asset was previously recorded for this loss deduction. The Company has no significant current or deferred income tax expense during the periods presented.

Net Income

We achieved a net income for the three months ended July 31, 2003 in the amount of $321,985, or $0.07 per share compared with a net income of $228,850, or $0.10 per share for the three months ended July 31, 2002. The improved profitability experienced in 2003 is directly related to the increase in revenues, and the increase in interest income ($129,268 for the three months ended July 31, 2003 compared to $16,983 for the three months ended July 31, 2002).

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

Net cash used in operating activities was $4,054,493 and $589,570 for the three months ending July 31, 2003 and 2002, respectively. For the three months ended July 31, 2003, we recorded a net profit of $321,985 compared to a net profit of $228,850 for the three months ended July 31, 2002. During both periods, the increase in our loans held for sale was the primary contributor the net cash used in operating activities.

Net cash used in investing activities was $40,833 and $67,908 for the three months ended July 31, 2003 and 2002, respectively. For the three months ended July 31, 2003, net cash used in investing activities relates solely to the purchase of equipment. For the prior period, net cash used in investing activities related to the purchases of fixed assets in the amount of $16,572 and to an increase in amounts due from employees totaling $51,336.

Net cash provided by financing activities was $5,816,831 and $1,214,161 for the three months ended July 31, 2003 and July 31, 2002 respectively. The most significant increase in the cash provided by financing activities during the periods presented relates primarily to advances on our warehouse line of credit. For the three months ended July 31, 2003, advances on the warehouse line of credit amounted to $5,846,832 compared to $1,449,580 for the three months ended July 31, 2002. The warehouse line of credit is secured by first and second trust deed mortgages.

Our stockholders equity increased to $2,222,995 as of July 31, 2003 from $689,055 as of July 31, 2002. In addition, our working capital as of July 31, 2003 amounted to $2,545,877. Our current obligations consist primarily of liabilities generated in the ordinary course of business. ANZA has begun to build modest cash reserves in the event that a sudden change in interest rates translates into a downturn in business.

During the fourth quarter of fiscal 2003, ANZA completed a series of transactions intended to recapitalize the Company and position it for growth and acquisition opportunities in the future. These recapitalization activities improved the working capital position of the Company, reduced the overhang on the Company s common stock and provided ANZA more favorable terms on our preferred shares outstanding. Due to ANZA's improved financial position, the use of our common stock as compensation to outside consultants is expected to be minimal in future periods.

On December 9, 2002, we received notification from HUD requesting indemnification on up to 23 loans brokered by a former loan officer of the Company. We executed and provided an Indemnification Agreement to HUD as requested. On February 13, 2003, HUD notified us that (i) without the loans originated by this particular loan officer, AMRES default and claim rate would be an acceptable level to HUD, and (ii) as a result of our termination of that loan officer, and the indemnification agreement, the matter was closed. As we continue to develop our branch program, our risks of such similar events occurring in the future could increase. We are continually monitoring our internal control structure to help minimize the risk of future loss related to such events in the future.

As of July 31, 2003, our warehouse line of credit has been formally extended to $13,000,000, with a likely additional increase to $25,000,000 in future periods. Maintaining an adequate warehouse line of credit is critical to our growth plans for our mortgage banking operations. Any significant reduction in the borrowing limits or significant changes in terms could have a negative impact on our ability to expand the mortgage banking operations at the pace and with the degree of profitability we desire. Further, we have traditionally experienced no defaults on loans funded through our mortgage banking operations. As we continue to grow this segment of our business, our default rate on these loans may increase. Any significant change in our default rate would have a negative impact on our consolidated financial condition, results of operations and cash flows.

We are pleased with the current direction and financial improvement of ANZA. The operating subsidiaries are expanding in tough economic times. AMRES and Expidoc.com are currently profitable. The franchising initiatives for Bravo Real Estate Network are progressing as planned and could lead to increased revenues and profitability in future periods. The cash flow of ANZA has markedly improved, with cash on hand ending July 31, 2003 of $4,477,164 versus $1,264,534 the year earlier. Short-term debt is manageable and consists primarily of obligations generated in the ordinary course of business.

We generated an annual net income for the first time in the previous fiscal year. We plan to continue our growth strategy to generate revenues sufficient to meet our cost structure. We made significant investments in the fourth quarter of the previous fiscal year and in the current quarter, in such areas as enhancing our technology for tracking loans, improving intranet communications programs, relocation and redistribution of staff and office support, and start-up costs for our real estate franchise model. We will continue to evaluate our costs relating to infrastructure and business expansion to ensure that the investment will pay off from the standpoint of increased profitability. We are prepared to modify current plans, namely restricting our cash outlay for expansion should business conditions change and our revenue base decline. We believe these actions will allow us to fund our daily operations and service our remaining debt obligations primarily through the cash generated by operations; however, there are no assurances that our plans will be successful.



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ITEM 3 Quantitative and Qualitative Disclosures About Market Risk

Interest rate movements significantly impact our volume of closed loans and represent the primary component of market risk to us. In a higher interest rate environment, consumer demand for mortgage loans, particularly refinancing of existing mortgages, declines. Interest rate movements affect the interest income earned on loans held for sale, interest expense on the warehouse lines payable, the value of mortgage loans held for sale and ultimately the gain on sale of mortgage loans.

Our primary financial instruments are cash in banks and money market instruments. We do not believe that these instruments are subject to material potential near-term losses in future earnings from reasonably possible near-term changes in market rates or prices. We do not have derivative financial instruments for speculative or trading purposes. We are not currently exposed to any material currency exchange risk.

ITEM 4 Controls and Procedures

The Company s Chief Executive Officer and Chief Financial Officer (or those persons performing similar functions), after evaluating the effectiveness of the Company s disclosure controls and procedures (as defined in Rules 13a-14(c) and 15d-14(c) under the Securities Exchange Act of 1934, as amended) as of a date within 90 days of the filing of this quarterly report (the "Evaluation Date"), have concluded that, as of the Evaluation Date, the Company s disclosure controls and procedures were effective to ensure the timely collection, evaluation and disclosure of information relating to the Company that would potentially be subject to disclosure under the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder. There were no significant changes in the Company s internal controls or in other factors that could significantly affect the internal controls subsequent to the Evaluation Date.



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PART II

ITEM 1 Legal Proceedings

There are no changes to the matters set forth in our Annual Report on Form 10-KSB/A for the fiscal year ended April 30, 2003.

In the ordinary course of business, the Company is from time to time involved in various pending or threatened legal actions. The litigation process is inherently uncertain and it is possible that the resolution of such matters might have a material adverse effect upon the financial condition and/or results of operations of the Company. However, in the opinion of the Company s management, other than as set forth herein, matters currently pending or threatened against the Company are not expected to have a material adverse effect on the financial position or results of operations of the Company.

ITEM 2 Changes in Securities and Use of Proceeds

On July 31, 2003, in exchange for 66,496 shares of common stock of Sutter Holding Company, Inc., our subsidiary, AMRES, issued to Sutter One Million (1,000,000) shares of newly created Series A Preferred Stock (the "AMRES Preferred Stock"). As additional consideration, we issued to Sutter warrants to acquire One Million (1,000,000) shares of our common stock (the "Anza Warrants").

The AMRES Preferred Stock holder is entitled to receive a cumulative ten percent (10%) annual dividend, payable yearly. In addition, the AMRES Preferred Stock has a liquidation preference in an amount equal to its original issue price, or $0.80 per share. The AMRES Preferred Stock is not convertible, callable, redeemable, and does not have any voting rights.

The Anza Warrants are exercisable beginning in one (1) year, and for a period of four (4) years thereafter. The warrants can only be exercised by delivering one (1) shares of AMRES Preferred Stock for each share of Anza common stock to be acquired.

Under the terms of the agreement with Sutter, if during the first twelve (12) months following the closing, the value of the Sutter Shares drops below $800,000 during the thirty (30) days before the end of each of our fiscal quarters, then Sutter will issue to us additional shares of Sutter common stock. Either party may rescind the Agreement on ninety (90) days written notice up until the date which is 275 days after the closing date. Finally, AMRES and Sutter have each executed an Irrevocable Proxy granting all voting rights in the Sutter Shares and the shares of Anza common stock acquired upon exercise of the Anza Warrants to the respective Board of Directors of each company.

ITEM 3 Defaults Upon Senior Securities

There have been no events which are required to be reported under this Item.

ITEM 4 Submission of Matters to a Vote of Security Holders

There have been no events which are required to be reported under this Item.



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ITEM 5 Other Information

Beginning with the quarter covered by this quarterly report, we no longer meet the definition of a small business issuer under Rule 12b-2 under the Securities Exchange Act of 1934 and Section 405 of the Securities Act of 1933.

ITEM 6 Exhibits and Reports on Form 8-K

(a) Exhibits

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|---|---|
| 31.1 | Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer |
| 31.2 | Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer |
| 32.1 | Chief Executive Officer Certification Pursuant to 18 USC, Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2 | Chief Financial Officer Certification Pursuant to 18 USC, Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |

(b) Reports on Form 8-K

On August 4, 2003, we filed an Item 2 Current Report on Form 8-K dated August 1, 2003, regarding the Sutter Holding Company, Inc. Securities Exchange Agreement.



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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

| | | |
|---|---|---|
| Dated: September 11, 2003 | | /s/ Vincent Rinehart |
| | By: | Vincent Rinehart |
| | Its: | President, Chairman, Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer, and Director |