Dresdner Bank Group
Financial Report 2008

Dresdner Bank

Advice you can bank on

Key Figures

Income statement	2008 €m	2007 €m	Change %
Total operating income	693	5,446	-87.3
Total operating expenses	4,620	4,868	-5.1
Loan impairment losses	1,671	-132	–[1]
Operating profit/loss	**-5,598**	**710**	**–[1]**
Net income from financial investments	936	183	>+100.0
Net income from intangible assets	-39	–	
Restructuring charges	0	50	-100.0
Profit/loss before tax	**-4,701**	**843**	**–[1]**
Tax expense	1,534	373	>+100.0
Profit/loss after tax	**-6,235**	**470**	**–[1]**
Profit attributable to minority interests	62	60	3.3
Profit/loss for the period	**-6,297**	**410**	**–[1]**

Balance sheet	31/12/2008 €m	31/12/2007 €m	Change %
Total assets	420,961	500,209	-15.8
Lending volume	105,132	113,026	-7.0
Equity	4,494	12,406	-63.8

Ratios	31/12/2008 %	31/12/2007 %	Change %/% points
Cost-income ratio	666.7	89.4	577.3
Loan loss ratio[2]	1.65	-0.13	–[1]
Return on risk-adjusted capital[3]	-100.2	2.5	–[1]
Return on equity before tax[4]	-62.3	8.5	–[1]
Return on equity after tax	-85.2	4.0	–[1]
Earnings per share (€)	-11.72	0.73	–[1]

Employees[5]	23,295	26,309	-11.5
Branch offices	910	1,074	-15.3

Risk-weighted assets (€m)[6]	114,808	123,115	-6.7
Core capital ratio (%)[6]	4.0/3.7	9.1	-5.1
Total capital ratio (%)[6]	8.4/7.5	13.8	-5.4

Short-/Long-term rating	31/12/2008	31/12/2007
Moody's Investors Service, New York	P-1/Aa3	P-1/Aa2
Standard & Poor's, New York	A-1/A	A-1/A+
Fitch Ratings, London[7]	F1/A	F1+/A+

1) Change from positive to negative figure.
2) Loan impairment losses as a percentage of the average risk-weighted assets in the banking book. The corresponding risk-weighted assets for the previous year were adjusted on a pro forma basis.
3) Ratio of normalised profit/loss after tax to the adjusted risk capital.
4) Profit/loss before tax, net income from intangible assets and restructuring charges as a percentage of the average capital resources according to IFRSs.
5) Full-time equivalents (excluding vocational trainees).
6) 2008 information in accordance with Basel II; 2007 information calculated in accordance with Basel I (for details on the calculation of the capital ratios see Note 39).
7) The amount reported already contains the downgrade of both the short-term and the long-term rating performed on 13 January 2009.

Financial Report 2008

Klaus-Peter Müller,
Chairman of the Supervisory Board

Ladies and gentlemen,

In fiscal year 2008, the Supervisory Board performed its duties in accordance with the law and the Articles of Association and continuously supervised the activities of the Bank's Board of Managing Directors. It was informed in writing and verbally by the Board of Managing Directors in a regular, comprehensive and timely manner of the position and development of the Bank and the Group, of key transactions and of the strategic development of the Bank as well as of other fundamental issues concerning corporate planning. The Supervisory Board also regularly discussed these matters with the Board of Managing Directors.

The Supervisory Board held regular meetings in fiscal year 2008 on 14 March, 25 September and 27 November. The members of the Supervisory Board also attended three extraordinary meetings on 18 July, 31 August and 22 December. Furthermore, a constituent meeting took place on 14 March due to the elections to the Supervisory Board.

In its three regular meetings, the Supervisory Board was informed by the Board of Managing Directors of the course of business, significant lending commitments and investments, and other matters of material importance to the Group. In particular, it addressed the development of the Bank's business model. Another focus of the Supervisory Board's activities was the discussion of the effects of the international financial market crisis on the Bank's development, as well as the resulting need for action. In addition, the three extraordinary meetings of the Supervisory Board in particular addressed key strategic decisions relating to the Bank. The Supervisory Board discussed the preparations for a hive-off of the domestic private and corporate client business that was being considered. It also addressed the merger of the Bank with Commerzbank AG, including the relevant contractual arrangements. Another topic of discussion was the sale of equity investments to Allianz SE in relation to the merger with Commerzbank. The Supervisory Board approved the merger proposal and the sale of the equity investments. Furthermore, the Board of Managing Directors reported to the Supervisory Board on the status of preparations for the integration of Dresdner Bank and Commerzbank at the meetings on 25 September, 27 November and 22 December. These reports focused on the preparatory measures for implementing the new business model and on the activities to prepare for the successful transfer of customers and employees.

The Board of Managing Directors submitted regular reports on the extent to which Group risk frame limits had been utilised. The Supervisory Board also examined aspects of risk control within the Group, as in the past, and addressed in particular the key figures used for long-term planning. The report on the main findings of the internal audit required for regulatory purposes was submitted to the Supervisory Board by the Board of Managing Directors.

As the German Corporate Governance Code primarily addresses listed companies, and Dresdner Bank AG was delisted with effect from the end of 11 July 2002, the Supervisory Board and the Board of Managing Directors have not issued a separate declaration of compliance with the Code due to the Bank's integration within the Allianz Group; however, Dresdner Bank AG's corporate governance concept includes the key principles of the Code.

The Supervisory Board has formed the following committees: the Executive Committee (Präsidium), the Credit and Risk Committee, the Audit Committee, the Strategy Committee (since 14 March 2008), the Operations Committee (Betriebsausschuss) and the Mediation Committee set up in accordance with the Mitbestimmungsgesetz (German Co-determination Act).

The Executive Committee met on eight occasions in fiscal year 2008 to discuss human resources issues concerning the Board of Managing Directors and to prepare individual agenda items for forthcoming Supervisory Board meetings. The Credit and Risk Committee met three times to address lending issues and business transactions falling within its area of responsibility as defined by the law and the Articles of Association; decisions on such issues were also taken by circulating documents and by passing resolutions outside meetings. Additional discussions were held with the Board of Managing Directors on the analysis of the Bank's portfolio structure, its credit risk strategy, risk management and exposures subject to particular risks. In particular, the Credit and Risk Committee discussed the international financial market crisis, including the deterioration of the situation in the course of the year and its effects on the Bank. The Audit Committee held five meetings in fiscal year 2008, discussing the single-entity and consolidated financial statements as at 31 December 2007 in the presence of the auditors. It also reviewed the quarterly financial statements and addressed the tasks entrusted to it by the Supervisory Board. The Operations Committee of the Supervisory Board met four times in fiscal year 2008. It considered structural, organisational, social and other internal issues. The Strategy Committee of the Supervisory Board met once to address matters of strategic importance. The Mediation Committee did not hold any meetings in fiscal year 2008. The full Board was informed regularly of the work of the Supervisory Board Committees.

In addition to the meetings of the Supervisory Board and its Committees, the Chairman of the Supervisory Board met frequently with the Board of Managing Directors as a whole, as well as with individual members of the Board of Managing Directors and, in particular, with the Chairman of the Board of Managing Directors. These meetings served to discuss business policy issues as well as the position and development of the Bank.

The 2008 financial statements and management report of Dresdner Bank AG, prepared in accordance with the HGB (German Commercial Code), and the 2008 consolidated financial statements and group management report of the Dresdner Bank Group, prepared in accordance with IFRSs, were audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Frankfurt/Main, the auditors elected by the Annual General Meeting. They were granted an unqualified audit opinion.

The auditors' reports were distributed to all members of the Supervisory Board before the meeting of the Supervisory Board convened to adopt the accounts. The reports were discussed during this plenary meeting as well as during the preparatory meetings of the Audit Committee. The auditors who signed the single-entity and consolidated financial statements were present at the meetings. They gave an account of both their audit as a whole and of the major individual items which were specified at the time of their engagement, and also provided detailed answers to questions from the members of the Supervisory Board. The Supervisory Board duly noted and approved the results of the audit. The Supervisory Board examined the single-entity and consolidated financial statements, the management report and the group management report as at 31 December 2008, as presented by the Board of Managing Directors. The final results of this examination did not result in any objections. The Supervisory Board therefore approved the single-entity financial statements and the consolidated financial statements at its meeting on 17 March 2009. The single-entity financial statements are thereby adopted.

In addition, the Board of Managing Directors presented to the Supervisory Board the dependent company report in accordance with section 312 of the Aktiengesetz (German Stock Corporation Act) and the auditors' report on the latter. The auditors issued the following opinion on the basis of the audit, which did not result in any objections:

"On the basis of our audit performed in accordance with professional standards, we confirm that

1. the factual statements in the report are correct,

2. the consideration given by the Company in relation to the transactions specified in the report was not unreasonably high,

3. there are no circumstances which would justify, in relation to the acts specified in the report, a materially different opinion than that of the Board of Managing Directors."

The Supervisory Board examined the dependent company report and approved both the report and the audit report on it. The final results of the Supervisory Board's examination did not give rise to any objections to the declaration made by the Board of Managing Directors at the end of the dependent company report.

The following changes to the Supervisory Board took place: as a result of the elections to the Supervisory Board, Peter Haimerl, Oda-Renate Krauß, Brunhilde Nast and Jürgen Rose left their positions as employee representatives on the Supervisory Board effective 14 March 2008. Gunnar de Buhr, Stefan Jennes, Frank Lehmhagen and Konrad Remmele were elected as new members of the Supervisory Board. Claudia Eggert-Lehmann was elected as Deputy Chairwoman of the Supervisory Board at the constituent meeting of the Supervisory Board on 14 March. Furthermore, Michael Diekmann, Prof. Dr. Edward Krubasik, Dr. Dietmar Kuhnt and Prof. Dr. Dennis Snower resigned their positions as shareholder representatives on the Supervisory Board effective 12 January 2009. The Extraordinary General Meeting on 30 December 2008 elected Klaus-Peter Müller, Klaus Müller-Gebel, Dr. Stefan Schmittmann and Dr. Eric Strutz as their successors. Klaus-Peter Müller was elected as Chairman of the Supervisory Board to succeed Michael Diekmann. The Supervisory Board would like to thank all those who have left for their work on the Board.

The following changes to the Board of Managing Directors took place: Otto Steinmetz left the Board of Managing Directors at the end of his term of office effective 31 May 2008. At its meeting on 27 November 2008, the Supervisory Board appointed Frank Annuscheit, Wolfgang Hartmann and Michael Reuther as regular members of the Board of Managing Directors effective 12 January 2009. Furthermore, at its meeting on 22 December 2008 the Supervisory Board complied with the request of Franz Herrlein and Dr. Stefan Jentzsch to be released from their duties as members of the Board of Managing Directors effective 12 January 2009. In addition, at a meeting on 19 January 2009 the Supervisory Board appointed Martin Blessing as Chairman of the Board of Managing Directors of Dresdner Bank and Markus Beumer and Dr. Achim Kassow as regular members of the Board of Managing Directors of Dresdner Bank with immediate effect. At this meeting, the Supervisory Board complied with the request of Dr. Herbert Walter and Dr. Andreas Georgi to be released with immediate effect from their duties as Chairman and regular member of the Board of Managing Directors respectively.

The Supervisory Board would like to thank all Bank employees for their great personal effort.

Frankfurt/Main, 17 March 2009

The Supervisory Board

Klaus-Peter Müller
Chairman

Group Management Report

Overview

2008 represents a major turning point in Dresdner Bank's 137-year history. In the course of the year, the Bank increasingly had to face the growing effects of the global financial market crisis. Between March and August 2008, Dresdner Bank successfully developed a project to hive off the Private & Corporate Clients and Dresdner Kleinwort divisions with a view to potentially implementing other strategic options. Then, in August 2008, Allianz, as the Bank's sole shareholder, decided to sell Dresdner Bank as a whole to Commerzbank AG.

The development of the financial market crisis – in particular in the fourth quarter of 2008 – led to a loss for the year of €6.3 billion and to a significant reduction in the core capital ratio. In view of the current risks, this ratio is not sufficient to enable Dresdner Bank to continue its business operations independently – even taking into account the measures to strengthen the Bank's capital that have been agreed but not yet fully implemented by Allianz. Details are described in the section entitled “Business Development”.

In the course of the takeover of Dresdner Bank, Commerzbank stated that Dresdner Bank will be merged with Commerzbank in the spring of 2009. This will mark the end of the history of Dresdner Bank as an independent credit institution.

Organisation and general framework in fiscal year 2008

Dresdner Bank is one of the leading commercial banks in Germany. Together with its subsidiaries, it offers private and corporate customers, as well as institutional clients in Germany and abroad, a broad range of banking products and financial services. These include loans and deposits, securities and custody services, payment transactions and the trading and capital market business. Dresdner Bank also distributes life, health and non-life insurance products from the Allianz Group.

Dresdner Bank again competed over the last fiscal year with other financial service providers in the areas of customers, products and markets. It is able to meet individual customers' wishes by providing both attractively priced standard products and complex banking products and solutions requiring in-depth consulting. Overall, we had approximately 6.3 million customers as at the end of fiscal year 2008. This figure no longer includes the approximately 400,000 customers of Oldenburgische Landesbank due to the latter's deconsolidation.

Dresdner Bank had a network of 910 branch offices – 853 in Germany and 57 abroad – at the end of fiscal year 2008. The Bank is represented in all key financial centres around the globe – such as London, New York, Tokyo and Singapore – in addition to Frankfurt. Primarily as a result of the deconsolidation of Oldenburgische Landesbank (OLB), the number of branch offices dropped year-on-year by 164 (previous year: 1,074).

Dresdner Bank is an Aktiengesellschaft (German public limited company) domiciled in Frankfurt/Main, Germany. It is registered in the Commercial Register of the Frankfurt/Main Local Court under number HRB 14000. Its legal framework is laid down in its Articles of Association, in the version dated 23 June 2008.

As at 31 December 2008, Dresdner Bank is a superordinated company as defined by section 10a (1) of the Kreditwesengesetz (KWG – German Banking Act). It prepares consolidated financial statements on the basis of the International Financial Reporting Standards (IFRSs). These statements include 144 companies along with Dresdner Bank AG as the operating holding company. Details of changes to the companies included in the consolidated financial statements are presented in Note 54 "Significant subsidiaries". The Bank's fiscal year is the calendar year.

From 2001, the year of the combination with Allianz, until 11 January 2009, Dresdner Bank AG was a wholly owned subsidiary of Allianz SE, Munich. Dresdner Bank AG's shares were held indirectly by Allianz SE. The Bank's share capital amounts to €1,503 million. Since 12 January 2009, Dresdner Bank AG has been a wholly owned subsidiary of Commerzbank AG, Frankfurt am Main.

Takeover of Dresdner Bank AG by Commerzbank AG

Allianz SE and Commerzbank AG reached an agreement on 31 August 2008 regarding the takeover of Dresdner Bank AG by Commerzbank AG. The Supervisory Boards of Allianz SE and Commerzbank AG approved the agreement at their meetings on 31 August 2008. At the end of November 2008, Commerzbank and Allianz agreed to accelerate the previously agreed takeover schedule, under which the full takeover would not have been completed until the second half of 2009. Commerzbank accordingly completed the takeover on 12 January 2009 and is now Dresdner Bank's sole shareholder. The merger of the two companies will take place in the second quarter of 2009.

Commerzbank and Dresdner Bank are using the merger as an opportunity to create a German market leader on a European scale. Together, the two banks have a powerful sales organisation in the German banking sector. Commerzbank's business model will be supplemented by Dresdner Bank's proven securities expertise. The new bank has a balanced mix of activities as well as good growth prospects. It will focus primarily on the following segments: private customers, middle-market companies and Central/Eastern Europe, as well as on corporates and markets and commercial real estate.

Together, the two companies will become a leading bank with eleven million private customers in Germany and will be even more accessible going forward for private customers and the middle market with a total of 1,200 branches. The new bank has an attractive product portfolio, which it can use to further expand its market share. Together, the two banks will systematically improve their already strong position, especially in the German middle market. The new bank will serve a total of more than 100,000 corporate and institutional clients.

The two banks complement each other in the high net worth client segment. Due to Dresdner Bank's strength in this area, the new bank can significantly close the gap on the market leader, and will be number two in this market in Germany. Dresdner Bank had recently invested in expanding its domestic and international presence in this business area.

In the investment banking segment, Dresdner Kleinwort's activities are to be refocused and reduced in some areas. The remaining activities and Dresdner Bank's high level of securities expertise will allow Commerzbank to strengthen its position as a leading investment bank for corporates and institutional clients.

Together, Commerzbank and Dresdner Bank have almost 67,000 employees. The merger will lead to a reduction of a total of approximately 9,000 full-time positions, 2,500 of which will be abroad. Approximately 70% of these jobs will be in settlement, management and production units as well as in investment banking. All available methods of socially responsible staff reduction are to be used. The project established by the two banks to prepare for integration is progressing according to plan.

Management and supervisory bodies at Dresdner Bank

Dresdner Bank AG's Board of Managing Directors had eight members as at the end of the year under review and has comprised ten members since 19 January 2009. Without prejudice to its joint management responsibility, the Board resolves on the allocation of individual areas of responsibility to its members. The Board of Managing Directors reports to the Supervisory Board in a regular, timely and comprehensive manner regarding the intended business strategy and other fundamental issues concerning corporate planning, the position and development of the Bank and the Group and key transactions, including the risk situation.

Dresdner Bank AG's Supervisory Board consists of 20 members with an equal number of shareholder representatives and employee representatives. The role of the Supervisory Board is to monitor and advise the Board of Managing Directors in conducting business. The Supervisory Board has formed the following committees: the Executive Committee (Präsidium), the Credit and Risk Committee, the Audit Committee, the Operations Committee (Betriebsausschuss), the Strategy Committee and the Mediation Committee set up in accordance with the Mitbestimmungsgesetz (German Co-determination Act).

Details of changes to the Board of Managing Directors and the Supervisory Board may be found under the chapter entitled “Report of the Supervisory Board” on page 3. Lists of the names of all the members of the Supervisory Board and the Board of Managing Directors of Dresdner Bank AG in 2008, the year under review, and in 2009 up until the date of preparation of the financial statements are provided in the Notes to the Consolidated Financial Statements in Note 57 “List of Supervisory Board members” and in Note 58 “List of members of the Board of Managing Directors”. An overview of the current composition of the Supervisory Board and the Board of Managing Directors is to be found on pages 196 to 197.

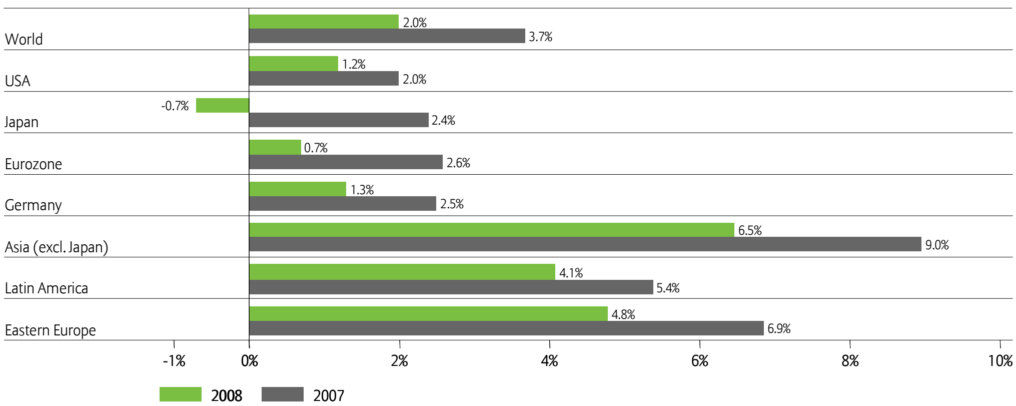
Macroeconomic Conditions

The global economy was hit in recent years by a combination of dramatic shocks: the crisis on the US housing market, the oil price shock and the financial market crisis. Taken together, these triggered a dramatic downturn in the global economy in the course of 2008. This left major economic sentiment indicators at the end of the year under review at a level that had not been seen for decades. Economic performance in a large number of emerging markets slowed significantly. Real gross domestic product in major industrialised countries has also been falling since the second half of 2008. As a result, we are now in the midst of the deepest recession since the end of the Second World War. Governments and central banks have announced and in some cases already implemented a number of programmes and aid packages in order to put a stop to the economic downturn. Nevertheless, it must be expected that the negative impact of the financial market crisis on the real economy will continue to be significant in 2009.

Economic developments in 2008

After a slight recovery in the second quarter of 2008, US macroeconomic performance fell in the third and fourth quarters. GDP growth in both Germany and the eurozone as a whole fell in the third quarter and particularly sharply in the fourth quarter, following only a slight decline in the second quarter. Although Germany is not affected by the aftermath of exuberance on the real estate markets like some other European countries, its highly export-oriented economy is being impacted by the global decline in demand; this applies especially in the automotive sector but also to the chemicals and metalworking industries. In addition, the spike in energy prices that continued into the summer significantly reduced consumers' buying power, thus weakening consumption. Only the German labour market was relatively robust up to the end of 2008.

Global economic growth



Commodity prices began a massive downward correction over the second half of the year due to the economic downturn in many countries. At the end of 2008, the price of crude oil was just one quarter of its high in the middle of last year; this has significantly reduced the burden on both consumers and industry. However, in the short term this does not change the highly critical overall conditions for the economy resulting from the financial market crisis.

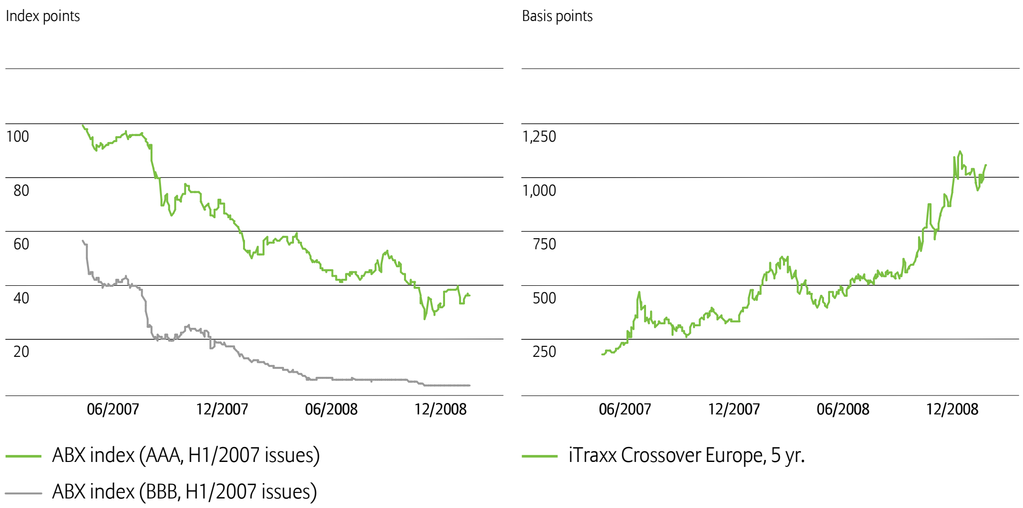
Financial market developments in 2008

The global financial market crisis reached dramatic new high points in the second half of 2008. Following the nationalisation of American mortgage lenders Fannie Mae and Freddie Mac and the bailout of insurance group American International Group, the collapse of Lehman Brothers and the transformation of Goldman Sachs and Morgan Stanley into universal banks brought the era of independent bulge-bracket investment banks to a close. After Washington Mutual, the largest US savings bank, also collapsed, the US government, the Federal Reserve and Congress succeeded after intense negotiations in putting together a USD 700 billion aid package to contain the crisis.

Europe felt the effects of the worsening crisis, too. Both individual enterprises and whole economies got into difficulties. The Icelandic government temporarily imposed a payment moratorium and nationalised the major banks Glitnir, Kaupthing and Landesbanki due to the danger of their becoming insolvent.

In Germany, the federal government and the banking industry initially spread a safety net for Hypo Real Estate, which was experiencing liquidity difficulties. The German federal government and other European countries also agreed comprehensive packages of measures to stabilise the financial markets at the beginning of the fourth quarter of 2008. The government in Germany announced a deposit guarantee for all checking, savings and term money accounts held by private customers at national banks. Furthermore, the federal government is providing, for a fee, guarantees of up to €400 billion to restart the interbank market, which is currently functioning only to a limited extent. Finally, a total of €80 billion in federal funds is available for recapitalising banks and purchasing problem assets. These measures are combating the danger of a systemic crisis.

ABX indices for AAA/BBB tranches and iTraxx Crossover[1] credit risk index



1) Index of 50 sub-investment grade credit default swaps.

Due to the turbulence on the financial markets, capital market players kept an increasingly low profile. In the second half of 2008, the total volume of IPOs in Europe dropped drastically, and the number of corporate buyouts and the market value of M&A transactions fell to the lowest levels for years. The fact that the number of transactions was only slightly below the previous year's level is due to the small- and mid-cap segment, especially in growth sectors. The securitisation markets, especially for existing structured bonds, were particularly hard hit by the financial crisis, although international loan syndications and high-yield bonds were also down sharply.

Increased risk aversion caused demand for low-risk forms of investment such as government bonds to shoot up significantly: after the current yield on German government bonds slumped to 3.7% in March of last year, it climbed to 4.8% at mid-year due to increasing fears of inflation. At the same time, the inflation rate in the eurozone reached 4%. This was mainly due to the rapid rise in the oil price, which hit an all-time high in June at over USD 140 per barrel. However, it then eased noticeably again to less than USD 40 per barrel due to the deterioration in economic prospects. This led to a substantial drop in inflation forecasts. In addition, major central banks sharply lowered their key interest rates, with the result that the current yield on German governments bonds stood at only 2.9% at the end of 2008. The mood on the stock markets, which had remained robust in 2007, changed suddenly at the beginning of 2008. Global stock market indices fell dramatically as fears of a US recession took hold. By the end of the year, the S&P500 and the DAX had fallen around 40%. The euro, which had risen to just under USD 1.60 by the summer, dropped sharply in the fourth quarter to around USD 1.25 but recovered by the year-end to USD 1.40.

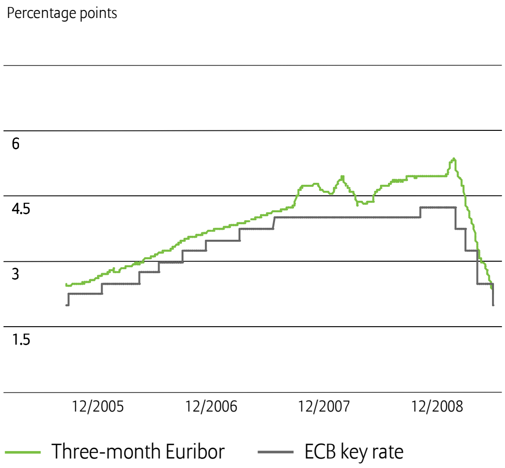
On the international real estate markets, the risk of crises developing in commercial real estate has also increased significantly. While the rental markets are still comparatively satisfactory, investment markets in many regions are already recording sharp price declines. International residential real estate markets are also affected. At present the situation is distinctly precarious not only in the USA but also in a number of European countries. These include the United Kingdom, Ireland and Spain in particular. In general terms, the situation is particularly critical wherever high levels of household debt are combined with predominately variable-rate mortgage loans.

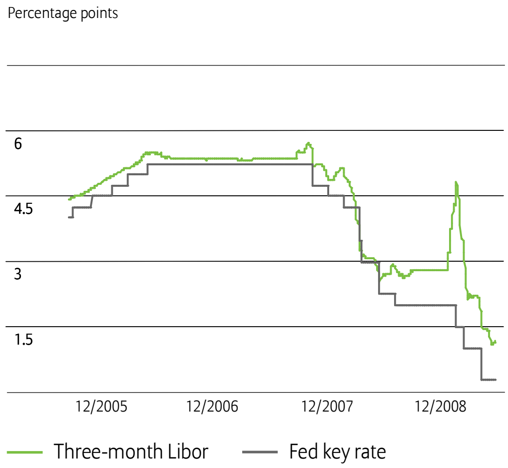
Sector developments in 2008

The liquidity situation in the banking sector remained tight throughout 2008. On the money market, mistrust between banks increased further, prompting central banks to continue their resolute liquidity measures. Many banks also used securitised mortgages as collateral in their transactions with the central banks because they can no longer place these on the market.

Even after leading central banks made concerted cuts in key interest rates at the beginning of October and followed these up with additional cuts later on, the situation on the money markets had not eased noticeably by the end of 2008.

ECB key rate/three-month Euribor and Fed key rate/three-month Libor





The question of the impact on earnings of the financial crisis also remains an issue. Research by a number of news agencies indicates that the write-downs – in particular on structured securities – required by banks around the world as a result of the financial market crisis triggered by the subprime crisis amounted to more than USD 1,000 billion by the end of 2008.

Business Development

Dresdner Bank's business development in fiscal year 2008 was dominated by the ongoing financial crisis and its increasing impact on the market environment and the real economy. Many of the key international financial market indices deteriorated dramatically in the course of the year – especially since the end of the third quarter – significantly affecting the performance of the banking sector.

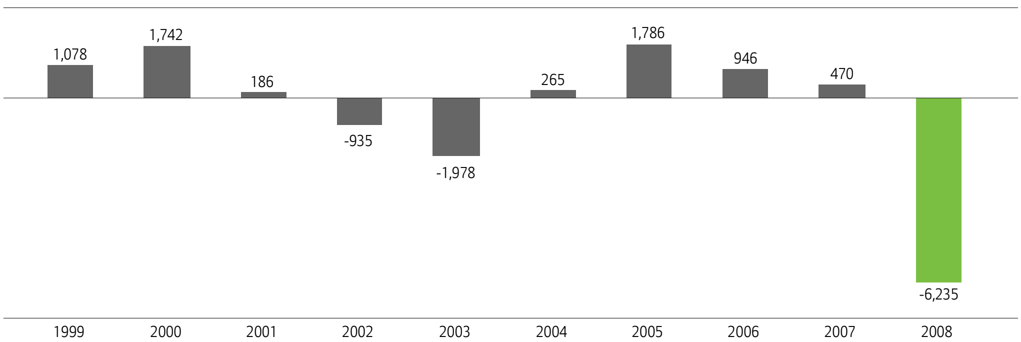
As a result of the financial market crisis, Dresdner Bank – like many other banks worldwide – suffered a substantial decline in income due to remeasurement effects and the need to recognise loan impairment losses throughout the year, and in particular in the fourth quarter. These negative factors caused by the financial market crisis totalled approximately €6.2 billion (previous year: €1.7 billion). In addition, the transaction led to write-downs on deferred tax assets amounting to €1.3 billion because loss carryforwards reported by Dresdner Bank were no longer usable due to the change in ownership. This was partially offset by income of €0.6 billion from the sale of shareholdings to Allianz. Excluding these effects, the operating business would have generated a slightly positive profit after tax. Overall, the Group recorded a loss of €6,297 million for full-year 2008.

This loss substantially reduced both balance-sheet and regulatory capital. Against this background, the Bank's economic risk-bearing capacity was not ensured as at 31 December 2008. Without additional countermeasures, the continued existence of Dresdner Bank as a going concern is therefore at risk.

In the period under review, the Bank continuously informed all national and international regulators about business developments and its earnings and capital situation. The discussions held in the course of the takeover of Dresdner Bank by Commerzbank suggest that the measures to realign the Bank will be supported by the regulatory authorities.

Profit/loss after tax

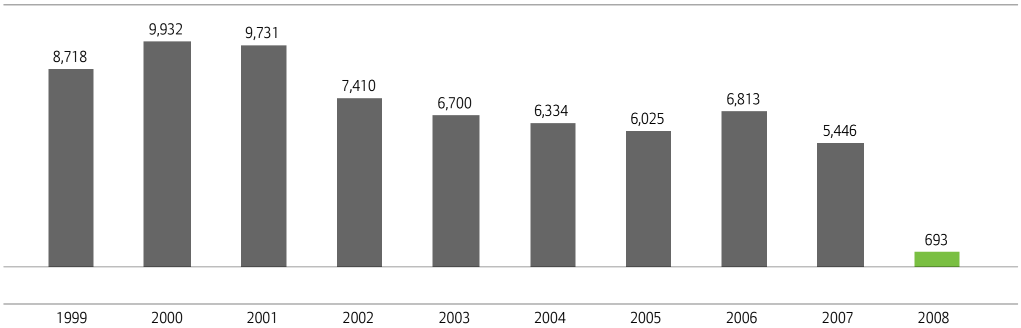
€m



At €693 million, the Dresdner Bank Group's total operating income was significantly below the figure for the prior-year period (€5,446 million). This decline was primarily due to value adjustments relating to the financial market crisis, which were reflected in the Investment Banking division's net trading income, as well as to the significant effects of the ongoing capital market weakness on the Bank's operating business.

Total operating income

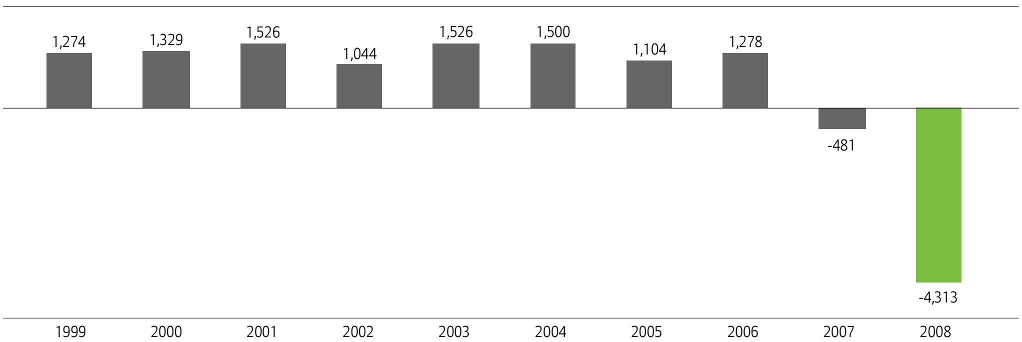
€m



The dramatic decline in net trading income included value adjustments totalling approximately €4.6 billion. These related primarily to the Bank's holdings of structured credit products such as collateralised debt obligations (CDOs) and US residential mortgage-backed securities (US RMBSs), as well as to hedges with monolines and to the K2 structured investment vehicle (for detailed information, see the section of the Risk Report entitled "Notable subportfolios in the context of the financial crisis").

Net trading income

€m

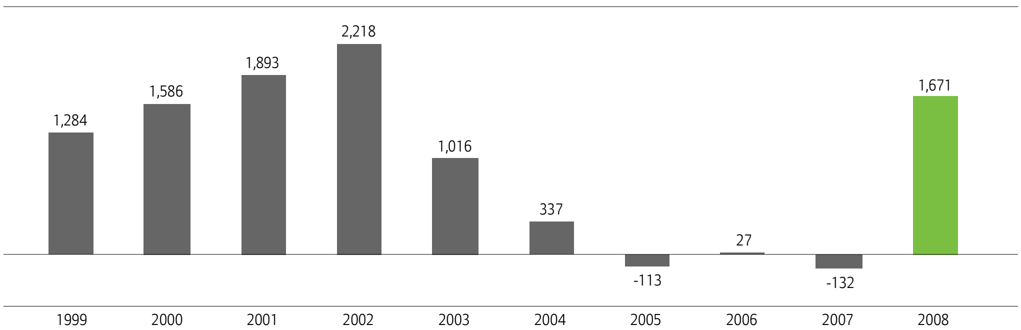


Total operating expenses (administrative expenses and other operating expenses) fell by 5.1% year-on-year to €4,620 million (previous year: €4,868 million); this figure includes additional expenses relating to the takeover by Commerzbank on the one hand, and the planned hive-off before the takeover by Commerzbank on the other.

Loan impairment losses recorded a sharp increase in net additions to €1,671 million in fiscal year 2008; around 90% of this figure relates to the financial crisis.

Loan impairment losses

€m



Overall, these developments led the Dresdner Bank Group to report an operating loss of €5,598 million (previous year: operating profit of €710 million).

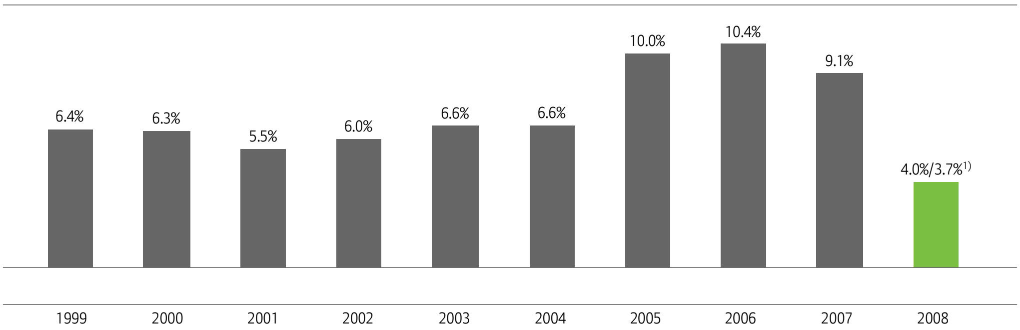
The non-operating profit for the period under review amounted to €897 million (previous year: €133 million). This primarily consists of income from the sale of shareholdings, which was offset by write-downs on financial investments and structured investment vehicles, as well as disposal losses in the leveraged finance business. The loss before tax was €4,701 million. Following a tax expense of €1,534 million (previous year: €373 million), the loss after tax was €6,235 million (previous year: profit after tax of €470 million).

The negative business development is also reflected in the Bank's key performance indicators, although their comparability with the previous year is limited due to the high value adjustments. The Dresdner Bank Group's cost-income ratio was 666.7% as at 31 December 2008 (previous year: 89.4%). As a result of the reported loss, the notional return on equity before tax (measured in terms of average equity under IFRSs) amounted to -62.3% (previous year: 8.5%). The return on risk-adjusted capital (RoRAC) was -100.2% (previous year: 2.5%).

Total assets as at the reporting date fell by 15.8% year-on-year. In addition to a reduction in volumes due to the effect of the deconsolidation of Oldenburgische Landesbank (OLB), this decline was mainly due to a significant drop in collateralised money market transactions. Risk-weighted assets fell by 6.7% compared with the previous year to €114.8 billion; key reasons for this, among other things, were the deconsolidation of Oldenburgische Landesbank, the reduced level of business involving collateralised money market transactions and a decrease in the volume of ABSs. The resulting decline in risk-weighted assets was mitigated by higher weightings for the reclassified ABSs as a result of rating downgrades.

The negative development in earnings led to a significant reduction in regulatory core capital. With total risk-weighted assets of €114.8 billion, the core capital ratio reported as at the balance sheet date was 4.0% and the total capital ratio was 8.4%. After adjustment for the transfer of CDOs agreed with Allianz and the silent partner's contribution by Allianz in the amount of €750 million, the core capital ratio would have amounted to 4.8% on a pro forma basis as at 31 December 2008. After adjustment for all effects on income in the annual financial statements as prepared, the core capital ratio amounted to 3.7% and the total capital ratio to 7.5%. Consequently, the minimum regulatory capital requirements were no longer met. The Board of Managing Directors of Commerzbank AG therefore resolved to increase Dresdner Bank AG's capital by €4.0 billion. The capital increase is to be resolved by the General Meeting on 17 March 2009.

Core capital ratio



1) For details on the calculation of the capital ratios see Note 39.

The earnings trend in 2008 not only confirmed the expectations voiced in our 2007 Financial Report that the financial crisis would continue to have a tangible effect in 2008, it considerably surpassed them. In addition to the direct effects of the financial market crisis, which significantly impacted earnings – in particular at Investment Banking – market-driven declines in earnings from operating activities were also recorded. This was reflected among other things in the decrease in commission-earning business, in particular for securities-related products.

Development of the divisions

In the past fiscal year, we continued sharpening the profile of our product and service offering. The successes of our enhanced positioning in our customer business are apparent; however, these were eclipsed by the difficult market environment, in particular in Investment Banking.

Our **Private & Corporate Clients** division recorded a total of 6.3 million customers at the end of the year. After adjustment for the customers of Oldenburgische Landesbank, which was deconsolidated at the end of 2008, our customer numbers again increased in 2008. The division's established structure comprising Personal Banking, Private & Business Banking, Corporate Banking and Private Wealth Management supports our sales organisation not least thanks to its clearly defined customer responsibilities. In addition, the advisory concept in the lending business that started operations in 2008 contributed to a significant increase in new business, with 11% growth in mortgage lending alone.

In Personal, Private and Business Banking, a uniform management and sales process was established as part of the “Success through Customer Focus” strategic initiative introduced in 2008, firmly underpinning the implementation of our pledge to customers. We again increased our customer base in this business area (+4%). Despite the difficult market environment in

2008, Dresdner Bank continued its positive cooperation with Allianz's agencies in the private customer business.

Private Wealth Management offers our high net worth clients specially tailored, end-to-end advice at more than 50 locations worldwide. In addition to successfully intensifying our co-operation with the Bank's Corporate Banking unit, we further strengthened our presence in selected core and growth markets by opening a location in Dubai, acquiring two Dutch asset managers and expanding our branch networks in the United Kingdom and the Netherlands, among other things. As a result, we again increased the number of high net worth clients.

Our specialist teams of advisors in the Corporate Banking unit, who are based at just under 60 locations, provide support for our middle-market corporate clients. The client base grew by 3% year-on-year and the lending volume was up by 9%. We launched a comprehensive middle-market initiative in 2008 that focused in particular on providing end-to-end support for our clientele of owner-managed small and medium-sized companies. A large number of clients use our comprehensive advisory offering for corporate and personal issues, which combines the expertise of Corporate Banking and Wealth Management.

In fiscal year 2008, the **Investment Banking** division was affected to a greater extent by both the credit crisis and the continuous deterioration in market conditions.

We kept revenue from clients stable despite the crisis. For example, revenue in the International Products, Global Cash Management and Fixed Income, Currency & Commodities units increased, whereas advisory services and equities trading suffered from the poor market conditions. In addition to a global presence, our strengths include our ability to develop innovative products and to offer our customers optimum solutions.

The foreign currency business recorded significant growth due to the high volatility on the markets; however, this was offset by aggressive write-downs, mainly relating to credit trading assets and a strategic risk reduction in the Bank's trading books.

Our main focuses in 2008 were on being a reliable partner for our customers in difficult times and on systematically reducing the risk positions in our trading book in the areas where this was possible given the limited market liquidity.

Significant events in the past fiscal year

In March 2008, the Board of Managing Directors and Supervisory Board discussed the next stage of our “Neue Dresdner Plus” programme and resolved to hive off our business with private and corporate clients to a separate legal entity. Following the measures taken in recent years to focus our two divisions, Private & Corporate Clients and Dresdner Kleinwort, on our customers and to streamline our settlement and management processes under our “Neue Dresdner Plus” programme, the goal of the **planned hive-off** was to legally separate the two divisions so as to leverage the resulting business opportunities.

This initiative was implemented successfully up to formal entry of the hive-off in the commercial register and the filing of an application for a banking licence, but was then stopped and a different strategic course of action was resolved with regard to the future of Dresdner Bank.

Allianz SE and Commerzbank AG reached an agreement on 31 August 2008 regarding the **takeover of Dresdner Bank AG** by Commerzbank AG. The Supervisory Boards of Allianz SE and Commerzbank AG approved the agreement at their meetings on 31 August 2008. Since 12 January 2009, Dresdner Bank AG has been a wholly owned subsidiary of Commerzbank AG, Frankfurt am Main. Details on the takeover can be found under "Takeover of Dresdner Bank AG by Commerzbank AG" in the "Overview" section.

The new **"dresdner bank direct24"** product line launched in May allowed Dresdner Bank to further expand its position in the private customer business. The new offering is aimed at customers who wish to purchase simple banking products via the Internet – both new customers and those who already use the Bank's advisory services. By the end of the year under review, the new "dresdner bank direct24" product line had around 700,000 users.

Dresdner Bank further increased its presence in the Benelux countries by **acquiring two Dutch asset managers**. It purchased all the shares of Franke & Partners Pensioenadvies en Vermogensbeheer B. V., Maastricht ("Franke & Partners") and De Vries & Co. B. V., Blaricum ("De Vries") via its wholly owned subsidiary Dresdner VPV NV, Gouda ("Dresdner VPV"). Both asset managers specialise in private wealth management. The acquisition of these two companies enables Dresdner VPV to further extend its business opportunities in the Netherlands.

The Bank increased its presence in the Middle and Near East by **opening a subsidiary** in Dubai, **"Dresdner Bank (DIFC) Limited"**, at the end of November. The newly established location in Dubai will in future offer high net worth private clients access to the Dresdner Bank Group's services and products in the area of Private Wealth Management.

In March 2008, Dresdner Bank made available a mezzanine facility and a backstop facility to the **K2 structured investment vehicle** on the basis of a binding commitment. K2 was fully consolidated effective 18 March 2008 in accordance with SIC 12 and included in the consolidated financial statements.

As part of the agreement reached between Allianz SE and Commerzbank AG at the end of August under regarding the takeover of Dresdner Bank AG by Commerzbank AG, certain assets held in the Dresdner Bank Group were sold to Allianz SE or to one of Allianz SE's affiliated companies at the end of the year. These assets comprise **Oldenburgische Landesbank (OLB)** and a number of selected equity interests and buildings (detailed information on this can be found in Note 51 "Related party transactions").

Consolidated Earnings

Following the massive impact of the financial market crisis – especially in the second half of the year, the Dresdner Bank Group recorded a loss after tax of €6,235 million for fiscal year 2008. This represents a decrease of €6.7 billion as against the previous year.

	2008 €m	2007 €m	Change €m	%
Net interest and current income	2,813	3,061	-248	-8.1
Net fee and commission income	2,180	2,866	-686	-23.9
Net trading income	-4,313	-481	-3,832	<-100.0
Other operating income	13	0	13	>+100.0
Total operating income	**693**	**5,446**	**-4,753**	**-87.3**
Administrative expenses	4,539	4,849	-310	-6.4
Other operating expenses	81	19	62	>+100.0
Total operating expenses	**4,620**	**4,868**	**-248**	**-5.1**
Loan impairment losses	1,671	-132	1,803	
Operating profit/loss	**-5,598**	**710**	**-6,308**	
Net income from financial investments	936	183	753	>+100.0
Net income from intangible assets	-39	–	-39	
Restructuring charges	0	50	-50	-100.0
Profit/loss before tax	**-4,701**	**843**	**-5,544**	
Tax expense	1,534	373	1,161	>+100.0
Profit/loss after tax	**-6,235**	**470**	**-6,705**	
Profit attributable to minority interests	62	60	2	3.3
Profit/loss for the period	**-6,297**	**410**	**-6,707**	

Total operating income at the Dresdner Bank Group fell by approximately 87% as against 2007 (€5,446 million) to €693 million. At €4,620 million, total operating expenses (administrative expenses and other operating expenses) decreased by 5.1% compared with the prior-year period (€4,868 million). Loan impairment losses recorded a net addition of €1,671 million. Overall, these developments led to an operating loss of €5,598 million.

The non-operating profit for the period under review amounted to €897 million (previous year: €133 million). This primarily consists of income from the sale of shareholdings, predominantly in connection with the takeover of Dresdner Bank, which was offset by write-downs on financial investments and structured investment vehicles, as well as disposal losses in the leveraged finance business.

The loss before tax was €4,701 million (previous year: profit before tax of €843 million). After adjustment for taxes and profit attributable to minority interests, the loss for the period amounted to €6,297 million.

Details of the individual income and expense items are as follows:

Net interest and current income

Net interest and current income amounted to €2,813 million, approximately 8% down on the figure for the previous year (€3,061 million). The decrease of €248 million was due among other things to the absence of the one-time income of €186 million from our equity-accounted investment KGAL (Kommanditgesellschaft Allgemeine Leasing GmbH & Co.) reported in the first quarter of the previous year. Net interest and current income was also impacted by the approximately €230 million reduction in the effect of IAS 39 as against the prior-year period. The traditional interest-driven business grew year-on-year.

	2008	2007	Change	
	€m	€m	€m	%
Total interest and current income	8,172	7,767	405	5.2
Total interest expense	5,299	4,875	424	8.7
Net effect of remeasurement under IAS 39	-60	169	-229	
Net interest and current income	**2,813**	**3,061**	**-248**	**-8.1**
Risk-weighted assets in the banking book (average)[1)]	101,036	100,526	510	0.5
Interest margin, %	2.84	2.69		

1) Calculated in accordance with an internal model recognised for regulatory purposes.

We recorded growth in our customer business. This was primarily attributable to increased income from the Investment Banking division's financing business and higher income from the deposits business with private and corporate clients.

The overall interest margin for 2008, based on the average risk-weighted assets in the banking book, was 2.84% (previous year: 2.69%; the risk-weighted assets were adjusted on a pro forma basis).

Net fee and commission income

At €2,180 million, net fee and commission income did not match the extremely strong prior-year figure (€2,866 million) because of the difficult market environment.

	2008	2007	Change	
	€m	€m	€m	%
Securities business	1,013	1,321	-308	-23.3
Asset management	138	323	-185	-57.3
Mergers & acquisitions and underwriting business	141	288	-147	-51.0
Payment transactions	250	254	-4	-1.6
Foreign commercial business	135	139	-4	-2.9
Other	503	541	-38	-7.0
Net fee and commission income	**2,180**	**2,866**	**-686**	**-23.9**

Client caution was clearly reflected in income from the securities business, which makes the largest contribution to net fee and commission income, at around 46%. Demand for fund units and in particular for equities and certificates fell due to declining stock market prices.

This led to a decrease in fee and commission income from these transactions, which are primarily turnover-based. The bond commission business was the only area in which we recorded growth. At €1,013 million, our total securities business was down by approximately 23% on the prior-year figure.

Fees and commissions from the mergers & acquisitions and underwriting business dropped by half year-on-year, to €141 million. While income from our underwriting business was just under 30% lower than the previous year due to the substantial drop in underwriting activity on the capital markets, income from our M&A business in the year under review (€89 million) was down by approximately 59% on the previous year (€214 million). Net fee and commission income from asset management also declined, falling by €185 million. Around half of this drop was attributable to the sale of the real estate fund management company DEGI Deutsche Gesellschaft für Immobilienfonds mbH to the British company Aberdeen Asset Management. While the income reported in the Other item decreased overall, the income from the Bank's agency business for Allianz, which is included in this item, rose year-on-year.

Net trading income

At €-4,313 million, net trading income fell by a further €3,832 million compared with the previous year (€-481 million).

	2008	2007	Change	
	€m	€m	€m	%
Trading in interest rate products	676	431	245	56.8
Trading in equities products	-384	260	-644	
Foreign exchange and precious metals trading	477	256	221	86.3
Trading in credit products	-4,692	-1,231	-3,461	<-100.0
Other trading activities	-407	26	-433	
Net effect of remeasurement under IAS 39	17	-223	240	
Net trading income	**-4,313**	**-481**	**-3,832**	**<-100.0**

The sharp decline in net trading income was largely due to value adjustments performed in connection with the financial market crisis. This mainly affected structured credit products and hedges with monolines. Due to the high level of charges taken, trading in credit products generated a loss; the item contains €2.5 billion in value adjustments, primarily on CDOs and US RMBSs, that were directly attributable to the credit market crisis, as well as €2.1 billion mainly in provisions for exposures to monolines and structured investment vehicles. Furthermore, net income from trading in equities products was significantly below the prior-year figure. In contrast, both net income from trading in interest rate products and net income from foreign exchange and precious metals trading increased significantly compared with 2007. The latter figure was due among other things to increased volatility and higher trading volumes in these segments. The effects of IAS 39 reported in net trading income amounted to €17 million (previous year: €-223 million).

IAS 39

Hedge accounting under IAS 39 lays down strict criteria for the allocation of hedging derivatives to their respective underlyings. Accordingly, not all economically effective hedging derivatives qualify for hedge accounting under IAS 39. The remeasurement gains and losses for those hedging derivatives that do not qualify as hedges under IAS 39 are reported under net trading income. Consequently, realisations and deferrals of hedging derivatives included in net interest and current income are allocated to net trading income. Remeasurement gains/losses from hedging relationships discontinued prior to maturity are amortised over the remaining term of the underlying using the straight-line method. This is offset by the remeasurement gains/losses of the respective derivatives. In addition to hedge accounting, the fair value option is used to reduce the effects of IAS 39. In this case, marking to market of the relevant positions in the banking book offsets the corresponding changes in fair value of the hedging derivatives.

The aggregate effect on the operating loss of the application of IAS 39 – comprising the offsetting effects on net interest and current income and net trading income – amounted to €-43 million in the year under review (previous year €-54 million). This change is due to the shift in the yield curve on the interest rate derivative markets in the year under review.

	2008 €m	2007 €m	Change €m	 %
Net gain/loss reported in net interest and current income	-60	169	-229	
Net gain/loss reported in net trading income	17	-223	240	
Overall effect of IAS 39	**-43**	**-54**	**11**	**20.4**

Administrative expenses

At €4,539 million, administrative expenses were down by 6.4% on the figure for the previous year (€4,849 million). Total staff costs and non-staff operating costs fell by varying degrees.

	2008 €m	2007 €m	Change €m	 %
Total staff costs	2,710	2,935	-225	-7.7
Non-staff operating costs	1,829	1,914	-85	-4.4
Administrative expenses	**4,539**	**4,849**	**-310**	**-6.4**
Number of employees as at 31 December	27,597	31,198	-3,601	-11.5
Employees (FTEs) as at 31 December	23,295	26,309	-3,014	-11.5

At €2,710 million, total staff costs were 7.7% lower than in the previous year (€2,935 million). Factors contributing to the reduction included the fact that performance-related remuneration was dispensed with to a large extent and lower current wages and salaries as a result of the decline in the average annual number of employees due to our "Neue Dresdner Plus" programme. However, in connection with the announced sale of Dresdner Bank to Commerzbank, the vesting periods for stock options were reduced due to standard change of control clauses; this increased total staff costs.

We recorded a year-on-year decrease of 4.4% or €85 million in non-staff operating costs to €1,829 million. This was due in particular to a decline in IT costs as well as lower consulting fees and expenses for operating and office equipment.

Loan impairment losses

A net addition of €1,671 million was reported for loan impairment losses in fiscal year 2008 (previous year: net reversal of €132 million).

In the period under review, we recorded a sharp increase in net additions for individual risks; around 90% of this rise related to loan impairment losses in connection with the current financial crisis – including the collapse of Lehman Brothers and our exposures to Icelandic banks and leveraged finance. At the same time, there was a decline in gross amounts released for individual risks and recoveries on loans previously written off. Moderate net additions were made to allowances and provisions for general risks in the period under review, whereas net amounts released of €250 million were performed in the previous year. These resulted from refinements to our existing calculation model, which led to the allowances and provisions for country risks largely being reversed in 2007.

	2008 €m	2007 €m	Change €m	%
Loan impairment losses for specific risks[1)]	1,629	118	1,511	>+100.0
Loan impairment losses for general risks[2)]	42	-250	292	
Loan impairment losses	**1,671**	**-132**	**1,803**	

1) Including recoveries on loans previously written off.
2) Including loan impairment losses for country risks and collective loan impairment losses.

Net additions to loan impairment losses for specific risks amounted to €1,629 million; excluding recoveries on loans previously written off of €158 million (previous year: €198 million), the ratio of loan impairment losses for specific risks, based on the average lending volume, amounted to 1.62% (previous year: 0.28%).

Overall, additions to loan impairment losses rose by €1,429 million in the year under review to €1,941 million due to the financial crisis. At a total of €112 million, amounts released were down by around 75% on the prior-year figure (€446 million).

	2008 €m	2007 €m	Change €m	%
Additions to loan impairment losses	1,941	512	1,429	>+100.0
Amounts released	112	446	-334	-74.9
Recoveries on loans previously written off	158	198	-40	-20.2
Loan impairment losses	**1,671**	**-132**	**1,803**	

After additions, releases and charge-offs, total loan impairment allowances and loan loss provisions at year-end 2008 had increased to €2,214 million (previous year: €961 million). The impairment allowance ratio, i.e. the ratio of loan impairment allowances and loan loss provisions to the lending volume, amounted to 2.1% (previous year: 0.9%). The loan loss ratio, based on average risk-weighted assets, was 1.65% (previous year: -0.13%). As at the reporting date of 31 December 2008, the non-performing loan and potential problem loan portfolio amounted to €3,952 million.

The increase as compared with year-end 2007 (€1,766 million) relates to exposures affected by the financial market crisis. The coverage ratio, which represents the ratio of total loan impairment allowances and loan loss provisions to risk elements, stood at 56.0% (year-end 2007: 54.4%).

	2008 €m	2007 €m	Change €m	%
Lending volume	105,132	113,026	-7,894	-7.0
Total amount of loan impairment allowances and loan loss provisions	2,214	961	1,253	>+100.0
Risk elements[1]	3,952	1,766	2,186	>+100.0
Loan loss ratio, %	1.65	-0.13		
Impairment allowance ratio, %	2.1	0.9		
Coverage ratio, %	56.0	54.4		

1) Non-performing loans and potential problem loans.

Net income from financial investments

Net income from financial investments amounted to €936 million in the period under review, after €183 million in the previous year. The net realised gain related to the disposal of Oldenburgische Landesbank and other equity interests in banks to Allianz at the end of the year, as well as to the sale of other shareholdings during the year – including the sale of the real estate fund management company DEGI Deutsche Gesellschaft für Immobilienfonds mbH to the British company Aberdeen Asset Management.

	2008 €m	2007 €m	Change €m	%
Net realised gains and losses	1,022	272	750	>+100.0
Remeasurement result	-86	-89	3	3.4
Net income from financial investments	**936**	**183**	**753**	**>+100.0**

At €-86 million, the remeasurement result reported for the year under review was on a level with the previous year (€-89 million). While the result was heavily impacted by market-related write-downs on financial investments and structured investment vehicles as well as disposal losses in the leveraged finance business, this was offset in the amount of approximately €280 million by the participation in the loss by both the silent partner contribution in the nominal amount of €1,000 million and the profit-participation certificates issue in the nominal amount of €750 million.

Net income from intangible assets

In fiscal year 2008, the Bank reported an expense of €39 million as net income from intangible assets. This resulted from goodwill impairment.

Restructuring charges

Overall, no restructuring charges were reported in the period under review (previous year: €50 million). The addition relating to the plan to hive off the private and corporate clients business to a separate legal entity, which was resolved at the beginning of the year under review but did not come about due to the takeover by Commerzbank, was offset by the reversal of provisions for previous programmes.

	2008	2007	Change	
	€m	€m	€m	%
"Neue Dresdner Plus" programme	-41	4	-45	
Other programmes	41	46	-5	-10.9
Restructuring charges	**0**	**50**	**-50**	**-100.0**

Tax expense

We reported a tax expense of €1,534 million for the year under review (previous year: €373 million). The figure recorded under current taxes was positive due to the recognition of a reimbursement claim for previous years, while in 2007 the positive overall result led to a tax expense. The high deferred tax expense relates mainly to write-downs on deferred tax assets on loss carryforwards in Germany and the USA. The write-down of deferred tax assets on domestic loss carryforwards in the amount of €1.3 billion is attributable to the transfer of all the shares of Dresdner Bank AG from Allianz SE to Commerzbank AG, as a result of which the domestic loss carryforwards are no longer usable.

	2008	2007	Change	
	€m	€m	€m	%
Current taxes	-179	335	-514	
Deferred taxes	1,713	38	1,675	>+100.0
Tax expense	**1,534**	**373**	**1,161**	**>+100.0**

Segment Reporting

The following segment reporting presents developments in the results for the divisions and functions in the organisational structure valid in fiscal year 2008 compared with the prior-year period:

€m	Private & Corporate Clients		Investment Banking		Business Services		Corporate Functions		Group (total)	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Net interest and current income	1,740	1,650	1,194	1,096	-18	-10	-103	325	2,813	3,061
Net fee and commission income	1,534	1,888	658	867	4	6	-16	105	2,180	2,866
Net trading income	54	70	-4,589	-342	–	–	222	-209	-4,313	-481
Other operating income	–	–	–	–	13	–	–	–	13	–
Total operating income	**3,328**	**3,608**	**-2,737**	**1,621**	**-1**	**-4**	**103**	**221**	**693**	**5,446**
Direct administrative expenses	1,730	1,770	1,103	1,301	1,098	1,177	608	601		
Inter-segment cost allocation	872	906	873	920	-1,075	-1,174	-670	-652		
Administrative expenses	2,602	2,676	1,976	2,221	23	3	-62	-51	4,539	4,849
Other operating expenses	63	12	4	8	–	7	14	-8	81	19
Total operating expenses	**2,665**	**2,688**	**1,980**	**2,229**	**23**	**10**	**-48**	**-59**	**4,620**	**4,868**
Loan impairment losses	126	58	1,558	57	–	–	-13	-247	1,671	-132
Operating profit/loss	**537**	**862**	**-6,275**	**-665**	**-24**	**-14**	**164**	**527**	**-5,598**	**710**
Net income from financial investments	-10	-2	-179	-67	–	-1	1,125	253	936	183
Net income from intangible assets	–	–	-27	–	–	–	-12	–	-39	–
Restructuring charges	-30	4	-9	33	-2	14	41	-1	–	50
Profit/loss before tax	**557**	**856**	**-6,472**	**-765**	**-22**	**-29**	**1,236**	**781**	**-4,701**	**843**
Change year on year	-299		-5,707		7		455		-5,544	
Cost-income ratio, %	80.1	74.5	n.a.	137.5					666.7	89.4
Loan loss ratio[1], %	0.41	0.16	2.43	0.10					1.65	-0.13
Return on equity before tax[2], %	26.4	43.0	-189.3	-26.1					-62.3	8.5
Risk capital (average)[3]	1,500	1,800	3,400	2,800	100	100	1,400	1,800	6,400	6,500
Risk-weighted assets (average)[4]	31,300	42,900	68,600	70,600	200	200	8,500	5,900	108,600	119,600

1) Loan impairment losses as a percentage of the average risk-weighted assets in the banking book. The corresponding risk-weighted assets for the previous year were adjusted on a pro forma basis.

2) Profit/loss before tax, net income from intangible assets and restructuring charges as a percentage of the average capital resources according to IFRSs; calculated for the divisions on the basis of the allocated average risk capital.

3) The amounts represent the divisions' risk capital requirements based on their positions in the various risk types, taking diversification effects into account.

4) 2008 information in accordance with Basel II; 2007 information calculated in accordance with Basel I.

Private & Corporate Clients

The Private & Corporate Clients division generated an operating profit of €537 million in 2008. This represents a decrease of €325 million as against the prior year. The profit before tax amounted to €557 million (previous year: €856 million).

	2008	2007	Change	
	€m	€m	€m	%
Net interest and current income	1,740	1,650	90	5.5
Net fee and commission income	1,534	1,888	-354	-18.8
Net trading income	54	70	-16	-22.9
Other operating income	–	–		
Total operating income	**3,328**	**3,608**	**-280**	**-7.8**
Direct administrative expenses	1,730	1,770	-40	-2.3
Inter-segment cost allocation	872	906	-34	-3.8
Administrative expenses	2,602	2,676	-74	-2.8
Other operating expenses	63	12	51	>+100.0
Total operating expenses	**2,665**	**2,688**	**-23**	**-0.9**
Loan impairment losses	126	58	68	>+100.0
Operating profit/loss	**537**	**862**	**-325**	**-37.7**
Net income from financial investments	-10	-2	-8	<-100.0
Net income from intangible assets	–	–		
Restructuring charges	-30	4	-34	
Profit/loss before tax	**557**	**856**	**-299**	**-34.9**
Cost-income ratio, %	80.1	74.5		
Loan loss ratio, %	0.41	0.16		
Return on equity before tax, %	26.4	43.0		
Risk capital (average)	1,500	1,800	-300	-16.7
Risk-weighted assets (average)	31,300	42,900	-11,600	-27.0

At €3,328 million, total operating income in 2008 did not match the previous year's level (€3,608 million) due to the difficult market situation.

Net interest and current income increased in the course of 2008, with the Bank recording volume and earnings growth in the deposits business. Among other things, this rise was due to the launch of the new demand deposit and time deposit products offered by "direct24". This new product line saw a continuous increase in clients during the year – around 690,000 had chosen our new offering by the end of 2008. Income from the lending business was on a level with the previous year despite ongoing competitive pressure, with new lending business exceeding the prior-year figure even in the fourth quarter. Overall, net interest and current income rose by 5.5% in 2008 to €1,740 million (previous year: €1,650 million).

At €1,534 million, net fee and commission income fell by approximately 19% as against the previous year (€1,888 million) due to the current market situation. The turbulence and uncertainty on the international financial markets led to pronounced client caution in the investment business with respect to both direct investments and investment funds. Our standardised asset management products continued to record a positive sales trend. Our consumer loans business, which we operate jointly with Dresdner-Cetelem Kreditbank GmbH, once again provided additional positive momentum. Both the business volume and income generated increased year-on-year. In the insurance business, too, we recorded substantial income growth from life insurance products.

At €2,602 million, administrative expenses declined by approximately 3% as against the previous year (€2,676 million). This reflects the fact that performance-related remuneration was largely dispensed with, as well as the positive effects of the "Neue Dresdner Plus" programme. The cost-income ratio was 80.1% (previous year: 74.5%).

Net additions to loan impairment losses rose to €126 million, which represents an acceptable level in view of the business volume. Releases in Corporate Banking contributed to the extremely low prior-year figure of €58 million. The loan loss ratio amounted to 0.41% (previous year: 0.16%).

Overall, the Private & Corporate Clients division generated an operating profit of €537 million in 2008, while profit before tax amounted to €557 million. At 26.4%, the return on equity before tax remained at a high level (previous year: 43.0%).

Investment Banking

The Investment Banking division reported an operating loss of €6,275 million in 2008 (previous year: loss of €665 million) due to the ongoing financial market crisis and the resulting need to make value adjustments on affected trading portfolio items. The loss before tax amounted to €6,472 million, after a loss of €765 million in the previous year.

	2008 €m	2007 €m	Change €m	%
Net interest and current income	1,194	1,096	98	8.9
Net fee and commission income	658	867	-209	-24.1
Net trading income	-4,589	-342	-4,247	<-100.0
Other operating income	–	–		
Total operating income	**-2,737**	**1,621**	**-4,358**	
Direct administrative expenses	1,103	1,301	-198	-15.2
Inter-segment cost allocation	873	920	-47	-5.1
Administrative expenses	1,976	2,221	-245	-11.0
Other operating expenses	4	8	-4	-50.0
Total operating expenses	**1,980**	**2,229**	**-249**	**-11.2**
Loan impairment losses	1,558	57	1,501	>+100.0
Operating profit/loss	**-6,275**	**-665**	**-5,610**	**<-100.0**
Net income from financial investments	-179	-67	-112	<-100.0
Net income from intangible assets	-27	–	-27	
Restructuring charges	-9	33	-42	
Profit/loss before tax	**-6,472**	**-765**	**-5,707**	**<-100.0**
Cost-income ratio, %	n.a.	137.5		
Loan loss ratio, %	2.43	0.10		
Return on equity before tax, %	-189.3	-26.1		
Risk capital (average)	3,400	2,800	600	21.4
Risk-weighted assets (average)	68,600	70,600	-2,000	-2.8

Total operating income amounted to €-2,737 million, a decline of roughly €4.4 billion on the previous year (€1,621 million) that was primarily due to remeasurement losses in the ABS portfolio. Nevertheless, we recorded income growth in some areas of our customer business, such as International Products, Global Cash Management and Fixed Income, Currency & Commodities, despite the difficult market situation. This was also achieved in the foreign currency business by exploiting market volatilities.

Net interest and current income in 2008 amounted to €1,194 million, 8.9% up on the figure for the previous year (€1,096 million). Increased income was recorded in the finance business in particular as well as in relation to longer distribution phases in our syndication business, whereas income from our structured finance products business was significantly lower.

The difficult overall situation on the capital markets – especially in the second half of the year – was also reflected in the performance of the commission-earning business. For example, our advisory business activities and loan-financed takeovers fell significantly year-on-year. New issues on the capital market were also down noticeably year-on-year. Net fee and commission income amounted to €658 million in 2008 (previous year: €867 million).

The sharp drop in net trading income of €4,247 million to €-4,589 million reflected the effects of the current financial crisis. The decline in earnings was due almost entirely to structured credit products trading. We recognised value adjustments of €2.5 billion on investments directly impacted by the financial market crisis. These related primarily to collateralised debt obligations and US residential mortgage-backed securities. An additional impact of €2.3 billion primarily concerned general counterparty default adjustments required in relation to hedges with monolines, as well as value adjustments relating to structured investment vehicles.

At €1,980 million, total operating expenses were down 11.2% on the previous year (€2,229 million). Increased claims were recorded from payments requiring to be brought forward in line with standard contractual provisions in connection with the announced takeover by Commerzbank, while the fact that performance-related remuneration was largely dispensed with, as well as sustained cost management and the decline in the number of employees, led to corresponding savings. Due to the negative development in earnings it is not possible to give a meaningful cost-income ratio (previous year: 137.5%).

Loan impairment losses recorded a net addition of €1,558 million in the period under review (previous year: €57 million). This sharp increase was mainly due to allowances and provisions in relation to the financial crisis, including for our exposure to Icelandic banks as well as the collapse of US investment bank Lehman Brothers and our leveraged finance exposure. The loan loss ratio amounted to 2.43% (previous year: 0.10%).

Net income from financial investments in the period under review of €-179 million included write-downs in particular on structured investment vehicles and LBO transactions.

All in all, the Investment Banking division posted a loss before tax of €6,472 million (previous year: loss of €765 million). The return on equity before tax was negative due to the reported loss.

Business Services

The Business Services segment consists of our business support services units (Information Technology, Business Processing, Administration, Human Resources and Legal). The costs incurred by Business Services – with the exception of restructuring charges – are allocated to the divisions using product- and volume-related allocation algorithms.

	2008 €m	2007 €m	Change €m	%
Net interest and current income	-18	-10	-8	-80.0
Net fee and commission income	4	6	-2	-33.3
Net trading income	–	–		
Other operating income	13	–	13	
Total operating income	**-1**	**-4**	**3**	**75.0**
Direct administrative expenses	1,098	1,177	-79	-6.7
Inter-segment cost allocation	-1,075	-1,174	99	8.4
Administrative expenses	23	3	20	>+100.0
Other operating expenses	–	7	-7	
Total operating expenses	**23**	**10**	**13**	**>+100.0**
Loan impairment losses	–	–		
Operating profit/loss	**-24**	**-14**	**-10**	**-71.4**
Net income from financial investments	–	-1	1	
Net income from intangible assets	–	–		
Restructuring charges	-2	14	-16	
Profit/loss before tax	**-22**	**-29**	**7**	**24.1**
Risk capital (average)	100	100	0	0.0
Risk-weighted assets (average)	200	200	0	0.0

Direct administrative expenses were reduced by €79 million year-on-year to €1,098 million. This related both to total staff costs and to non-staff operating costs for the service units assigned to Business Services and reflects the additional efficiency gains and strict cost discipline in these functions. The decline of 7% was reflected in lower cost allocations to the other segments. The segment's operating loss was €24 million (previous year: €14 million), while the loss before tax narrowed to €22 million (previous year: €29 million).

Corporate Functions

The Corporate Functions segment consists of the costs of those functional areas that have a Group management role (Finance/Compliance, Risk Management/Risk Control and the units reporting directly to the CEO, such as the Board Secretariat, Internal Audit and Corporate Communication). With the exception of the restructuring charges, these costs are allocated in their entirety to the divisions during internal cost allocation. In addition, the segment comprises the profit from capital management and Treasury operations as well as net income from the Bank's financial investment portfolio. It also includes specific reconciliation items (e.g. the net effect of remeasurement under IAS 39), as well as consolidation adjustments from the reconciliation of the Bank's external reporting with its management reporting.

	2008	2007	Change	
	€m	€m	€m	%
Net interest and current income	-103	325	-428	
Net fee and commission income	-16	105	-121	
Net trading income	222	-209	431	
Other operating income	–	–		
Total operating income	**103**	**221**	**-118**	**-53.4**
Direct administrative expenses	608	601	7	1.2
Inter-segment cost allocation	-670	-652	-18	-2.8
Administrative expenses	-62	-51	-11	-21.6
Other operating expenses	14	-8	22	
Total operating expenses	**-48**	**-59**	**11**	**18.6**
Loan impairment losses	-13	-247	234	94.7
Operating profit/loss	**164**	**527**	**-363**	**-68.9**
Net income from financial investments	1,125	253	872	>+100.0
Net income from intangible assets	-12	–	-12	
Restructuring charges	41	-1	42	
Profit/loss before tax	**1,236**	**781**	**455**	**58.3**
Risk capital (average)	1,400	1,800	-400	-22.2
Risk-weighted assets (average)	8,500	5,900	2,600	44.1

Operating profit amounted to €164 million, following €527 million in the previous year. Total operating income was €103 million, clearly down on the previous year (€221 million). The key driver for this change was the sale of two subsidiaries of our equity-accounted investment, KGAL, in the previous year. Additional reasons for this development were reduced rental income due to the sale of an investment property portfolio and the sale of our DEGI subsidiary. This contrasted with increased income from certain credit default swaps and an overall decline in the impact of IAS 39 effects. In addition to further efficiency gains, the elimination of the costs of the real estate portfolio sold in the middle of 2007 and of our subsidiary DEGI was responsible for the drop in direct administrative expenses. Alongside the value adjustment on our previous equity interest in Banco Popular Español, net income from financial investments of €1,125 million in the year under review primarily includes gains on the disposal of Oldenburgische Landesbank and other equity interests in banks to Allianz at the end of the year, as well as the sale of other shareholdings during the year – including the sale of DEGI to the British company Aberdeen Asset Management. The loss participations also had a corresponding effect. As a result, profit before tax was up significantly year-on-year at €1,236 million (€781 million).

Net Assets and Financial Position

As at 31 December 2008, the Dresdner Bank Group's equity attributable to the shareholder of the parent fell from €10.6 billion to €2.8 billion, due in particular to the massive reduction in earnings. Total assets decreased by 15.8% as against the prior-year closing date to €421.0 billion.

In addition to a reduction in volumes due to the effect of the deconsolidation of Oldenburgische Landesbank (OLB), this decline of €79.2 billion was mainly due to a significant drop in collateralised money market transactions compared with the end of 2007; this affected both loans and advances and liabilities, and was particularly pronounced in the fourth quarter of 2008. This in turn was primarily attributable to muted levels of activity by players on the money market in view of the tight liquidity situation, as well as to the decrease in trading assets to be refinanced.

	31/12/2008 €m	31/12/2007 €m	Change €m	%
Trading assets	189,293	160,249	29,044	18.1
Financial assets designated at fair value	11,970	8,648	3,322	38.4
Loans and advances to banks	61,752	113,200	-51,448	-45.4
Loans and advances to customers	123,050	188,211	-65,161	-34.6
Financial investments	10,415	13,718	-3,303	-24.1
Other assets	24,481	16,183	8,298	51.3
Total assets	**420,961**	**500,209**	**-79,248**	**-15.8**
Trading liabilities	164,619	119,026	45,593	38.3
Financial liabilities designated at fair value	16,222	2,309	13,913	>+100.0
Liabilities to banks	55,134	128,149	-73,015	-57.0
Liabilities to customers	140,119	185,372	-45,253	-24.4
Securitised liabilities	22,804	34,633	-11,829	-34.2
Subordinated liabilities	6,586	6,267	319	5.1
Profit-participation certificates	721	1,686	-965	-57.2
Other liabilities	10,262	10,361	-99	-1.0
Equity	4,494	12,406	-7,912	-63.8
Total liabilities	**420,961**	**500,209**	**-79,248**	**-15.8**

Trading assets/liabilities

The trading assets and trading liabilities items comprise the Dresdner Bank Group's trading activities in relation to securities, derivatives and other trading assets and liabilities.

At the reporting date, the volume of trading assets amounted to €189.3 billion. This represents a reported increase of €29.0 billion, or 18.1%, as against the end of 2007. This growth was driven by two offsetting effects: while debt instruments decreased by €27.0 billion to €30.1 billion and equities and other variable-rate securities declined significantly by €24.2 billion to €6.4 billion, the positive fair values of derivative financial instruments increased substantially by around 110% to €152.8 billion in connection with the measurement of the trading business.

Trading liabilities rose by a total of €45.6 billion to €164.6 billion. In line with the development of trading assets, this resulted from the negative fair values of derivative financial instruments, which increased by €75.5 billion.

Financial assets/liabilities designated at fair value

Financial assets designated at fair value increased by a total of €3.3 billion as compared with the end of 2007. €2.4 billion of this increase was attributable to debt instruments and €0.9 billion to loans and advances to banks and to customers.

The €13.9 billion increase in financial liabilities designated at fair value was due almost exclusively to liabilities to banks and customers. In addition to the initial consolidation of K2, the rise in both assets and liabilities designated at fair value was due to the designation of selected money market transactions at fair value in order to appropriately recognise existing economic hedges.

Loans and advances to banks and loans and advances to customers

Loans and advances to banks and loans and advances to customers decreased by a total of €116.6 billion as against the prior year-end to €184.8 billion, primarily as a result of the decrease in the Bank's portfolio of collateralised money market transactions. All in all, the volume of collateralised money market transactions reported under loans and advances amounted to €52.9 billion as at the 31 December 2008 reporting date (year-end 2007: €163.9 billion).

At the reporting date, the lending volume amounted to €105.1 billion. This represents a decrease of €7.9 billion compared with year-end 2007, which is almost entirely attributable to the deconsolidation of OLB.

	31/12/2008	31/12/2007	Change	
	€m	€m	€m	%
Loans to customers	96,050	102,109	-6,059	-5.9
– Corporate customers	63,882	63,530	352	0.6
– Public authorities	789	516	273	52.9
– Private customers	31,379	38,063	-6,684	-17.6
Loans to banks	9,082	10,917	-1,835	-16.8
Lending volume[1)]	**105,132**	**113,026**	**-7,894**	**-7.0**

1) Excluding collateralised money market transactions.

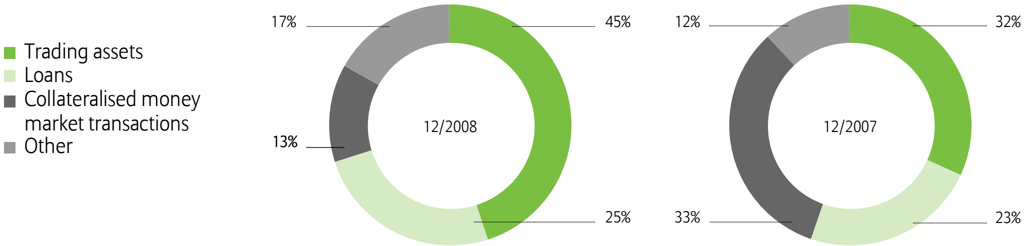
Loans to banks fell by 16.8% year-on-year to €9.1 billion, while the customer loans business declined by 5.9% overall. Adjusted for the effect of the deconsolidation of OLB, lending to corporate customers increased by approximately 5%, while lending to private customers fell by a similar amount year-on-year.

As a result, the share of the total lending volume attributable to our foreign lending to both customers and banks increased slightly year-on-year, to 41%.

Financial investments

At €10.4 billion, financial investments were down by 24.1% as against the end of 2007. Whereas the figure for debt instruments declined only slightly by €0.7 billion to €9.8 billion, we substantially reduced equities and other variable-rate securities by €2.6 billion.

Assets



Other assets

The increase in other assets of €8.3 billion compared with the previous year-end to €24.5 billion was mainly due to significant growth in cash balances at central banks – in particular Deutsche Bundesbank; this sharp rise was attributable to the cash management policy adopted as a result of the difficult capital market environment. This contrasts with a decline in deferred tax assets due to the write-off of loss carryforwards that are no longer usable.

Deposits and securitised liabilities

Deposits and securitised liabilities fell by €130.1 billion year-on-year to €218.1 billion. This was primarily due to both significantly lower volumes of collateralised money market transactions and the decrease in deposits from banks and institutional customers resulting from the changes in investment behaviour caused by the financial crisis. The deconsolidation of OLB also accounted for just under €10 billion of the decline. These developments contrast with a rise in domestic private customer business.

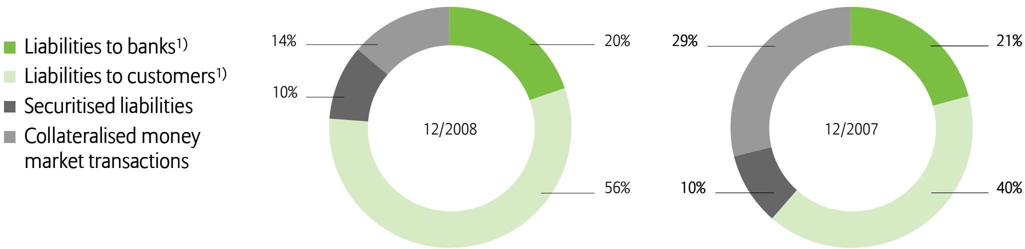
	31/12/2008 €m	31/12/2007 €m	Change €m	%
Liabilities to banks	55,134	128,149	-73,015	-57.0
Liabilities to customers	140,119	185,372	-45,253	-24.4
Securitised liabilities	22,804	34,633	-11,829	-34.2
Deposits and securitised liabilities	**218,057**	**348,154**	**-130,097**	**-37.4**
Of which: collateralised money market transactions	30,256	100,494	-70,238	-69.9

Liabilities to banks decreased by €73.0 billion to €55.1 billion due to the decline in time deposits (repos and unsecuritised deposits). At €34.1 billion, these were down €75.1 billion as against the year-end figure, while at the same time demand deposits rose by €2.1 billion. At €21.0 billion, these were up by 10.8% year-on-year.

Liabilities to customers fell by €45.3 billion to €140.1 billion. This related to savings deposits, which were down by around €1.1 billion year-on-year at €3.4 billion, and securitised and unsecuritised time deposits, which decreased by €40.6 billion compared with the end of 2007, to €63.4 billion. At €73.3 billion, demand deposits declined by just under 5% as against the end of 2007. Due to this development, the proportion of deposits and securitised liabilities accounted for by customer deposits increased overall to approximately 64% (previous year: 53%).

Securitised liabilities also declined, falling by 34.2% as against the prior-year figure for a total of €22.8 billion. Debt instruments issued decreased by €6.0 billion and the volume of other securitised liabilities by €5.8 billion; this related solely to money market instruments.

Deposits and securitised liabilities



1) Excluding collateralised money market transactions.

A detailed breakdown of the maturity structure of the deposits and securitised liabilities is given in Note 42. The Notes also contain information on off-balance sheet financial instruments.

Other liabilities

Other liabilities fell by €0.1 billion year-on-year to €10.3 billion. While accrued interest declined significantly due to the change in total liabilities, other liabilities included the “liabilities included in disposal groups classified as held for sale” item for the first time, which relates to the transfer of approximately one million bank customers managed by Allianz sales staff and their business volume to Allianz.

Equity

Equity reported in the balance sheet as at 31 December 2008 decreased dramatically due to the developments on the capital markets caused by the financial market crisis and the resulting massive impact on earnings in fiscal year 2008. Including minority interests, equity declined by around 64% at the reporting date to €4.5 billion. Excluding minority interests, it decreased by €7.8 billion as against the end of the previous year to €2.8 billion. The revaluation reserves – primarily for the Bank's listed shareholdings – also declined by €1.5 billion due to price falls and sales, and therefore contributed to the decrease in capital.

Regulatory capital

In line with the development of balance sheet equity, regulatory capital – and in particular core capital – declined significantly due to the erosion of capital caused by the reduction in earnings. The Dresdner Bank Group's regulatory capital in accordance with the Kreditwesengesetz (KWG – German Banking Act) consists of core capital, supplementary capital and Tier III capital.

	31/12/2008[2)] €m	31/12/2007[1)] €m
Core capital	**4,544**	**11,234**
Of which: hybrid components	2,338	2,429
Supplementary capital	**4,563**	**5,730**
Tier III capital	480	–
Total capital	**9,587**	**16,964**
Total risk-weighted assets	**114,808**	**123,115**
– Credit and counterparty risk	96,940	119,477
– Market risk	10,430	3,638
– Operational risk	7,438	–
Capital ratios		
Core capital ratio (%)[3) 4)]	4.0/3.7	9.1
Total capital ratio (%)[3) 4)]	8.4/7.5	13.8

1) Calculated on the basis of the Kreditwesengesetz/Solvabilitätsverordnung (German Banking Act/Solvency Regulation); the risk-weighted assets are calculated in accordance with the transitional provision of section 339(9) of the SolvV (corresponds to Principle 1).
2) Including credit and counterparty risk from the trading book.
3) Calculation includes risk-weighted assets from the trading book.
4) For details on the calculation of the capital ratios see Note 39.

After the adoption of the financial statements, the core capital as at 31 December 2008 amounted to approximately €4.5 billion and primarily consists of subscribed capital, reserves and hybrid components. The latter were recognised as silent participation certificates and amount to €2.3 billion. The supplementary capital totalled €4.6 billion and primarily comprises profit-participation certificates and subordinated liabilities. Total regulatory capital amounted to €9.6 billion.

The Dresdner Bank Group's risk-weighted assets fell by €8.3 billion as against the prior-year closing date to €114.8 billion. This was due primarily to the switch in the methodology for calculating risk-weighted assets from Principle I to the new Solvabilitätsverordnung (SolvV – Solvency Regulation)/Basel II; as a result, risk-weighted assets for credit and counterparty risk declined significantly, although this was partially offset by the initial inclusion of operational risk. In addition, the deconsolidation of Oldenburgische Landesbank served to reduce the risk-weighted assets, while increases in market risk and higher weightings for the reclassified ABSs as a result of rating downgrades increased them.

The core capital ratio reported as at the balance sheet date amounted to 4.0% (2007: 9.1%), while the total capital ratio was 8.4% (2007: 13.8%). After adjustment for the transfer of CDOs agreed with Allianz and the silent partner's contribution by Allianz in the amount of €750 million, the core capital ratio would have amounted to 4.8% on a pro forma basis as at 31 December 2008. After adjustment for all effects on income in the annual financial statements as prepared, the core capital ratio amounted to 3.7% and the total capital ratio to 7.5%. Consequently, the minimum regulatory capital requirements were no longer met. The Board of Managing Directors of Commerzbank AG therefore resolved to increase Dresdner Bank AG's capital by €4.0 billion. The capital increase is to be resolved by the General Meeting on 17 March 2009.

Employees

The number of employees at Dresdner Bank dropped once again in 2008, primarily in connection with the deconsolidation of Oldenburgische Landesbank and the ongoing implementation of our "Neue Dresdner Plus" programme. As at 31 December 2008, the Bank employed 27,597 people. This represents a decline of 3,601 employees as against year-end 2007, around 92% of which relates to Germany.

	31/12/2008	31/12/2007	Change absolute	%
Dresdner Bank Group	27,597	31,198	-3,601	-11.5
– Germany	22,164	25,466	-3,302	-13.0
– Other countries	5,433	5,732	-299	-5.2
Dresdner Bank AG	21,341	21,999	-658	-3.0
– Germany	20,762	21,376	-614	-2.9
– Other countries	579	623	-44	-7.1

Calculated as full-time equivalents, the number of employees (excluding vocational trainees) amounted to 23,295, after 26,309 in the previous year. The following table shows the number of employees per division as at the year-end:

	31/12/2008	31/12/2007	Change absolute	%
Private & Corporate Clients	13,007	14,564	-1,557	-10.7
Investment Banking	3,131	3,609	-478	-13.2
Business Services	4,069	4,530	-461	-10.2
Corporate Functions	3,088	3,606	-518	-14.4
Total	**23,295**	**26,309**	**-3,014**	**-11.5**

Approximately one-third of the 3,014 job cuts were attributable to the back office functions and approximately two-thirds to the Private & Corporate Clients (PCC) and Investment Banking (IB) operating divisions.

Vocational training and continuous professional development

To counter the problems associated with the shift in the demographic structure of our staff, the Bank continued to invest in securing its future workforce in 2008, raising both the number of vocational trainees taken on and the ratio of those being offered permanent employment. Whereas 437 vocational trainees were employed in 2007, this figure rose in the year under review to 506. A similar picture applies to the ratios of vocational trainees being offered permanent employment. While around 60% of trainees were taken on permanently in 2007, this figure rose to more than 75% in 2008. Enquiries about apprenticeships and positions as interns or management trainees show that Dresdner Bank continued to be seen as an attractive employer in 2008.

Management development

To date, almost 400 participants have passed through the Potential Assessment Centre, which was set up as a preliminary step under the Start-up Leadership Programme. The Senior Potential Assessment Centre, which is used to assess the suitability of candidates for positions in second-level management, continued in its proven form. In total, 114 candidates have passed through the Assessment Centre.

The format of the annual planning rounds held under the TOP Leadership programme was completely revamped in 2008. In addition to establishing candidates' performance/potential portfolio, this now offers comprehensive data for planning personnel and personnel development in the business units.

Remuneration / Employee shares

The previous collective wage agreement expired at the end of June 2008. The Bank nevertheless resolved to raise salaries governed by collective wage agreements by 2.5% from 1 November 2008, thus following the recommendation of the employers' federation in this respect. This voluntary increase in pay will be taken into account when the outstanding collective wage agreement is signed.

In 2008, employees in Germany again had the opportunity to participate in Allianz SE's global share purchase plan and to subscribe for employee shares at preferential conditions. As in previous years, there was a 20% discount on the share price and a minimum number of 30 shares. Because of the current situation on the equity markets, the conditional price determination procedure was applied for the first time, as Allianz SE's share price stood at more than 10% below the original reference price on the last day of the subscription period. The adjusted reference price following the end of the subscription period ensured that the offer was still attractive.

Work and family

More use was made in 2008 of the opportunities offered by the Bank to improve employees' work-life balance. In particular, there was heavy demand for short-term childcare (approximately 1,000 cases). Increased use was also made of placement and advisory services for staff looking for care solutions; compared to the previous year, usage of these services rose by 10%. In particular, the numbers seeking advice on solutions for elderly dependants needing care virtually doubled. In addition, room for 20 more children was added in the crèche in 2008. Special family part-time working models helped employees faced with an acute care problem and so needing more flexibility.

Health management

Health management, with its four topics of risk assessment, work-related healthcare, occupational integration management, and prevention, was a focus of activity at Dresdner Bank in 2008.

A structured procedure for occupational integration management was developed for measures aimed at employees who had been sick for more than six weeks within a period of twelve months.

In addition, works agreements on working with VDUs and on determining and assessing potential risks to health as a result of psychological stress at work were signed.

Sustainability

The environmental policy that Dresdner Bank has successfully pursued for years is documented in the Bank's environmental guidelines and environmental programme. To this end, the Bank has set up a dedicated environmental management system that is certified according to DIN ISO EN 14001. The aim is to assess negative environmental effects in terms of their ecological, economic and social aspects and to avoid or at least mitigate them as early as possible.

The environmental management system takes into account the ecological aspects of both operations and products.

The ecological aspects of the Bank's operations include calculating operating consumption data and implementing projects to cut resource usage and costs. 15.2% of our annual electricity consumption in 2008 was generated from renewable sources, while 57.8% came from CHP plants. This reduced CO_2 emissions by 36.2% compared with the use of normal electricity throughout. To improve the ecological efficiency of our operations, we again successfully implemented a national project designed to save resources and cut costs that was specially tailored to the Bank's internal situation.

The ecological aspects of the Bank's products involve systematically monitoring environmental risks in the lending business as well as applying internationally recognised standards (Equator Principles, Hermes guidelines, etc.). Risk limitation is performed in the respective divisions and business areas.

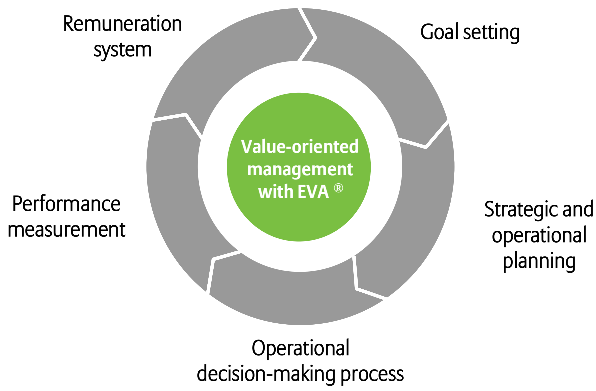
Value-based Management

Value-based management within the Dresdner Bank Group is based on a uniform, value-oriented management concept that unites goal setting, planning, operational management, performance measurement and remuneration. Applying this management philosophy to the widest possible range of decisions in day-to-day business operations ensures that potential decision alternatives are measured according to the value that they add in each case. This comprehensive value-added concept is not focused unilaterally on the Bank's organisational structure and the various areas of responsibility, but is also used for everything down to calculation of the value added of individual products or customer groups.

The key performance measure is known as Economic Value Added (EVA®). This measures the value added generated in a fiscal year. Aligning corporate decision making with value creation ensures that adding value for customers, shareholders and employees remains the continuous focus in all business activities.

In order to transform strategic goals into operational management, they are broken down into concrete targets using value drivers and key performance indicators (KPIs) – such as the cost-income ratio, business volumes and interest margins, or assets under management – as part of strategic and operational planning. The uniform EVA® measure assists management both in evaluating courses of action in the operational decision-making process and in performance measurement. In order to support sustained value creation, we include the contribution made to EVA® as a key target parameter when determining variable remuneration. This means that EVA® is a central component of the management and remuneration system of the Dresdner Bank Group, and is designed to anchor the ongoing growth in enterprise value throughout the entire organisation.

Value-based management



EVA® is a registered trademark of Stern Stewart & Co.

At Dresdner Bank, EVA® is calculated as the differences between normalised profit after tax and the cost of capital. Normalised profit after tax is derived from profit after tax. Our goal is to generate earnings that have been adjusted as far as possible for one-time factors and non-operating elements; e.g. the effects of IAS 39 are eliminated and net income from financial investments is normalised on the basis of a long-term average return. We calculate the Dresdner Bank Group's cost of capital as the product of the net asset value (derived from IFRS book equity) and the cost of capital rate that corresponds to our risk profile. The risk capital requirement is used as the capital indicator for the divisions.

Events after the Balance Sheet Date

On 12 January 2009, Commerzbank implemented the takeover of Dresdner Bank and is now the sole shareholder of Dresdner Bank. The merger of the two companies will take place in the spring of 2009.

On implementation of the takeover by Commerzbank at the beginning of January 2009, there was a further agreement that Allianz will strengthen Dresdner Bank's capital base. This was achieved by Allianz taking over collateralised debt obligations with a notional value of €2 billion for a purchase price of €1.1 billion. In addition, Allianz will subscribe for a silent partner's contribution in the amount of €750 million.

In January 2009 changes were made to the Board of Managing Directors at Dresdner Bank AG. In the course of the transaction, six members of Commerzbank's Board of Managing Directors were appointed to the Dresdner Bank Board. In addition, four previous members left the Dresdner Bank Board. Effective 19 January 2009, Martin Blessing took over the position of Chairman of the Board of Managing Directors from Dr. Herbert Walter.

The Investment Banking division is being realigned in the course of the integration with Commerzbank and will focus in future on customer-oriented products. In this context, staff were let go at the beginning of February.

In view of the acute danger to the continued existence of Dresdner Bank as a going concern and the fact that capital ratios had fallen below minimum regulatory capital requirements, Commerzbank resolved on 3 March 2009 to increase Dresdner Bank's capital by €4.0 billion in the first quarter of 2009.

Outlook

Macroeconomic development

The global economy made a weak start to 2009. The confidence of investors and consumers in the economic future has been shaken. Further cutbacks in consumer spending and investment are likely. Global economic growth is expected to fall again in the first quarter because the economic slowdown in the emerging markets is likely to continue. The economic situation worldwide remains strained. Past experience of the economic consequences of the sort of financial crisis we are experiencing at present is virtually non-existent. A glimmer of hope for the economic outlook in 2009 is provided by three main factors:

- The massive correction of commodities prices. For Germany, the effect of the drop in oil prices is equivalent to a 3 to 4 percentage point reduction in VAT.

- Major central banks – led by the US Federal Reserve – have aggressively cut their key interest rates.

- Many countries have announced or already resolved extensive economic stimulus packages. The global volume of these measures is estimated at USD 1,500 to 2,000 billion, or 2% to 3% of global output.

However, hopes of a rapid turnaround would be premature. The effects of the financial market crisis on the real economy will continue to occupy us in 2009.

The European and German economies will probably continue to contract at the beginning of 2009. Even if – as we expect – the economic outlook gradually starts improving again over the course of the year as the economic stimulus packages take effect and commodities prices remain low, a clear decline in economic output is likely in Germany and the rest of the eurozone for 2009.

A continued high level of volatility on the financial markets must be expected in the coming months. Equally, further setbacks on the stock markets cannot be ruled out if there is more negative news in connection with the economy and the financial market crisis. The markets are only likely to improve in the long term if the economic outlook stabilises. This will probably only start to happen over the course of 2009.

Risk avoidance strategies in particular have increased demand for government bonds and driven down yields as a result. The yields on 10-year German government bonds are likely to increase again in the second half of the year from their current level of around 3% in line with the expected stabilisation of the economic situation.

The outlook for the German real estate market is relatively stable, since prices had not previously been significantly overheated. All in all, slight declines in turnover are expected in the coming months. This relates to both the private real estate sector, where lending criteria are becoming increasingly restrictive, and to the market for commercial space. However, the investment market, in which real estate forms an independent asset class, will be unable to escape the financial market crisis, meaning that significant slumps are likely in this country, too.

Sector developments

The beginning of 2009 will again be dominated by the financial market crisis. Although massive government intervention in the markets has halted the rapid downward spiral for the time being, this marks only the beginning of a solution; repairing banks' balance sheets will take some hard work even with government aid. Banks have no alternative in the current situation other than to cut back on problem assets, deleverage and strengthen their equity base. Government aid makes this task somewhat easier. Nevertheless, not all banks will come through this process unscathed; the crisis-driven consolidation of the sector will continue. It will still take some time for confidence to be restored and hence for the markets to return to normal.

After falling sharply in 2008, capital market activity will again be down slightly year on year in 2009. Investor uncertainty and restraint will be clearly reflected in banks' balance sheets. The loan and deposit business, which performed relatively well in 2008, will not escape the general trend in 2009. In particular, a decline in corporate demand for loans, which was still strong in 2008, is on the horizon this year.

In addition to coping with the immediate impact of the crisis, the banks must increasingly adjust to the deteriorating earnings outlook. Weak capital market activity is having an adverse effect on earnings in investment banking in particular. To this must be added growing economic risks. For example, the recession will also drive up the number of corporate insolvencies in the course of 2009, resulting in higher loan impairment losses. Generally, weaker earnings potential and a need to charge increasing loan impairment losses in the classic banking business as well must be expected.

Business developments at Dresdner Bank

This extremely difficult situation for the entire banking sector will also affect Dresdner Bank's performance in the run-up to its merger with Commerzbank in the spring of 2009. Following the merger, Dresdner Bank will cease to exist as an independent legal entity. Significant proportions of Dresdner Bank's business activities will then be continued under the umbrella of the new Commerzbank.

As the impact on earnings in the course of the financial market crisis has led to a significant reduction in Dresdner Bank's capital base, and additional negative effects on earnings cannot be ruled out for fiscal year 2009 in the run-up to the merger, it was imperative to take measures to strengthen Dresdner Bank's capital. In this context, it was agreed with Allianz that Allianz SE would subscribe for a silent participation in Dresdner Bank AG in the amount of €750 million and that it would acquire a CDO portfolio with a nominal value of €2 billion. In addition, given the acute danger to the continued existence of Dresdner Bank as a going concern and the fact that capital ratios had fallen below minimum regulatory capital requirements, additional measures to strengthen Dresdner Bank's capital base – whether by way of a capital increase by Commerzbank AG as the sole shareholder of Dresdner Bank or through the reduction of risk-weighted assets – were examined and prepared for implementation.

In this context, Commerzbank resolved to increase Dresdner Bank's capital by €4.0 billion. The basis for these measures is the programme agreed by Commerzbank with the Sonderfonds Finanzmarktstabilisierung (SoFFin – Special Fund for Financial Market Stabilisation), which provides for silent partner contributions and additional equity totalling €18.2 billion for Commerzbank AG. This will allow the new Commerzbank to report a core capital ratio of approximately 10%.

Together with other measures designed to reduce risk, in particular in the Investment Banking division, this package of measures will restore the Bank's risk-bearing capacity. In this respect, the continuation of going concern operations after the merger is also ensured.

We assume that the financial market crisis will continue in 2009 and that further impacts on earnings must be expected. Due to the significant uncertainties surrounding the market environment and future economic developments, as well as the forthcoming merger of Dresdner Bank with Commerzbank, which is scheduled to take place in the second quarter, it is not possible to make a reliable earnings forecast for 2009.

Group Risk Report

Risk-oriented Management at Overall Bank Level

The continued deepening of the financial crisis in 2008, and especially in the fourth quarter, demonstrated the importance of professional risk management. Rapid, sustained rises in risk premiums highlighted the limits of conventional risk measurement on occasion. At the same time, systemic market disruption posed unprecedented challenges for risk management.

Dresdner Bank was acquired in full by Commerzbank on 12 January 2009. Risk management procedures and processes are being consolidated and enhanced as part of the integration process.

For this reason, we have provided a condensed version of the information on the organisation, principles and methods of risk management usually provided in the Risk Report that merely goes into the material changes that took place during the period under report. A detailed and comprehensive discussion of this information can be found in last year's Group Risk Report.

In the run-up to the takeover Oldenburgische Landesbank (OLB), among other things, was transferred to Allianz SE in December 2008; OLB's risk positions are not included in the figures as of 31 December 2008 presented below.

The Risk function – organisation

Risk management is a component of all business processes at Dresdner Bank and aims to support corporate management. Risks are identified, measured and managed and monitored in line with our risk appetite using risk tools.

The independent function reporting to the Chief Risk Officer (CRO) is responsible for Bank-wide risk management and control. As part of this, the Risk function also performs the back office function for Dresdner Bank's entire credit and trading activities, ultimate responsibility for which lies with the CRO. Following the scheduled departure of the responsible member of the Board of Managing Directors of Dresdner Bank in spring 2008, this function was assumed until further notice by the CRO of Allianz SE in addition to his existing duties.

Since the takeover of Dresdner Bank by Commerzbank in January 2009, the function of CRO of Dresdner Bank has been performed by the CRO of Commerzbank in addition to his existing duties.

The tight integration of the divisions and functions at Dresdner Bank enables timely, comprehensive and transparent risk management. Responsibilities at senior management level have been assigned for all key risk types. In the year under review, a Market Risk unit with overall responsibility for market risk was established within the Risk function in response to the financial crisis.

Organisational structure of the Risk function

Divisional Partners			Corporate Centres	
Risk function				
Credit Risk PCC	Risk Management IB	Market Risk	Group Risk Architecture	Risk Governance & Controlling
Loan approvals PBC and mid-caps Credit process and policies PCC Intensive care Loan portfolio management Credit risk limitation and monitoring	Loan approvals large caps and financial institutions Structured finance Country risk management Intensive care Loan portfolio management Credit risk limitation and monitoring	Market risk management Market risk control Portfolio management, limitation and monitoring	Risk methodologies/ rating procedures Risk data management Risk systems Operational risk management Basel II implementation	Bank-wide risk management Liquidity risk control Market risk control (banking book) Internal/external risk reporting Reputational risk management Group risk policies

The newly established Market Risk unit acts as a divisional partner, providing independent management and control of market risk in the trading book for the Investment Banking division. This applies both at the product and portfolio level and in relation to significant individual positions. The Market Risk unit supports the front office units in measuring market risk and in establishing and allocating limits. In addition, the Market Risk unit is responsible for the processes used in the analysis (including stress testing), monitoring, and reporting of market risk.

The responsibilities of the remaining units were unchanged as against the previous year.

In the course of the integration of Dresdner Bank with Commerzbank, the structure of the Risk function will be adapted to the business strategy and organisation of the new enterprise, with the approval of the bodies responsible. At an organisational level, this also includes the consolidation of the Global Intensive Care function, which is also responsible for managing the default portfolio (including workouts).

Risk-related committees

A number of committees have been established as decision-making bodies for cross-divisional risk management at Dresdner Bank.

Risk-related committees

The Market Risk Committee was responsible for ongoing monitoring of the market risk strategy and positioning, the management of market risk and the agreement and review of the methods applied. In the year under review, the RExCo took over part of the duties of the former Market Risk Committee (agreement and review of the methods applied). The responsibilities of the remaining committees were unchanged as against the previous year.

In the course of Dresdner Bank's integration with Commerzbank, the committee structure and decision-making powers within Risk Management will be revised. The MaRisk requirements will be observed at all times during this process. Care has been taken to ensure that a CRO function that is independent of the front office remains responsible for the back office function for credit and trading activities during the integration phase.

Since 1 February 2009, decision-making powers at Dresdner Bank have been delegated in line with the system used at Commerzbank. To do this, we have established a structure analogous to the one at Commerzbank comprising a cross-segment Group Risk Committee plus segment-specific credit committees and segment risk committees; these replace the above-mentioned credit risk-related committees. Dresdner Bank's credit committees now perform their duties on the basis of principles that have been harmonised with the terms of reference of the respective Commerzbank Group committees, and hold joint meetings with them. This ensures that the risk decisions taken are already consistent from the perspective of the new Commerzbank.

The Dresdner Bank and Commerzbank committees for managing market risk, operational risk and country risk were also merged. Since the beginning of 2009, the following joint committees have met under the chairmanship of the Group CRO of the new Commerzbank: Market Risk, Operational Risk and Country Risk committees. In addition, segment-specific operational risk committees have already been set up that mirror the target Group structure.

Risk-bearing capacity and risk management

Dresdner Bank's internal risk capital model provides management with information that enables it to manage and limit risk in line with solvency and profitability considerations. Risk capital is determined using proprietary measurement methods and serves to cover and limit unexpected losses. It is the core management input for the allocation of capital for which a notional return is to be generated. As in the previous year, the following risk types are included when calculating risk capital: credit and counterparty risk (including country risk), market risk in the Bank's trading and banking book, risk from shareholdings and real estate risk, operational risk and business risk.

At the beginning of 2008, Dresdner Bank was granted approval by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin – Federal Financial Supervisory Authority) to use the advanced approaches under Basel II for measuring credit and counterparty risk (AIRBA, including the Internal Model Method/IMM) and operational risk (Advanced Measurement Approach/AMA). The quarterly reports required under these approaches have been submitted to the supervisory authorities as from 31 March 2008. Dresdner Bank has submitted additional rating procedures to the BaFin for review, in order to increase the scope of activities covered by the AIRBA. This review was completed in the fourth quarter of 2008; the approval notice for the other rating procedures is expected before the end of the first quarter of 2009. The changeover in the method of calculating regulatory capital to Basel II at the beginning of 2008 also led to methodological changes in how economic risk capital is calculated internally for credit and counterparty risk and operational risk. These changes ensure greater consistency between the calculation of internal and regulatory capital requirements, as intended by Basel II.

Economic risk-bearing capacity and risk capital-based risk management

When calculating risk capital requirements, a risk horizon of one year is adopted for all risk types and a confidence level of 99.93% is applied. This corresponds to a single A rating. Diversification effects between different risk types that reduce the overall risk level are taken into account when aggregating individual risks to produce the overall risk.

Dresdner Bank's risk capital requirements are reconciled with the available risk capital on a monthly basis. The available risk capital consists of the equity as reported in the balance sheet less goodwill and less the net present value of capitalised tax loss carryforwards. To improve comparability with our competitors and in view of the forthcoming integration with Commerzbank, we have included hybrid capital in the available risk capital. The results of the risk-bearing capacity analysis are presented to the Board of Managing Directors each month as part of internal risk reporting.

Economic risk-bearing capacity	31/12/2008[1)] €bn	31/12/2007 €bn
Credit and counterparty risk	4.3	4.1
Market risk	1.2	0.7
Risk from shareholdings and real estate risk	0.7	2.0
Operational risk	0.8	1.0
Business risk	0.5	0.6
Risk capital requirements before diversification	**7.5**	**8.4**
Diversification	-1.4	-1.8
Risk capital requirements after diversification	**6.1**	**6.6**
Available risk capital	**5.0**	**10.0**
Shortfall/excess capital	**-1.1**	**3.4**

1) Comparability with year-end 2007 is limited due to methodological changes and amended definitions.

As a result of the financial crisis, our available risk capital at Group level fell substantially as against the end of the previous year, due to the negative trend in earnings and the cumulative effect of financial instrument remeasurements. The available risk capital dropped below the risk capital requirements at the end of the year for the first time due among other things to one-time accounting factors (write-off of loss carryforwards). This meant that the internally defined economic risk-bearing capacity at a confidence level of 99.93% no longer existed at the year-end.

Since additional negative effects on earnings cannot be ruled out for fiscal year 2009 in the run-up to the merger, it was imperative to take measures to strengthen Dresdner Bank's capital. In this context, it was agreed with Allianz that Allianz SE would subscribe for a silent participation in Dresdner Bank AG in the amount of €750 million and that it would acquire a CDO portfolio with a nominal value of €2 billion. Once implemented, the two measures will cure the situation at the end of 2008 when the Bank's economic risk-bearing capacity no longer existed. Moreover, additional measures to strengthen the Bank's capital base were examined and prepared for implementation.

Following the merger with Commerzbank, only the new risk-bearing capacity concept for the new Commerzbank, which has already been agreed with the supervisory authorities, will be used. Based on the current overall framework and taking the government support measures (SoFFin equity injection, capital contribution) into account, the new Commerzbank's risk-bearing capacity is ensured.

The slight decline in risk capital requirements as against the year-end is the aggregate effect of opposing technical and business factors. The main technical factor is the switch in the method of calculating risk capital to Basel II parameters at the beginning of the year, which reduced the capital required for credit and counterparty risk and operational risk. At a business level, the financial crisis had a negative impact on the risk situation in the course of the year; in addition to volatile market developments, a number of rating downgrades of ABS products and of counterparties and issuers of guarantee contracts for the Bank served to increase the risk in particular. Risk capital was also impacted by the support measures for the structured investment vehicle K2 and, temporarily, for a major underwriting commitment entered into by Dresdner Bank as a member of a banking consortium underwriting a share issue. Overall, the financial crisis led to a clear increase in the risk capital requirements both for market risk and for counterparty and issuer risk (within credit and counterparty risk).This increase was partially offset at the year-end by the transfer of Oldenburgische Landesbank and other equity investments to Allianz. This also resulted in a reduction in risk capital requirements for credit risk and risk from shareholdings.

Dresdner Bank conducts stress tests on its risk-bearing capacity every quarter. As well as monitoring key specific risk factors, the stress tests also serve to estimate the effect of possible changes in the macroeconomic environment on credit risks and Dresdner Bank's capital adequacy. The results of the stress tests and the recommendations for action derived from them are reported regularly, and submitted for decision, to the Board of Managing Directors.

Regulatory risk-bearing capacity

In addition to monitoring the Bank's risk-bearing capacity in line with the internal risk capital model, it is vital to ensure adequate regulatory capital, as measured by the core and total capital ratios, at all times.

The regulatory risk type definitions are not identical to the Bank's internal economic risk definitions. This applies in particular to regulatory credit and counterparty risk, which includes not only economic credit and counterparty risk but also components for equity investments and other assets not relevant to credit risk. Dresdner Bank's risk-weighted assets can be broken down in line with the regulatory risk type definitions as follows:

Regulatory risk-bearing capacity	31/12/2008 €bn	31/12/2007[1] €bn
Credit and counterparty risk	97.0	119.5
Market risk	10.4	3.6
Operational risk	7.4	–
Risk-weighted assets	**114.8**	**123.1**
Core capital	**4.5**	**11.2**
Core capital ratio (%)[2) 3)]	**4.0/3.7**	**9.1**

1) Calculated on the basis of the Kreditwesengesetz/Solvabilitätsverordnung (German Banking Act/Solvency Regulation); the risk-weighted assets are calculated in accordance with the transitional provision of section 339(9) of the SolvV (corresponds to Principle 1).

2) Calculated including weightings for operational risk and market risk positions.

3) For details on the calculation of the capital ratios see Note 39.

A clear reduction in core capital was recorded as against year-end 2007, mainly in connection with the impact on earnings of the financial crisis. The core capital ratio reported as at the balance sheet date was 4.0%. After adjustment for the transfer of CDOs agreed with Allianz and the silent partner's contribution by Allianz in the amount of €750 million, the Dresdner Bank Group's pro forma core capital ratio would have been 4.8%. After adjustment for all effects on income in the annual financial statements as prepared, the core capital ratio amounted to 3.7% and the total capital ratio to 7.5%. Consequently, the minimum regulatory capital requirements were no longer met. The Board of Managing Directors of Commerzbank AG therefore resolved to increase Dresdner Bank AG's capital by €4.0 billion. The capital increase is to be resolved by the General Meeting on 17 March 2009.

The risk-weighted assets declined as against the year-end. The changeover in the method of calculating regulatory capital requirements to the new Basel II methodology at the beginning of the year led to additional risk-weighted assets being reported for the first time for operational risk and securitisations. These are offset by a substantial reduction in capital requirements for credit and counterparty risk in the retail lending business and the derivatives business as a consequence of the implementation of Basel II.

The financial crisis had a negative impact over the course of the year on the risk-weighted assets for market risk and for counterparty and securitisation risk (within credit and counterparty risk). In addition to rating downgrades for ABS products and a number of counterparties, this was due to volatile market developments and the reclassification of financial instruments from the trading book to the banking book that was performed in the third quarter. Furthermore, the increase in the "BaFin factor" – due to an increased number of backtesting outliers – had a negative impact in the area of market risk. This factor must be applied where banks' internal risk models are used to calculate the capital requirements for market risk; the size of the factor is specified by the BaFin on the basis of the forecasting accuracy of the internal risk model concerned. The above-mentioned transfer of Oldenburgische Landesbank and additional equity investments to Allianz had a compensatory effect on regulatory capital requirements for risk from shareholdings, credit risk and market risk.

Group Audit

Group Audit audits and assesses the efficacy and appropriateness of Risk Management and Risk Control in general and of the Internal Control System (IKS – Internes Kontrollsystem) in particular on behalf of the Board of Managing Directors, adopting a risk-oriented and process-independent approach to do so. The Mindestanforderungen an das Risikomanagement (MaRisk – Minimum Requirements for Risk Management) are used as the basis for this assessment. Group Audit ensures comprehensive enterprise-wide monitoring by integrating the subsidiaries' internal audit units.

Group Audit reports directly to the CEO and performs its tasks autonomously and independently of the activities, workflows and functions to be audited. In particular, Group Audit is not bound by any instructions with regard to its reporting and its assessment of the audit results.

To enable it to perform its duties, Group Audit has a full and unlimited right of information covering the right to inspect all necessary data and documents and all the Bank's operating and business processes. In the case of banking activities or processes that are outsourced to other enterprises, the terms of the relevant agreements ensure that Group Audit can fulfil its statutory and regulatory audit duties.

Group Audit submits written reports on all audits. These are addressed to the members of the Board of Managing Directors responsible for the areas concerned, the management of the units audited and the auditors of the financial statements. Group Audit uses the audit reports as the basis for monitoring and documenting the timely implementation of the action items identified. Regular progress reports are submitted to the management of the audited units and the Board of Managing Directors.

Group Audit prepares an annual report on all audits conducted during the past fiscal year and submits this to the Board of Managing Directors. In addition, material defects ascertained during the year under review, the measures recommended or needed to remedy them and the implementation status of the action items are reported. The Board of Managing Directors uses this report as the basis for preparation of its annual review report for the Supervisory Board, in accordance with the provisions of the MaRisk.

Risk Management

In its risk management activities, Dresdner Bank distinguishes between credit and counterparty risk, market risk, risk from shareholdings and real estate risk, operational risk, business risk and strategic risk, liquidity risk, and reputational and environmental risk. These risk types are presented in detail below.

Credit and counterparty risk

Credit and counterparty risk represents the potential losses from credit downgrades or defaults by business partners (counterparties). For the purpose of Group-wide risk management, it can be broken down into credit risk from lending activities, counterparty risk from trading activities, issuer risk from securities transactions and country risk from cross-border transactions.

General discussion of credit and counterparty risk

Dresdner Bank's credit and counterparty risk is measured and managed both at the level of individual clients and transactions and at portfolio level.

The following risk parameters are core elements in the measurement of credit and counterparty risk: the probability of default (PD), the exposure at default (EAD) and the loss given default (LGD). These parameters are used to calculate the expected loss (EL) and the unexpected loss (UL) for all credit and counterparty risks. The expected loss denotes the notional standard default costs. The unexpected loss reflects the actual risk involved and is backed by regulatory and economic capital. An internal bank credit risk model is used to calculate the unexpected loss; this takes into account both the correlations between the individual portfolio components and concentration effects.

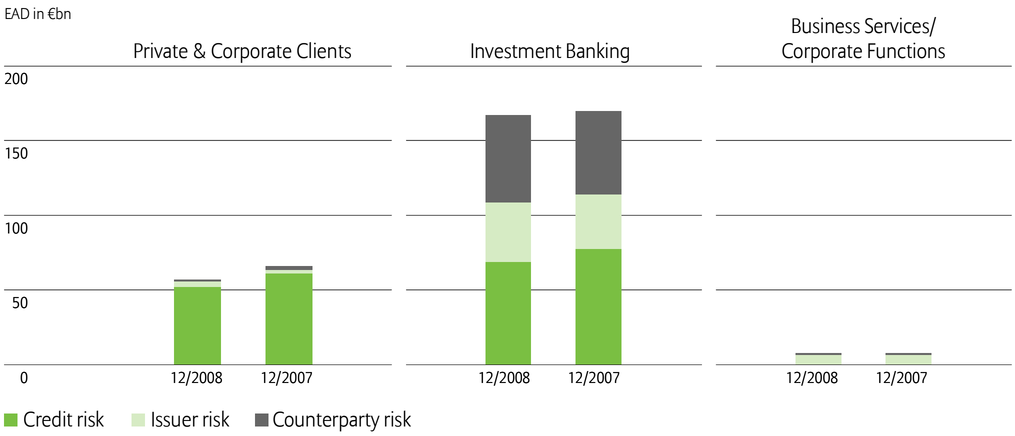
(a) Composition of the overall exposure from credit and counterparty risk

The total exposure from credit and counterparty risk comprises the credit risk from the PCC and Investment Banking divisions' loan portfolios and counterparty and issuer risk positions, which are primarily attributable to the Investment Banking division.

The following section quantifies the overall credit risk exposure using the exposure at default (EAD) and, in the case of counterparty and issuer risk, using the positive fair values including risk premiums designed to take future market volatility into account. The reported EAD does not include any collateral agreements or expected revenue in the case of potential bankruptcy by the client. The overall exposure (EAD) from credit and counterparty risk at the year-end amounted to €230.5 billion (previous year: €243.4 billion). The methodology used here for the first time to quantify the risk reflects the internal management methodology and adopts a more conservative approach to counterparty and issuer risk.

In contrast, the annual report as at 31 December 2007 used the average positive fair values for a one-year horizon for the trading business. Application of this previous methodology would have resulted in a decline in the total volume from €193.9 billion to €177.0 billion in 2008. The total exposure (EAD) can be broken down across our segments as shown below:

Total exposure from credit and counterparty risk in the credit and trading portfolio



The decline in the overall exposure is due on the one hand to the sale of OLB – this is reflected in particular in the decline in the relative proportion of the total exposure accounted for by the lending business from 56.9% to 52.5% – and on the other to a reduction in the volume of the lending business in the Investment Banking division.

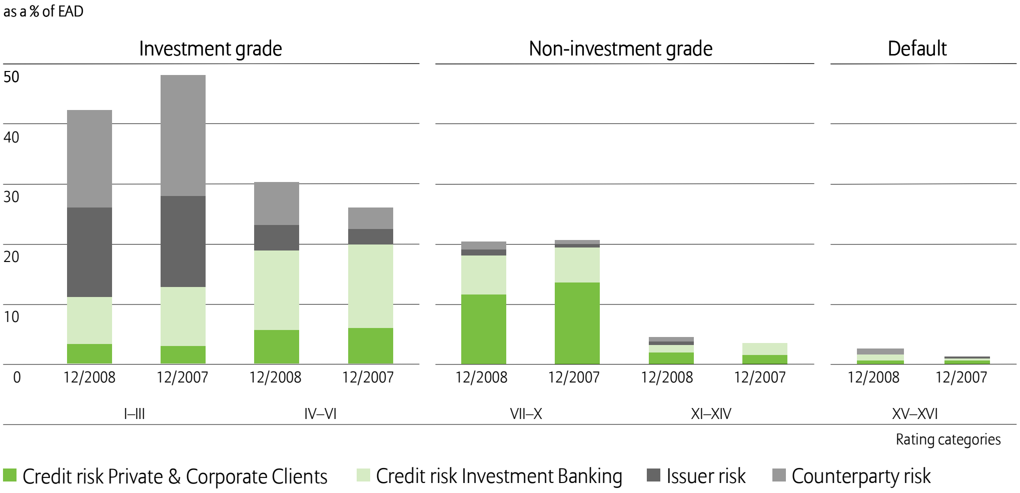
In relative terms, the proportion of the overall exposure accounted for by issuer risk rose slightly from 18.8% to 21.6%; the proportion of the overall exposure accounted for by counterparty risk increased from 24.3% to 25.9%. The rise was due to the increase in the fair values of credit derivatives used to hedge asset backed securities, despite the decline in nominal volumes.

The PCC portfolio primarily comprises loans to private clients and small and medium-sized enterprises. These were less strongly affected by the turbulence on the financial markets in 2008.

Nevertheless, we are anticipating an increase in default rates in the PCC portfolio in particular in 2009 due to the deteriorating economic environment. In addition, the forthcoming harmonisation of the methodology used for recognising loan impairment allowances and loan loss provisions in the course of the integration with Commerzbank will impact earnings (see also the section entitled “Loan impairment allowances and loan loss provisions”).

The quality of the Investment Banking division's portfolio was substantially impacted by the crisis on the capital markets; this was reflected both in significant credit defaults and in rating downgrades in the areas of credit, counterparty and issuer risk. For further details on the quality of the portfolio held by the Investment Banking division, please see the sections entitled "Loan impairment allowances and loan loss provisions" and "Summary assessment of the financial crisis from a risk perspective".

Breakdown of the credit and trading portfolio by ratings (PD-based obligor rating, credit and counterparty risk overall exposure)



The portfolio quality of the overall exposure – measured in terms of the ratings distribution – deteriorated in comparison to the end of the previous year due to the financial crisis. Thus 72.4% (31 December 2007: 74.3%) of the overall exposure was attributable to rating categories I to VI (investment grade). Within the investment grade category, the shift in individual counterparties from rating categories I to III to IV to VI is primarily due to rating downgrades in the financial services sector. The increase in rating categories XI to XIV was due in particular to rating downgrades of monolines in the area of counterparty risk. The increase in the default exposure was due above all to the default of three leveraged loan underwritings.

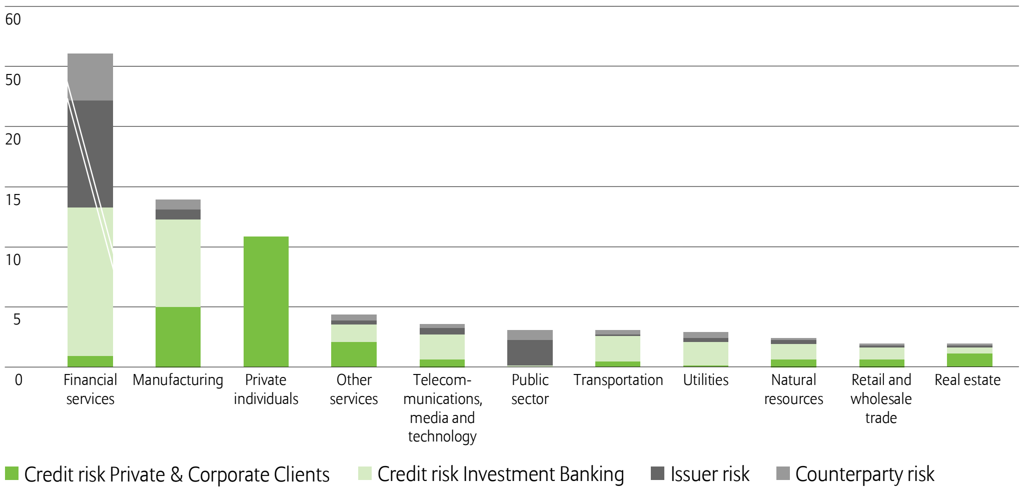
(b) Sector-oriented portfolio management

Dresdner Bank uses both a top-down and a sector-oriented approach to credit and counterparty risk management. To arrive at the segments, client portfolios are initially classified according to general criteria such as, for example, sector and revenue class. Specific rating procedures are then applied in line with the segment allocation.

The sector to which a client belongs is a key element of portfolio management. Regular sector analyses are used as the basis for recommending actions for ongoing portfolio management. These sector analyses are flanked by sector-specific stress test scenarios. In addition, Dresdner Bank has developed a ranking system that supplements the quantitative analysis of the sector portfolios by reflecting sector quality, measured in terms of internal and external parameters such as the average probability of default for the sector and insolvency trends.

Breakdown of the credit and trading portfolio by sectors (credit and counterparty risk overall exposure)

as a % of EAD



Financial services providers accounted for approximately 52.1% of the overall exposure, and 25.1% of the lending business. Our portfolio holdings for this sector are broadly diversified across a large number of institutions active in different regions and a wide variety of business areas. Around one third of the exposure to financial services providers relates to institutions with a public sector background or institutions that had taken up state support as at 31 December 2008. In view of the ongoing tight situation on the financial markets, we are closely monitoring financial services providers in particular; the majority of our portfolio holdings in this segment have an investment grade rating despite a number of rating downgrades.

(c) Determination of portfolio concentrations

Concentrating large proportions of a portfolio on single counterparties involves the risk of major losses if a particular counterparty defaults (concentration risk). Therefore portfolio concentrations are monitored closely and reflected appropriately in the risk capital.

Concentration risk is monitored at portfolio level using nominal and risk-weighted concentration measures, e.g. the shares of total portfolio limits accounted for by subportfolios or the risk capital utilised by individual loan commitments above and beyond certain thresholds. Monitoring of the risk-weighted concentration supplements the nominal perspective since it also takes the probability of default and collateralisation into account. At the individual client (single name) level, concentration risk is managed using a multi-level system of concentration thresholds.

Where a threshold is exceeded, specific risk management and, if appropriate, risk mitigation measures are initiated. These can comprise, for example, the syndication of portions of loans on the capital market or single name hedging using credit derivatives. At the year-end, 21 loan commitments involving risk capital of more than €20 million each existed in the loan and trading portfolio; the total limit amounted to €16.5 billion (previous year: 18 loan commitments with a total limit of €14.4 billion). The increased number of these commitments was due among other things to significant rating downgrades of individual ABS positions as well as to increased default risks in connection with monolines (see also the section entitled "Notable subportfolios in the context of the financial crisis"). We will take advantage of opportunities to reduce our portfolio concentration depending on future market developments.

Although the forthcoming sale of critical structured securities to Allianz will result in a slight decrease in the concentration risk, we are not expecting a significant reduction in view of the continuing illiquidity of the remaining positions.

(d) Credit and counterparty risk stress tests

We perform periodic stress tests at counterparty and portfolio level to assess the potential effects of macroeconomic developments and crisis scenarios on credit and counterparty risk; this allows us to identify counterparties and sectors under threat. In particular, the stress tests take critical subportfolios and examine the potential risk that they represent using portfolio-specific scenarios. In the year under review, we took the deterioration in market conditions resulting from the financial crisis into account in our scenario assumptions.

Credit risk from lending activities

The exposure from lending transactions is defined as the total exposure at default. This type of risk accounts for the largest part of credit and counterparty risk.

(a) Portfolio structure

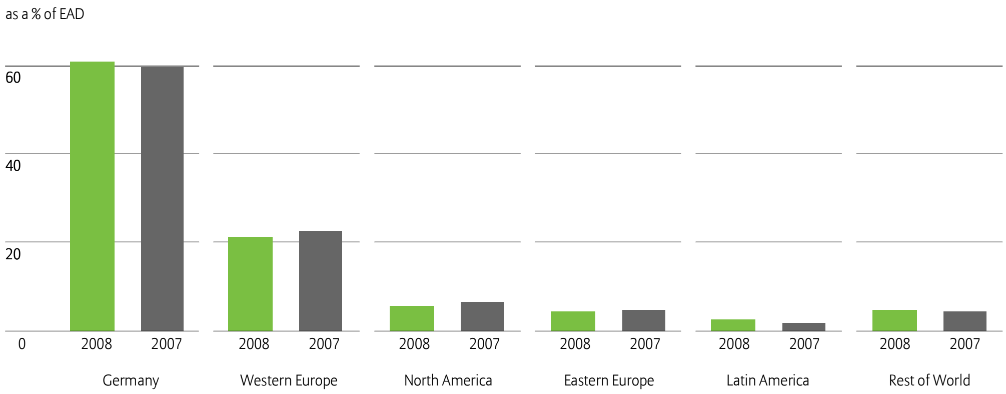
The total exposure from lending transactions amounted to €121.0 billion at the year-end (previous year: €138.6 billion). This decline is primarily due to the hive-off of OLB from the Dresdner Bank Group and to the reduction of loans to financial services providers in the Investment Banking division.

The Bank's overall exposure and the average default probabilities derived statistically for it can be assigned to the Bank's divisions and functions as follows:

	Private & Corporate Clients		Investment Banking		Business Services/ Corporate Functions		Group (total)	
	31/12/2008	31/12/2007	31/12/2008	31/12/2007	31/12/2008	31/12/2007	31/12/2008	31/12/2007
Exposure at default (€bn)	52.2	60.6	68.7	77.6	0.1	0.4	121.0	138.6
Average default probability (%)	1.82	1.72	0.87	0.90	0.45	1.32	1.28	1.25

As at the reporting date, 82.5% of Dresdner Bank's loan portfolio, expressed in terms of the EAD, was accounted for by borrowers domiciled in Germany and the rest of Western Europe (previous year: 82.0%). 61.0% of this amount related to Germany (previous year: 59.6%). The regional distribution remained largely unchanged during the course of the year.

Exposure at default broken down by client domicile



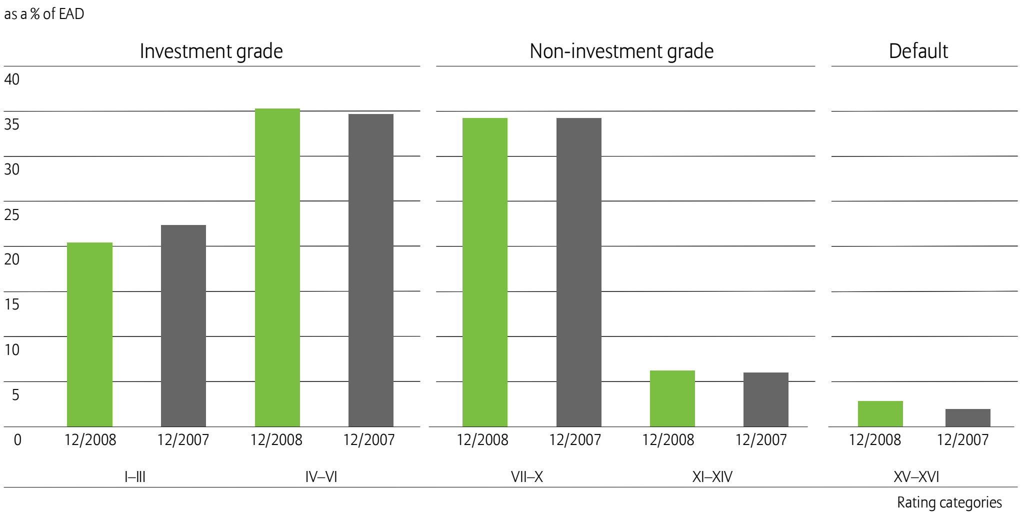
Whereas the portfolio in the PCC division relates almost exclusively to Germany (approximately 96% of the EAD), the Investment Banking division's loan portfolio has an international focus. In the latter case, the proportion of German borrowers amounts to 34% – a further 36% of the EAD relates to the rest of Western Europe, while the share accounted for by North America amounts to approximately 10%.

(b) Credit quality

In the year under review, the ratio between the investment grade and the non-investment grade portfolio remained more or less stable. At 56.2% (previous year: 57.6%), a majority of Dresdner Bank's loan portfolio, measured in terms of the EAD, was attributable to rating categories I to VI (investment grade) at year-end, with a slight shift within the investment grade towards rating categories IV to VI.

A series of rating downgrades in the financial services segment contributed to this shift in credit quality. In addition, the credit quality of a number of underwritings in the leveraged loan portfolio deteriorated as a result of the financial crisis. Value adjustments were recognised on individual transactions, which were assigned to the default category.

Breakdown of the loan portfolio (PD-based obligor rating)



The financial crisis led to rating downgrades in the financial services sector in particular.

The average probability of default for the loan portfolio not in default (known as the "white book") rose slightly from 1.25% to 1.28%. However, this no more than slight increase benefits from the fact that, due to the loan impairment allowances and loan loss provisions charged on particularly critical exposures, the latter were assigned to the default portfolio at the end of the year and are therefore no longer contained in the white book.

We expect the rating profile to deteriorate in 2009 due to negative rating migrations.

The quality of the white book is reflected among other things in the ratio of the expected loss (EL) to the exposure at default (EAD), which is known as the "EL ratio" or "risk density". The EL, which is determined using the Internal Model Method, represents a statistical expected loss after adjustment for collateral, the probability of default, and recovery factors.

Despite slight rating shifts, the total risk density in the white book improved slightly to 0.28% (previous year: 0.31%); this applies in particular within the Investment Banking division. As in the case of the explanation regarding the average probability of default given above, this is due to the reclassification of critical commitments (e.g. in the area of takeover finance) to the default portfolio, where the loan impairment allowances and loan loss provisions charged replace the calculation of the expected loss.

	Exposure at default (€bn)		Risk density in %	
	31/12/2008	31/12/2007	31/12/2008	31/12/2007
Private & Corporate Clients	**52.2**	**60.6**	**0.38**	**0.39**
– Mortgage lending	25.3	29.0	0.32	0.30
– Current account overdrafts	13.3	14.2	0.50	0.54
– Individual loans	9.7	12.8	0.34	0.40
– Other	3.9	4.6	0.41	0.45
Investment Banking	**68.7**	**77.6**	**0.20**	**0.25**
– Financial services	27.9	37.1	0.18	0.20
– Manufacturing industry	16.8	13.2	0.24	0.44
– Transportation	4.6	4.7	0.21	0.16
– Telecommunications, media and technology	4.6	5.8	0.19	0.35
– Utilities	4.4	4.9	0.09	0.09
– Other services	3.5	4.5	0.20	0.19
– Natural resources	3.0	3.2	0.16	0.32
– Retail and wholesale trade	2.2	2.2	0.31	0.28
– Real estate	1.2	1.3	0.20	0.11
– Other	0.5	0.7	0.34	0.16
Business Services/Corporate Functions	**0.1**	**0.4**	**0.15**	**0.45**
Total	**121.0**	**138.6**	**0.28**	**0.31**

However, in view of the difficult economic situation we expect significant negative rating migrations, which will lead to an increase in the risk density.

The risk density for mortgage lending in the PCC division deteriorated slightly due to an increase in the probability of default – in contrast, the risk density and probability of default in the other product groups improved. To date, the PCC portfolio has hardly been impacted by the effects of the financial crisis.

We are expecting rating downgrades and hence a decline in the portfolio quality in 2009 as the crisis spreads to the real economy and in view of the forecast increase in unemployment.

As already described above, the improved risk density recorded during the year in the takeover finance/manufacturing industry areas in the Investment Banking division is primarily due to the transfer of critical commitments to the default portfolio, which led to the effects on loan impairment allowances and loan loss provisions and the expected loss described above.

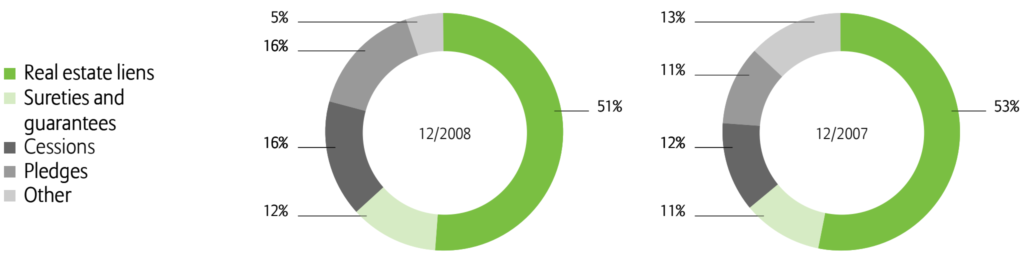
We are anticipating additional rating downgrades and hence an increase in the risk density in the course of the financial crisis; these are addressed separately in the section entitled “Notable subportfolios in the context of the financial crisis”.

The Business Services/Corporate Functions (BS/CF) division's loan portfolio comprises relatively small positions (EAD as at 31 December 2008: €0.1 billion) that cannot be allocated to other divisions in the short term. As a result, the average quality of these holdings varies widely.

(c) Loan collateral

Loan collateral can be broken down into personal collateral (e.g. sureties) and asset-based collateral. The total expected realisable values of all collateral in Dresdner Bank's credit risk portfolio amounted to €37.4 billion (previous year: €43.3 billion). The decrease in the volume of collateral is due in particular to the hive-off of the OLB portfolio. Real estate liens (primarily on residential properties) are the predominate type of collateral used for calculating risk parameters and accounted for 51.4% of the realisable values at year-end (previous year: 53.4%, adjusted retroactively to comply with Basel II risk parameters). Both the ratio of collateral provided to the EAD and the average loss ratio on default for our loan portfolio (the ratio of the LGD to the EAD) remained stable year-on-year. At approximately 31%, the ratio of collateral provided was unchanged as against the previous year, while the average loss ratio was around 26%.

Breakdown of loan collateral for the loan portfolio



(d) Loans past due

Credit limits that are past due occur regularly and must be taken into account in risk management. They may be due to the late receipt of contractually agreed interest and redemption payments, known as delinquencies, or tolerated temporary limit overruns. Additionally, limit overruns that are tolerated in view of the client's creditworthiness may also be responsible for loans past due. The following table gives a breakdown by duration of loans past due that have not been classified as non-performing.

Days past due[1]	Total volume of loans past due (€m)		Proportion of total loan volume (%)	
	31/12/2008	31/12/2007	31/12/2008	31/12/2007
29 or less	450	569	0.3	0.3
30 to 59	61	79	<0.1	<0.1
60 to 89	10	91	<0.1	<0.1

1) Not including loans that are past due for technical reasons or are past due by less than 5 days.

The total volume of loans past due at year-end was €521 million (previous year: €739 million). The decline was due to the overall reduction in the lending business – the proportions of the total lending volume accounted for by the various categories remained unchanged. Loans past due are monitored daily and closely managed, with monitoring increasing in line with the size of the loans and the period for which they are past due.

(e) Risk elements

Risk elements at Dresdner Bank are defined in line with the disclosure requirements laid down by the U.S. Securities and Exchange Commission (SEC) Industry Guide 3, and largely correspond to the default definition under Basel II. They are classified as follows:

- Non-accrual loans: Loans are assigned to this category as soon as an impairment loss is charged for a loan. This category also includes all exposures that have been terminated and loans to debtors in insolvency.
- Loans 90 days past due and still accruing: Loans in default that have been past due for 90 days or more, but for which the receipt of all payments is still expected due to full, liquid collateral.
- Troubled debt restructurings: Loans which were restructured due to a deterioration in the borrower's economic situation, i.e. loans in relation to which the Bank has made concessions (deferral, partial waiver, or similar).
- Other risk elements are loans for which the Bank, based on the information currently at its disposal, has serious doubts as to the ability of the borrower to comply with its contractual obligations but that have not been allocated to the remaining risk elements because they are not yet 90 days past due and no loan impairment losses have been charged on them.

The following table provides an overview of Dresdner Bank's risk elements:

Risk elements	31/12/2008	31/12/2007	Change	
	€m	€m	€m	%
Non-accrual loans	3,881	1,529	2,352	>+100.0
Loans 90 days past due and still accruing	32	180	-148	-82.2
Troubled debt restructurings	11	24	-13	-54.2
Other risk elements	28	33	-5	-15.2
Risk elements	**3,952**	**1,766**	**2,186**	**>+100.0**

Three quarters of all risk elements are attributable to the Investment Banking division. The year under review saw an extremely sharp rise in the risk elements of approximately €2.2 billion (123.8%) to approximately €4.0 billion (previous year: €1.8 billion). The increase in the risk elements related solely to non-accrual loans, where the Investment Banking division recorded defaults on a number of large exposures in the course of the financial crisis. As a result, the proportion accounted for by the 20 largest individual non-performing loans, measured in terms of the amounts drawn down, increased from approximately 22% of the total portfolio of risk elements in the previous year to 74%. The largest single non-performing loan accounted for approximately 17% (previous year: approximately 6%) of the total portfolio of non-performing loans. This relates to a large exposure to a manufacturing company domiciled in Germany that is a customer of the Investment Banking division, and for which a provision for specific risks has been established.

The extent of the defaults that occurred in the year under review, both in total and at the level of individual commitments, demonstrates that, in certain areas of Investment Banking that were particularly hard hit by the effects of the financial crisis, both the process of transferring loans from the white book to intensive care and the risk early warning system are in need of improvement and must be comprehensively revised.

Loan impairment allowances and loan loss provisions

Dresdner Bank recognises loan impairment allowances and loan loss provisions for credit and counterparty risk as well as for country risk on loan transactions. Loan impairment allowances and loan loss provisions are recognised for loans for which there is evidence of credit events that result in borrowers being unable to make the agreed interest and redemption payments in full or in part, and for which the resulting impairment can be reliably measured.

The loan portfolio for which loan impairment allowances and loan loss provisions are to be recognised is split into a homogeneous and a non-homogeneous portfolio. The homogeneous portfolio comprises loans from the PCC Division with a limit of less than €1 million, which are assigned to product-related segments (e.g. mortgage lending) on the basis of comparable risk parameters, and for which the degree of risk has been calculated at portfolio level by establishing collective allowances. All other loans are attributable to the non-homogeneous portfolio, with a distinction being made between the measurement approach adopted for individual commitments in default (allowances and provisions for specific risks) and for defaults that have occurred but are as yet unidentified (allowances and provisions for general risks). In addition, an unwinding effect is calculated for terminated commitments: this represents the present value of collateral adjusted for the realisation period. This leads to higher initial write-downs, which are subsequently reduced as a result of the increase in value of the collateral over time. The annual amount of the reduction is debited against the reversals of write-downs and credited to interest income.

The total amount of loan impairment allowances and loan loss provisions thus currently comprises the following elements: allowances and provisions for specific risks for the non-homogeneous portfolio and allowances and provisions for general risks for the non-homogeneous portfolio, including collective allowances for the homogeneous portfolio. The allowances and provisions for country risk are included in the allowances and provisions for general risks. The unwinding effect is included in the allowances and provisions for specific risks.

Adjustments to the methodology used for calculating the loan impairment allowances and loan loss provisions will be made in the course of the Bank's integration with Commerzbank. Firstly, the method used to calculate the portfolio loan loss provisions (PLLPs) for the homogeneous portfolio will be replaced by that used at Commerzbank. Secondly, with respect to the measurement of the general loan loss provisions (GLLPs) the loss emergence period (LEP) will be harmonised; this measures the period between the occurrence of a risk and its identification by the Risk function. We have already made appropriate allowance for the risk resulting from these methodological changes in our risk planning for 2009.

The following tables illustrate the changes in the loan impairment allowances and loan loss provisions:

Total loan impairment allowances and loan loss provisions	2008	2007	Change	
	€m	€m	€m	%
1 January	961	1,237	-276	-22.3
Additions to loan impairment losses	1,941	511		
Charge-offs	440	341		
Amounts released	112	445		
Other additions/reductions	-136	-1		
31 December	**2,214**	**961**	**1,253**	**>+100.0**
Loan impairment allowances against assets	2,057	762	1,295	>+100.0
Loan loss provisions	157	199	-42	-21.1

Allowances and provisions for specific risks	2008	2007	Change	
	€m	€m	€m	%
1 January	537	558	-21	-3.8
Additions to loan impairment losses	1,859	508		
Charge-offs	440	341		
Amounts released	72	192		
Other additions/reductions	-97	4		
31 December	**1,787**	**537**	**1,250**	**>+100.0**

Allowances and provisions for general risks (GLLPs/PLLPs)	2008	2007	Change	
	€m	€m	€m	%
1 January	424	679	-255	-37.6
Additions to loan impairment losses	82	4		
Charge-offs	–	–		
Amounts released	39	254		
Other additions/reductions	-39	-5		
31 December	**427**	**424**	**3**	**0.7**
General loan loss provisions	289	254	35	13.8
Portfolio loan loss provisions	138	170	-32	-18.8

The total loan impairment allowances and loan loss provisions of €2,214 million (previous year: €961 million) increased substantially in the year under review, due in particular to the increase in allowances and provisions for specific risks in the Investment Banking division.

The following table illustrates the segment-specific change in net loan impairment allowances and loan loss provisions against the backdrop of the extraordinary factors resulting from the financial crisis:

€m	Total	Q4/2008	Q3/2008	Q2/2008	Q1/2008	Total	Q4/2007	Q3/2007	Q2/2007	Q1/2007
PCC	126	57	33	34	2	58	27	3	27	1
IB	1,558	1,293	226	30	9	57	4	26	36	-9
BS/CF	-13	-16	2	2	-1	-247	-239	-8	-1	1
Total – Group	**1,671**	**1,334**	**261**	**66**	**10**	**-132**	**-208**	**21**	**62**	**-7**
Extraordinary factors from the financial crisis	1,513	1,287	211	14	–	80	9	41	30	–
Total excluding extraordinary factors	**158**	**47**	**50**	**52**	**10**	**-212**	**-217**	**-20**	**32**	**-7**

Net loan impairment allowances and loan loss provisions in 2008 amounted to €1,671 million. The figure of €242 million (not including GLLPs) contained in the planning at the beginning of the year was clearly exceeded. By far the largest portion of the loan impairment allowances and loan loss provisions, comprising SLLPs amounting to €1,484 million, was accounted for by the Investment Banking division's loan portfolio, which was severely impacted by extraordinary factors resulting from the financial crisis. This figure includes an SLLP of €105 million for the securities reclassified from the trading book to the banking book in accordance with IAS 39. By contrast, losses from the trading book portfolio were recognised directly in net trading income. These substantial losses led us to perform a thorough review of the relevant portfolios and in particular to suspend unused back-up lines and unused portfolio limits (for example for underwriting LBO financing) until further notice. Net loan impairment allowances and loan loss provisions in the PCC division remained within expectations, at €126 million. The unwinding effect amounted to €17 million, of which €16 million is attributable to PCC and €1 million to the Investment Banking division.

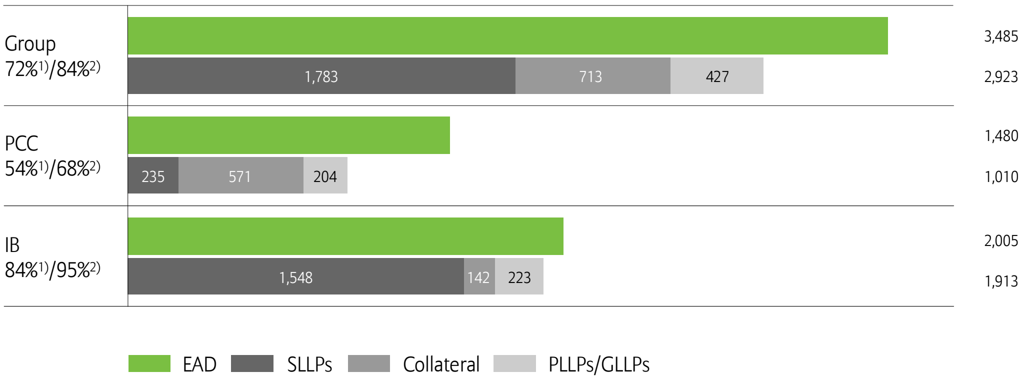
The GLLPs allocated to the PCC segment declined by €21 million as a result of an improvement in the methodology used to calculate the expected loss. The GLLPs for the Investment Banking division increased by €73 million as a result of management adjustments made against the background of the financial crisis; this figure includes €70 million for securities reclassified in accordance with IAS 39.

Since the financial crisis has now also spread to the real economy, we are expecting a significant increase in insolvencies and restructuring measures. Our current estimates for the loan impairment allowances and loan loss provisions do not assume any significant decrease as against the 2008 level.

The default portfolio contains all exposures with a default as defined by Basel II. All cases are covered in full by allowances and provisions for specific risks, collateral and future cash flows. The following chart illustrates the cover attributable to allowances and provisions for specific risks, and to collateral – expressed as the coverage ratio (excluding PLLPs/GLLPs), and classified by segment:

Breakdown of the default portfolio and coverage ratio by segment

€m

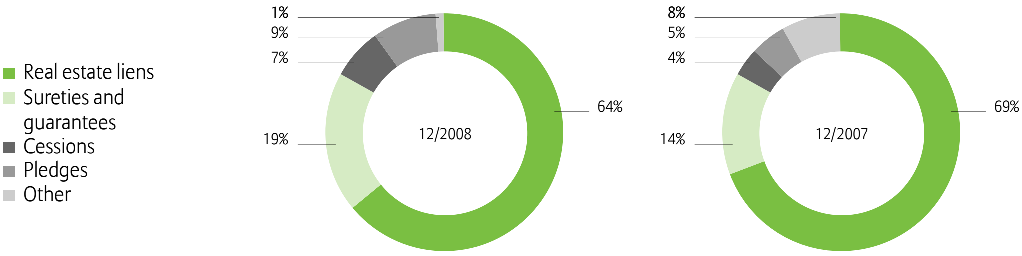


1) Coverage ratio excluding PLLPs/GLLPs (previous year, Group: 61%).
2) Coverage ratio including PLLPs/GLLPs (previous year, Group: 78%).

The Group figures are adjusted for the materially insignificant BS/CF segment (with an EAD of €10 million, SLLPs of €3 million and collateral of €6 million). The GLLPs of €289 million cover 0.14% of the non-homogeneous portfolio for which no allowances have been established, while the PLLPs of €138 million cover 0.54% of the homogeneous portfolio.

The majority of our loan collateral for loan commitments for which allowances and provisions have been charged for specific risks relates to real estate liens, although this proportion is declining. The proportion of sureties and guarantees, cessions and pledges increased in each case in 2008. The following graphic shows the breakdown of loan collateral for loan commitments for which allowances and provisions for specific risks have been charged within the Group:

Breakdown of loan collateral for loan commitments for which allowances and provisions for specific risks have been charged (Group)



In individual cases, the Bank also conducts repayment negotiations with other financers or engages external collateral recovery specialists to optimise the proceeds of the collateral. As a matter of principle, the Bank does not realise the collateral by making use of it itself. Realisation of the collateral is based on the monitoring and review of the carrying amounts involved using corresponding IT systems.

Counterparty risk from trading activities

The following section gives a breakdown of the key figures for the derivatives and repo business. Specific effects resulting from this subportfolio are explained in detail in the section entitled "Notable subportfolios in the context of the financial crisis".

Counterparty risk arises from the potential default of counterparties in trading transactions. In contrast to the lending business, the amount of the claim subject to counterparty risk is generally determined not by the contractually agreed nominal volume of the transaction, but by the latter's current fair value (replacement cost).

As a matter of principle, fair values and the related notional volumes are presented using a risk-oriented approach. Exchange-traded transactions are not recognised at their fair value but only in the amount of the margin, due to the settlement guarantee provided by the clearing houses. Counterparty ratings and any potential future deteriorations in these are taken into account when setting the size and structure of the limit.

(a) Derivatives business

The derivatives business comprises exchange-traded and OTC derivatives in the trading book and the banking book. The fair values in the table do not include any effects from netting or collateral agreements.

Trading and banking book contracts	Fair values		Notional volumes	
€m	31/12/2008	31/12/2007	31/12/2008	31/12/2007
Interest rate derivatives	80,431	36,620	3,041,140	2,936,494
Currency derivatives	24,284	9,742	625,334	766,017
Equity/index derivatives	14,043	11,625	304,891	441,917
Credit derivatives	47,218	11,984	767,584	1,214,832
Other derivatives	1,262	567	2,974	2,756
Total	**167,238**	**70,538**	**4,741,923**	**5,362,016**

The decline in notional volumes is primarily attributable to the closing out of transactions with non-strategic clients. In addition, they are due to isolated defaults in the credit derivatives area that were a direct result of the financial crisis.

The volume in the table above was reduced to an amount effectively at risk of €14.5 billion (previous year: €7.0 billion) through risk reduction measures, i.e. through netting and collateral agreements. The increase in fair values observed in comparison with the previous year coupled with the decline in notional values is due both to business and to methodological factors. From a business perspective, the fair values of our hedges in the derivatives business rose sharply as a result of recent developments on the financial markets. The fair values of equity and credit derivatives rose because of higher volatility in exchange rates and equity prices and the increased credit spread. In addition, the sharp cuts in interest rates in the second half of 2008 led to an increase in the fair values of our interest rate derivatives. From a methodological perspective, a number of improvements to the models used for calculating fair values should be mentioned. In the year under review 96.9% (previous year: 98.0%) of the total fair values were attributable to counterparties with an investment grade rating (categories I to VI).

Maturity structure. At the year-end, 33.4% (previous year: 38.0%) of all derivatives transactions – measured in terms of their notional amounts – had a maturity of up to one year, 44.2% (previous year: 40.2%) had a maturity of between one and five years and 22.4% (previous year: 21.8%) had a maturity of more than five years.

Master netting agreements. We enter into cross-product master netting agreements with our business partners in order to reduce counterparty risk from derivatives transactions. Dresdner Bank also uses the master agreements to reduce the amount of regulatory capital required for derivatives transactions. After adjustment for netting effects, the positive replacement cost declined by €140.6 billion (previous year: €57.4 billion) to €26.6 billion (previous year: €13.1 billion).

Collateral agreements. Collateral agreements allow the Bank to require collateral in the form of cash (G7 currencies) or government securities to hedge derivatives transactions. As at the year-end, the lending value of the collateral received amounted to roughly €12.1 billion (previous year: €6.1 billion). After adjustment for collateral effects, the positive replacement cost after netting therefore declined to €14.5 billion (previous year: €7.0 billion).

Collateral agreements for derivatives transactions	31/12/2008	31/12/2007
Rating categories I–III	76	252
Rating categories IV–VI	363	250
Rating categories VII–X	184	124
Rating categories XI–XIV	–	–
Rating categories XV–XVI	6	2
Total	**629**	**628**

(b) Repurchase and reverse repurchase agreements

In repo transactions, the seller (repo position) sells certain collateral, normally securities, to a buyer (reverse repo position). At the same time, an agreement is entered into whereby the buyer undertakes to sell this collateral back to the seller at an agreed price at a later date. In economic terms, repo transactions are therefore the equivalent of secured loans extended by the buyer to the seller.

At year-end 2008, the notional volume of Dresdner Bank's repo transactions amounted to €191.1 billion (previous year: €452.7 billion). €97.1 billion (previous year: €239.3 billion) of this figure is attributable to repos and €94.0 billion (previous year: €213.4 billion) to reverse repos. The decline in the notional volumes as against the previous year reflects the clear reduction in our business activities in this area in connection with the financial crisis.

Repos can also be entered into under a master agreement that allows netting within this product group. The netted fair values for repos at the year-end amounted to €15.0 billion (previous year: €40.6 billion), while the fair values for reverse repos amounted to €1.5 billion (previous year: €12.2 billion). 96.2% of the total replacement cost (before netting and collateral agreements) in the year under review was attributable to counterparties with an investment grade rating (previous year: 96.5%).

The number of collateral agreements in the repo business declined primarily as a result of the smaller group of active clients due to the financial crisis. The impact of this decline was restricted almost entirely to rating categories I to III, from which counterparties hit by the crisis migrated to less favourable rating categories. In addition, as part of a reorganisation in the Dresdner Bank Group, we included collateral agreements by previously legally independent entities in existing Dresdner Bank AG agreements.

Collateral agreements for repo transactions	31/12/2008	31/12/2007
Rating categories I–III	107	696
Rating categories IV–VI	463	303
Rating categories VII–X	89	74
Rating categories XI–XIV	5	2
Rating categories XV–XVI	0	2
Total	**664**	**1,077**

(c) Money market business

The fair value of a money market transaction is its nominal volume. Dresdner Bank's deposits with other market players amounted to €4.5 billion at the year-end (previous year: €8.6 billion). €0.2 billion of this amount is attributable to precious metal loans (previous year: €0.3 billion). This clear decrease is primarily due to the restricted trading on the interbank money market resulting from the global financial crisis.

(d) Counterparty default adjustments

When a counterparty defaults, replacement costs are incurred for derivatives positions with a positive fair value. Dresdner Bank establishes value adjustments for these potential replacement costs in the form of counterparty default adjustments (CDAs) – these are used when calculating the fair value of trade positions to correct the positive fair value by the discounted expected loss from counterparty risk. Changes in the CDAs from one reporting date to the next are recognised in net trading income. The main drivers of the CDAs are the amount of the potential replacement costs and the probability of default of the counterparties concerned.

The following table gives an overview of the changes in counterparty default adjustments:

€m	Holdings	Net change
31/12/2008	1,811	1,709
31/12/2007	102	16
31/12/2006	86	-13
31/12/2005	99	0

In the course of 2008, holdings of CDAs rose significantly from €0.1 billion to €1.8 billion. The background to this was in particular the general increase in the probability of default and the higher fair values of credit default swap hedges of asset backed securities. In this context, more than half of the CDAs at the year-end related to monolines (for further details, see the separate sections entitled “Notable subportfolios in the context of the financial crisis” and “Overview of impact on earnings of the financial crisis”). Approximately two-thirds of the impact on earnings from CDAs in the year under review related to the fourth quarter, with a net change of €1,343 million.

Issuer risk from securities transactions

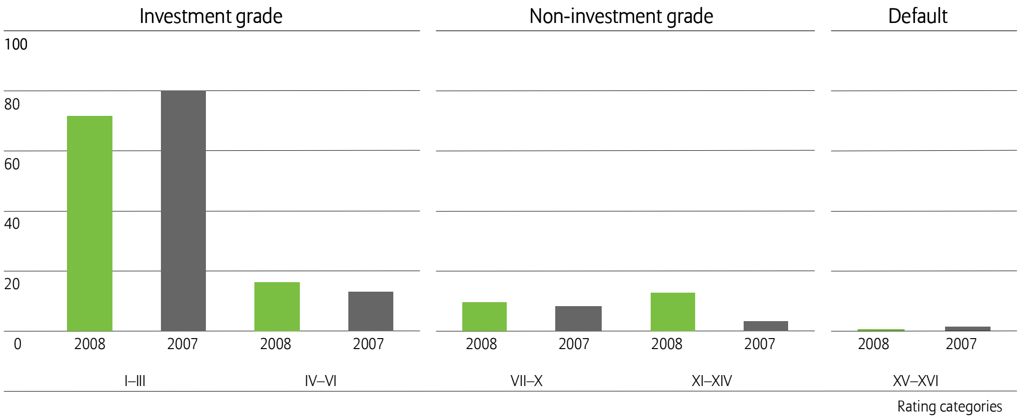
Issuer risk is incurred as a result of the Bank's own positions in securities, e.g. (fixed-income) bonds or equities, and in synthetic securities positions such as those entered into when concluding credit derivatives. The exposure, i.e. the maximum credit and counterparty risk position from issuer risk, is the amount that would be lost, given current market prices, if the issuer or reference debtor were to immediately default.

At year-end the total issuer risk exposure in the trading and banking books amounted to €42.3 billion (previous year: €40.3 billion). This increase is due directly to the consolidation of the K2 structured investment vehicle and indirectly to a significant deterioration in the ratings of a number of counterparty groups (e.g. monolines), from whom we had acquired credit derivatives to hedge against specific issuer defaults. These hedges were unwound from a risk perspective as part of restructuring agreements with the counterparties concerned, which led the exposure to the originally hedged issuer risk in the total amount of approximately €2.0 billion to re-emerge.

With respect to the modelling of the aggregate potential loss arrived at by bundling different (including synthetic) long and short positions relating to the same issuer, we have identified the need for improvements in the way that different maturities and structuring components (so-called basis risk) are accounted for.

Breakdown of issuer risk ratings from securities transactions

as a % of the exposure



Issuer risk is concentrated among investment grade counterparties. This reflects our selection of counterparties with strong credit ratings in the area of counterparty risk as well. A reduction in the limit amounts was resolved in the period under review as a reaction to the ongoing financial crisis.

Country risk

Country risk is defined as the risk deriving from country-specific risk factors. It primarily comprises transfer and conversion risk, i.e. the risk that cross-border flows of money and capital may be curbed or that currency exchange may be prevented by a sovereign act of the country concerned. In such cases, payments from a particular country may not be made any more, or may not be made in full. Such restrictions on flows of money and capital may also result from systemic financial crises that lead to high levels of turbulence on the local financial markets and the currency market. As a result, banks and enterprises may no longer be able to service their foreign liabilities.

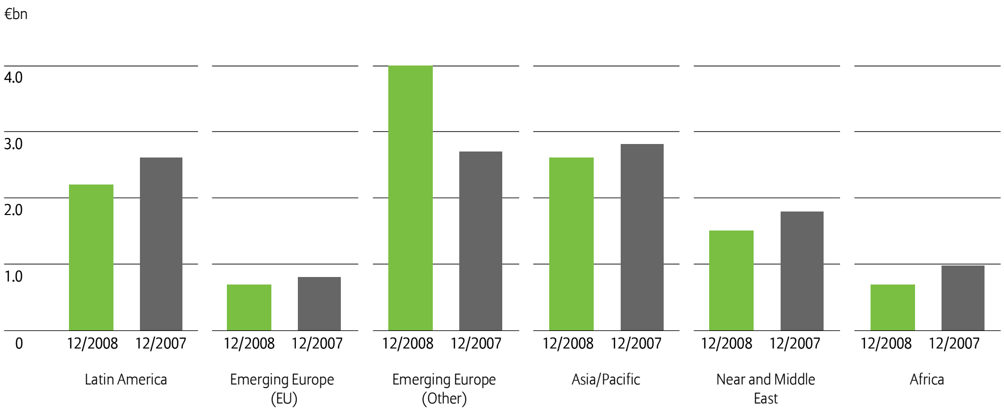
There were no notable changes to the general system used to manage our country risk in the year under review.

In the course of the international financial crisis, the financial market indicators in our early warning system sounded the alarm on the emerging markets, and especially Eastern Europe, in the summer of 2007. When classifying countries as emerging markets, i.e. assigning them internal country rating categories lower than category I, we use criteria that are comparable to those of the International Monetary Fund, which are stricter than the OECD classification. In accordance with our internal guidelines, limits and maturities for transactions in emerging markets were successively adjusted downwards. As a result, we were able to achieve our goal of reducing our risk in particularly badly affected countries. Our commitments in countries with increased risk profiles were predominately short-term in nature by the time the financial crisis actually hit the emerging markets in the second half of 2008.

In the year under review, the country risk portfolio recorded a clear increase in our exposure to Eastern European emerging markets. The rise was primarily due to increased valuations of existing currency transactions with Russian counterparties, due to the high volatility of local interest rates and exchange rate fluctuations; in other words, it was not attributable to new business.

As a result, the proportion of the portfolio accounted for by countries with investment grade ratings declined to 95.9% (previous year: 99.1%). The main driver for the increased proportion of non-investment grade exposures was the rating downgrade for Russia (new: VII, old: IV), which accounts for 67% of the exposure in rating categories VII to XVI. The proportion of the exposure in the total portfolio accounted for by rating categories II to XVI rose from 7.6% to 9.8% in the year under review. Within rating categories II to XVI, the proportion of countries with non-investment grade ratings rose significantly, from 11.6% to 42.0%. This is due to a very large extent to rating downgrades for a large number of countries, including in Eastern Europe, which we performed in December 2008 on the basis of current macroeconomic trends as part of our regular country rating reviews. In the following graphic, Russia is included in the “Emerging Europe (Other)” category.

Breakdown of the exposure for country rating categories II to XVI by region



Market risk

Market risk is caused by unforeseeable changes in market prices (e.g. stock prices, interest rates, commodities and exchange rates) and market parameters (e.g. correlations and volatility levels).

Market risk results from the trading book and the banking book. The trading book comprises Dresdner Bank's trading activities on behalf of clients as well as its proprietary business. The banking book contains fixed-income and floating rate loans, deposits, securitised liabilities, market risk management positions and investment securities.

We measure market risk in the trading book and the banking book using an analytical delta-gamma value at risk model. Value at risk measures the maximum potential loss that is not exceeded under normal market conditions by an unchanged position at the end of a given period (holding period) for a given high level of probability (confidence level).

Limits of risk modelling

Value at risk models are subject to inherent limitations with regard to their ability to model market risk. No model is able to fully capture all factors that have an effect in reality and their complex behaviour, including their interrelationships. For this reason, all models require simplifying assumptions to be made as to which risk factors are relevant to portfolio performance and how these behave. On the basis of historical observations, Dresdner Bank's value at risk model assumes stochastic behaviour in line with normal Gaussian distribution.

The assumption that past behaviour offers a reliable basis for forecasting future developments represents a fundamental limitation of statistical risk modelling. The financial crisis has demonstrated in many cases that historical parameters are no longer suitable for estimating scenarios because the historical maximum values have now been exceeded many times over.

Moreover, when interpreting value at risk, it is assumed that the underlying positions are revalued on a daily basis and that they can be closed out at the end of the prescribed holding period. Although this assumption is realistic in many cases, it has its limitations in illiquid market situations. In the year under review, this applied in particular to securitisation-related positions in the trading book. Another limitation results from the fact that the amount of the loss represented by the value at risk is not exceeded merely for a given (high) level of probability. Naturally, there is a (low) residual probability that future losses may be higher than the value at risk (so-called "outliers"). Value at risk does not provide any information about the size of such losses.

The limits to risk modelling explained above apply in particular to extreme situations. A variety of stress tests are therefore performed daily to supplement the value at risk model. As a consequence of the current market turmoil, we have significantly increased a number of the scenario parameters used for market changes (e.g. credit spreads) in our stress test scenarios. Nevertheless, it is impossible to investigate all conceivable scenarios in stress tests, too. Rather, stress tests and scenario analyses can give examples of the risks a portfolio may be exposed to under extreme market situations. They cannot give any conclusive assessment of the maximum loss in the case of an extreme event.

Market risk from the trading book

At Dresdner Bank, market risk from the trading book arises primarily in the Investment Banking division. In addition to value at risk limits, position- and strategy-specific risk indicators are used as operational limits in order to reflect the particular requirements and risk situations in the trading units. Examples of such risk indicators are net sensitivity to yield curves, the maximum sensitivity to a specific interest rate (e.g. the ten-year interest rate), or the sensitivity of equity and equity derivative positions to their underlyings (known as the "delta equivalent"). Income trends are monitored using stop-loss triggers. If a trading unit suffers a loss in excess of its trigger it has to develop a plan that is designed to ensure that further losses are avoided.

To improve risk management, the trading book portfolios were divided into "core" and "legacy" portfolios during the course of the year under review. The legacy area consists of portfolios or submarkets in which the systemic risk from the financial crisis is the predominant risk and there is insufficient market liquidity, or it is difficult to hedge the positions. For internal management purposes, there are separate value at risk calculations, limits and monitoring for the two areas.

Market risk from the trading book increased significantly in the course of 2008. This is attributable in particular to the generally higher market volatility resulting from the financial crisis. The increase in interest rate risk was mainly due to the changed rating profile of the credit spread positions, increased sensitivity to interest rate changes and an extremely sharp increase in volatility on the international financial markets. Equity risk rose significantly, but temporarily, in the period under review because of several underwriting commitments as part of share issues. In the trading book, these positions were subject to special monitoring processes. In order to avoid concentration risk within particular asset classes, corresponding limits (e.g. for value at risk) are generally assigned both at divisional level and at the level of the asset classes.

In the case of value at risk, the aggregate risk is lower than the sum of the risks reported per individual risk type. This is due to the diversification at portfolio level, which is taken into account in the value at risk in the form of correlations between the individual risk types, and which serves to reduce the risk involved.

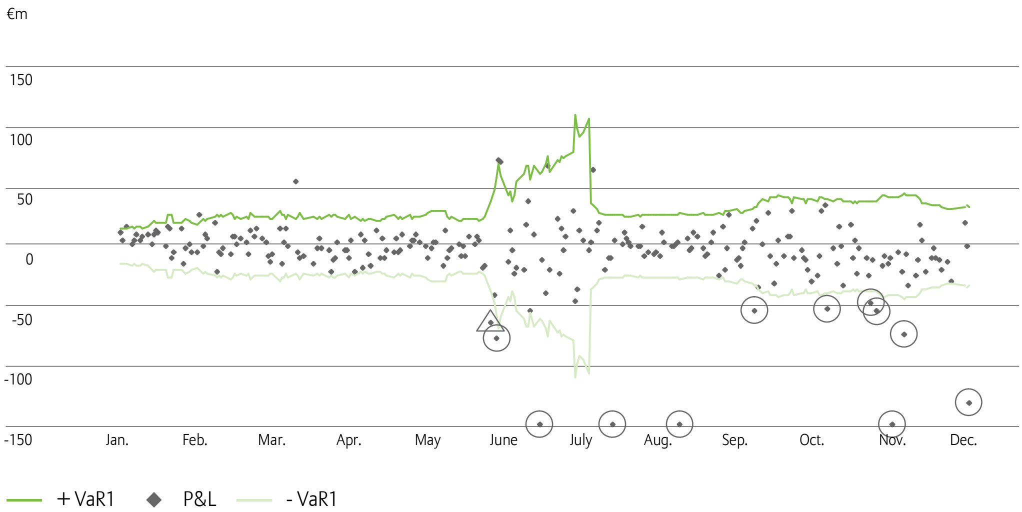
Value at risk[1] – trading book €m	31/12/ 2008	31/12/ 2007	Average value 2008	2007	Maximum 2008	2007	Minimum 2008	2007
Interest rate risk	94	30	86	35	143	55	32	22
Equity risk	53	41	70	32	356	63	20	15
Currency risk	26	9	14	11	46	22	5	3
Commodity risk	2	5	11	5	39	34	2	3
Diversification[2]	-68	-41	-72	-41	–	–	–	–
Aggregate risk	**107**	**44**	**109**	**42**	**339**	**67**	**38**	**26**

1) 99% confidence level, ten-day holding period.
2) No diversification effect can be calculated for the maximum and minimum values, as these are from different dates.

Backtesting is performed daily to assure the quality of our value at risk model. This process compares the value at risk ex post with “buy-and-hold” performance. Only the performance resulting from changes in market parameters is examined (this is known as the “clean P&L”). By contrast, performance components resulting from subsequent changes in positions are not included in backtesting as they do not form part of the value at risk in this regard. Backtesting is calculated using a value at risk with a 99% confidence level and a one-day holding period, to ensure that it is comparable with daily performance. Losses in excess of the value at risk are known as outliers. The analysis of the backtesting results gives us important indications of how to improve our market risk model.

Twelve outliers occurred for the Dresdner Bank Group in the year under review. One of the outliers was classified as a general market disruption by the regulatory authorities, i.e. it is disregarded for regulatory purposes (“technical outlier”). Nevertheless, the number of outliers is above the statistical expectations for the defined model calibration. The backtesting outliers highlight the limits of risk modelling in extreme situations of systemically disrupted market liquidity as described above; the turbulence resulting from the financial crisis violated intrinsic model assumptions, especially in the area of structured credit derivatives. Significant adjustments to the valuation of these products triggered seven of the eleven outliers that were effective for regulatory purposes.

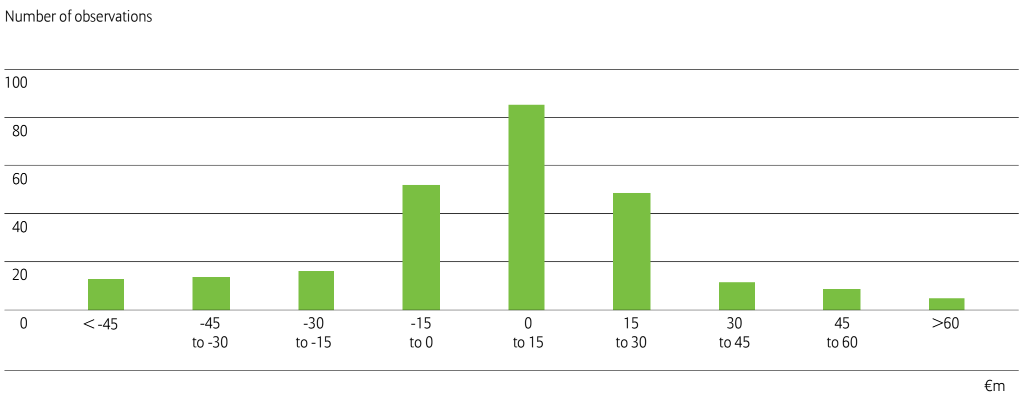
Backtesting: VaR (99% confidence level, one-day holding period) versus clean P&L



The development of value at risk shown in the graphic reflects a temporary extreme peak in our equity risk at the mid-year point as a result of an underwriting commitment from a large share issue that was successfully supported by Dresdner Bank. Value at risk returned to a significantly lower level at the beginning of August 2008 once the transaction was completed. In the fourth quarter of 2008, the market turbulence triggered by the collapse of Lehman led to a further significant rise in value at risk. At the end of the year, value at risk declined somewhat because of position reductions, although market volatility remained high.

In contrast to backtesting, the daily changes in portfolio values actually recorded (known as the "dirty P&L") take earnings components from changes in positions into account. The chart below shows these portfolio changes for the year under review. The length of the bars corresponds to the number of trading days on which a change in portfolio value occurred in the amount given on the horizontal axis.

Distribution of changes in portfolio values for IB trading activities



Stress tests calculated on a weekly basis provide examples of the risks that a portfolio may be exposed to under extreme market conditions. We use standard stress tests (e.g. parallel shifts and twists in yield curves, the appreciation and depreciation of the euro, etc.), historical stress tests (e.g. 9/11 2001, the Russian crisis, the Asian crisis, etc.) as well as current macroeconomic scenarios and methods based on extreme value theory.

The results of the stress tests are discussed at regular intervals by the Risk Executive Committee. When so-called trigger points are reached, necessary countermeasures are discussed and implemented as necessary.

Market risk from the banking book

Market risk from the banking book consists to a large extent of interest rate risk, which is measured using value at risk. The main role of market risk management in the banking book is to generate a positive margin from interest income and refinancing costs. Interest rate risk arises if the margin is reduced as a result of increased refinancing costs (e.g. due to unfavourable developments in the yield curve).

Interest rate risk from loans and deposits is managed by refinancing or through investments with matching maturities. In addition, currency risk is avoided as a matter of principle in the case of transactions denominated in foreign currency through refinancing or investments in the same currency as the underlying transaction. The residual exchange rate risk in the Bank's commercial business results primarily from intra-year changes in income at foreign affiliated companies.

At Dresdner Bank AG, Group Treasury is responsible for the earnings and risks relating to the management of interest rate risk in the banking book resulting from the core portfolios. The Risk function monitors and reports daily on the utilisation of, and compliance with, the limits by the key units. In addition to monthly market interest rate risk analyses for Dresdner Bank's entire banking book, the limits are also reviewed at least once a year. In the year under review, limits were exceeded at individual units because of the continuing financial crisis. These were tolerated in some cases because it would have been extremely difficult in the prevailing market situation to reduce value at risk below the limit at an acceptable cost.

The Bank calculates value at risk for market risk in the banking book using a confidence level of 99% and a ten-day holding period, in the same way as for the trading book. After diversification, total value at risk in the Group's banking book amounted to €71 million at the year-end (previous year: €16 million). The following table shows the overall value at risk for the banking book as the aggregate risk for individual risk positions.

Value at risk[1] – banking book	31/12/	31/12/	Average value		Maximum		Minimum	
€m	2008	2007	2008	2007	2008	2007	2008	2007
Interest rate risk	14	11	12	9	15	13	9	6
Equity risk	31	15	22	12	34	15	14	11
Credit spread risk	55	13	49	10	95	13	16	2
Diversification[2]	-29	-23	-28	-17	–	–	–	–
Aggregate risk	**71**	**16**	**55**	**14**	**108**	**17**	**17**	**13**

1) 99% confidence level, ten-day holding period.

2) No diversification effect can be calculated for the maximum and minimum values, as these are from different dates.

There are two reasons for the sharp year-on-year increase in the VaR figures. On the one hand, it is due to the significant increase in market volatility in the year under review, especially in the fourth quarter. This resulted in a corresponding substantial rise in banking book VaR across all risk types. On the other, the credit spread risk position that now predominates increased sharply, both as a result of the consolidation of the K2 structured investment vehicle and because of the reclassification of structured credit instruments from the trading book to the banking book.

The interest rate sensitivity (the change in value resulting from a decline in the interest rate level of one basis point) for the market risk in the Group's banking book totalled €-0.613 million at the end of the year (previous year: €0.271 million). The decline in interest rate sensitivity is primarily due to the position change described above. It also reflects the sale of OLB.

Interest rate sensitivity €m	up to 1 year	> 1 year -5 years	more than 5 years	Total 31/12/2008	Total 31/12/2007
Banking book	-0.422	0.154	-0.345	-0.613	0.271

Liquidity risk

Liquidity risk is defined as the risk that the Bank will not be able to meet its current and future payment obligations in full, or on time. In the wider sense, it also includes the risk that, in the case of a liquidity crisis, refinancing may only be obtained at higher market rates (funding risk) and/or that it may only be possible to liquidate assets at a discount to market rates (market liquidity risk). Liquidity risk is modelled quantitatively but is not backed by either regulatory or internal capital.

The Dresdner Bank Group's liquidity was adequate at year-end 2008. The difficult refinancing situation on the money market was offset by an increase in customer deposits and a reduction in portfolios that were tying up liquidity. This was supported by the diversification of Dresdner Bank's refinancing portfolio. At the end of the year under review, the liquidity situation in the maturity segment up to one year was within the limits. Dresdner Bank AG's regulatory ratio in accordance with the Liquiditätsverordnung (Liquidity Regulation) was complied with at all times during the year under review.

An internal liquidity risk model is used to monitor and manage liquidity risk in the Dresdner Bank Group. Stress testing, which reproduces the effects of bank-specific and market-specific crises on the liquidity situation, is a core element of the internal liquidity risk model.

The Bank maintains a liquidity reserve consisting of unencumbered, liquid securities to accommodate unexpected payment obligations arising, for example, from draw-downs on liquidity lines. The volume of unencumbered securities eligible for refinancing with the ECB amounted to €20.8 billion at the year-end (previous year: €34.1 billion). The decline is attributable to our significantly reduced reverse repo business.

Notable subportfolios in the context of the financial crisis

In the second half of 2008 – and in particular in the final quarter of last year – the financial crisis again deteriorated dramatically following the collapse of US bank Lehman Brothers, spilling over into other market segments. This again significantly affected Dresdner Bank's business development and impacted the risk capital for a number of the Bank's portfolios. In addition to structured credit products, securitisations and the leveraged and acquisition finance portfolio, business with banks was particularly impacted by the strained confidence and the continued lack of market liquidity, accompanied by an almost complete standstill in interbank trading. The crisis, which had originally focused on the subprime segment, increasingly spread to affect a large number of banks and groups of investors in the year under review, and then spilled over abruptly into the real economy.

In light of this development, Dresdner Bank enhanced and significantly expanded its reporting on the portfolios that were particularly hard hit by the financial crisis. In addition, the information presented previously in the Management Report was integrated into the Risk Report.

With a view to ensuring the future harmonisation of presentation with Commerzbank's reporting, the section on the ABS portfolio has been changed in its entirety to a gross presentation. In this context, the ABS positions hedged with external counterparties are integrated in the analysis as a separate “hedge book ABSs” subportfolio.

ABS portfolio and securitisation positions

The following overview provides a summary presentation of all ABS and securitisation positions in the various Dresdner Bank business segments. The positions hedged with third parties (hedge book ABSs) are included in reporting as a separate portfolio segment. In addition to the notional values, the fair values of the relevant securities positions were added.

	31/12/2008		31/12/2007
€bn	Notional	Fair value	Notional
Hedge book ABSs	13.7	10.3	20.0
Of which: monoline hedges	11.4	9.5	15.9
Of which: non-monoline hedges	2.3	0.8	4.1
CDOs on ABSs and US RMBSs	6.1	2.9	3.9
Of which: US prime	0.5	0.3	-
Of which: US non-prime	5.6	2.6	3.9
Other ABSs including term structures	3.9[1]	3.2	8.4
Credit enhancements (CIRCs)	1.1[2]	1.2	2.8
K2 (including non-ABS positions)	4.7[1]	4.7	16.4
Conduit business	10.0	10.0	12.6
Total ABSs	**39.5**	**32.3**	**64.1**
Hedge book monolines non-ABSs	5.0	4.5	6.8
Hedge book CDPCs non-ABSs	2.5	1.9	2.2

1) Term structures, other AfS positions and K2 were integrated at fair value.

2) Fair values of the portfolio are higher than the notional value of the second loss position because of existing first loss reserves.

The subportfolios listed above are all explained separately in the following sections.

Hedge book ABSs

This portfolio contains the ABS positions hedged by credit default swaps. In the course of the financial crisis, companies specialising in hedging structured securities – known as monolines – increasingly ran into trouble. In connection with the defaults of the CDO and US RMBS tranches insured by these companies, some of which were of a magnitude far in excess of original expectations, a number of these companies were no longer in a position to meet their obligations and were restructured with the support of the US insurance regulator.

As at 31 December 2008, Dresdner Bank had insured ABS positions with a notional amount of €13.7 billion. €11.4 billion of the hedges acquired were attributable to monolines and €2.3 billion to other counterparties.

The notional amounts and fair values of the positions hedged with monolines classified by product category are as follows:

31/12/2008 €bn	Notional	Fair values
EU RMBSs	5.7	5.3
Corporate CDOs	1.1	1.0
US CDOs on RMBSs	3.9	2.6
CMBSs/CRE CDOs	0.2	0.1
US RMBSs	0.3	0.3
Other ABSs	0.2	0.2
Total	**11.4**	**9.5**

The following table shows the fair values of the ABS positions hedged with monolines, classified into the ratings awarded to the protection sellers and to the collateralised securities:

31/12/2008	Monoline rating			
€bn	AA	BBB	B	CCC
AAA	3.0	3.2	0.8	0.2
AA	0.0	0.0	0.1	0.0
A	0.0	1.7	0.0	0.0
BBB	0.0	0.1	0.0	0.0
BB	0.0	0.0	0.1	0.0
<BB	0.0	0.3	0.0	0.0
Total	**3.0**	**5.3**	**1.0**	**0.2**

There is a high probability of loss in particular for positions that are subject to an acute risk of default and whose collateralisation is questionable because of the poor rating quality of the protection seller.

The collateralised ABS volume decreased significantly in the year under review because guarantees for CDO positions amounting to €2.4 billion were no longer recognised as a result of the restructuring of the monolines Syncora Guarantee, Inc. (previously XL Capital Assurance, Inc.) and CIFG Holding, Ltd. initiated by the US insurance regulator. These positions are now allocated to the “CDOs on ABSs & RMBSs” portfolio as uncollateralised positions.

In addition to the ABS hedging transactions, we entered into hedges totalling €5.0 billion with monolines. The majority of these securities were issued to privately finance public-sector infrastructure projects, such as schools and roads, as well as utilities.

The mark-to-market valuation of trading book transactions with monolines was €2.6 billion as at 31 December 2008; including the add-ons to be included from a risk perspective for potential future market fluctuations, the risk position amounts to €3.3 billion. We recognised counterparty default adjustments (CDAs) of €1.2 billion to cover the potential default risk from these transactions. Furthermore, the risk from monolines was rehedged by additional hedges in the notional amount of approximately €0.4 billion. In the event of the restructuring of monolines, however, these hedges do not result in any compensation payment because they merely hedge against the actual default of a monoline.

Net increases in counterparty default adjustments of €1.1 billion on the Bank's exposure to monolines were recognised in profit or loss in 2008. €0.7 billion of this amount is attributable to the second half of the year.

In view of the continuing high defaults relating to the structured portfolios insured by monolines, the latters' survival on a sustainable basis is not yet certain. We cannot therefore rule out additional restructurings in 2009 that will affect our portfolio.

In addition, Dresdner Bank has entered into hedging transactions with credit derivatives product companies (CDPCs), which act as credit insurers. Because of ratings downgrades and defaults of insured credits, the liquidity and capital situation of CDPCs has deteriorated significantly over the course of the financial crisis, with the result that the insolvency of some CDPCs cannot be ruled out.

As at 31 December 2008, a notional volume of €2.5 billion was insured with two CDPCs. The fair value of the hedges at the reporting date amounted to €0.6 billion. Counterparty default adjustments of €0.3 billion were recognised for the potential default of the CDPCs.

US CDOs on ABSs and US RMBSs

The portfolio of, in part, multi-level securitisations of US real estate loans that are at the centre of the financial crisis had a notional amount of €6.1 billion at the end of 2008. At the end of the year under review, the US CDO portfolio contained positions amounting to €2.0 billion which Allianz SE had agreed to acquire. They were transferred in January and February 2009.

31/12/2008 €bn	Notional	Fair values
US CDOs on ABSs	4.2	2.3
Of which to be transferred to Allianz	2.0	1.6
US RMBSs (prime)	0.5	0.3
US RMBS (non-prime)	1.4	0.3
Total	**6.1**	**2.9**

The rating structure of the portfolio is as follows:

31/12/2008	US CDOs on ABSs		US RMBSs	
€bn	Notional	Fair values	Notional	Fair values
AAA	0.0	0.0	0.2	0.2
AA	0.1	0.1	0.1	0.0
A	0.2	0.2	0.1	0.1
BBB	0.0	0.0	0.1	0.0
BB	0.6	0.5	0.2	0.1
<BB	3.3	1.5	1.1	0.2
Total	**4.2**	**2.3**	**1.8**	**0.6**

The age analysis by fair values of the CDOs and US RMBSs reveals that more than half of the CDOs date back to 2005. Half of the US RMBSs were issued in 2006.

Age analysis by fair values	US CDOs on ABSs		US RMBSs	
31/12/2008	€bn	%	€bn	%
Total	**2.3**	**100**	**0.6**	**100**
– 2007	0.0	0.0	0.2	33
– 2006	0.4	17	0.3	50
– 2005	1.3	57	0.1	17
– before 2005	0.6	26	0.0	0.0

Other ABSs including term structures

The other ABSs are distributed as follows over the individual segments:

31/12/2008 €bn	Notional	Fair values
Consumer ABSs	0.9	0.9
RMBSs	1.0	0.8
Corporate CDOs	0.5	0.2
CMBSs/CRE CDOs	0.3	0.2
SME CDOs	0.1	0.1
Other ABSs	0.2	0.1
Other AfS positions	0.1	0.1
Term structures	0.8	0.8
Total	**3.9**	**3.2**

The other ABS structures primarily include European residential mortgage-backed securities (RMBSs), commercial mortgage-backed securities (CMBSs) as well as credit-linked obligations and consumer loans as underlying assets. Around one-fifth of the other ABSs are attributable to term structures not allocated to the trading book.

The other ABSSs were affected far less by rating agency downgrades in the course of the financial crisis than were the CDO and US RMBS portfolios. The subportfolio therefore has a largely stable rating profile.

31/12/2008 €bn	Fair values	%
AAA	1.9	60
AA	0.3	9
A	0.6	19
BBB	0.1	3
BB	0.2	6
<BB	0.1	3
Total	**3.2**	**100**

Credit enhancements on ABS portfolios (CIRCs)

Dresdner Bank provides credit enhancements as part of its structured credit business. In the case of CIRC (credit investment-related conduits) structures, Dresdner Bank assumes a second loss position for a securities portfolio. If the portfolio value drops below a set percentage within the first loss position, the Bank has the right to sell the portfolio on the market. Here, too, the Bank has continued to reduce the volume of these products, with the portfolio volume amounting to €1.6 billion as at 31 December 2008, following approximately €2.8 billion as at 31 December 2007. After factoring in a first loss reserve on the part of the investors amounting to €0.5 billion, the notional volume at risk amounted to €1.1 billion. The fair value of the entire portfolio at the end of the year was €1.2 billion.

During the reporting period, triggers entitling Dresdner Bank to liquidate the portfolio were exceeded. The investors cured the trigger breaches by making cash margin payments or repurchasing positions and consequently avoided liquidation of the portfolios through restructuring measures. The Bank completely eliminated its exposure from conduit asset financing entity (CAFE) structures at the beginning of the year, after having already cut back on them significantly at the end of 2007.

K2 structured investment vehicle

In March 2008, Dresdner Bank entered into agreements with the K2 structured investment vehicle above and beyond its role as an asset manager. These agreements ensure K2's liquidity as well as settlement of the senior noteholders' claims. The commitments are linked to the provision of a mezzanine loan of USD 1.5 billion and of a backstop facility. Under the backstop line, Dresdner Bank undertakes to quote binding securities prices to K2 that allow K2 to repay its senior debt in full and on schedule. Dresdner Bank did not acquire any securities using the backstop line in 2008 – drawing on the backstop facility could lead to a potential outflow of liquidity and to further measurement losses at Dresdner Bank. In addition, Dresdner Bank is ready to refinance K2 up to a volume of USD 5 billion using repo transactions. The resulting financing volume amounted to USD 2.6 billion at the end of the year under review.

In connection with the provision of these facilities, Dresdner Bank consolidated K2 as at 18 March 2008. K2's total asset volume amounted to approximately €4.7 billion at the reporting date (previous year: €16.4 billion), of which €2.9 billion is attributable to structured ABSs. The details of the asset structure are as follows:

31/12/2008 €bn	Fair values	%
RMBSs	0.5	11
CMBSs	0.1	2
CDOs/CLOs	0.8	17
Other ABSs	1.5	32
Total ABSs	**2.9**	**62**
Insurance	0.7	15
Banks	0.8	17
Finance companies	0.1	2
Sovereigns	0.1	2
Other non-ABSs	0.1	2
Total non-ABSs	**1.8**	**38**
Total K2 portfolio	**4.7**	**100**

The following table shows the ratings profile for the K2 portfolio:

31/12/2008	ABS structures		Other assets	
€bn	Fair values	%	Fair values	%
AAA	2.8	97	0.2	11
AA	–	–	0.8	44
A	–	–	0.7	39
BBB	0.1	3	0.1	6
BB	–	–	–	–
<BB	–	–	–	–
Total	**2.9**	**100**	**1.8**	**100**

The age analysis of the K2 ABS portfolio as at 31 December 2008 is shown in the following table:

Age analysis 31/12/2008	€bn	%
Total	**2.9**	**100**
– 2007	0.8	28
– 2006	0.8	28
– 2005	0.5	16
– before 2005	0.8	28

The regional breakdown of the securitised receivables by country of origin is as follows: the United Kingdom accounts for 17% and North America for 65%. The remaining 18% is attributable to other regions.

The portfolio was significantly reduced by approximately €10 billion (notional amount) in 2008 through market sales despite the difficult market conditions. Although the K2 portfolio's default risk is considered low in view of the stable, extremely good ratings structure, the price pressure created by the distress sales by other participants in the market for SIV assets, especially in the final quarter of 2008, adversely affected the value of the portfolio. Lower fair values in the second half of the year meant that the repayment of senior debt from K2's assets was no longer fully secured for the first time; a loss of €681 million was recognised in income as at 31 December 2008 as a result of the obligations assumed by the Bank under the backstop line.

In addition, Dresdner Bank's holdings in K2 (junior capital notes) amounting to USD 70 million were written off in full. €36 million of this amount is attributable to the year under review, of which €19 million relates to the first quarter before the initial consolidation of K2.

Charges to earnings relating to the measurement of junior capital notes amounting to €69 million were recognised on investments in other structured investment vehicles in the period under review.

Conduits

Dresdner Bank securitises both its own loans and receivables portfolios of and for clients via special purpose entities as part of its active credit risk management.

The securitisation of loan portfolios of clients (e.g. lease receivables and commercial receivables) is a key component of the Bank's range of structured finance products. The vast majority of Dresdner Bank's securitisation positions resulting from this in accordance with the regulatory definition in the Solvabilitätsverordnung (SolvV – Solvency Regulation) relate to the securitisation of loans through non-recourse sales using asset-backed commercial paper (ABCP) programmes (conduits), which Dresdner Bank arranges. Dresdner Bank only participates to a limited extent in programmes administered by other banks.

The following table gives an overview of the risk exposure of the special purpose entities relevant to the securitisation business (excluding securitisations of own loans) in the banking book – broken down by consolidated and unconsolidated special purpose entities in accordance with IAS 27/SIC 12. The consolidated special purpose entities contained in it are part of the Dresdner Bank Group due to the majority interests held in their risks and rewards.

31/12/2008	Type of special purpose entity	Dresdner Bank's role	Dresdner Bank's risk exposure €bn
Consolidated special purpose entities	ABCP conduits	Arranger, sponsor, service provider, liquidity provider and/or investor	5.5
Unconsolidated special purpose entities	ABCP conduits	Arranger, sponsor, service provider, liquidity provider and/or investor	2.5
	Term securitisations	Arranger and/or investor	0.8

The volume of recognised assets held by consolidated special purpose entities amounted to €4.2 billion at the end of 2008. Regardless of the decision to consolidate the entities in accordance with IAS 27/SIC 12, the risk exposure is determined on the basis of the securitisation positions that result for Dresdner Bank (e.g. liquidity facilities/back-up lines), in line with the regulatory requirements for calculating the value of positions. Depending on the individual products, Dresdner Bank's reported risk exposure includes e.g. the approved amount of ABCP liquidity facilities/back-up lines, the amount invested in ABSs, or guaranteed notional amounts. It should be noted in this context that the drawdown probability and the individual degree of risk for the positions entered into depend on the transaction structure, the seniority of the claims (tranches) and the underlying portfolio risk.

Dresdner Bank's positions attributable to its ABCP conduit business (including own securitisations) totalled €10.0 billion at the end of the period under review. These consisted almost exclusively of liquidity facilities/back-up lines in favour of the "Silver Tower" and "Beethoven" conduits administered by Dresdner Bank.

31/12/2008 €bn	Beethoven Funding Corporation	Silver Tower Funding	Participation in third-party ABCP conduits	Total
Liquidity lines	3.2	5.7	0.6	9.5
Other credits/ Credit surrogates	0.3	0.2	0.0	0.5
Total	**3.5**	**5.9**	**0.6**	**10.0**

The receivables underlying Dresdner Bank's ABCP programmes are highly diversified and reflect the different business strategies of the various sellers of the loans and/or of the clients.

Main receivable types securitised via ABCP conduits 31/12/2008	Breakdown of Dresdner Bank's risk exposure in %	Weighted term of the securitised receivables in years
Corporate loans (including own transactions)	25	4.9
Trade receivables	21	0.2
Car finance and leasing	15	1.2
Receivables from film rights	10	4.3
Equipment leasing	7	1.8
Capital commitments	5	3.2
Resecuritisation	5	1.7

The receivable portfolios securitised via ABCP conduits did not contain any US subprime components. The country of origin of approximately 60% of the securitised receivables (ABCP) was Germany. North America accounted for 34% and the United Kingdom for 4%. Almost all of Dresdner Bank's securitisation positions resulting from the ABCP business area were investment grade quality.

Risk was assessed according to the securitised receivable type on the basis of the Bank's own, sophisticated ABS rating methods, taking into account the individual risk profile of the securitisation positions held (tranches). The breakdown of ratings is presented in the following table:

31/12/2008 %	Beethoven Funding Corporation	Silver Tower Funding	Participation in third-party ABCP conduits
AAA	0	39	0
AA+/AA/AA-	21	12	87
A+/A/A-	37	42	0
BBB+/BBB/BBB-	39	6	13
Non-investment grade	3	1	0

Overall, there is an increased concentration risk in terms of the volume of individual transactions. The majority of the negative effects on the conduit business forecast for 2009 are expected to come from the Beethoven conduit because of its strong focus on US consumer loans and the continuing recession in the United States.

Indirect ABS exposure

As part of reverse repo transactions, Dresdner Bank is exposed to an indirect ABS risk from assigned securities. The notional volume of ABSs deposited as collateral at the reporting date amounted to €1.6 billion (previous year: €4.7 billion). The financing volume for ABSs was reduced by 66% during the reporting period.

Approximately 77.8% (previous year: 59.2%) of the ABSs accepted as collateral had an investment grade rating. A total of 98.0% (previous year: 57.5%) of the positive fair values were entered into with counterparties with investment grade ratings.

The regional breakdown of the securities assigned as collateral is presented in the following table:

€bn	31/12/2008[1)]	31/12/2007
Western Europe	0.8	2.1
North America	0.7	2.5
Other regions	0.1	0.1
Total	**1.6**	**4.7**

1) Figures as at 31 December 2008 excluding K2, which has been consolidated (see separate section entitled "K2 structured investment vehicle").

There are still risk exposures from the high volumes of individual counterparties, because it is difficult to forecast losses from the liquidation of a substantial portfolio in the current market environment. As a consequence of the current market development, the aggregate gross financing volume was already reduced by more than half in 2008. The sharpest declines were in the "banks" and "hedge funds" customer segments.

There is another ABS exposure from the plan assets transferred in trust by Dresdner Bank to Pension-Trust der Dresdner Bank e. V. for insolvency protection purposes as part of a contractual trust agreement (CTA).

The CTA's plan assets are mainly invested in special investment funds and mutual funds and amounted to approximately €1.8 billion as at 31 December 2008 (previous year: €1.9 billion). Around 20% of the total CTA portfolio was attributable to ABSs, which were predominantly AAA rated at the end of the year.

Leveraged and acquisition finance (LAF)

The market situation in the leveraged and acquisition finance business remained strained in 2008. Market liquidity was very low in both the primary syndication market for underwriting positions and in the secondary market. The entire LAF portfolio was composed of the following items:

- Final take portfolio, consisting of LAF loans whose syndication phase has been completed.
- Underwriting portfolio, consisting of leveraged finance loans whose syndication phase has not yet been completed.
- Leveraged loan CIRCs, in which Dresdner Bank assumes a fair value-based second loss guarantee for an LAF reference portfolio.
- LAF portfolio finance, in which Dresdner Bank assumes a cash flow-based second loss funding position for a static LAF reference portfolio.

Over the course of the year, the credit limit for the final take and the underwriting portfolio fell from €4.3 billion to €3.4 billion. The background to the reduction was syndication measures and exchange rate movements.

The exposure at default across all positions amounted to €7.6 billion at the end of 2008 and was broken down as follows:

Exposure at default €bn	31/12/2008	31/12/2007
Final take	1.0	1.0
Underwriting	2.2	2.6
Leveraged loan CIRCs[1]	2.8	3.2
LAF portfolio finance	1.6	1.1
Total	**7.6**	**7.9**

1) Fair value of reference portfolios.

LAF final take and underwriting positions

The underwriting volume could not be placed as originally planned because the liquidity of the syndication market was affected by the financial crisis; in view of the large volumes of the transactions, this represents a significant cluster risk for the Bank. We assume that the difficult environment will continue in 2009 as well, and that we will be unable in the short term to reduce the volume by selling positions at acceptable pricing levels.

The regional breakdown of the subportfolio is as follows:

Exposure at default €bn	31/12/2008
Leveraged and acquisition finance	**3.2**
– Germany	2.0
– United Kingdom	0.5
– Rest of Western Europe	0.5
– North America	0.2

The credit quality of individual transactions deteriorated in the second half of the fiscal year in the wake of the worsening economic environment. In the final take portfolio, a loan impairment loss of €10 million was recognised on an exposure in 2008; a loan loss provision of €662 million was recognised for the underwriting portfolio.

We expect the macroeconomic environment to remain challenging overall in 2009, which means that negative rating migrations and further credit defaults in the final take and underwriting portfolios cannot be ruled out in view of the higher leverage ratios in the LAF portfolio.

Leveraged loan CIRCs and LAF portfolio finance

The reference portfolios in the leveraged loan CIRCs experienced in some cases considerable decreases in fair value. Because of the sharp erosion in fair value, two of the these transactions are currently being liquidated, and one transaction was restructured in January 2009. One transaction was already successfully restructured and two others liquidated in the fourth quarter of 2008. The mark-to-market loss from these positions amounted to €43 million for full-year 2008.

There were no losses from LAF portfolio finance in 2008; the portfolio quality in this segment remained at an acceptable level as a result of risk-mitigating structural elements. 99% of the exposure was in rating classes I to III. The EAD of the subportfolio rose from €1.1 billion to €1.6 billion over the course of the year as a result of the restructuring of a leveraged loan CIRC position, which is now allocated to this portfolio.

We expect the credit quality of individual positions in the financed portfolios to deteriorate. In light of the risk-mitigating elements, we believe that the potential loss to Dresdner Bank is manageable.

Measurement of financial instruments in the consolidated financial statements

As a rule, Dresdner Bank measures its trading assets and liabilities at fair value. Market prices are used to determine fair value whenever possible. This assumes the existence of an active market. In those cases where no quoted prices are available for identical financial instruments in an active market, fair value is established using valuation techniques. These valuation techniques include comparisons with quoted prices for similar financial instruments in active markets, comparisons with quoted prices for identical or similar financial instruments in inactive markets, and the use of valuation models for which all significant inputs are based – as far as possible – on observable market data. If, exceptionally, valuation models are used that incorporate inputs for which there is insufficient observable market data, these valuations inherently include a greater level of management judgement.

The Bank refined the valuation models applied to financial instruments related to asset-backed securities; these models are used primarily to measure tranches comprising US RMBSs and CDOs that mainly reference US RMBSs. Reliable market prices for the Bank's portfolio of US RMBSs and CDOs, which were particularly affected by the financial crisis, were only available to a limited extent in fiscal year 2008 and at the end of 2007. This is why cash flow-based valuation models were used. The main inputs used to generate expected cash flows for the individual tranches are prepayment rates and default rates, which are analysed under various scenarios. Under these scenarios, the average present value of expected cash flows is calibrated to observable market data; this includes the ABX.HE series of subprime RMBS indices and predefined portfolios for which independently sourced price data is consistently available. The calibration of the valuation models to available price data (current credit spreads) adequately reflects the illiquidity of certain markets.

As a result of the application of the amended version of IAS 39, we have reclassified positions from the ABS trading book to the IAS 39 loans and receivables and available-for-sale financial assets categories. Financial instruments that have been reclassified will be measured in subsequent periods on the basis of the fair value determined as at 1 July 2008.

Summary assessment of the financial crisis from a risk perspective

The financial crisis has impacted Dresdner Bank's earnings to an extent that poses a risk to its ability to continue as a going concern. On the basis of the criteria applied to date, Dresdner Bank's risk-bearing capacity is no longer assured (see p. 54).

The vulnerability of the portfolios is particularly evident in the areas of asset-backed securities and leveraged and acquisition finance portfolios. The following principal problem areas have been identified:

In the area of ABSs:

- The size of the investments and the widespread loss in value of the securities or their underlying assets.
- Purchased protection (monoline hedges on ABSs, as well as other hedges) has proven to be unreliable in the long term. Negative effects from the loss of insurance protection were further exacerbated by the massive erosion in the value of the underlying assets.
- Due to the regulatory changes currently being discussed, an increase in the regulatory capital requirement cannot be ruled out – especially if the market liquidity of the positions does not improve in the long term.

- In the course of the reporting period, significant improvements were achieved in the independent price verification (IPV) process. Nevertheless, measurement of the exposures remains difficult in view of the collapse of the markets and the complexity of the products. The measures that are still required to ensure the appropriate execution of the IPV process are being rapidly implemented. The process of dealing with the effects of the financial crisis has shown that there is still a need for optimisation in the way that the front office and the Finance and Risk functions work together.

In the area of leveraged and acquisition finance:

- The "originate and distribute" business model was abandoned too late; ultimately, this led to failed syndications, and the Bank was left with cluster risks, which are relatively weak in qualitative terms.

- Because the secondary market in this area more or less disappeared, the Bank is exposed to increased default risk over the longer term.

- The risk early warning system proved to be inadequate in this connection – the transfer of exposures to Intensive Care and the consequent appropriate risk management of the transactions concerned happened too late. However, every effort was made to ensure adequate loan impairment allowances and loan loss provisions by recognising adjusting events in the financial statements.

- Risk assessment when structured products were entered into was incomplete at several points – in particular, there were defects relating to look-through and fundamental analysis. In addition, hedge structures were chosen in some cases without a sufficiently critical assessment of the counterparty risk.

The resulting loss of Dresdner Bank's risk-bearing capacity demands immediate downsizing and de-risking measures, and also makes a comprehensive revision of the risk strategy imperative. We have classified large parts of the critical portfolios as discontinued business.

In addition, we have introduced a systematic policy structure and established binding links between this and our decision-making structure.

All weaknesses discussed in this Risk Report were addressed as part of the integration with the Commerzbank Group. To the extent that it was not possible to rectify them immediately, they are being dealt with systematically and consistently. The progress made in this process is being closely monitored.

Following the merger of Dresdner Bank with Commerzbank, only the new risk-bearing capacity concept for the new Commerzbank, which has already been agreed with the supervisory authorities, will be used. Based on the current overall framework and taking the government support measures (e.g. SoFFin equity injection, capital contribution) into account, the Bank's risk-bearing capacity is ensured.

Overview of impact on earnings of the financial crisis

The following table summarises the loan impairment allowances and loan loss provisions and the impact on earnings resulting from the financial crisis.

€m	2008	2007
Impairment allowances and loan loss provisions on loans and receivables	1,513	80
Of which: leveraged and acquisition finance	662	–
Of which: Icelandic banks	146	–
Of which: ABSs	175	–
Impairment of available-for-sale assets	164	80
Of which: SIVs	87	46
Of which: ABSs	15	–
Value adjustments on securities held for trading	4,551	1,536
Of which: ABSs	2,405	1,226
Of which: CDAs for monolines	1,092	53
Of which: CDAs for non-monolines	611	-27
Of which: SIVs classified as HfT	700	–
Total	**6,228**	**1,696**

The total impact on earnings of the financial crisis amounts to approximately €6.2 billion, following around €1.7 billion in the previous year. Independent of their measurement category, the biggest impact on earnings was attributable to ABS positions (€2,595 million), followed by restructuring expenses and CDAs for monolines (€1,092 million), SIVs (in particular K2) at €787 million, and loan impairment allowances and loan loss provisions in the area of leveraged and acquisition finance (€662 million).

Because of the continuing difficult market situation and the spill-over of the crisis to the real economy, we expect that loan impairment allowances and loan loss provisions and the impact on earnings will continue at a high level.

Other risks

Risk from shareholdings and real estate risk

Risks from shareholdings are potential losses that could arise from the provision of equity for third parties. These risks result from general market fluctuations or issuer-specific factors. Real estate risk consists of unexpected fluctuations in the value and price of owner-occupied properties and investment property owned by the Bank that arise due to negative price trends on the real estate market.

Risk from shareholdings

The risk from shareholdings is monitored centrally in the course of the ongoing support for Dresdner Bank's own investments provided by the Finance function's Corporate Investments unit. In addition, in the case of strategic equity investments assigned to the Bank's core business, it is monitored locally by the segment responsible in each case. At the central level, this also includes the regular classification of investments as critical or non-critical using predefined criteria. A distinction is made in this context between risks from listed equity investments and risks from unlisted equity investments.

In the year under review, Dresdner Bank continued its program to cut back on its non-strategic investments, thus further reducing its risk from shareholdings. In addition, we sold our minority interests in listed foreign banks and our majority interest in Oldenburgische Landesbank AG to Allianz SE in the run-up to the acquisition by Commerzbank AG. These measures significantly reduced regulatory risk-weighted assets and economic risk capital. The hidden reserves in the remaining listed shareholdings declined significantly as a result of the financial crisis and the sharp drop in share prices in 2008.

Real estate risk

The land and buildings used by the Bank and its investment property are reported in the relevant financial investments and property and equipment items on the balance sheet. Dresdner Bank sold almost all its investment property in 2007. The reduction related to properties bundled in a special fund managed by the Group subsidiary DEGI Deutsche Gesellschaft für Immobilienfonds mbH. The remaining real estate, which is largely used by the Bank itself, is tested regularly for impairment. In addition, impairment tests are performed where trigger events occur.

Capital backing

Risk from shareholdings and real estate risk are backed by capital in line with both regulatory and internal requirements. The economic risk capital backing provided in this context substantially exceeds current regulatory weighting factors. As at the end of 2008, the risk capital requirements resulting from the risk from shareholdings and real estate risk amounted to €0.7 billion (previous year: €2.0 billion). €0.6 billion of this amount (previous year: €1.8 billion) is attributable to risks from shareholdings and €0.1 billion (previous year: €0.2 billion) to real estate risk.

Operational risk

Operational risk (OR) is the risk of loss from failed or inadequate processes, from human error or technical failures, or from external events. This definition includes legal risk, but excludes strategic risk and reputational risk.

Dresdner Bank has developed an overarching framework for managing operational risk. The framework focuses on the organisation of the structures and the OR processes and instruments. This forms the basis for the active management of operational risk, and the regulatory requirements specified in the “Advanced Measurement Approach” (AMA) are met.

The risk capital calculated as at the end of the year amounted to €0.8 billion (previous year: €1.0 billion); the change is due among other things to adjustments to the input parameters (loss data, results of the scenario analysis). The calculated expected loss amounted to €67 million.

Compared with the previous year, there have been no significant changes in the roles and responsibilities, processes and instruments for managing operational risk, as well as in the specific framework for legal risk.

Business risk

Business risk is due to unexpected fluctuations in results that arise when earnings decline but expenses cannot be reduced in line with them (fixed cost risk). The Group's business strategy is set by the Board of Managing Directors of Dresdner Bank. It is based on an analysis of the starting situation for the Group's business policy and takes into account the Bank's risk-bearing capacity, human resources capacity and technical/organisational infrastructure.

Above and beyond current regulatory capital requirements, business risks are backed by economic risk capital as part of internal risk management procedures. Risk capital requirements are determined on the basis of the divisional business plans using a stress scenario approach that assumes specific stress scenarios for the individual earnings and cost components. The risk capital for each division is derived from the simulated decline in earnings resulting from this.

At the end of 2008, risk capital requirements for business risk amounted to €0.5 billion, down slightly on the previous year (€0.6 billion).

Strategic risk

The Group Strategy & Business Development unit monitors Dresdner Bank's strategic positioning and strategic business portfolio. Nevertheless, like any other financial services provider, Dresdner Bank is exposed to the strategic risk of not achieving its long-term business goals. The Bank counters this risk by monitoring market and competitive developments and drawing up systematic long-term planning. Dresdner Bank's Board of Managing Directors regularly reviews the validity of the strategy of the Bank as a whole and the individual business units.

As part of the forthcoming integration with Commerzbank, our business and risk strategy is being fundamentally reviewed and adapted.

Strategic risk cannot be unambiguously quantified and is therefore not backed by either regulatory or internal capital.

Reputational risk

Reputational risk is the risk that Dresdner Bank will lose its good reputation in the eyes of its stakeholders, i.e. its customers, its shareholders, employees, or the wider public. Reputational risk may arise from all activities by the Bank and may lead to a decline in the enterprise value or an increase in our opportunity costs. Conversely, losses from other types of risk, regardless of their size, may lead to long-term reputational damage if they become publicly known. For this reason, Dresdner Bank's risk management activities aim to identify and assess as early as possible reputational risk at all levels of Dresdner Bank. To this end, areas in which conflicts with stakeholders or public controversy may arise are classified as sensitive or even as areas in which no business may be done. Dresdner Bank has instituted a binding Group-wide policy to be applied during business decisions that lays down the process for managing reputational risk.

Environmental risk

Environmental risk comprises the potential financial, administrative, or reputational consequences of gradual or sudden environmental pollution. Dresdner Bank may be directly affected by such risk, but it may also be exposed to indirect risk if environmental risk materialises at the Bank's customers and this has a negative impact on Dresdner Bank (for example through a deterioration in the value of collateral resulting from contaminated sites). For this reason, environmental risk is treated as a trigger for credit and reputational risk and is systematically analysed, assessed and managed in Dresdner Bank's divisions and units, using an environmental management system that is certified in accordance with ISO 14001:2006. Internationally accepted standards (World Bank Standards, Hermes Guidelines, OECD Common Approaches, etc.) are applied; for example, environmental and climate risk is also taken into account when making credit decisions. In its project finance business, Dresdner Bank applies the Equator Principles, which it has undertaken to comply with. In addition, the management of environmental risk as part of reputational risk aims to manage the social consequences of Dresdner Bank's business activities to the benefit of its stakeholders, as part of the Bank's sustainability strategy. This also takes into account respect for human rights, anti-corruption measures and compliance with minimum labour standards.

Summary and Outlook

The spill-over of the financial crisis to other segments (e.g. monoline insurers), the sharp increase in risk aversion (especially in interbank trading), the trend reversal in the credit cycle, expectations of recession and fears of deflation posed new challenges for our risk and liquidity management in the year under review. Timely awareness of risk positions and the readiness to implement the appropriate risk management measures played a major role in the year under review – and will continue to do so in future.

Economic risk-bearing capacity

Following the merger of Dresdner Bank with Commerzbank, only the new risk-bearing capacity concept for the new Commerzbank, which has already been agreed with the supervisory authorities, will be used. Based on the current overall framework and taking the government support measures (e.g. SoFFin equity injection, capital contribution) into account, the new Commerzbank's risk-bearing capacity is ensured.

In connection with the decisions by the SoFFin to further strengthen the core capital ratio of the new Commerzbank, the SoFFin, Allianz and Commerzbank agreed to implement additional measures to stabilise the capital ratios.

- Allianz will make a silent partner's contribution of €750 million to Dresdner Bank. The terms and conditions correspond to those for the silent partner's contributions to Commerzbank by SoFFin.
- In addition, Allianz will acquire from Dresdner Bank collateralised debt obligations (CDOs) with a notional value of approximately €2 billion for a purchase price of approximately €1.1 billion. This will substantially reduce the volume of risk-weighted assets at Dresdner Bank.
- In this context, Commerzbank resolved to increase Dresdner Bank's capital by €4.0 billion.

These measures will be completed after the balance sheet date.

Credit and counterparty risk

In the white book, we are expecting negative rating migrations in 2009 because of the worsening economic environment and hence a deterioration in our portfolio quality, which will probably also be reflected in an increased risk density.

Since the financial crisis has now spread to the real economy, we are expecting a significant increase in insolvencies and restructuring measures in 2009. Our current estimates for the loan impairment allowances and loan loss provisions therefore do not assume any significant decrease as against the 2008 level. For the PCC portfolio in particular, we are expecting an increase in default risk in 2009, especially in the middle-market segment.

With respect to the portfolio concentration in the Investment Banking division's portfolio, we assume that there will be no significant reduction over the course of the year because of the continuing illiquidity of the remaining positions, despite the sale of critical structured securities to Allianz at the beginning of 2009.

Notable subportfolios in the context of the financial market crisis

In view of the continuing high defaults relating to the structured portfolios insured by monolines, there are doubts as to whether the monolines will survive. We cannot therefore rule out additional restructurings in 2009 that will affect our portfolio.

As far as the conduit business is concerned, we expect negative effects to come in particular from the Beethoven conduit because of its strong focus on US consumer loans and the continuing recession in the United States.

We expect the macroeconomic environment to remain challenging overall in 2009, which means that negative rating migrations and further credit defaults in the final take and underwriting portfolios cannot be ruled out in view of the higher leverage ratios in the LAF portfolio.

Market risk

We are responding to the continued high level of market volatility and fears of recession by pursuing a strict risk management policy, for example by strictly limiting risk positions or tightening limits in connection with the current market situation, as well as by closely monitoring asset classes at risk.

Liquidity

Forward-looking liquidity planning and highly diversified refinancing ensure that Dresdner Bank has an adequate liquidity position, despite the difficult situation on the money and capital markets.

Operational risk

In addition to the risks that may result from the continuing uncertainty in the financial sector, we are aware of the potential problems that may arise from the forthcoming merger with Commerzbank, for example with respect to implementation at a technical and process level.

Integration with the new Commerzbank

As part of the forthcoming integration with Commerzbank, our business and risk strategy is being fundamentally reviewed and adapted. Immediate downsizing und de-risking measures and a comprehensive revision of the risk strategy are being initiated, and large parts of the critical portfolios have been classified as discontinued business.

Consolidated Financial Statements

Income Statement

	Note	2008 €m	2007 €m	Change €m	%
Net interest and current income	03	2,813	3,061	-248	-8.1
– Interest and current income		8,068	7,691	377	4.9
– Current income from equity-accounted investments		44	245	-201	-82.0
– Interest expense		5,299	4,875	424	8.7
Net fee and commission income	04	2,180	2,866	-686	-23.9
– Fee and commission income		2,560	3,246	-686	-21.1
– Fee and commission expense		380	380	0	0.0
Net trading income	05	-4,313	-481	-3,832	<-100.0
Other operating income	08	13	0	13	>+100.0
Total operating income		**693**	**5,446**	**-4,753**	**-87.3**
Administrative expenses	06	4,539	4,849	-310	-6.4
Other operating expenses	08	81	19	62	>+100.0
Total operating expenses		**4,620**	**4,868**	**-248**	**-5.1**
Loan impairment losses	07	1,671	-132	1,803	
Operating profit/loss		**-5,598**	**710**	**-6,308**	
Net income from financial investments	09	936	183	753	>+100.0
Net income from intangible assets		-39	–	-39	
Restructuring charges	10	0	50	-50	-100.0
Profit/loss before tax		**-4,701**	**843**	**-5,544**	
Tax expense	33	1,534	373	1,161	>+100.0
Profit/loss after tax		**-6,235**	**470**	**-6,705**	
Profit attributable to minority interests		62	60	2	3.3
Profit/loss for the period		**-6,297**	**410**	**-6,707**	
Appropriation of distributable profit					
Profit/loss for the period		-6,297	410		
Withdrawal from reserves/addition to retained earnings		6,297	-410		
Distributable profit		0	0		
Earnings per share (€)	11	-11.72	0.73		

Balance Sheet

Assets	Note	31/12/2008 €m	31/12/2007 €m	Change €m	%
Cash funds	13	18,641	6,643	11,998	>+100.0
Trading assets	14	189,293	160,249	29,044	18.1
Financial assets designated at fair value	15	11,970	8,648	3,322	38.4
Loans and advances to banks	16	61,752	113,200	-51,448	-45.4
Loans and advances to customers	17	123,050	188,211	-65,161	-34.6
Loan impairment allowances	19	-2,057	-762	-1,295	>+100.0
Financial investments	20	10,415	13,718	-3,303	-24.1
Equity-accounted investments	20	457	565	-108	-19.1
Property and equipment	21	1,014	1,265	-251	-19.8
Intangible assets	22	338	445	-107	-24.0
Non-current assets and disposal groups held for sale	25	752	–	752	
Deferred tax assets	33	221	1,912	-1,691	-88.4
Other assets	23	5,115	6,115	-1,000	-16.4
Total assets		**420,961**	**500,209**	**-79,248**	**-15.8**

Liabilities and Equity	Note	31/12/2008 €m	31/12/2007 €m	Change €m	%
Trading liabilities	26	164,619	119,026	45,593	38.3
Financial liabilities designated at fair value	27	16,222	2,309	13,913	>+100.0
Liabilities to banks	28	55,134	128,149	-73,015	-57.0
Liabilities to customers	29	140,119	185,372	-45,253	-24.4
Securitised liabilities	30	22,804	34,633	-11,829	-34.2
Provisions	31	2,425	3,109	-684	-22.0
Deferred tax liabilities	33	169	107	62	57.9
Other liabilities	34	5,748	7,145	-1,397	-19.6
Liabilities included in disposal groups classified as held for sale	35	1,920	–	1,920	
Subordinated liabilities	36	6,586	6,267	319	5.1
Profit-participation certificates	37	721	1,686	-965	-57.2
Equity	38	4,494	12,406	-7,912	-63.8
– Equity attributable to shareholder of parent		2,759	10,587	-7,828	-73.9
– Subscribed capital		1,503	1,503	–	–
– Capital reserves		2,034	6,383	-4,349	-68.1
– Retained earnings		0	1,988	-1,988	-100.0
– Translation reserve		-618	-622	4	-0.6
– Cumulative remeasurement gains/losses on financial instruments		-160	1,335	-1,495	
– Distributable profit		0	0	0	0.0
– Minority interests		1,735	1,819	-84	-4.6
Total liabilities and equity		**420,961**	**500,209**	**-79,248**	**-15.8**

Statement of Changes in Equity

€m	Subscribed capital	Capital reserves	Retained earnings	Translation reserve	Cumulative remeasurement gains/losses	Distributable profit	Equity attributable to shareholder of parent
1 January 2007	**1,503**	**6,383**	**2,759**	**-478**	**1,751**	**301**	**12,219**
Changes due to currency translation				-144			-144
Remeasurement gains/losses on available-for-sale financial instruments					-471		-471
Remeasurement gains/losses on cash flow hedges					40		40
Share of changes recognised directly in equity of associates			-8		15		7
Purchase of treasury shares			-1,150				-1,150
Other capital changes			-23				-23
Profit for the period						410	410
Addition to retained earnings			410			-410	–
Distribution of the distributable profit						-301	-301
31 December 2007/1 January 2008	**1,503**	**6,383**	**1,988**	**-622**	**1,335**	**0**	**10,587**
Changes due to currency translation				4			4
Remeasurement gains/losses on available-for-sale financial instruments					-1,478		-1,478
Remeasurement gains/losses on cash flow hedges					46		46
Share of changes recognised directly in equity of associates			-4		-63		-67
Other capital changes			-36				-36
Losss for the period						-6,297	-6,297
Withdrawal from retained earnings			-1,948			1,948	–
Withdrawal from capital reserves		-4,349				4,349	–
31 December 2008	**1,503**	**2,034**	**0**	**-618**	**-160**	**0**	**2,759**

€m	Subscribed capital and minority interests in reserves	Translation reserve	Cumulative remeasurement gains/losses	Distributable profit	Total minority interests
1 January 2007	**2,235**	**-300**	**44**	**0**	**1,979**
Changes in minority interests	-61	-192	33		-220
Profit for the period				60	60
Addition to retained earnings	60			-60	–
31 December 2007/1 January 2008	**2,234**	**-492**	**77**	**0**	**1,819**
Changes in minority interests	-167	98	-77		-146
Profit for the period				62	62
Addition to retained earnings	62			-62	–
31 December 2008	**2,129**	**-394**	**0**	**0**	**1,735**

Statement of Cash Flows

€m	2008	2007
Operating activities		
Profit/loss for the period	-6,297	410
Adjustments to reconcile profit to net cash used in operating activities		
Impairment losses on investments	3,222	663
Reversals of impairment losses on investments	-6	1
Depreciation, amortisation and impairment losses, and reversals of impairment losses, on items of property and equipment and intangible assets	236	248
Profit attributable to minority interests	62	59
Changes in provisions	1,059	-217
Changes in other non-cash items	-1,139	1,411
Gains/losses on the disposal of financial investments, property and equipment	-1,123	-306
Net decrease/increase in loans and advances to banks	51,542	31,947
Net decrease/increase in loans and advances to customers	65,161	8,564
Net decrease/increase in trading portfolio	23,735	19,212
Net decrease/increase in other assets	-503	-465
Net decrease/increase in liabilities to banks	-73,016	-40,699
Net decrease/increase in liabilities to customers	-45,253	-5,949
Net issuance of securitised liabilities	-11,830	-11,337
Net decrease/increase in other liabilities	2,269	-220
Net cash provided by/used in operating activities	**8,119**	**3,322**
Investing activities		
Proceeds from the disposal of financial investments	2,739	7,048
Proceeds from the disposal of property and equipment	300	264
Payments for the acquisition of financial investments	-2,459	-6,869
Payments for the acquisition of property and equipment	-235	-168
Effects of changes in consolidated group structure	1,424	50
Net cash provided by/used in investing activities	**1,769**	**325**
Financing activities		
Purchase of treasury shares	–	-1,150
Dividends paid	–	-301
Net issuance of subordinated liabilities	319	75
Net issuance of profit-participation certificates	-945	-467
Payments on profit-participation certificates	-20	-109
Other	2,923	-201
Net cash provided by/used in financing activities	**2,277**	**-2,153**
Effects of exchange rate changes	-167	-42
Net decrease/increase in cash and cash equivalents	**11,998**	**1,452**
Cash and cash equivalents at the beginning of the year	6,643	5,191
Cash and cash equivalents at the end of the year	18,641	6,643
Supplementary disclosure of cash flow information		
Cash interest received	10,036	7,338
Dividends received	100	116
Cash interest paid	7,741	4,209
Cash income taxes paid	-284	-327
Proceeds from the disposal of investments in Group companies	1,729	–
Of which: cash proceeds	1,729	–

Notes

Accounting Policies

01 Basis of accounting

The consolidated financial statements of Dresdner Bank AG have been prepared in accordance with International Financial Reporting Standards (IFRSs), as adopted by the EU, and the Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as consolidated financial statements required to be prepared in accordance with Article 4 of the IAS Regulation. In addition, section 315a(1) of the Handelsgesetzbuch (HGB – German Commercial Code) regulates the application of additional provisions of the HGB (e.g. those regarding the Notes to the Consolidated Financial Statements and the Group Management Report) that are required to be applied to the IFRS consolidated financial statements, and in particular other explicitly defined additional disclosures. The provisions of the Aktiengesetz (AktG – German Stock Corporation Act) have been complied with.

All of the Standards and Interpretations that were required to be applied in the respective fiscal years have been applied in preparing the accompanying consolidated financial statements. IFRIC 14 (IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction), which has been required to be applied since 2008, did not have any material effects on the consolidated financial statements.

In accordance with the amendments to IAS 39 and IFRS 7 resolved by the IASB and endorsed by the European Commission in October 2008, entities are permitted to reclassify certain financial instruments under rare circumstances; the financial market crisis is specifically deemed to be a rare circumstance. Reclassifications that are made before 1 November 2008 may take effect retrospectively on 1 July 2008 or at a later date; reclassifications that are made on or after 1 November 2008 take effect on the date of reclassification. The Bank has taken advantage of this new regulation and reclassified assets from the financial instruments held for trading category to both the loans and receivables category and the available-for-sale financial assets (AfS financial assets) category. In future periods, the portfolios reclassified to loans and receivables will be measured at amortised cost, and the amounts reclassified to AfS financial assets at fair value, with remeasurement gains or losses recognised directly in equity. The fair values of the reclassified financial instruments on 1 July 2008 serve as the basis for amortised cost or for the calculation of cumulative remeasurement gains or losses.

The presentation of the following items was changed as against the previous year and the prior-year figures were adjusted:

- The remeasurement gains and losses from the “Dresdner Kleinwort Stock Plan” and the offsetting remeasurement gains and losses from currency hedging transactions are both reported in net trading income. The hedges, which were previously reported under other assets, were therefore reclassified to trading assets.

- Shares in funds that are mainly invested in debt instruments are no longer classified as equities and other variable-rate securities but as debt instruments; the figures for the previous year were restated accordingly.

We have not adopted Standards and Interpretations relevant to the Bank that have been issued but are not yet required to be applied before their respective effective dates, such as the revised IAS 1 (Presentation of Financial Statements; effective from 1 January 2009) and IAS 23 (Borrowing Costs; effective from 1 January 2009), IAS 27 (Consolidated and Separate Financial Statements in accordance with IFRSs; effective from 1 July 2009), IAS 32 (Financial Instruments:

Presentation; effective from 1 January 2009), IFRS 1 (First-time Adoption of IFRSs; effective from 1 January 2009); IFRS 2 (Share-based Payment; effective from 1 January 2009) and IFRS 3 (Business Combinations; effective from 1 July 2009) as well as the new Standards and Interpretations IFRS 8 (Operating Segments; effective from 1 January 2009), IFRIC 13 (Customer Loyalty Programmes; effective from 1 January 2009), IFRIC 15 (Agreements for the Construction of Real Estate; effective from 1 January 2009) and IFRIC 16 (Hedges of a Net Investment in a Foreign Operation; effective from 1 January 2009). The first-time application of the above-mentioned Standards and Interpretations will have no material effect on Dresdner Bank AG's consolidated financial statements.

The reporting currency is the euro (€); the fiscal year is the calendar year. Amounts are generally given in millions of euros, percentages are rounded to one decimal place in accordance with the principles of commercial rounding. The consolidated financial statements contain figures that may be calculated using estimates and assumptions. These mainly include loan impairment losses, the fair value and impairment of financial instruments, deferred taxes, and provisions for pensions and other post-employment benefits. The estimates and assumptions used are based on historical experience and other factors, such as projections and expectations or forecasts with regard to future events, which appear appropriate under the given conditions. Actual figures could differ from the estimated figures.

Consolidated Group companies. Subsidiaries in which the Bank, directly or indirectly, either holds more than 50% of the voting rights or otherwise has power to exercise a controlling influence are consolidated using the purchase method. Such subsidiaries are consolidated from the date on which constructive control is transferred to the Group and are no longer consolidated from the date on which control by the Bank ceases. Special funds and special purpose entities that the Bank controls from an economic perspective (as defined by a series of criteria, and in particular risks and rewards) are consolidated in accordance with SIC 12.

All receivables, liabilities, income, expenses and intragroup profits resulting from transactions between Group companies have been eliminated on consolidation, unless immaterial. Minority shareholders' proportionate interests in the equity or profit or loss of the Bank's majority-held subsidiaries are reported under equity in the item minority interests and as profit attributable to minority interests.

Associates and joint ventures. Associates are those entities over which the Group exerts a significant influence but not control. Joint ventures are based on contractual arrangements where two or more entities undertake an economic activity that is subject to joint control. Investments in associates and joint ventures are accounted for using the equity method. Under this method, the Group's share of the post-acquisition profits or losses of these companies is recognised on an accrual basis under the item current income from equity-accounted investments. The Group's share of unrealised gains or losses from equity-accounted investments is reported under cumulative remeasurement gains/losses on financial instruments.

Investments in associates and joint ventures are reported under the item equity-accounted investments, stating the Bank's share in the equity of the respective entity. The accounting policies applicable to the respective single-entity financial statements are the same as those applied throughout the Group.

Goodwill is reported under intangible assets. It is tested for impairment by comparing the total carrying amount of the investment with its estimated recoverable amount. Where the carrying amount exceeds the estimated recoverable amount, an impairment loss must be recognised. Impairment losses and the gain or loss on the disposal of equity-accounted investments are included in net income from financial investments.

Foreign currency translation. The Group companies included in the consolidated financial statements are deemed to be foreign entities in accordance with IAS 21. Accordingly, and in line with the functional currency method, the income statements and cash flow statements of subsidiaries reporting in foreign currencies are translated at the average rates for the year. Balance sheet items are translated at the prevailing exchange rates as at 31 December of each year. Currency-related differences in equity are recognised in the translation reserve that forms a separate item under equity.

Goodwill arising from the acquisition of Group companies not reporting in euros is translated into euros at the exchange rate prevailing at the date of acquisition, and written down for impairment where necessary. Foreign currency transactions are translated into euros at the exchange rates prevailing on the transaction dates. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Non-monetary assets that are measured at cost are translated at the euro exchange rate at the time of their acquisition; non-monetary assets that are measured at fair value are translated at the current euro exchange rate. Forward currency transactions are measured using the prevailing forward rates for their respective maturities.

Offsetting. Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Categories of financial instruments according to IAS 39. According to IAS 39, all financial assets and liabilities, including all derivative financial instruments, must be recognised on the balance sheet. All financial instruments held for trading and designated at fair value as well as securities not held for trading are recognised at the trade date; all other financial instruments are recognised at the settlement date. Financial instruments are measured on the basis of classification into the categories described below:

- Financial assets or liabilities at fair value through profit or loss. These include on the one hand financial assets or liabilities held for trading, which are primarily utilised to generate a profit from short-term fluctuations in price or dealer's margin. On the other hand, provided that certain criteria are satisfied, any financial instrument can be designated as at fair value through profit or loss as long as fair value can be reliably determined (fair value option).

- Held-to-maturity financial assets are assets with fixed or determinable payments and a fixed maturity that the Bank has the positive intention and ability to hold to maturity. This positive intention and ability must be documented on acquisition and at each balance sheet date. At the reporting date, the Bank did not disclose any assets designated as held-to-maturity investments.

- Loans and receivables that are not held for trading purposes and that are not traded on an active market.

- Available-for-sale financial assets; these are all other financial assets that cannot be assigned to one of the other categories above. The Bank does not use this category for designation purposes. The Bank reports these assets as financial investments.

- Other financial liabilities that are not held for trading purposes or for which the fair value option is not exercised comprise in particular liabilities to banks, liabilities to customers and securitised liabilities.

The fair value of a financial instrument is the amount for which it could be exchanged between knowledgeable, willing, independent parties in an arm's length transaction. Where available, the most suitable measure for fair value is the market price. In those cases for which no quoted prices are available, comparable instruments or accepted valuation models (in particular the discounted cash flow or option pricing models) are used to determine the fair value. In this process, appropriate measurement adjustments are made, e.g. for model risks and the counterparties' credit ratings (including the Bank's own credit risk). In accordance with accounting requirements, differences between transaction prices and amounts calculated using valuation models that are not exclusively based on observable market data ("day one P&L") are not recognised immediately in profit or loss, but instead are only recognised during the term of the transaction or if relevant market data is available.

Classes of financial instrument according to IFRS 7. In addition to financial instruments grouped in categories in accordance with IAS 39, the scope of IFRS 7 covers financial instruments that are recognised in accordance with certain other standards, as well as unrecognised financial instruments. All these financial instruments must be classified in accordance with IFRS 7 in classes that are determined using appropriate criteria. The characteristics of the financial instruments must be taken into account in this classification. As the nature of the financial instruments is already suitably reflected by the classification of the balance sheet items, the definition of classes focuses on the balance sheet items that contain financial instruments.

Classes of financial instrument on the assets side mainly comprise cash funds, trading assets, financial assets designated at fair value, loans and advances to banks, loans and advances to customers (including from finance leases as a separate item) and financial investments (including financial assets measured at cost that are not traded on an active market as a separate item) as well as noncurrent assets or disposal groups classified as held for sale. Classes of financial instrument on the liabilities side primarily comprise trading liabilities, financial liabilities designated at fair value, liabilities to banks, liabilities to customers, securitised liabilities, subordinated liabilities and profit-participation certificates as well as liabilities included in disposal groups classified as held for sale. If other non-financial assets and liabilities are also included exceptionally in individual balance sheet items in addition to financial instruments, the relevant financial instruments are classified in separate classes. In particular, these include the accrued interest recognised in other assets and other liabilities as well as the positive and negative fair values of hedging derivatives. Finally, financial guarantee contracts and irrevocable loan commitments each represent a separate class of financial instruments in accordance with IFRS 7.

The following overview illustrates the relationships between balance sheet items, IFRS 7 classes and IAS 39 categories.

Class definition	Key measurement criterion			IAS 39 category
	Fair value	**Amortised cost**	**Other**	
Asset classes				
Cash funds			Nominal value	n/a
Trading assets	X			Held for trading
Financial assets designated at fair value	X			Designated at fair value through profit or loss
Loans and advances to banks		X		Loans and receivables
Loans and advances to customers		X		Loans and receivables
Of which: receivables under finance leases		X		n/a
Financial investments[1]	X			Available for sale
Of which: financial assets not traded in an active market			Measured at cost	Available for sale
Other assets – accrued interest		X		Loans and receivables
Other assets – positive fair values of hedging derivatives in accordance with IAS 39	X			n/a
Non-current assets and disposal groups held for sale			Realisable value	n/a
Liability classes				
Trading liabilities	X			Held for trading
Financial liabilities designated at fair value	X			Designated at fair value through profit or loss
Liabilities to banks		X		Other financial liabilities
Liabilities to customers		X		Other financial liabilities
Securitised liabilities		X		Other financial liabilities
Subordinated liabilities and profit-participation certificates		X		Other financial liabilities
Other liabilities – accrued interest		X		Other financial liabilities
Other liabilities – negative fair values of hedging derivatives in accordance with IAS 39	X			n/a
Liabilities included in disposal groups classified as held for sale	X[2]	X[2]		n/a
Off-balance sheet classes				
Financial guarantee contracts	X			n/a
Irrevocable loan commitments	X			n/a

1) Excluding investment property.
2) Allocated according to the original classification.

Initial/subsequent measurement. Financial instruments are measured on initial recognition at the fair value of the consideration given (when financial assets are acquired) or received (when financial liabilities are assumed). Subsequently, financial assets are also remeasured to fair value, except for loans and receivables that are not held for trading purposes, and certain financial assets for which fair value cannot be reliably measured because they do not have a quoted price in an active market and suitable market parameters are not available. These financial instruments are measured at amortised cost using the effective interest method or at cost. Financial liabilities – with the exception of trading liabilities or liabilities that have been designated at fair value (fair value option) – are also carried at amortised cost using the effective interest method. Financial assets classified as available for sale are measured at fair value both initially and subsequently, and the gain or loss on fair value measurement is recognised in a separate item in equity.

Financial assets and liabilities are classified into the above-mentioned categories on initial recognition and, with permitted exceptions, their classification is not subsequently changed.

Derecognition. Financial assets are derecognised when all the significant risks and rewards of ownership of the asset are transferred, i.e. when the contractual rights to receive the cash flows from these assets are lost. If not all the risks and rewards have been transferred, the Bank tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition. Financial liabilities are derecognised when they have been redeemed, i.e. if the obligation associated with them is settled or cancelled, or at maturity.

Collateral (shares and bonds) furnished by the Bank under standard repurchase agreements and securities lending and borrowing transactions is not derecognised because the Bank retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met. This also applies to certain securitisation transactions in which the Bank retains a proportion of the risks. While the Bank is primarily exposed to credit risk in the case of securitisation transactions, repurchase agreements and securities lending and borrowing transactions represent collateralised lending business.

Net interest and current income. As a matter of principle, interest income and interest expenses are recognised in the income statement on an accrual basis using the effective interest method. Interest income includes interest income on loans and advances and securities, along with accrued premiums and discounts on Treasury bills and other discounted instruments. Current income includes dividends from equities, dividends from unconsolidated affiliated companies and other equity investments, interest income on finance leases and rental income from investment property. Current income from equity-accounted investments is reported as a separate item under net interest and current income. The Bank recognises current income from associates and joint ventures on an accrual basis, while dividends are recognised in income when the legal right to receive payment is established. Interest income on finance leases is recognised in income over the term of the respective lease using the effective interest method. Rental income is recognised on an accrual basis. Income from qualifying hedging relationships used to hedge interest rate risks is also reported in net interest and current income. Borrowing costs are recognised in the period in which they are incurred, regardless of when the debt is actually utilised. The imputed interest cost calculated on pension liabilities and the expected return on plan assets are recognised under total staff costs.

Net fee and commission income. Fees and commissions from the securities business include fees and commissions from private placements, loan syndications and financial advisory services in addition to fees and commissions from the Bank's traditional securities brokerage business. The other item includes fees and commissions from the brokerage of insurance policies, credit cards, home loan contracts and the distribution of closed-end funds. Fee and commission income is recognised when the corresponding service is provided.

Net trading income. Net trading income comprises all realised and unrealised gains and losses from financial assets and liabilities at fair value. In addition, it includes commissions, all interest and dividend income attributable to trading activities and refinancing costs.

Restructurings. Provisions for restructurings are recognised if the Dresdner Bank Group has a detailed formal plan for the restructuring measures and has already begun implementing them, or has announced the key details of the restructuring. The detailed plan covers the business areas affected, the approximate number of staff whose positions will be discontinued under the restructuring, the related costs and the period in which the restructuring is expected to be implemented. The detailed plan must be communicated in such a manner that the parties affected can expect it to be implemented. The restructuring charges item in the income statement contains other expenses relating to restructurings that are not included in the provision for restructurings.

Cash funds. Cash funds include cash on hand, balances with central banks, Treasury bills (to the extent that these are not included in trading assets) and bills that are eligible for refinancing with central banks. Cash funds are reported at their nominal amount.

Trading assets and liabilities. Trading assets comprise debt instruments, equities and derivatives with positive fair values, as well as other financial instruments and promissory notes. Trading liabilities primarily consist of derivatives with negative fair values and delivery obligations from short sales of securities. Hedging derivatives such as those used for internal risk control but not qualifying for hedge accounting under IAS 39 form part of the positive fair values.

Trading assets and liabilities are measured at the trade date and subsequently remeasured at fair value. Measurement gains and losses are recognised in net trading income.

The global financial market crisis led to a significant liquidity squeeze in certain markets. While the market for some products proved completely illiquid, thus limiting the availability of market prices, other products experienced a sharp fall in their market prices.

The Bank refined the valuation models applied to financial instruments related to asset-backed securities; these models are used primarily to measure tranches comprising US residential mortgage-backed securities (US RMBSs) and collateralised debt obligations (CDOs) that mainly reference US RMBSs. Reliable market prices for the Bank's portfolio of US RMBSs and CDOs, which were particularly affected by the financial crisis, were only available to a limited extent in fiscal year 2008 and at the end of 2007. This is why cash flow-based valuation models were used. The main inputs used to generate expected cash flows for the individual tranches are prepayment rates, delinquency and default rates, which are analysed under various scenarios. Under these scenarios, the average present value of expected cash flows is calibrated to observable market data; this includes the ABX.HE series of subprime RMBS indices and predefined portfolios for which adequate, independently sourced price data is consistently available.

Financial assets and liabilities designated at fair value. All financial instruments that meet certain criteria on initial recognition may be irrevocably designated as at fair value. The designation of financial instruments as at fair value is subject to a review that is based on strict criteria.

The Bank uses the fair value option to eliminate or significantly reduce accounting mismatches in the recognition or measurement of financial instruments. For example, accounting mismatches occur in structured transactions in which economic hedging instruments on the one hand and the other financial instruments on the other are accounted for using different methods. In the case of structured products that contain an embedded derivative, the fair value option also serves to avoid splitting the product into a separate derivative and a host contract (reduction of complexity). The fair value option is also used for loan portfolios that are managed and reported on a fair value basis.

Quoted prices and valuation models are used to determine fair value. Any changes to fair value in subsequent periods are recognised in net trading income. Current interest income and expense is reported in net trading income in the case of trading-related instruments, and in net interest and current income in the case of non-trading-related instruments.

Repurchase and reverse repurchase agreements and lending and borrowing of securities. A repurchase agreement involves the sale by the Group of securities subject to the simultaneous agreement to repurchase the same securities at a certain later date and at an agreed price. The risks and rewards incidental to ownership of the securities remain with the Group throughout the entire term of the transaction and the securities continue to be reported in the Group's balance sheet as trading assets or financial investments, as appropriate. The proceeds from the legal sale of these securities are reported as liabilities to banks or liabilities to customers, as appropriate. A reverse repurchase agreement involves the purchase of securities with the simultaneous agreement to resell the same securities at a certain later date and at an agreed price. If the risks and rewards incidental to ownership of the securities remain with the seller, the value of the legal purchase is reported in the balance sheet items loans and advances to banks or loans and advances to customers, as appropriate. Interest earned on reverse repurchase agreements and interest incurred on repurchase agreements are accrued and recognised in net interest and current income or net trading income, depending on their respective purpose.

In securities lending and borrowing transactions, securities are borrowed from a market participant (the lender) by a counterparty (the borrower) for a certain period. If the risks and rewards incidental to ownership remain with the lender, the securities are reported on the latter's balance sheet in accordance with the original classification; borrowed securities are not reported. If the securities are subsequently sold on, the underlying amounts are reported on the balance sheet; the obligation to return the borrowed securities is reported at fair value under trading liabilities. Securities loaned to third parties are reported under trading assets or financial investments, depending on their respective purpose. Income and expenses from securities lending and borrowing transactions are accrued and recognised in net interest and current income or net trading income, depending on their respective purpose.

Loans and advances to banks and loans and advances to customers. Loans and advances to banks and to customers originated by the Bank (including finance leases), as well as acquired loans and advances that are not held for trading purposes and not listed on an active market are measured at amortised cost less any write-downs. Any differences between the amount paid out and the nominal amount that are equivalent to interest are amortised to income using the effective interest method. Gains on the sale of loans and advances are reported under net income from financial investments.

Loans are placed on non-accrual status when, based on the available information or events, the orderly payment of interest or principal by the client is doubtful, taking the collateral furnished into account. Irrespective of any legal claim to interest payment, interest income on existing loans is no longer recognised where the collectability of such claim is highly unlikely.

Loan impairment allowances and loan loss provisions. The Bank uses the following criteria to determine objective evidence of impairment: significant financial difficulty of the issuer or debtor, a breach of contract, a concession granted to the borrower for economic or legal reasons relating to the borrower's financial difficulty, probability that the borrower will enter bankruptcy or other financial reorganisation, the disappearance of an active market for the financial asset in question because of financial difficulties, and observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group.

The total amount of loan impairment allowances and loan loss provisions comprise loan impairment allowances against assets and loan loss provisions associated with contingent liabilities such as guarantees, irrevocable loan commitments, or other obligations, which are recognised as liabilities. Loan impairment allowances and loan loss provisions are broken down for reporting purposes into allowances and provisions for specific risks and allowances and provisions for general risks.

Allowances and provisions for specific risks are established to provide for individually identified credit and counterparty and country risk-related counterparty risks. The amount of the allowances and provisions represents the difference between the carrying amount of the receivable and the present value of the relevant expected cash flows calculated using the discounted cash flow method, after allowing for recoverable collateral. Additionally, the amount of the country risk-related allowance and provision for specific risks is based on the internal country rating and on the Bank's historical loss experience. The amount of interest added back to the present value of impaired and called-in loans (unwinding) is determined using the individual interest rate before the loan was called in and reported as interest income.

Smaller standardised loans are grouped together to form homogeneous portfolios. In this case a collective allowance is applied; the methodology for this is explained in the Risk Report. The creation of homogeneous portfolios is restricted to certain loans in the Private & Corporate Clients division. The collective allowance is reported as a component of the allowances and provisions for general risks. Interest income from unwinding is also calculated in the case of the collective allowance, as with allowances and provisions for specific risks.

Allowances and provisions for general risks are established to provide for incurred but unidentified losses resulting from credit and country risks that are inherent in the loan portfolio as at the reporting date. They are calculated using a model-based approach that is primarily based on historical loss probabilities and loss ratios for that portion of the loan portfolio for which no other loan impairment allowances have been recognised to date, plus the average identification period to be applied. Significant changes in the economic environment and current events are taken into account when determining the allowances and provisions for general risks. Examples are extreme price changes on the commodities and currency markets. The amount of allowances and provisions for general risks is determined by the independent Risk function.

As soon as a loan becomes uncollectable, it is written off against any existing allowances and provisions for specific risks or directly recognised as an expense in the income statement. Subsequent recoveries are recognised by crediting the loan impairment losses item in the income statement.

The Bank renegotiates the contractual conditions for certain loans that would otherwise be past due or impaired due to a deterioration in the borrower's economic situation. This means that the Bank makes concessions to the borrower such as deferral, partial waiver, an extension of the term, or similar as part of troubled debt restructuring. Further information is contained in the Risk Report.

Leases. Leases are divided into finance leases and operating leases. Under a finance lease, substantially all the risks and rewards incidental to legal ownership are transferred to the lessee, who reports the assets in its balance sheet. In contrast, an operating lease exists where the leased assets are allocated to the lessor.

The Bank primarily accounts for finance leases as the lessor. The Group recognises the assets to be capitalised by the lessee as receivables at an amount equal to the net investment. Income from these transactions is allocated to net interest and current income on an accrual basis.

In its capacity as a lessee, the Group mainly uses property and equipment under operating leases. Payments due to the lessor under operating leases are charged to administrative expenses on a straight-line basis over the term of the lease. If a lease is terminated before the end of the lease term, any penalty payments to be made to the lessor are recognised in income in full in the period in which such termination takes place.

Financial investments. The Group's financial investments include debt instruments, equities and other variable-rate securities, shares in affiliated companies as well as investment property.

Reported shares in affiliated companies relate to those companies in which the Group holds a majority interest but which are not consolidated due to their minor importance for the Group, as well as shares held by the Group in companies included in the consolidated financial statements of the Allianz Group.

Debt instruments, equities and shares in affiliated companies reported under financial investments are classified as available-for-sale financial assets and hence reported at their fair value. If, in the case of unlisted equities and shares in affiliated companies, it is impossible to reliably determine either a price quotation in an active market or the relevant factors for the valuation models, they are recognised at cost. Investment property is measured at cost less accumulated depreciation and impairment losses.

Measurement gains or losses on available-for-sale financial assets at fair value are initially taken to a separate item in equity. The cumulative remeasurement gains/losses taken to equity for an available-for-sale financial instrument are subsequently recognised in income when the instrument is disposed of. Depreciation of investment property – to which the depreciation periods described under property and equipment also apply – is reported under other operating expenses. Write-downs and disposal gains or losses are included in net income from financial investments.

Securities classified as available for sale are regularly tested for impairment. The amount of the impairment is the difference between (amortised) cost and the current fair value less any impairment losses already recognised in profit or loss. A distinction is made in the impairment test between equity and debt instruments with regard to the indications used.

Available-for-sale equity instruments are regarded as impaired if there has been a significant or prolonged decline in their fair value below their cost; each criterion is on its own evidence of impairment. Significant is defined as when fair value has fallen below cost by at least 20%. Prolonged is defined as when fair value has been permanently below cost for at least nine months. The amount of this impairment loss is recognised in the income statement under net income from financial investments. Impairment losses on available-for-sale equity instruments that have been recognised in profit or loss cannot be reversed up to the cost of the instruments if the reason for the impairment no longer exists. Instead, reversals are taken directly to equity, and the reserve is only reversed to income in the net income from financial investments item when the asset is disposed of.

Debt instruments classified as available for sale are classified as impaired if there is objective evidence of a loss event that has a negative effect on the expected cash flows from the instrument. This is the case in particular if the issuer's credit rating has deteriorated. However, changes in the risk-free rate generally have no effect on the expected cash flows from the instrument. Reductions in fair value due to changes in credit ratings are therefore recognised in profit or loss, and reductions in fair value due to changes in interest rates are generally taken directly to equity. The amount of impairment losses caused by changes in credit ratings is recognised in the income statement under net income from financial investments. Impairment losses are subsequently reversed to income under the net income from financial investments item up to a maximum of the original amortised cost if the reasons for the impairment of available-for-sale debt instruments no longer exist.

Income from debt instruments, including premiums and discounts amortised over the term of the instruments, is recognised in net interest and current income. Dividend income from equities and income from shares in affiliated companies and other equity investments are also recognised in this item. Gains and losses realised on the sale of these securities are reported under net income from financial investments.

Property and equipment. This item includes owner-occupied land and buildings as well as office furniture and equipment; both of these are reported at cost less accumulated depreciation and impairment losses, if any. Subsequent costs or additions are capitalised to the extent that they increase the future economic benefit of the related assets. Borrowing costs incurred in the financing of property and equipment are not capitalised. Costs for repairs, maintenance, or other measures to maintain the property or equipment are charged to the income statement when the expenditure is incurred. Straight-line depreciation is applied based on the useful life terms set out below in accordance with the expected benefit periods: buildings: 25 to 50 years; office furniture and equipment: 4 to 10 years.

Property and equipment is periodically reviewed for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, the asset is written down to its recoverable amount. The fair value of investment property is calculated on the basis of the discounted cash flow method to determine impairment losses.

Depreciation expense on the Bank's owner-occupied real estate is reported under administrative expenses. Gains and losses realised on the disposal of property and equipment are reported in other operating income or other operating expenses, respectively.

Intangible assets. This item is used to report goodwill and software. Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets (equity) of the acquired subsidiary, associate, or joint venture, measured at the date of acquisition.

The resulting goodwill is measured at cost as an intangible asset with an indefinite useful life, less accumulated impairment losses. Goodwill is tested for impairment annually, as well as during the year if there is any indication of impairment, by comparing the carrying amount of a cash-generating unit – including goodwill – with the recoverable amount of the unit. The recoverable amount is defined as the higher of fair value less costs to sell and value in use. Impairment losses must be charged on goodwill if the carrying amount of a cash-generating unit including goodwill exceeds the recoverable amount of the cash-generating unit. For this purpose, the goodwill is allocated at the time of acquisition to those cash-generating units that should profit from the synergies produced by the merger. A cash-generating unit is defined as the smallest possible group of assets within the entity that generates cash flows largely independently of other assets. Reversals of impairment losses on goodwill are not permitted. Gains or losses realised on the disposal of subsidiaries include any unamortised balance of goodwill relating to the subsidiary disposed of.

Software consists of purchased and internally developed software and is amortised over the expected useful life of three or five years using the straight-line method in miscellaneous other administrative expenses. Software development costs are capitalised; they include the costs directly attributable to the software, such as staff costs of the software development team or licence costs. Expenditures that enhance or extend the benefits of computer software programs beyond their original specifications and lives are capitalised as capital improvements and added to the original cost of the software. Costs associated with software system maintenance are recognised as an expense as incurred.

Non-current assets and disposal groups held for sale. Assets assigned to this category are recognised separately in the balance sheet at the lower of their carrying amount and fair value less costs to sell. The liabilities included in a disposal group classified as held for sale are also presented separately in the balance sheet. In accordance with IFRS 5, the prior-year figures were not adjusted.

Tax expense. Deferred income tax assets and liabilities are recognised in full using the balance sheet liability method for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, regardless of the expected timing of the reversal of such differences. Deferred income tax is calculated using the tax rates that have been enacted, or substantively enacted, and that are likely to apply during the tax period during which the reversal is expected to take place. Tax assets and liabilities are recognised for additional tax payments or refunds due. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Tax effects from loss carryforwards are capitalised where it is probable that they can be offset against future taxable income. Tax allocations in a consolidated tax group are recognised under income tax expense. Income tax payable on profit for the period under the applicable tax law in each jurisdiction is recognised as an expense in the period in which the profit of the period is recognised.

Structured financial instruments. Structured products on the asset side (combined instruments) are generally recognised as financial assets classified as financial instruments at fair value through profit or loss. Insofar as these recognised product structures are not trading assets, they are generally classified as financial assets designated at fair value.

On the liabilities side, structured products resulting from Group financing are only recognised as single financial liabilities if the economic characteristics and risks of the non-derivative and derivative components are closely related. In other cases where the non-derivative and derivative components are not closely related, they are generally separated into the non-derivative underlying instrument and the embedded derivatives. The non-derivative underlying instrument is generally measured at amortised cost using the effective interest method and the embedded derivative is measured at fair value through profit or loss.

Derivatives. Derivatives are measured at fair value. In the case of products that are not exchange-traded (OTC derivatives), fair value is determined on the basis of the established valuation techniques used by the financial markets (e.g. the discounted cash flow method or option pricing models). In the case of the discounted cash flow method, the fair value corresponds to the sum of all future cash flows discounted to the measurement date.

Exchange-traded derivatives are only reported at the positive or negative fair values determined on the basis of their market prices if the daily settlement of the variation margin has not occurred on the reporting date (e.g. due to exchanges operating in different time zones), or if special terms of the contract provide for full settlement at the date of maturity only.

Hedge accounting. Derivatives that are used to hedge risks arising from financial assets and liabilities and that qualify for hedge accounting treatment under IAS 39 are reported under the other assets (positive fair values) and other liabilities (negative fair values) items.

IAS 39 provides for three types of hedging relationship that can be used for hedge accounting: (1) fair value hedges, which are designed to hedge the exposure to changes in the fair value of financial assets or liabilities, or to hedge firm commitments; (2) cash flow hedges, which are designed to hedge exposure to variable cash flows from recognised assets and liabilities, and to hedge forecast transactions; and (3) hedges of a net investment in a foreign entity.

In the case of fair value hedges, measurement gains and losses on both the hedging derivative and the underlying attributable to the hedged risk are recognised in profit or loss for the fiscal year. Offsetting measurement gains and losses cancel each other out, while any ineffectiveness in the hedging relationship is reported in net trading income.

In the case of cash flow hedges, changes in the fair value of the underlying attributable to the hedged risk are not measured. The effective portion of the measurement gain or loss of the hedging derivative (attributable to the hedged risk) is recognised in equity after adjustment for deferred taxes and is not reclassified to income until the offsetting gains and losses relating to the underlying are recognised in income or the transactions expire. The ineffective portion of the hedging relationship is reported in net trading income.

For hedges of a net investment in a foreign entity, the effective portion of the change in the fair value of the hedging derivative is recognised in equity in the same way as the remeasurement gains/losses on hedged investments. However, the ineffective portion of the change in the fair value of the hedging derivative is recognised in net trading income.

Hedge accounting under IAS 39 is subject to strict criteria. It is necessary to document each hedging relationship individually and to prove that it is objectively suited to eliminating a major portion of the risk associated with the underlying. The corresponding evidence of effectiveness must demonstrate both that the hedge was highly effective during the term to date of the hedging relationship (retrospective effectiveness) and that a high degree of effectiveness can be expected for the future (prospective effectiveness).

Due to the highly restrictive provisions of IAS 39, certain economic hedging relationships do not qualify for hedge accounting. As a result, the different accounting treatment applied to the underlying and the derivative leads to volatile earnings due to market changes.

Purchased credit default swaps (CDSs) have the same economic function as financial guarantee contracts received. They are generally recognised as derivatives at fair value through profit or loss. CDSs that demonstrably serve to hedge against interest and principal repayment defaults are not recognised in the balance sheet because they are contingent liabilities. The premiums are recognised on an accrual basis and the hedging effect is included in the recognition of loan impairment losses.

Interest-bearing and non-interest-bearing liabilities. Interest-bearing and non-interest-bearing liabilities are recognised at amortised cost, including directly attributable transaction costs. Discounts are amortised to income over the life of the respective liabilities using the effective interest method.

Provisions. In accordance with IAS 37, provisions are recognised when the Group has a present legal or constructive obligation resulting from past transactions or events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the liability can be made. Provisions are reviewed and remeasured at least on an annual basis.

Provisions recognised for credit risks relating to off-balance sheet loan commitments, guarantees and warranties are charged to loan loss provisions; restructuring provisions are charged to restructuring charges. Other additions to provisions are generally charged to administrative expenses. Reversals of provisions are reported in the items to which the provisions were charged.

As soon as restructuring provisions were concretised in the form of individual contracts, they were reclassified to those categories of provisions to which such agreements would have been allocated on the basis of their original nature.

Post-retirement obligations. The majority of the Group's employees participate in sponsored benefit plans, whereby benefits are payable in the form of retirement, disability and surviving dependant pensions. The rest of the Group's employees receive a capital commitment that is paid out when the respective employee reaches the age limit, in the case of occupational disability, or when the employee dies. The benefits offered vary according to the legal, fiscal and economic conditions of each country in which the Group operates and include both defined contribution and defined benefit plans. The benefits under both types of plan depend primarily on employees' years of service and mainly on their salary earned. Pension plans are generally financed via payments by the corresponding Group companies; in addition, some arrangements provide for contributions by the employees themselves. Pension provisions are set up in accordance with IAS 19 for the majority of our employees.

A defined benefit plan is a pension plan under which the beneficiary is granted a particular benefit. The amount of the pension benefit to be provided is usually determined as a function of one or more factors such as age, years of service, or compensation. For defined benefit plans, the pension liabilities are assessed annually by independent qualified actuaries using the projected unit credit method. The liability associated with defined benefit plans is the present value of the defined benefit obligation at the reporting date. The discount rate used reflects prevailing market conditions; assumed wage and salary increases and pension trends are also taken into account. Actuarial gains and losses – resulting from changes in actuarial assumptions or the return on plan assets – are recognised over the average remaining service period if they exceed the greater of 10% of the present value of the defined benefit obligations or 10% of the fair value of the plan assets. The pension cost is recognised in administrative expenses under pension benefit expense.

The expected return on plan assets is determined on the basis of a minimum allocation to the respective asset classes, taking into account a weighted average return on future investments.

A defined contribution plan is a pension plan under which the Group pays a fixed contribution to an external pension provider and has no legal or constructive obligation to pay further contributions if the fund does not have sufficient assets to pay all benefits relating to employee service in the current or prior periods. For defined contribution plans, the Group pays contributions to administered plans on a mandatory, contractual, or voluntary basis. Payments under defined contribution plans for the current accounting period are reported in administrative expenses under pension benefit expense.

On 2 January 2006, Dresdner Bank AG established another contractual trust arrangement (CTA) under the umbrella of Pension-Trust der Dresdner Bank e. V., a legally and economically independent entity that acts as the trustee, and transferred cash funds to this CTA to secure employer-funded direct benefit commitments. The CTA holds and manages the assets transferred to it, which are kept separate from Dresdner Bank's business assets and which may be used solely to finance the pension obligations.

Treasury shares. Contrary to the presentation in the previous year, the Dresdner Bank shares purchased from Allianz in 2007 are no longer deducted from equity on the face of the balance sheet, but are eliminated directly against retained earnings at their cost of €1,150 million. 100% of Dresdner Bank's outstanding shares were held indirectly by Allianz SE at 31 December 2008.

Trustee business. Assets and liabilities held by the Group in its own name, but for the account of third parties, are not reported in the balance sheet. Commissions received from such business are shown as fee and commission income in the income statement.

Contingent liabilities and other commitments. We generally report financial guarantee contracts as contingent liabilities and irrevocable loan commitments as other commitments. Financial guarantee contracts are contracts that require the Bank as the issuer to make specified payments to reimburse the holder for losses it incurs because a specified debtor fails to make payment when due in accordance with the original or modified contractual terms of a debt instrument. Where contracts provide for the payment of premiums in arrears, financial guarantee contracts are recognised at the date on which the contract was entered into at a value of zero using the net method, i.e. the present value of the premium is eliminated against the present value of the guarantee contract. These financial guarantee contracts are subsequently recognised in the amount at which a claim will probably be made against the issuer. Where contracts provide for the payment of a one-time premium in advance, liabilities are initially recognised in the corresponding amount and subsequently amortised.

Irrevocable loan commitments comprise firm commitments to provide loans at predetermined conditions. Provisions are recognised for loan commitments if the Bank has a present legal obligation, an outflow of resources embodying economic benefits is probable and the amount of the obligation can be reliably estimated.

Consolidated statement of cash flows. The consolidated statement of cash flows shows changes in the Dresdner Bank Group's cash and cash equivalents resulting from cash flows provided by/used in operating activities, investing activities and financing activities. Cash flows provided by/used in investing activities primarily comprise proceeds from the disposal of and payments for the acquisition of financial investments and property and equipment. Financing activities include all cash flows provided by/used in transactions involving equity capital, subordinated equity and profit-participation certificates. In line with international banking practice, all other cash flows are attributed to operating activities. The cash and cash equivalents reported comprise the narrow definition of cash funds.

Nature and extent of risks. In addition to the information on the risks associated with financial instruments in the individual notes, the Risk Report in particular includes detailed disclosures in the sections entitled “Credit and counterparty risk”, “Market risk” and “Liquidity risk”. The disclosures on liquidity risk are supplemented by a presentation of the carrying amounts of receivables and liabilities by remaining maturity in Note 42 and by a presentation of the residual terms of liabilities with undiscounted contractual cash flows in Note 50.

Capital management. Information on capital management can be found in the section of the Management Report entitled “Value-based Management” and in the Risk Report in the section entitled “Risk capital-based risk management”. In addition, regulatory capital and risk-weighted assets are presented in Note 39.

02 Reclassifications in accordance with the amendments to IAS 39 and IFRS 7

The Bank has made use of the amendments to IAS 39 adopted by the IASB in October 2008 and reclassified assets from the financial instruments held for trading category to both the loans and receivables category and the available-for-sale financial assets (AfS financial assets) category. In future periods, the portfolios reclassified to loans and receivables will be measured at amortised cost, and the amounts reclassified to AfS financial assets at fair value, with remeasurement gains or losses recognised directly in equity. The impairment rules for each category were applied to the reclassified portfolios.

In the course of the reclassification, financial instruments were identified that were no longer intended to be sold or traded in the short term as at 1 July 2008 because of the financial market crisis. Asset-backed securities that are mainly denominated in USD with a carrying amount and fair value totalling €1.9 billion as at 1 July 2008 were therefore reclassified retrospectively as at that date from Trading assets – Debt instruments.

	31/12/2008		1/7/2008
€m	Fair value	Carrying amount	Carrying amount
Trading assets reclassified as loans and receivables	1,093	1,524	1,523
Trading assets reclassified as AfS financial assets	178	178	390
Total reclassified assets	**1,271**	**1,702**	**1,913**

The carrying amounts reported as at 31 December 2008 include adjustments for currency effects and amortisation as well as value adjustments amounting to €172 million, of which €158 million relates to loan impairment allowances on loans and receivables and €14 million to impairment losses on AfS financial assets.

If the reclassifications had not been made, the income statement would have included unrealised fair value losses on the reclassified trading assets amounting to €671 million in the second half of 2008. The decline in fair value that is attributable to the trading assets reclassified as AfS financial assets and that is not attributable to impairment is reported in equity under cumulative remeasurement gains/losses in the amount of €240 million. The effect of the reclassification on earnings per share is €1.25.

The average effective interest rate of the reclassified trading assets at the reclassification date was 8.27%, and the expected cash flows from those assets amounted to the equivalent of €7 billion.

Notes to the Consolidated Income Statement and Segment Reporting

03 Net interest and current income

€m	2008	2007
Interest income from		
– Lending and money market transactions[1)]	7,305	6,773
– Fixed-income securities and registered government debt	564	578
Current income from		
– Equities and other variable-rate securities[2)]	101	109
– Finance leases	88	174
– Investment property	10	57
Total interest and current income	**8,068**	**7,691**
Current income from equity-accounted investments	**44**	**245**
Interest expense for		
– Deposits	3,189	2,823
– Securitised liabilities	1,168	1,501
– Subordinated liabilities	180	196
– Other	762	355
Total interest expense	**5,299**	**4,875**
Net interest and current income	**2,813**	**3,061**

1) Effect of the application of IAS 39: €-60 million (previous year: €169 million).
2) Including income from unconsolidated affiliated enterprises.

Total interest and current income contains €281 million from financial instruments at fair value through profit or loss (previous year: €113 million); the corresponding figure for total interest expense is €1,095 million (previous year: €23 million). Interest income from lending and money market transactions includes interest income from unwinding of €17 million (previous year: €8 million). Net interest income from trading activities of €929 million (previous year: €142 million) is reported in net trading income (see Note 5).

04 Net fee and commission income

€m	2008	2007
Fee and commission income	**2,560**	**3,246**
– Securities business	1,212	1,484
– Asset management	145	331
– Mergers & acquisitions and underwriting business	141	309
– Payment transactions	270	272
– Foreign commercial business	135	139
– Fiduciary business	2	10
– Other	655	701
Fee and commission expenses	**380**	**380**
– Securities business	199	163
– Asset management	7	8
– Mergers & acquisitions and underwriting business	0	21
– Payment transactions	20	18
– Foreign commercial business	0	0
– Fiduciary business	0	0
– Other	154	170
Net fee and commission income	**2,180**	**2,866**

The other item primarily contains income from the brokerage of insurance policies, the guarantee loan business, the distribution of closed-end funds, loan advisory services, the home loan business and the credit card business, as well as expenses for brokerage activities, including in particular the home loan business.

Fee and commission income and fee and commission expenses are included in the calculation of the effective interest rate used to determine amortised cost if they are an integral part of the effective interest rate of financial assets and liabilities that are not measured at fair value through profit or loss.

05 Net trading income

€m	2008	2007
Net realised gains/losses	-646	444
Net remeasurement gains/losses[1)]	-4,475	-1,016
Brokerage fees and commissions	-121	-51
Net interest income	929	142
– Interest and dividend income	13,776	13,560
– Interest expense	12,847	13,418
Net trading income	**-4,313**	**-481**

1) Including gains/losses from the application of IAS 39.

Interest and dividend income on the one hand and interest expense on the other hand are the gross amounts from the volume of business generated by the Bank's trading activities.

The following breakdown of net trading income by transaction type is based on the management approach, which means that the presentation corresponds to the internal management information.

€m	2008	2007
Trading in interest rate products	676	431
Trading in equities products	-384	260
Foreign exchange and precious metals trading	477	256
Trading in credit products	-4,692	-1,231
Other trading activities	-407	26
Net effect of remeasurement under IAS 39	17	-223
– Remeasurement gains/losses from the application of IAS 39	-39	-279
– Remeasurement gains/losses from the application of the fair value option	56	56
Net trading income	**-4,313**	**-481**

The gains and losses from ineffective hedges contained in net trading income are explained in the Note on our derivatives business (Note 45).

06 Administrative expenses

€m	2008	2007
Total staff costs	2,710	2,935
– Wages and salaries	2,222	2,457
– Social security	278	302
– Post-employment and other employee benefit costs	210	176
Other administrative expenses	1,634	1,715
– Occupancy expenses	330	331
– IT costs	419	466
– Expenses for office furniture and equipment	73	84
– Miscellaneous other administrative expenses	812	834
Depreciation of property and equipment	195	199
Administrative expenses	**4,539**	**4,849**

The average number of vocational trainees during the year was 1,087 (previous year: 1,056); the average number of management trainees was 151 (previous year: 118). Excluding vocational and management trainees, the average number of staff employed during the year was 28,957 (previous year: 30,556). This number can be broken down as follows:

Employees	2008	2007
Germany	23,403	24,900
Other countries	5,554	5,656
Total	**28,957**	**30,556**

07 Loan impairment losses

€m	2008	2007
Additions to loan impairment losses[1)]	1,941	512
Amounts released	112	446
Recoveries on loans previously written off	158	198
Loan impairment losses	**1,671**	**-132**

1) Contains direct write-downs in the amount of €7 million (previous year: €8 million).

08 Other operating income/expenses

Other operating income and expenses comprise items that cannot be allocated to other line items in the income statement. Other operating income amounting to €13 million relates to realised gains on the disposal of property and equipment. Other operating expenses of €81 million (previous year: €20 million) are mainly attributable to compensation payments.

09 Net income from financial investments

€m	2008	2007
Net realised gains/losses	1,022	272
Loss participation from hybrid capital and profit-participation certificates	276	–
Reversals of impairment losses	3	–
Impairment losses	365	89
Net income from financial investments	**936**	**183**

€360 million (previous year: €52 million) of the impairment losses is attributable to available-for-sale financial assets.

€m	2008	2007
Net income from the disposal of available-for-sale financial assets	335	231
Net income from non-current assets held for sale	-15	–
Net loss from the sale of receivables and repayment of liabilities	-73	-33
Net income from the disposal/remeasurement of affiliated companies/associates	412	13
Loss participation from hybrid capital and profit-participation certificates	276	–
Net income from/loss on investment property	1	-28
Net income from financial investments	**936**	**183**

A loss of less than €1 million was realised on the sale of loans and advances to banks with a carrying amount of €173 million; a loss of €63 million was realised on the sale of loans and advances to customers with a carrying amount of €869 million. The reduction of liabilities to banks with a carrying amount of €133 million led to a gain of €1 million, while the reduction of liabilities to customers with a carrying amount of €140 million led to a loss of €1 million. The reduction of securitised liabilities with a carrying amount of €521 million led to a gain of €8 million.

10 Restructuring charges

€m	2008	2007
"Neue Dresdner Plus" programme	-41	4
Other programmes	41	46
Restructuring charges	**0**	**50**

In the year under review, restructuring charges for the planned hive-off of the Private and Corporate Clients division were offset almost entirely by income from the reversal of provisions.

In March 2008, the Bank resolved to hive off the PCC division as a restructuring measure. The Bank intended to split the Private & Corporate Clients (PCC) and Investment Banking divisions into two legally independent and marketable banks. This split was not implemented due to the acquisition of Dresdner Bank by Commerzbank. As a result, restructuring charges of €45 million were incurred.

These restructuring charges for the hive-off of the PCC division are reported in the "Other programmes" item together with the "2007 programmes" and "pre-2006 programmes" initiatives, which were previously presented separately. These measures resulted in total expenses of €41 million. Of this amount, income of €2 million relates to the regular review of existing provisions for the "2007 programmes" and "pre-2006 programmes" initiatives in each case. The regular review of existing provisions for the "Neue Dresdner Plus" programme led to net income of €41 million. Information on changes in the provisions is provided in Note 31.

11 Earnings per share

We acquired 40.8 million own shares in July 2007, thereby reducing the average number of shares outstanding for the year under review to 537.3 million (previous year: 560.2 million). Earnings per share are calculated by dividing profit for the period by the weighted average number of shares outstanding during the fiscal year.

	2008	2007
Profit for the period (€m)	-6,297	410
Average number of shares outstanding (millions of shares)	537.3	560.2
Earnings per share (€)	**-11.72**	**0.73**

Diluted earnings per share are calculated using the same method, but the weighted average number of shares outstanding is adjusted for the dilutive effect of outstanding rights to subscribe for Dresdner Bank's shares. No such rights existed at the end of 2008 and 2007. The diluted earnings per share therefore correspond to the earnings per share. No dividend was paid in 2008 (previous year: €0.52 per share).

12 Segment reporting

Segment reporting is structured primarily according to business segments, with a geographical breakdown used as a secondary reporting format. The business segments shown are in line with the organisational structure of the Dresdner Bank Group in place during the year under review, taking into account the nature of the products and services provided and the respective target customer groups.

The business activities of the **Private & Corporate Clients** division comprise the customer offerings of Personal, Private & Business Banking (PPB), Private Wealth Management (PWM) and Corporate Banking (CB). Personal Banking offers private clients personalised financial solutions comprising products for asset accumulation, financing, retirement provision and insurance. Private Banking's offering comprises individual asset management for high net worth private clients, including retirement provision and financing concepts, as well as tailor-made financial and asset planning. Business Banking offers our business clients integrated advice on their personal and business finances. For clients with substantial, complex assets, Private Wealth Management offers professional support and end-to-end advisory services by highly qualified, experienced research teams and a global network of experts, combined with the individual approach, flexibility and closeness of an exclusive private bank. Corporate Banking operates in the area of traditional commercial business with corporate clients. Its range of services includes lending and deposits, foreign commercial business, securities and payments, including related e-business activities. Private & Corporate Clients is present both in Germany and in all major European financial centres.

Under its Dresdner Kleinwort brand name, **Investment Banking** offers a wide range of investment banking services in its two areas of Global Banking and Capital Markets. Global Banking deploys its advisory, financing and structuring expertise in a comprehensive product portfolio for corporate clients, financial institutions, financial investors and public-sector clients. Its services offering includes strategic consulting, mergers & acquisitions, equity finance, credit finance, structured and securitised finance, trade finance and cash management. Capital Markets offers its expertise in placements, trading and research primarily to our institutional clients, including pension funds, asset managers and alternative asset managers.

The **Business Services** segment comprises our Information Technology, Operations, Human Resources and Legal business support service units. The costs incurred by these service units – with the exception of restructuring charges – are allocated to the operating divisions using product- and volume-related allocation algorithms.

The **Corporate Functions** segment consists of the costs of those functional areas that have a Group management role (Finance/Compliance, Risk Management/Risk Control and the units reporting directly to the CEO, such as Group Coordination, Internal Audit and Corporate Communication). The administrative expenses incurred by these units are allocated in full to the operating divisions during internal cost allocation. In addition, the segment comprises the profit from capital management and Treasury operations as well as the Bank's financial investment portfolio. The segment also comprises consolidation adjustments and specific reconciliation items to the overall Group earnings measures. Among other things, these include gains and losses from the application of IAS 39 to the banking book and expenses for certain projects affecting the Bank as a whole.

Basis and methodology of segment reporting. Segment reporting is based on the monthly Group Management Accounts, a decision-support tool used for divisional Group planning and control.

The net interest and current income of the divisions is calculated by measuring the segment assets and liabilities on the basis of a transfer pricing concept that reflects prevailing market rates. To do this, Treasury – which is assigned to the Corporate Functions segment – debits to the divisions funding costs for asset items that reflect capital market rates for equivalent maturities, or credits them with the corresponding investment income in the case of equity and liabilities side items (with the exception of the capital allocated). The capital allocated reflects the risk capital tied up in the divisions. Returns on the investment of the allocated capital are allocated to the divisions on the basis of imputed interest. The interest rate used is based on capital market conditions.

In order to improve the transparency of the economic effect on internally reported profit or loss from specific large transactions in the reported profit before tax, net interest and current income for the Investment Banking division contains a pre-tax equivalent of the profit or loss after tax of these transactions; this is eliminated in the Corporate Functions segment during reconciliation of segment reporting to the figures recognised in external reporting.

The segments' administrative expenses include both direct costs and costs allocated to the segments as part of the cost allocation procedures in connection with the intra-group provision of services. Services are exchanged between the individual segments on the basis of contractual or mutual agreements between the service providers and the service recipients, or on the basis of corresponding guidelines governing service relationships. The services exchanged between the business segments or functions are measured at market prices or at fully absorbed cost. In order to make the effect of internal cost allocations between the operating divisions and the service units in the Business Services and Corporate Functions segments transparent, we make a distinction when reporting administrative expenses between direct administrative expenses and inter-segment cost allocations.

All balance sheet items are included in the segmentation when calculating the segment assets and liabilities of the divisions. The allocation of equity reflects the risk capital tied up in the segments. The reconciling item to the equity of the Bank as a whole is contained in the Corporate Functions segment.

€m	Private & Corporate Clients 2008	2007	Investment Banking 2008	2007	Business Services 2008	2007	Corporate Functions 2008	2007	Group (total) 2008	2007
Net interest and current income	1,740	1,650	1,194	1,096	-18	-10	-103	325	2,813	3,061
Net fee and commission income	1,534	1,888	658	867	4	6	-16	105	2,180	2,866
Net trading income	54	70	-4,589	-342	–	–	222	-209	-4,313	-481
Other operating income	–	–	–	–	13	–	–	–	13	–
Total operating income	**3,328**	**3,608**	**-2,737**	**1,621**	**-1**	**-4**	**103**	**221**	**693**	**5,446**
Direct administrative expenses	1,730	1,770	1,103	1,301	1,098	1,177	608	601		
Inter-segment cost allocation	872	906	873	920	-1,075	-1,174	-670	-652		
Administrative expenses	2,602	2,676	1,976	2,221	23	3	-62	-51	4,539	4,849
Other operating expenses	63	12	4	8	–	7	14	-8	81	19
Total operating expenses	**2,665**	**2,688**	**1,980**	**2,229**	**23**	**10**	**-48**	**-59**	**4,620**	**4,868**
Loan impairment losses	126	58	1,558	57	–	–	-13	-247	1,671	-132
Operating profit/loss	**537**	**862**	**-6,275**	**-665**	**-24**	**-14**	**164**	**527**	**-5,598**	**710**
Net income from financial investments	-10	-2	-179	-67	–	-1	1,125	253	936	183
Net income from intangible assets	–	–	-27	–	–	–	-12	–	-39	–
Restructuring charges	-30	4	-9	33	-2	14	41	-1	–	50
Profit/loss before tax	**557**	**856**	**-6,472**	**-765**	**-22**	**-29**	**1,236**	**781**	**-4,701**	**843**
Change year on year	-299		-5,707		7		455		-5,544	
Segment assets (€bn)	51.9	61.9	352.3	422.3	0.7	0.7	16.1	15.3	421.0	500.2
Segment liabilities (€bn)	83.0	84.5	311.3	377.6	0.1	0.1	26.6	38.0	421.0	500.2
Cost-income ratio, %	80.1	74.5	k. A.	137.5					666.7	89.4
Loan loss ratio[1], %	0.41	0.16	2.43	0.10					1.65	-0.13
Return on equity before tax[2], %	26.4	43.0	-189.3	-26.1					-62.3	8.5
Risk capital[3] (average)	1,500	1,800	3,400	2,800	100	100	1,400	1,800	6,400	6,500
Risk-weighted assets[4] (average)	31,300	42,900	68,600	70,600	200	200	8,500	5,900	108,600	119,600

1) Loan impairment losses as a percentage of the average risk-weighted assets in the banking book. The corresponding risk-weighted assets for the previous year were adjusted on a pro forma basis.
2) Profit/loss before tax, intangible assets and restructuring charges as a percentage of the average capital resources according to IFRSs; calculated for the divisions on the basis of the allocated average risk capital.
3) The amounts represent the divisions' risk capital requirements based on their positions in the various risk types, taking diversification effects into account.
4) 2008 information in accordance with Basel II; 2007 information calculated in accordance with Basel I.

Depreciation and amortisation of property and equipment, intangible assets and investment property in fiscal year 2008 amounted to €191 million (previous year: €205 million) and related to the following segments: Private & Corporate Clients €26 million (previous year: €26 million), Investment Banking €17 million (previous year: €12 million), Business Services €130 million (previous year: €135 million) and Corporate Functions €18 million (previous year: €32 million). In addition, impairment losses – including write-downs included in restructuring charges – were recognised in the amount of €45 million (previous year: €45 million); these mainly relate to the Investment Banking segment, at €27 million (previous year: 5 million) and the Corporate Functions segment, at €15 million (previous year: €31 million). Impairment losses on available-for-sale financial instruments in the amount of €360 million (previous year: €52 million) are attributable to Investment Banking (€119 million; previous year: €49 million) and Corporate Functions (€241 million; previous year: €3 million).

Current income generated in 2008 from equity-accounted investments totalled €44 million (previous year: €245 million); this related to the Private & Corporate Clients (€42 million; previous year: €33 million), Investment Banking (€5 million; previous year: €7 million) and Corporate Functions (€-3 million; previous year: €205 million) segments. The carrying amounts of associates can be broken down as follows: Private & Corporate Clients €327 million (previous year: €339 million), Investment Banking €60 million (previous year: €59 million) and Corporate Functions €70 million (previous year: €167 million).

The picture broken down by geographical region is as follows, based on the domicile of the relevant operating units:

	Income		Profit/loss before tax		Total assets	
€m	2008	2007	2008	2007	2008	2007
Germany	7,632	9,422	322	1,815	302,369	347,524
Europe (excluding Germany)	2,193	2,746	-4,784	-1,112	207,670	242,983
North America	1,747	1,901	-242	31	49,086	60,016
Latin America	50	48	0	0	600	893
Asia/Pacific	411	501	3	109	16,380	14,305
Consolidation	-4,919	-3,791		–	-155,144	-165,512
Total	**7,114**	**10,827**	**-4,701**	**843**	**420,961**	**500,209**

The Bank's operating units in North America, Latin America and Asia/Pacific only conduct Investment Banking business.

Total income includes interest and current income, current income from equities and other variable rate securities and from shares in affiliated companies, current leasing income, rental income from investment property, current income from equity-accounted investments, commission income, net trading income and other operating income.

Notes to the Consolidated Balance Sheet – Assets

13 Cash funds

€m	31/12/2008	31/12/2007
Cash on hand	411	460
Balances with central banks	18,045	6,182
Of which: Deutsche Bundesbank	15,154	5,129
Treasury bills and Treasury discount paper	185	1
Of which: eligible for refinancing with Deutsche Bundesbank	–	–
Cash funds	**18,641**	**6,643**

The average minimum reserve requirement to be held at Deutsche Bundesbank amounted to €2,508 million for the settlement period applicable at the balance sheet date (previous year: €2,253 million). The balance at Deutsche Bundesbank is unrestricted provided that the average balance – calculated over the settlement period – meets the minimum reserve requirement.

14 Trading assets

€m	31/12/2008	31/12/2007
Debt instruments	30,136	57,091
Equities and other variable-rate securities	6,389	30,546
Positive fair values of derivative financial instruments	152,756	72,592
Other trading assets	12	20
Trading assets	**189,293**	**160,249**

See Note 2 for the reclassification of certain trading assets to loans and advances to customers and AfS financial assets.

Breakdown of debt instruments

€m	31/12/2008	31/12/2007
Debt instruments		
– Public-sector issuers	9,795	16,509
– Other issuers	20,341	40,582
Debt instruments	**30,136**	**57,091**
Of which: marketable securities	28,320	51,352
– listed securities	22,531	37,896
– unlisted securities	5,789	13,456

Breakdown of equities and other variable-rate securities

€m	31/12/2008	31/12/2007
Equities	6,244	27,897
Other	145	2,649
Equities and other variable-rate securities	**6,389**	**30,546**
Of which: marketable securities	6,267	28,924
– listed securities	6,250	27,898
– unlisted securities	17	1,026

Positive and negative fair values of derivative financial instruments relating to the same counterparty are generally disclosed gross. Based on existing netting agreements, positive and negative fair values relating to the same counterparties amounting to €85.0 billion (previous year: €19.5 billion) were netted because both the legal right and actual intention to offset can be demonstrated.

15 Financial assets designated at fair value

€m	31/12/2008	31/12/2007
Debt instruments	9,295	6,882
Equities and other variable-rate securities	46	–
Loans and advances to banks and customers	2,629	1,766
Financial assets designated at fair value	**11,970**	**8,648**

The Bank's maximum credit risk exposure – excluding collateral or other credit enhancements – from designated loans was €3,238 million (previous year: €1,779 million). This amount was reduced by €1,432 million (previous year: €1,468 million) by credit derivatives used for hedging purposes. The change in the value of these loans due to changes in credit ratings amounted to €-606 million (previous year: €-23 million), and their cumulative change was €-619 million (previous year: €-13 million). The change in the fair value of the hedging derivatives amounted to €405 million in the year under review (previous year: €8 million), and the cumulative change was €413 million (previous year: €8 million). The change in the fair value due to changes in credit ratings was calculated by using the credit spread as a function of a series of parameters, primarily including the probability of default and the expected recovery rate in the event of default. In the majority of cases, the fair value of the assets is determined on the basis of trading prices, and in a few cases on the basis of specific models using the above-mentioned parameters.

16 Loans and advances to banks

	31/12/2008			31/12/2007		
€m	Germany	Other countries	Total	Germany	Other countries	Total
Payable on demand	2,932	14,644	17,576	2,962	20,909	23,871
Other advances	10,627	25,092	35,719	26,812	51,955	78,767
Loans	2,680	5,777	8,457	2,102	8,460	10,562
Loans and advances to banks	**16,239**	**45,513**	**61,752**	**31,876**	**81,324**	**113,200**
Of which: collateralised money market transactions	10,083	22,160	32,243	25,727	57,426	83,153

Loans and advances to banks would have declined by €50.9 billion after adjustment for the loans and advances to banks – primarily held by OLB – contained in the previous year.

Financial assets from reverse repurchase agreements and financial liabilities from repurchase agreements with the same banks are generally reported gross and are not offset unless the legal right and actual intention to offset can be demonstrated.

17 Loans and advances to customers

€m	31/12/2008 Germany	31/12/2008 Other countries	31/12/2008 Total	31/12/2007 Germany	31/12/2007 Other countries	31/12/2007 Total
Loans and advances to customers	59,028	35,378	94,406	67,684	33,013	100,697
Of which: mortgage loans	8,332	193	8,525	8,863	799	9,662
municipal loans	818	106	924	818	74	892
home loans	1,553	5	1,558	1,548	4	1,552
other loans secured by mortgages	9,583	157	9,740	14,353	127	14,480
Collateralised money market transactions	1,345	19,341	20,686	4,668	76,029	80,697
Other advances	1,392	6,566	7,958	807	6,010	6,817
Loans and advances to customers	**61,765**	**61,285**	**123,050**	**73,159**	**115,052**	**188,211**

Loans and advances to customers would have declined by €57.5 billion after adjustment for the loans and advances to customers – primarily held by OLB – contained in the previous year. See Note 2 for the reclassification of certain trading assets to loans and advances to customers.

Financial assets from reverse repurchase agreements and financial liabilities from repurchase agreements with the same customers are generally reported gross and are not offset unless the legal right and actual intention to offset can be demonstrated.

Loans and advances to customers include receivables under finance leases amounting to €803 million (previous year: €1,218 million); these are described in more detail in Note 43.

Breakdown by sector €m	31/12/2008 Germany	31/12/2008 Other countries	31/12/2008 Total	31/12/2007 Germany	31/12/2007 Other countries	31/12/2007 Total
Manufacturing industry	8,195	4,066	12,261	6,890	3,635	10,525
Construction	1,552	706	2,258	1,110	553	1,663
Wholesale and retail trade	5,086	1,187	6,273	4,975	3,409	8,384
Financial institutions and insurance companies	5,905	34,879	40,784	9,534	87,209	96,743
Transport	2,958	3,096	6,054	1,762	2,941	4,703
Telecommunications	97	600	697	89	741	830
Service providers	5,724	4,795	10,519	7,611	4,705	12,316
Other	1,958	7,680	9,638	4,393	5,831	10,224
Corporate customers	**31,475**	**57,009**	**88,484**	**36,364**	**109,024**	**145,388**
Public authorities	**263**	**2,853**	**3,116**	**187**	**4,698**	**4,885**
Private individuals	**30,027**	**1,423**	**31,450**	**36,608**	**1,330**	**37,938**
Loans and advances to customers	**61,765**	**61,285**	**123,050**	**73,159**	**115,052**	**188,211**

18 Lending volume

In contrast to the reporting of loans and advances, the lending volume includes the portfolios disclosed in the sub-items in Notes 16 and 17; it does not contain any collateralised money market transactions. The lending volume also includes loans and advances to banks and customers designated at fair value.

€m	31/12/2008 Germany	31/12/2008 Other countries	31/12/2008 Total	31/12/2007 Germany	31/12/2007 Other countries	31/12/2007 Total
Corporate customers	28,856	35,026	63,882	31,018	32,512	63,530
Public authorities	261	528	789	181	335	516
Private customers	29,911	1,468	31,379	36,485	1,578	38,063
Customer loans	59,028	37,022	96,050	67,684	34,425	102,109
Loans to banks	2,680	6,402	9,082	2,102	8,815	10,917
Lending volume	**61,708**	**43,424**	**105,132**	**69,786**	**43,240**	**113,026**
Less: loan impairment allowances	430	1,627	2,057	457	305	762
– banks	0	142	142	0	3	3
– customers	430	1,485	1,915	457	302	759
Lending volume net of loan impairment allowances	61,278	41,797	103,075	69,329	42,935	112,264

The lending volume would have declined by €0.3 billion after adjustment for the lending volume of OLB and Allianz Banking contained in the previous year.

19 Changes in loan impairment allowances and loan loss provisions

Loan impairment allowances and loan loss provisions comprise charges against assets as well as loan loss provisions recognised for risks arising from contingent liabilities and other obligations, which are recognised as liabilities.

€m	Loan impairment allowances against assets 2008	Loan impairment allowances against assets 2007	Loan loss provisions 2008	Loan loss provisions 2007	Total 2008	Total 2007
1 January	762	980	199	257	961	1,237
Additions to loan impairment losses	1,916	477	25	34	1,941	511
Charge-offs	439	341	1	–	440	341
Amounts released	58	359	54	86	112	445
Interest income from unwinding[1)]	17	8	–	–	17	8
Changes in consolidated companies	-52	–	-6	–	-58	0
Other additions/reductions	7	27	-6	-6	1	21
Currency translation differences	-62	-14	0	0	-62	-14
31 December	**2,057**	**762**	**157**	**199**	**2,214**	**961**

1) Interest income from unwinding relates to loans in the non-homogeneous domestic portfolio of Dresdner Bank AG that have been called in, as well as to the homogeneous domestic portfolio.

Loan impairment allowances and loan loss provisions would have increased by €1.0 billion after adjustment for the loan impairment allowances and loan loss provisions – primarily held by OLB – contained in the previous year.

Loan impairment allowances against assets amounting to €2,057 million (previous year: €762 million) are attributable on the one hand to loans and advances to banks (€142 million; previous year: €3 million) and on the other to loans and advances to customers (€1,915 million;

previous year: €759 million). As in the previous year, loans and receivables from finance leases were subject only to an insignificant allowance for general risks, and are therefore not reported separately. Loan loss provisions totalling €157 million (previous year: €199 million) relate in the amount of €37 million (previous year: €66 million) to irrevocable loan commitments, in the amount of €66 million (previous year: €73 million) to financial guarantee contracts and contingent liabilities and in the amount of €55 million (previous year: €60 million) to other loan loss provisions.

Further information on the changes in allowances and provisions is contained in the section of the Risk Report entitled "Loan impairment allowances and loan loss provisions". The total amount of loan impairment allowances and loan loss provisions is structured as follows:

	Allowances and provisions for specific risks		Allowances and provisions for general risks		Total	
€m	2008	2007	2008	2007	2008	2007
1 January	537	558	424	679	961	1,237
Additions to loan impairment losses	1,859	508	82	4	1,941	512
Charge-offs	440	341	–	–	440	341
Amounts released	72	192	40	254	112	446
Interest income from unwinding[1)]	11	8	6	–	17	8
Changes in consolidated companies	-26	–	-32	–	-58	0
Other additions/reductions	2	21	-1	0	1	21
Currency translation differences	-62	-9	0	-5	-62	-14
31 December	**1,787**	**537**	**427**	**424**	**2,214**	**961**

1) Interest income from unwinding relates to loans in the non-homogeneous domestic portfolio of Dresdner Bank AG that have been called in, as well as to the homogeneous domestic portfolio.

The loan portfolio included non-accrual loans amounting to €3,881 million (previous year: €1,529 million). €329 million (previous year: €420 million) of this figure is attributable to the homogeneous portfolio and €3,552 million (previous year: €1,109 million) to the non-homogeneous portfolio.

20 Financial investments and equity-accounted investments

€m	31/12/2008	31/12/2007
Debt instruments	9,764	10,483
Equities and other variable-rate securities	584	3,153
Shares in unconsolidated affiliated companies	10	20
Investment property	57	62
Financial investments	**10,415**	**13,718**
Equity-accounted investments	**457**	**565**

The carrying amount of equities and other variable-rate securities and shares in unconsolidated affiliated companies that do not have a quoted price in an active market and that are therefore measured at amortised cost was €98 million (previous year: €141 million). Of this amount, financial investments with a carrying amount of €2 million (previous year: €2 million) were sold for a total gain of €1 million in fiscal year 2008 (previous year: €40 million).

The Group held investment property with a carrying amount of €57 million (previous year: €62 million). The fair value of the key properties was calculated at €60 million (previous year: €63 million) by expert appraisers on the basis of the 1988 Wertermittlungsverordnung (Valuation Regulation). The properties concerned are leased properties that have been measured at cost less accumulated depreciation and impairment losses. Operating expenses of €2 million were recorded for investment property in the year under review (previous year: €20 million plus impairment losses of €28 million).

Breakdown of debt instruments

€m	31/12/2008	31/12/2007
Bonds and notes from public-sector issuers	1,498	1,777
Bonds and notes from other issuers	8,266	8,706
Debt instruments	**9,764**	**10,483**
Of which: listed securities	9,534	10,359

Debt instruments with a nominal value of €1,079 million will mature in 2009 (2008: €1,193 million).

Breakdown of equities and other variable-rate securities

€m	31/12/2008	31/12/2007
Equities	339	2,533
Other	245	620
Equities and other variable-rate securities	**584**	**3,153**
Of which: listed securities	376	2,560

Portfolio development €m	Investment property	Shares in unconsolidated affiliated companies	Equity-accounted investments
Historical cost			
1 January 2008	107	98	570
Foreign currency translation		–	-5
Additions		17	44
Disposals		45	98
Transfers	-9	1	–
31 December 2008	**98**	**71**	**511**
Reversals of impairment losses during the fiscal year	**1**	**–**	**–**
Depreciation and impairment losses			
1 January 2008	45	78	34
Foreign currency translation		–	-5
Depreciation and impairment losses during the fiscal year	2	6	–
Disposals		22	13
Transfers	-5	–	4
31 December 2008	**42**	**62**	**20**
Cumulative remeasurement gains/losses on financial instruments			
1 January 2008		–	29
Additions		1	–
Disposals		–	63
31 December 2008		**1**	**-34**
Carrying amounts 31 December 2008	**57**	**10**[1]	**457**
Carrying amounts 31 December 2007	62	20[1]	565

1) Does not include shares in financial services providers.

The list of shareholdings published in the electronic Bundesanzeiger (Federal Gazette) provides a complete breakdown of unconsolidated affiliated companies, equity-accounted investments and other shareholdings.

21 Property and equipment

€m	Owner-occupied land and buildings	Office furniture and equipment	Total
Historical cost			
1 January 2008	1,141	1,592	2,733
Foreign currency translation	-14	-54	-68
Additions	78	255	333
Disposals	68	92	160
Changes in consolidated companies	-252	-134	-386
Transfers	8	–	8
31 December 2008	893	1,567	2,460
Reversals of impairment losses during the fiscal year	–	–	–
Depreciation and impairment losses			
1 January 2008	355	1,113	1,468
Foreign currency translation	-16	-29	-45
Depreciation and impairment losses during the fiscal year	25	92	117
Disposals	15	91	106
Changes in consolidated companies	-108	-104	-212
Transfers	24	200	224
31 December 2008	**265**	**1,181**	**1,446**
Carrying amounts 31 December 2008	**628**	**386**	**1,014**
Carrying amounts 31 December 2007	786	479	1,265

Write-downs for impairment of IT equipment amounting to €1 million were recognised (previous year: nil); write-downs of other office furniture and equipment totalled €2 million (previous year: €10 million, €9 million of which was incurred in the context of restructuring measures).

Obligations amounting to €189 million (previous year: €174 million) were entered into in relation to the purchase of property and equipment; of this figure, €44 million related to IT equipment (previous year: €18 million).

22 Intangible assets

€m	Goodwill	Internally developed software	Purchased software	Other acquired rights	Total
Historical cost					
1 January 2008	2,681	568	417	6	3,672
Foreign currency translation	-10	-93	1	–	-102
Additions	–	76	31	0	107
Disposals	–	–	22	–	22
Changes in consolidated companies	-99	–	-22	–	-121
Transfers	–	-21	0	3	-18
31 December 2008	**2,572**	**530**	**405**	**9**	**3,516**
Reversals of impairment losses during the fiscal year	**–**	**–**	**–**	**–**	**–**
Amortisation and impairment losses					
1 January 2008	2,478	398	351	–	3,227
Foreign currency translation	1	-81	1	–	-79
Amortisation and impairment losses during the fiscal year	39	49	25	4	117
Disposals	–	–	22	–	22
Changes in consolidated companies	-48	–	-17	–	-65
Transfers	–	–	–	–	–
31 December 2008	**2,470**	**366**	**338**	**4**	**3,178**
Carrying amounts 31 December 2008	**102**	**164**	**67**	**5**	**338**
Carrying amounts 31 December 2007	203	170	66	6	445

Goodwill as at 31 December 2008 was allocated to a number of companies and a subgroup as cash-generating units. The decline in the carrying amount from €203 million to €102 million is primarily due to the sale of OLB (€51 million) and impairment losses at three cash-generating units totalling €39 million. €71 million of the carrying amount of the goodwill relates to fully consolidated companies and €31 million to the subgroup. In total, the two highest individual carrying amounts that are attributable to the fully consolidated companies account for 59% of the total carrying amount.

The cash-generating units are unlisted companies. We tested these units for impairment on the basis of their value in use. Value in use is calculated in accordance with generally accepted measurement principles using the income approach, which is consistent with the Group-wide parameters laid down by Allianz with regard to risk-free rates, market risk premiums and beta factors.

The starting point for calculating capitalised income values is the multi-year projections of the cash-generating units as a basis for the detailed budgeting phase (usually three years) and the earnings achievable in the long term as a basis for the perpetual annuity. Appropriate profit retention is reflected in the calculation of the perpetual annuity in order to finance the assumed growth in the perpetual annuity.

The write-downs for impairment of software in the amount of approximately €1 million (previous year: €1 million) recognised under other operating expenses were attributable to a discontinued project. Furthermore, €40 million in development expenses (previous year: €9 million in impairment losses) was incurred in the context of project changes. In addition to the capitalised software development costs (recorded as an addition under internally developed software), other development costs totalling €72 million (previous year: €121 million) are contained in administrative expenses. Software purchase commitments of €27 million (previous year: €29 million) were entered into.

23 Other assets

€m	31/12/2008	31/12/2007
Accrued interest	2,018	3,282
Positive fair values of hedging derivatives in accordance with IAS 39	872	291
Recoverable taxes	953	681
Miscellaneous other assets	1,272	1,861
Other assets	**5,115**	**6,115**

In addition to a large number of miscellaneous individual items, miscellaneous other assets include overfunded pension plans.

24 Subordinated assets

€m	31/12/2008	31/12/2007
Trading assets	104	107
– Debt instruments	98	107
– Equities and other variable-rate securities	6	0
Loans and advances to banks	1	1
Loans and advances to customers	24	11
Financial investments	86	68
– Debt instruments	49	40
– Equities and other variable-rate securities	37	28
Subordinated assets	**215**	**187**

Assets are classified as subordinated assets if, in the case of liquidation or insolvency, the related claim can only be realised after the claims of all other creditors have been met.

25 Non-current assets and disposal groups held for sale

In addition to the transactions already completed (see Note 51), the agreement entered into by Allianz SE and Commerzbank AG in 2008 to merge Dresdner Bank AG with Commerzbank AG will result in the transfer of all of the customer portfolios acquired by Allianz for Dresdner Bank (Allianz customers) to Allianz. To this end, Dresdner Bank will firstly hive off the contractual relationships, loans and receivables, liabilities, contingent liabilities and other rights, including loans and advances to third parties and Dresdner Bank relating to the net liability position, that are derived from Allianz customer relationships to a wholly owned subsidiary of Dresdner Bank AG, which will immediately afterwards be acquired by Allianz SE or an affiliated company (Allianz). Regardless of the operational progress of the hive-off of these customer portfolios, the transfer will take effect retrospectively as from 1 January 2009. The Allianz Banking customers to be transferred will be classified as a disposal group held for sale; they are attributable to the Private & Corporate Clients segment. The assets affected by this transaction are loans and advances to customers in the amount of €598 million.

The investment in the associate Conergy AG will be sold during 2009 and therefore qualifies as a non-current asset held for sale with a fair value of €154 million. The remeasurement loss of €15 million is attributable to the Investment Banking segment.

Notes to the Consolidated Balance Sheet – Liabilities and Equity

26 Trading liabilities

€m	31/12/2008	31/12/2007
Negative fair values of derivative financial instruments	146,725	71,182
Obligations to deliver securities	10,782	35,074
Other trading liabilities	7,112	12,770
Trading liabilities	**164,619**	**119,026**

27 Financial liabilities designated at fair value

€m	31/12/2008	31/12/2007
Liabilities to banks	11,221	345
Liabilities to customers	2,539	168
Securitised liabilities	2,453	1,787
Subordinated liabilities	9	9
Financial liabilities designated at fair value	**16,222**	**2,309**

The designation of financial liabilities at fair value resulted in a carrying amount that is €66 million (previous year: €63 million) lower than the future repayment amount of these liabilities. The fair value changes not due to changes in market risk amounted to €31 million in the year under review (previous year: €10 million), and the cumulative change was €37 million (previous year: €6 million). The amounts were calculated by measuring the liabilities concerned, taking into account the Bank's own credit spread, as at December 2008 and December 2007. The resulting measurement difference is the effect accounted for by the change in the Bank's own credit risk.

28 Liabilities to banks

€m	31/12/2008	31/12/2007
Payable on demand	21,033	18,982
Other term liabilities	34,101	109,167
Of which: registered bonds issued	2,523	2,816
Liabilities to banks	**55,134**	**128,149**
Of which: collateralised money market transactions	12,436	54,141
– Domestic banks	13,918	36,977
– Foreign banks	41,216	91,172

Liabilities to banks would have declined by €69,231 million after adjustment for the liabilities – primarily held by OLB – contained in the previous year.

29 Liabilities to customers

€m	31/12/2008	31/12/2007
Savings deposits		
– With agreed period of notice of three months	115	865
– With agreed period of notice of more than three months	62	346
Home loan savings deposits	3,237	3,313
Savings deposits and home loan savings deposits	3,414	4,524
Payable on demand	73,345	76,931
Term liabilities	63,360	103,917
Of which: registered bonds issued	6,929	7,171
Other liabilities	136,705	180,848
Liabilities to customers	**140,119**	**185,372**
Of which: collateralised money market transactions	17,820	46,353

Liabilities to customers would have declined by €39,501 million after adjustment for the liabilities of OLB and Allianz Banking contained in the previous year.

Breakdown by customer group

€m	31/12/2008	31/12/2007
Corporate customers	86,080	132,643
– Germany	46,787	57,174
– Other countries	39,293	75,469
Public authorities	11,235	12,458
– Germany	5,807	5,593
– Other countries	5,428	6,865
Private customers	42,804	40,271
– Germany	36,811	34,078
– Other countries	5,993	6,193
Liabilities to customers	**140,119**	**185,372**
– Germany (total)	89,405	96,845
– Other countries (total)	50,714	88,527

30 Securitised liabilities

€m	31/12/2008	31/12/2007
Debt instruments issued[1)]	12,332	18,336
Other securitised liabilities	10,472	16,297
Of which: money market securities	10,472	16,297
Securitised liabilities	**22,804**	**34,633**

1) In accordance with IAS 39, own debt securities held within the Group are offset against bonds issued.

Securitised liabilities would have declined by €10.5 billion after adjustment for the liabilities – primarily held by OLB – contained in the previous year.

Securitised liabilities include debt instruments and other liabilities for which transferable certificates have been issued. €3,306 million of debt instruments issued will mature in 2009 (2008: €7,150 million).

31 Provisions

€m	31/12/2008	31/12/2007
Provisions for pensions and other post-employment benefits[1]	194	301
Provisions for current taxes	667	642
Other provisions	1,564	2,166
Provisions	**2,425**	**3,109**

1) See Note 32.

€m	Restructuring provisions	Loan loss provisions	Other provisions for staff costs	Other	Total
1 January 2008	166	199	1,058	743	2,166
Foreign currency translation	-3	0	-140	-19	-162
Additions	11	25	579	341	956
Charge-offs	6	1	820	237	1,064
Amounts released	56	54	52	138	300
Transfers	-95	-6	77	34	10
Changes in consolidated companies	–	-6	-15	-21	-42
31 December 2008	**17**	**157**	**687**	**703**	**1,564**

Loan loss provisions mainly comprise provisions for guarantee loans and letters of credit. Provisions for staff costs primarily contain provisions for bonus payments that will be made to Group staff in the first quarter of 2009. The other item mainly relates to short- to medium-term provisions in the areas of leases, litigation risk, compensation payments and expected losses.

Restructuring provision €m	"New Dresdner Plus" programme	Other programmes	Total
1 January 2008	150	16	166
Foreign currency translation	-2	-1	-3
Additions[1]	11	–	11
Charge-offs	1	5	6
Amounts released	52	4	56
Transfers	-89	-6	-95
31 December 2008	**17**	**–**	**17**

1) Including €7 million change in the present value.

The restructuring measure to hive off the PCC division initiated in 2008 did not entail any additional recognition of provisions because the measure was discontinued due to the acquisition of Dresdner Bank by Commerzbank. The "2007 programmes" and "pre-2006 programmes" initiatives were implemented in full; as a result, they did not require any further provisions at the end of the year (in the previous year, provisions of €8 million each were reported for the two initiatives). These initiatives were therefore combined into the "Other programmes" item. The only provisions remaining at the end of the year related to the remaining activities of the "Neue Dresdner Plus" programme amounting to €17 million. This initiative is now largely implemented as well. The regular review of existing provisions for the "Neue Dresdner Plus" programme led to net reversals of €41 million and net reversals of €2 million each for the "2007 programmes" and "pre-2006 programmes" initiatives.

The amount of the restructuring provisions is designed to accurately reflect the implementation status of the individual initiatives in each case. To meet this requirement, restructuring provisions that have been concretised in the form of individual contracts are reclassified to those categories of provisions to which such agreements would be allocated on the basis of their original nature. In more detail, these provisions relate to termination agreements and early retirement and partial early retirement contracts entered into in the context of restructuring initiatives. In addition, provisions for vacancies in rented properties resulting from a restructuring initiative were also transferred to the other provisions item as soon as the premises concerned were vacated in full. The total amount transferred in the year under review was €95 million.

The remaining provisions for the various restructuring programmes cover the outstanding obligations in the area of human resources that will be associated with the full implementation of the different initiatives. The adequacy of the provisions is tested at quarterly intervals as part of project management for the restructuring programmes, and corresponding adjustments made where necessary. The resulting effects on income are recognised in the additions and releases. The need for adjustments results on the one hand from the detailed implementation of the human resources instruments, and on the other from the change in conditions relating to the use of vacancies in rented properties.

32 Provisions for pensions and other post-employment benefits

The Dresdner Bank Group operates both defined benefit and defined contribution pension plans for its employees worldwide. Under defined benefit plans, the beneficiary is granted a particular benefit by the Company or an external pension provider; in contrast to defined contribution plans, the defined benefit expenses of the Company are not predetermined. The following amounts were recognised in the consolidated balance sheet as provisions for defined benefit pension plans:

€m	31/12/2008	31/12/2007
Pension provisions	194	301
Prepaid expense	-246	-222
Carrying amount	**-52**	**79**

The following table shows the changes in the defined benefit obligation and in the fair value of plan assets, as well as in pension provisions for the various defined benefit plans operated by the Dresdner Bank Group:

€m	2008	2007
Change in defined benefit obligations		
Present value of pension entitlements earned as at 1 January	3,597	3,815
Current service cost	51	58
Imputed interest cost	185	172
Costs of plan amendments	0	25
Actuarial gains (-)/losses (+)	-181	-159
Exchange rate adjustments	-195	-89
Payments	155	168
Changes in consolidated companies[1)]	-168	-7
Present value of pension entitlements earned as at 31 December[2)]	**3,134**	**3,597**
Changes in the fair value of plan assets		
Fair value of plan assets as at 1 January	2,736	2,731
Expected return on plan assets	142	145
Actuarial gains (-)/losses (+)	-386	-59
Employer contributions	32	25
Exchange rate adjustments	-169	-69
Payments[3)]	24	38
Changes in consolidated companies	-35	1
Fair value of plan assets as at 31 December	**2,296**	**2,736**
Funding status as at 31 December	838	861
Unamortised actuarial losses	-890	-782
Carrying amount as at 31 December	**-52**	**79**

1) The majority of this is attributable to OLB, which was deconsolidated at the end of 2008.
2) Of which €133 million of direct benefits from Group companies as at 31 December 2008 (previous year: €265 million) and €3,001 million of funded benefits (previous year: €3,332 million).
3) Additionally, the Dresdner Bank Group paid €132 million directly to the beneficiaries (previous year: €130 million).

Since pension provisions are determined on the basis of information prevailing at the beginning of the fiscal year, actuarial gains or losses result when pension provisions and liabilities are compared at the end of the year. This has no impact on pension payments.

76% of the total present value of the pension entitlements earned is attributable to Dresdner Bank AG and 17% to subsidiaries in London, while the remaining 7% is spread across the other Group companies. The large majority of the pension obligations to active members of staff at Dresdner Bank AG results from the "Konzernbetriebsvereinbarung zur Harmonisierung der bestehenden Versorgungsordnung in einen beitragsorientierten Pensionsvertrag" (KBV-BPV-Harmonisierung – Group Works Agreement on the Harmonisation of the Existing Pension Rules under a Defined Contribution Agreement), an employer-funded defined benefit plan valid as from 2006. In addition, a small number of final salary pension commitments still exist, along with individual pension commitments for members of the Board of Managing Directors.

The Dresdner Kleinwort subgroup pays contributions into defined benefit pension plans that guarantee the majority of the plan beneficiaries benefits in the amount of 1/60 of their final pensionable salary for each eligible year of service. A small number of beneficiaries receive slightly different commitments.

In addition, the Dresdner Kleinwort subgroup pays contributions for selected retired employees to a private health care plan, which reimburses certain medical costs. The full annual medical contributions are assumed for employees who retired before 1 April 1995. For those employees who were employed as at 31 December 1993 and who retired directly, the Dresdner Kleinwort subgroup pays the costs for the year 1993 plus a premium of 5% per year. The pensioners concerned pay the remaining amount. As at 31 December 2008, a total of €31 million (previous year: €46 million) of the present value of pension entitlements earned related to health care benefits and €30 million (previous year: €40 million) to provisions for health care benefits.

In addition to the net expense for defined benefit pension plans (expenses less income), the following items were recognised in the pension benefit expense:

€m	2008	2007
Current service cost	51	58
Imputed interest cost	185	172
Expected return on plan assets	-142	-145
Past service cost	0	-25
Actuarial gains/losses	32	43
Other	0	-21
Expenses for defined benefit plans[1)]	**126**	**82**
Expenses for defined-contribution plans	50	55
Other pensions	32	37
Exchange rate adjustments	2	2
Pension benefit expense	**210**	**176**

1) The net pension expense for OLB is included for full-year 2008.

€3 million (previous year: €4 million) of the total expense reported in fiscal year 2008 was attributable to health care benefits. The actual return on plan assets amounted to €-244 million in fiscal year 2008 (previous year: €86 million).

Summary of key components of defined benefit pension plans:

€m	31/12/2008	31/12/2007	31/12/2006	31/12/2005
Total present value of obligations	3,134	3,597	3,815	3,863
Present value of funded obligations	3,001	3,332	3,565	957
Fair value of plan assets	2,296	2,736	2,731	794
Overfunding/underfunding	705	596	834	163
Actuarial gains (-)/losses (+) from				
experience adjustments to obligations	37	33	18	-32
experience adjustments to plan assets	386	58	85	72

Measurement assumptions. The assumptions used for the actuarial measurement of the present value of pension entitlements earned and the net pension expense are based on the conditions in the country in which the pension plan was established. The calculations are based on current biometric assumptions produced using actuarial principles. In addition, assumptions are made as to future fluctuation levels based on the age and number of years of service of the employees; intragroup pension assumptions are also taken into account.

Weighted assumptions used to determine the present value of the pension entitlements earned:

%	2008	2007
Discount rate[1)]	6.0	5.5
Expected rate of salary increase	3.3	3.0
Expected future pension increases	2.3	2.0

1) A discount rate of 6.0% (previous year: 6.25%) is used in the United States and a discount rate of 6.4% (previous year: 5.8%) in the United Kingdom.

The assumptions relating to the discount rate reflect market conditions at the balance sheet date for prime-rated fixed-rate corporate bonds according to the currency and duration of the pension liabilities.

Weighted assumptions used to determine the net pension expense:

%	2008	2007
Discount rate	5.5	4.6
Expected return on plan assets[1)]	5.6	5.6
Expected rate of salary increase	3.0	2.4
Expected future pension increases	2.0	1.5

1) The expected return on plan assets in the United Kingdom is based on a discount rate of 6.3% (previous year: 6.0%).

The expected return on plan assets for fiscal year 2008 is based on the following target allocation and the related expected long-term returns per asset class (weighted averages):

%	2008	Expected long-term return on assets
Debt instruments	70.0	4.5
Equities and other variable-rate securities	29.5	8.0
Other	0.5	1.9
Total	**100.0**	**5.6**

The calculation of the expected long-term return per asset class is based on capital market studies.

Plan assets. Based on the fair value of the plan assets, the current allocation of assets (weighted averages) is as follows:

%	2008	2007
Debt instruments	69.9	67.1
Equities and other variable-rate securities	22.1	25.4
Other	8.0	7.5
Total	**100.0**	**100.0**

The majority of plan assets are attributable to Pension-Trust der Dresdner Bank e.V., which covers most of Dresdner Bank AG's pension liabilities. The plan assets do not include any shares of Dresdner Bank Group companies or any properties used by the Dresdner Bank Group. The Group plans to gradually adjust the proportion of shares in the plan assets of defined benefit pension plans to reflect the target allocation.

For fiscal year 2009, the Dresdner Bank Group expects employer contributions of €26 million to the plan assets of defined benefit pension plans and direct pension payments of €136 million to beneficiaries with direct pension entitlements.

Defined contribution plans. Defined contribution plans are funded via external pension providers or similar institutions. Fixed contributions (e.g. based on employees' relevant income) are paid to these providers; the beneficiaries' entitlements are owed by the providers and the employer has no further constructive obligations beyond the payment of the contributions. The external pension providers and similar institutions relate primarily to Versicherungsverein des Bankgewerbes a.G., Berlin, which mainly insures the employees at the German banks. Expenses for defined contribution plans amounted to €50 million in fiscal year 2008 (previous year: €55 million).

33 Deferred taxes and tax expense

Deferred tax assets and tax liabilities. Deferred tax assets or tax liabilities, as appropriate, have been recognised for the following assets and liabilities to reflect temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements:

€m	31/12/2008	31/12/2007
Deferred tax assets		
Financial investments	88	76
Of which: cumulative remeasurement gains/losses on available-for-sale financial instruments	40	33
Pension provisions	77	87
Other provisions	170	115
Capitalised loss carryforwards	151	1,710
Property and equipment	267	262
Other assets	31	44
Other	14	25
Total deferred tax assets (before netting)	**798**	**2,319**
Netting effects	577	407
Total deferred tax assets	**221**	**1,912**
Deferred tax liabilities		
Financial investments	127	51
Of which: cumulative remeasurement gains/losses on available-for-sale financial instruments	59	26
Trading assets and liabilities	379	211
Property and equipment	95	109
Pension provisions	31	40
Other provisions	80	34
Loan impairment allowances	9	22
Other	25	47
Total deferred tax liabilities (before netting)	**746**	**514**
Netting effects	577	407
Total deferred tax liabilities	**169**	**107**
Net deferred tax assets	52	1,805

In the consolidated balance sheet, deferred tax assets and liabilities were offset to the extent that the amounts are due to the same tax authority and are related to the same entity. The offsetting of deferred tax assets in the amount of €221 million (previous year: €1,912 million) and deferred tax liabilities in the amount of €169 million (previous year: €107 million) resulted in net deferred tax assets of €52 million (previous year: €1,805 million).

Deferred tax assets are recognised with respect to temporary differences to the extent that realisation of the related tax benefit is probable. As a result, deferred tax assets of €2,832 million (previous year: €693 million), which were predominantly attributable to unused tax loss carryforwards, were not recognised because they cannot be realised on the basis of the information available at the reporting date. €1,684 million of these unrecognised deferred tax assets relates to foreign loss carryforwards, with €1,605 million of this figure relating to foreign corporation tax.

The current income tax expense declined by €1 million (previous year: €9 million) due to the utilisation of loss carryforwards for which no deferred tax assets were recognised to date.

At the reporting date, unused corporation tax loss carryforwards amounted to €8,969 million; deferred tax assets were recognised for these to the extent that their recognition is sufficiently probable. There is no time limit on the utilisation of €7,635 million of the loss carryforwards. The loss carryforwards subject to time limits expire in the coming years as follows: €3 million in 2008, €19 million in 2009, €14 million in 2010, €34 million in 2011, €6 million in 2012, €4 million in 2013, €50 million in 2014, €9 million in 2015 and €9 million in 2018. The total volume of loss carryforwards with a residual term of more than ten years amounts to €1,186 million. No loss carryforwards subject to time limits expire in the years 2016 to 2017. In addition, the Bank has accumulated trade tax loss carryforwards of €4,371 million that are not subject to any time limit, and trade tax loss carryforwards of €1,422 million subject to time limits.

As a result of the transfer of all the shares of Dresdner Bank AG from Allianz SE to Commerzbank AG on 12 January 2009, the loss carryforwards in Germany were no longer usable in the future from 31 December 2008. The deferred tax assets previously recognised in Germany were therefore written off in full at the balance sheet date. This results in a deferred tax expense of €1,103 million, which also includes the non-recognition of the other tax losses generated in the current fiscal year.

Income tax expense. The income tax expense item includes current tax expense on income as well as deferred tax expense:

€m	2008	2007
Current taxes	-179	335
– Germany	-224	211
– Other countries	45	124
Deferred taxes	1,713	38
– Germany	1,279	287
– Other countries	434	-249
Income tax expense	**1,534**	**373**

Deferred tax assets and liabilities were recognised for domestic companies as at 31 December 2008 using a corporation tax rate, including the solidarity surcharge, of 15.8% (previous year: 15.8%) plus an effective trade tax rate of 15.2% (previous year: 15.2%). In all other cases, the country-specific tax rates were applied. Current taxes include income of €279 million (previous year: expense of €2 million) relating to previous fiscal years. The income for previous fiscal years is attributable to the recognition of reimbursement claims from appeal proceedings that are almost completed.

The effective tax expense recognised in 2008 is €2,908 million higher than the expected tax expense. The actual expected tax rate was 29.2%, including 31% for Germany. The table below provides a reconciliation of the expected income tax expense to the effective tax expense recognised. It represents a summary of the individual reconciliations based on individual corporate and country-specific tax rates:

€m	2008	2007
Expected income tax expense	-1,373	197
+ Trade tax and similar taxes	27	157
– Tax-free income	-378	-332
+ Tax expense from change in tax rates	2	216
+ Non-deductible expenses	54	30
– Valuation allowance on deferred tax assets	3,043	252
+ Other tax adjustments	159	-147
= Effective income tax expense	**1,534**	**373**

The valuation allowances on deferred tax assets relate to the non-recognition of current losses amounting to €1,097 million, to write-downs and reversals of write-downs of deferred tax assets from loss carryforwards amounting to €1,314 million, and to write-downs and reversals of write-downs of deferred tax assets from other temporary differences amounting to €623 million.

The other tax adjustments in the year under review related to the effects of taxes for previous years and to consolidated tax group effects.

34 Other liabilities

€m	31/12/2008	31/12/2007
Accrued interest	1,765	3,447
Negative fair values of hedging derivatives in accordance with IAS 39	69	120
Miscellaneous other liabilities	3,914	3,578
Other liabilities	**5,748**	**7,145**

35 Liabilities included in disposal groups classified as held for sale

€90 million of the liabilities relating to the Allianz Banking disposal group that is classified as held for sale is attributable to liabilities to banks, and €1,830 million is attributable to liabilities to customers. The related transaction is described in Note 25.

36 Subordinated liabilities

The subordinated liabilities in the amount of €6,586 million (previous year: €6,267 million) consist of hybrid capital in the amount of €2,735 million (previous year: €2,429 million) and other subordinated liabilities in the amount of €3,850 million (previous year: €3,838 million); they may not be redeemed in the event of insolvency or liquidation until all non-subordinated creditors have been satisfied. There is no obligation to redeem such liabilities prior to maturity.

Hybrid capital. In 1999, 2001 and 2006 we issued securitised silent participation certificates, which are composed of the following tranches:

Year of issue	Nominal amount	Issuer	Interest rate	Maturity
1999	€500m	Dresdner Bank AG[1]	5.790%	2011
1999	US$1,000m[2]	Dresdner Bank AG[1]	8.51%	2031
2001	€159m	Dresdner Bank AG[1]	7.000%	2013
2001	¥15,000m	Dresdner Bank AG[1]	3.500%	2033
2006	€1,000m[2]	Dresdner Bank AG	6.32%[3]	Unlimited[4]

1) Issued via Dresdner Capital LLC I to IV, Wilmington/Delaware, USA.
2) This issue is in excess of 10% of aggregate subordinated liabilities.
3) The interest rate as from 1 July 2017 is 12-month EURIBOR plus 2.58% p. a.
4) Redeemable for the first time by the issuer subject to certain conditions as at 31 December 2011.

The carrying amount as at 31 December 2008 amounted to €2,735 million (previous year: €2,429 million). In accordance with section 10a(6) sentence 1 in conjunction with section 10(4) of the KWG, the silent participations qualify as core capital. Interest paid on the silent participations in the fiscal year amounted to €133 million (previous year: €172 million). The decline is due to the fact that, as a result of the net accumulated loss reported by Dresdner Bank AG, no interest expense was incurred by the Bank on the securitised silent participation certificates with a nominal amount of €1,000 million issued in July 2006. The carrying amount was reduced to €843 million. This issue does not have any contractually stipulated maturity. Subject to certain conditions, the issuer is entitled to redeem the certificates for the first time as at 31 December 2011; with effect from 31 December 2016, the issuer has a regular annual right of redemption.

Other subordinated liabilities. The other subordinated liabilities are presented by maturity in the following table, classified into fixed and floating rate liabilities. The interest expense on these subordinated liabilities in the fiscal year amounted to €228 million (previous year: €173 million).

	Maturity							
€m	2009	2010	2011	2012	2013	After 2013	31/12/2008	31/12/2007
Fixed rate	469	115	18	36	104	1,102	1,844	1,832
Average interest rate	5.3%	5.8%	6.7%	5.8%	5.6%	6.5%		
Floating rate	270	2	61	21	13	1,639	2,006	2,006
Average interest rate	3.7%	3.0%	4.1%	6.2%	5.6%	4.4%		
Total	**739**	**117**	**79**	**57**	**117**	**2,741**	**3,850**	**3,838**

Dresdner Bank AG issued a subordinated registered bond in the amount of €1 billion in September 2007. This registered bond exceeds 10% of the aggregate amount of subordinated liabilities; it has a ten-year term and bears a market rate of interest of 1-month Euribor plus 1.01%.

37 Profit-participation certificates

Profit-participation certificates in the amount of €721 million (previous year: €1,686 million) were recognised. Profit-participation certificates entitle holders to annual interest payments, which take priority over shareholders' dividend entitlements. They are subordinated to liabilities from other creditors, except those similarly subordinated. They participate in net accumulated losses of the issues concerned in accordance with the conditions attached to the certificates. Profit-participation certificates are redeemed in line with the provisions regarding loss sharing.

In accordance with the terms and conditions, the profit-participation certificates issued in July 2006 with a total nominal amount of €750 million participated in the net accumulated loss generated by Dresdner Bank AG. The carrying amount was therefore reduced to €632 million. No interest was payable in 2008. The issue bears an interest rate of 5.386% and has a term until 2016. It is deemed to be liable capital in accordance with the KWG.

38 Equity

Subscribed capital. The subscribed capital of €1,502,972,205.80 at 31 December 2008 was composed of 578,066,233 registered no-par value shares. Each share represents a notional interest in the share capital and entitles the holder to one vote in the Annual General Meeting. The 40,809,084 own shares acquired in July 2007 do not carry voting rights. The number of outstanding shares is 537,257,149. As in the previous year, no Dresdner Bank shares had been pledged to the Bank or affiliated companies as collateral at the end of 2008.

As at 31 December 2008, Allianz SE held a 100% indirect interest in Dresdner Bank AG's share capital. As at the balance sheet date, Dresdner Bank was an affiliated company of Allianz SE as defined by section 271(2) of the HGB and was included in the consolidated financial statements of Allianz SE, Munich. These can be obtained from Allianz SE, Koeniginstrasse 28, 80802 Munich.

Capital reserves. Capital reserves include premiums received on the issue of own shares, or of convertible bonds and bonds with warrants, and on the exercise of conversion or option rights. The capital reserves were partially used to offset the loss for 2008.

Retained earnings. The Dresdner Bank shares purchased from Allianz in 2007 were deducted from retained earnings at their cost of €1,150 million. Retained earnings were used in full to offset the loss for 2008.

Cumulative remeasurement gains/losses on financial instruments. This item contains the remeasurement gains/losses on available-for-sale financial instruments taken directly to equity; deferred taxes on these are reported separately. In addition, this item presents the net remeasurement gains/losses on equity-accounted investments, the net remeasurement gains/losses reported under minority interests and the effective portion of the remeasurement gains/losses from cash flow hedge accounting. The latter also includes the effective portion of hedges of net investments in a foreign entity. The following table provides an overview of the components of cumulative remeasurement gains/losses.

€m	31/12/2008	31/12/2007
Debt instruments	-270	-96
Equities and other variable-rate securities	102	1,475
Shares in unconsolidated affiliated companies	1	–
Equity-accounted investments	-34	29
Non-current assets held for sale	–	–
Deferred taxes	-19	7
Minority interests	0	-77
Cash flow hedge accounting	60	-3
Cumulative remeasurement gains/losses on financial instruments	**-160**	**1,335**

The following table provides an overview of changes in cumulative remeasurement gains and losses on financial instruments in the fiscal year.

€m	2008	2007
1 January	1,335	1,751
Fair value gains recognised in income statement	360	36
Fair value losses recognised in income statement	-3	–
Gains and losses from the disposal of assets	-681	-315
Fair value changes recognised directly in equity	-1,143	-191
Remeasurement gains/losses from equity-accounted investments	-63	15
Remeasurement gains from cash flow hedge accounting[1)]	63	39
Changes in consolidated companies	-28	–
31 December	**-160**	**1,335**

1) 2008: increases in value recognised directly in equity (previous year: increases in value recognised directly in equity amounting to €40 million, and €1 million withdrawn from equity).

The gains and losses on impairment or reversals of impairment losses recognised in the income statement and the gains and losses on the disposal of assets are reflected in the income statement as positive figures (if negative) or negative figures (if positive).

Minority interests. In accordance with IAS 1, minority interests are not reported as a separate balance sheet item, but as a sub-item within equity. This does not affect calculations of the return on equity ratios.

39 Own funds and risk-weighted assets

Regulatory capital generally consists of three categories: core capital and supplementary capital, which together make up a bank's liable capital, and Tier III capital. Core capital consists of subscribed capital and the Group's reserves, hybrid capital and other components. Supplementary capital chiefly consists of profit-participation certificates and long-term subordinated liabilities. Total regulatory capital is calculated on the basis of the consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRSs).

Since the beginning of 2008, the approach to calculating regulatory capital and risk-weighted assets has corresponded in full to the provisions of the Solvabilitätsverordnung (SolvV – Solvency Regulation)/Basel II. The Bank uses an internal rating model approved by the German banking supervisory authorities (Advanced Internal Ratings-based Approach; AIRBA) to calculate its key capital requirements. For 2007, the Basel II requirements were initially implemented using a temporary approach, with the Bank using the transitional provision laid down in section 339(9) of the SolvV to determine the risk-weighted assets. As a result, the information on risk-weighted assets given as at 31 December 2007 largely corresponded to the provisions of Principle I.

€m	31/12/2008[1]	31/12/2007[2]
Core capital	4,544	11,234
Of which: hybrid components	2,338	2,429
Deductions	221	311
Supplementary capital	4,563	5,730
Of which: profit-participation certificates	2,481	2,501
Subordinated liabilities	3,078	2,944
Measurement gains/losses on securities (of which 45%)	0	596
Deductions	221	311
Tier III capital	480	–
Total capital	**9,587**	**16,964**
Credit and counterparty risk	96,940	119,477
Market risk	10,430	3,638
Operational risk	7,438	–
Total risk-weighted assets	**114,808**	**123,115**
Capital ratios (%)		
Core capital ratio[3) 4)]	4.0/3.7	9.1
Total capital ratio[3) 4)]	8.4/7.5	13.8

1) Calculated on the basis of the Kreditwesengesetz/Solvabilitätsverordnung; the risk-weighted assets are calculated in accordance with an internal model recognised for regulatory purposes.
2) Calculated on the basis of the Kreditwesengesetz/Solvabilitätsverordnung (German Banking Act/Solvency Regulation); the risk-weighted assets are calculated in accordance with the transitional provision of section 339(9) of the SolvV (corresponds to Principle 1).
3) Calculated including weightings for operational risk and market risk positions.
4) Calculated on the basis of the ratio of the amounts by which the individual large credit limits were exceeded to own funds as at 30 November 2008; after adjustment for all effects on income in the annual financial statements as prepared, the core capital ratio amounted to 3.7% and the total capital ratio to 7.5%.

The regulatory core capital was reduced pursuant to section 2(1) of the Konzernabschlußüberleitungsverordnung (KonÜV – Consolidated Financial Statements Reconciliation Regulation) due to remeasurement losses on available-for-sale equity instruments in the amount of €132 million; in the previous year, €596 million was added to supplementary capital. The minimum capital requirements were complied with at the reporting dates in the year under review.

Breakdown of risk-weighted assets attributable to credit and counterparty risk by weightings:

€m	<20%	20% to <100%	100% or more	31/12/2008 Total
Commercial transactions	2,151	50,815	26,702	79,668
Derivative transactions	205	16,209	858	17,272
Total	**2,356**	**67,024**	**27,560**	**96,940**

€m	<20%	20% to <100%	100% or more	31/12/2007 Total
Commercial transactions	1,436	30,492	70,258	102,186
Derivative transactions	–	553	16,738	17,291
Total	**1,436**	**31,045**	**86,996**	**119,477**

Other Balance Sheet Information

40 Collateral pledged

The carrying amount of all assets pledged or loaned, including those over and above the assets used to collateralise liabilities, of €21,051 million is presented in the following table. A distinction is made between collateral furnished that can be pledged or loaned by the collateral taker without restrictions (unrestricted collateral) and restricted collateral.

€m	31/12/2008	31/12/2007
Unrestricted collateral	**16,760**	**29,532**
– Trading assets	16,760	29,532
Restricted collateral	**4,291**	**6,553**
– Trading assets	3,724	4,302
– Loans and advances to customers	54	1,663
– Financial investments	513	588
Total assets pledged as collateral	**21,051**	**36,085**

Collateral furnished by the Bank under standard repurchase agreements and securities lending and borrowing transactions was not derecognised because the Bank retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met.

In addition, cash collateral in the amount of €5,054 million (previous year: €40,378 million) was furnished in the course of collateralised money market transactions..

The fair value of unrestricted collateral received was €142,685 million (previous year: €212,100 million). Of this figure, €112,825 million (previous year: €155,252 million) was sold on or pledged again. The Bank has an obligation to return this collateral. Additionally, we held cash collateral amounting to €5,923 million (previous year: €8,425 million) under collateralised money market transactions.

Collateral is furnished and accepted in accordance with the standard conditions governing securities repurchase and securities lending and borrowing transactions or, in the case of derivatives, in accordance with the standard conditions contained in master agreements and appended collateral annexes.

41 Foreign currency holdings

€m	USD	GBP	Other	31/12/2008	31/12/2007
Assets	106,045	41,358	36,493	183,896	212,214
Liabilities	89,898	34,941	31,127	155,966	180,225

The amounts reported represent the aggregate euro equivalents of currencies outside the euro-zone. The differences in the amounts result from the fact that receivables and liabilities are reported in the balance sheet at cost less any write-downs, while all derivatives are reported at fair value. A separate overview of the size of our derivatives business is given in Note 45.

Impact of exchange rate fluctuations. Excluding exchange rate fluctuations, consolidated total assets for the year would have been €1.7 billion lower (previous year: €21 billion higher). Profit after tax would have been €252 million lower (previous year: €29 million higher).

42 Structure of residual terms

The matrix of residual terms provides a breakdown of the carrying amounts of debt instruments, loans and advances, and liabilities by their final maturity or call date. The management and monitoring of liquidity risk is based on an internal model that reflects both legal maturities and assumptions deviating from these on the basis of statistical models and expert estimates. Further information on liquidity risk and its management and monitoring can be found in the Risk Report; Note 50 contains a structure of residual terms for liabilities based on expected undiscounted cash flows.

31 December 2008

Loans and advances €m	Up to 3 months	> 3 months – 1 year	> 1 year – 2 years	> 2 years – 3 years	> 3 years – 4 years	> 4 years – 5 years	More than 5 years	Total
Term loans and advances to banks	32,842	7,739	916	985	558	108	1,028	44,176
Loans and advances to customers[1]	53,923	8,433	9,743	6,881	6,620	5,344	32,106	123,050
Debt instruments	–	1,079	1,703	2,050	1,307	845	2,780	9,764
Total	**86,765**	**17,251**	**12,362**	**9,916**	**8,485**	**6,297**	**35,914**	**176,990**

1) Loans and advances to customers with residual terms of up to three months include €6,137 million of undated claims.
2) Including debt instruments of up to three months.

Liabilities €m	Up to 3 months	> 3 months – 1 year	> 1 year – 2 years	> 2 years – 3 years	> 3 years – 4 years	> 4 years – 5 years	More than 5 years	Total
Term liabilities to banks	23,626	4,635	993	1,033	250	877	2,687	34,101
Savings deposits and home loan savings deposits	115	3,248	17	11	8	5	10	3,414
Other term liabilities to customers	46,602	8,586	636	951	972	605	5,008	63,360
Securitised liabilities	9,461	4,316	2,672	3,137	1,258	392	1,568	22,804
Subordinated liabilities	434	702	118	578	57	276	4,421	6,586
Profit-participation certificates	–	56	–	–	–	–	665	721
Total	**80,238**	**21,543**	**4,436**	**5,710**	**2,545**	**2,155**	**14,359**	**130,986**

Amounts from banks payable on demand totalling €21,033 million and from customers totalling €73,345 million are not included in the structure of residual terms for liabilities as at 31 December 2008.

31 December 2007

Loans and advances €m	Up to 3 months	> 3 months – 1 year	> 1 year – 2 years	> 2 years – 3 years	> 3 years – 4 years	> 4 years – 5 years	More than 5 years	Total
Term loans and advances to banks	69,341	15,347	1,508	963	621	569	980	89,329
Loans and advances to customers[1)]	108,907	11,242	7,776	9,014	6,481	8,581	36,210	188,211
Debt instruments		1,317 2)	1,056	1,749	1,898	1,272	3,191	10,483
Total	**178,248**	**27,906**	**10,340**	**11,726**	**9,000**	**10,422**	**40,381**	**288,023**

1) Loans and advances to customers with residual terms of up to three months include €4,219 million of undated claims.
2) Including debt instruments of up to three months.

Liabilities €m	Up to 3 months	> 3 months – 1 year	> 1 year – 2 years	> 2 years – 3 years	> 3 years – 4 years	> 4 years – 5 years	More than 5 years	Total
Term liabilities to banks	86,871	12,798	1,958	1,140	1,245	1,138	4,017	109,167
Savings deposits and home loan savings deposits	865	3,558	50	16	15	7	13	4,524
Other term liabilities to customers	87,338	7,572	1,657	731	607	884	5,128	103,917
Securitised liabilities	13,141	10,307	3,872	2,805	1,183	1,687	1,638	34,633
Subordinated liabilities	82	431	579	148	579	57	4,391	6,267
Profit-participation certificates	3	900	51	–	–	–	732	1,686
Total	**188,300**	**35,566**	**8,167**	**4,840**	**3,629**	**3,773**	**15,919**	**260,194**

Amounts from banks payable on demand totalling €18,982 million and from customers totalling €76,931 million are not included in the structure of residual terms for liabilities as at 31 December 2007.

43 Leases

The receivables under finance leases reported by the Group relate primarily to the acquisition of finance lease receivables for restructuring and subsequent sale to third parties. The net investments in loans and advances to customers are included as receivables under finance leases. The remaining maturities of originated lease receivables are as follows:

€m	31/12/2008	31/12/2007
Gross investment		
– up to three months	43	43
– three months to one year	121	111
– one to five years	553	876
– more than five years	248	947
Total gross investments	**965**	**1,977**
Unearned finance income		
– up to three months	3	16
– three months to one year	52	79
– one to five years	54	367
– more than five years	53	297
Total unearned finance income	**162**	**759**
Net investments		
– up to three months	40	27
– three months to one year	69	32
– one to five years	499	509
– more than five years	195	650
Total net investments	**803**	**1,218**

The residual values of all leased assets were guaranteed both in the fiscal year under review and in the previous year. As in the previous year, no allowances for unrecoverable lease receivables had been charged at the reporting date.

The Group's finance leasing business is based in London. The items financed include aircraft, ships, communications equipment, industrial plant and railway equipment, commercial real estate and other infrastructure investments. The Bank does not have any obligations under finance leases as a lessee, nor does it conduct any operating leasing business as a lessor.

In its capacity as a lessee, the Group mainly uses operating leases to rent property and equipment, including land and buildings. The future minimum lease payments under non-cancellable operating leases reported under other financial commitments can be broken down as follows:

€m	31/12/2008	31/12/2007
Up to one year	274	267
One to five years	738	820
More than five years	731	1,025
Minimum lease payments under operating leases	**1,743**	**2,112**
Of which: minimum lease payments under non-cancellable subleases	56	71

€1,701 million (previous year: €2,041 million) of the lease payments relates to land and buildings; of this figure, €241 million (previous year: €250 million) is due within one year, €730 million (previous year: €778 million) is due between one and five years, and €731 million (previous year: €1,014 million) is due after more than five years. The rented properties mainly comprise branches and other facilities used for banking operations, as well as commercially used property. The leases usually have fixed terms of between three and ten years; each lease also has two extension options of five years. There are various forms of escalation clause, such as graduated rents or index clauses.

In the past fiscal year, €184 million (previous year: €201 million) in minimum lease payments and €14 million (previous year: €13 million) in payments under subleases were recognised in administrative expenses; there were no items relating to conditional rental payments.

44 Securitisation business

In the securitisation business described here, the Bank sells and transfers credit risk that it has entered into to others; it does not purchase risk. Consequently, when securitising financial assets, we transfer one-off or revolving loans – as part of precisely defined loan portfolios – to the capital markets using true sales. The loans transferred are securitised as debt instruments by the special purpose entities that purchase them and are sold to third parties. The Dresdner Bank Group conducts these transactions via its fully consolidated special purpose entity RCL Securitisation GmbH as part of the True Sale Initiative. €3,000 million of this programme had been utilised as at 31 December 2008 (previous year: €3,000 million). We also used synthetic securitisations to place credit risks on the market. As at 31 December 2008, these related to the Promise-K-2006-1 structure under the KfW/Promise programmes (€210 million; previous year: €411 million) and the Sigma-l-CLO-2007 structure totalling €2,181 million (previous year: €2,181 million).

Generally, the securitisation programmes provide for the retention by the seller of the loans of a small part of the risk in the form of discounts on the purchase price of the loans sold and/or other forms of risk assumption. According to IAS 39/SIC 12, this retention means that the special purpose entities RCL Securitisation GmbH and Promise-K-2006-1 GmbH as well as Sigma-1 CLO-2007 Ltd. must be included in consolidation. The securitised receivables have therefore not been derecognised by the Dresdner Bank Group. They are classified as loans and advances to customers and are reported at a total carrying amount of €5,391 million (previous year: €5,592 million).

45 Derivatives business and hedge accounting

Derivative financial instruments, which enable the transfer of market and credit risks between different parties, derive their value from interest rates, indices, share prices and exchange rates, among other things. The most important derivatives products are swaps, forward rate agreements, forward currency transactions, equity options and credit derivatives. Derivatives transactions may be entered into in the form of standard exchange-traded contracts or bilateral transactions that are negotiated over the counter (OTC).

The Bank enters into derivatives transactions both at the request of customers and in the context of risk management of proprietary trading positions and asset/liability management. In the Bank's customer business, derivatives are used for individualised management of the customer's market and credit risk, and are also increasingly being used in large structured finance transactions.

The following tables (for the trading and banking books respectively) show the notional volumes by residual term and the positive and negative fair values of the derivative transactions concluded. The notional amounts serve merely as reference values for determining mutually agreed settlement payments (e.g. interest claims and/or liabilities arising from interest rate swaps) and thus do not represent assets and/or liabilities reported on the balance sheet.

The fair values in the following tables are disclosed gross, i.e. before netting. The netting effect on the carrying amount reflects the reduction in loss exposures due to global netting agreements; this amounted to €85.0 billion (previous year: €19.5 billion).

As part of hedge accounting, the Bank uses fair value hedges primarily to hedge loans, deposits, securities classified as loans and receivables and available-for-sale securities, as well as own instruments issued against interest rate risks. Hedging may be applied either to individual transactions ("micro hedge") or to a portfolio of similar assets or liabilities ("portfolio hedge"). Plain vanilla interest rate swaps are mainly used as hedging derivatives.

The following table shows the net gains and losses from hedging derivatives and hedged items in the case of fair value hedges.

Fair value hedges	2008			2007		
€m	Hedging derivatives	Hedged items	Total	Hedging derivatives	Hedged items	Total
Gains/losses	**599**	**-639**	**-40**	**-137**	**138**	**1**

In selected cases the Bank uses cash flow hedges to hedge cash flows from variable-rate assets (underlyings) using interest rate swaps. The underlyings are loans with a nominal value of USD 0.8 billion, monthly Libor-based interest income and a term until June/July 2010. The Bank also documents hedging relationships relating to investments in selected subsidiaries as "hedges of net investment in a foreign entity" using forward currency transactions. The ineffective hedges recognised in net trading income amounted to €19 million in the case of cash flow hedges (previous year: €1 million); in the case of exchange rate hedges of net investments they amounted to less than €1 million, as in the previous year.

In accordance with the strict interpretation of IAS 39, the banking book only contains recognised hedging relationships. The following tables present hedge accounting derivatives by derivative type and hedge category.

Derivative types €m	Notional amount/residual term up to 1 year	 > 1 year – 5 years	 more than 5 years	Total 2008	Total 2007	Positive fair values	Negative fair values
Interest rate derivatives							
Interest rate swaps (IRS)	24	2,564	4,564	7,152	10,086	849	69
Currency derivatives							
Forward currency transactions	175	–	–	175	147	23	–
Total	**199**	**2,564**	**4,564**	**7,327**	**10,233**	**872**	**69**
Of which: products denominated in EUR						318	44
products denominated in USD						511	25
products denominated in JPY						12	–

Hedge categories €m	Notional amount/residual term up to 1 year	 > 1 year – 5 years	 more than 5 years	Total 2008	Total 2007	Positive fair values	Negative fair values
Fair value hedges	24	1,989	4,564	6,577	8,484	825	69
Cash flow hedges	–	575	–	575	1,602	24	–
Net investment hedges	175	–	–	175	147	23	–
Total	**199**	**2,564**	**4,564**	**7,327**	**10,233**	**872**	**69**

Derivatives business - trading book €m	Notional amount/residual term up to 1 year	> 1 year – 5 years	more than 5 years	Total 2008	Total 2007	Positive fair values	Negative fair values
Interest rate derivatives	**1,321,025**	**2,184,454**	**1,646,424**	**5,151,903**	**4,285,689**	**134,736**	**132,784**
OTC products							
– FRAs	162,520	7,122	–	169,642	58,151	289	230
– Interest rate swaps	962,754	2,062,004	1,578,239	4,602,997	3,463,687	127,806	124,565
– Fixed-rate swaps	183	40,584	5,389	46,156	9,969	1,097	1,236
– Basis swaps	10,106	33,120	16,939	60,165	32,462	1,069	928
– Interest rate swaps (IRSs)	952,465	1,988,300	1,555,911	4,496,676	3,421,256	125,640	122,401
– Interest rate options: buy	13,726	44,227	23,008	80,961	72,003	2,736	–
– Interest rate options: sell	22,314	51,291	39,991	113,596	112,070	–	4,697
– Other interest rate contracts	1,914	418	5,181	7,513	10,170	1,521	622
Exchange-traded products							
– Interest rate futures	69,843	19,392	5	89,240	110,309	8	12
– Interest rate options: buy	41,235	–	–	41,235	201,213	2,376	
– Interest rate options: sell	46,719	–	–	46,719	258,086		2,658
Currency derivatives	**565,556**	**83,580**	**63,115**	**712,251**	**863,399**	**30,479**	**29,801**
OTC products							
– Forward currency transactions	373,766	17,154	447	391,367	490,943	16,517	16,430
– Cross-currency swaps	23,125	29,024	56,033	108,182	93,415	6,589	7,379
– Currency options: buy	82,038	16,416	3,997	102,451	141,321	7,134	–
– Currency options: sell	84,682	20,244	2,637	107,563	132,176	–	5,916
– Other currency contracts	137	–	–	137	39	137	–
Exchange-traded products							
– Currency futures	953	742	1	1,696	4,305	25	35
– Currency options: buy	569	–	–	569	873	77	–
– Currency options: sell	286	–	–	286	327	–	41
Equity/index derivatives	**449,728**	**207,448**	**5,401**	**662,577**	**378,462**	**22,875**	**20,812**
OTC products							
– Equity/index swaps	6,893	5,716	907	13,516	28,234	719	916
– Equity/index options: buy	275,360	96,128	374	371,862	93,915	14,504	–
– Equity/index options: sell	100,587	81,010	2,737	184,334	103,420	–	11,728
Other equity/index contracts	136	3	7	146	25	133	260
Exchange-traded products							
– Equity/index futures	9,704	0	–	9,704	8,706	32	6
– Equity/index options: buy	28,006	12,584	694	41,284	69,986	7,487	–
– Equity/index options: sell	29,042	12,007	682	41,731	74,176	–	7,902
Credit derivatives	**103,461**	**570,618**	**95,922**	**770,001**	**1,153,511**	**46,843**	**45,590**
Credit default swaps							
– Protection buyer	48,975	282,717	48,807	380,499	572,074	44,550	1,255
– Protection seller	53,254	285,395	46,547	385,196	568,558	2,035	43,622
Total return swaps							
– Protection buyer	1,232	2,474	555	4,261	10,067	240	700
– Protection seller	–	32	13	45	2,812	18	13
Other derivatives	**23,477**	**9,157**	**235**	**32,869**	**21,329**	**2,557**	**2,692**
OTC products							
– Precious metal derivatives	20,166	6,074	60	26,300	15,200	1,263	1,456
– Other contracts	1,132	2,302	174	3,608	3,932	1,256	1,189
Exchange-traded products							
– Futures	2,177	781	1	2,959	2,197	38	47
– Options: buy	1	–	–	1	–	–	–
– Options: sell	1	–	–	1	0	–	–
Grand total	**2,463,247**	**3,055,257**	**1,811,097**	**7,329,601**	**6,702,390**	**237,490**	**231,679**
Of which: products denominated in EUR						128,090	129,446
products denominated in USD						59,501	59,501
products denominated in GBP						22,753	20,659
products denominated in JPY						14,283	9,387

Off-Balance Sheet Business

46 Contingent liabilities and other commitments

Contingent liabilities and other commitments include financial guarantee contracts, irrevocable loan commitments and other liabilities.

Financial guarantee contracts are contracts that require the Bank as the issuer to make specified payments to reimburse the holder for losses it incurs because a specified debtor fails to make payment when due in accordance with the original or modified contractual terms of a debt instrument. Irrevocable loan commitments comprise firm commitments to provide loans at predetermined conditions. Other liabilities include repurchase commitments under reverse repo transactions and the liability arising from the furnishing of collateral for third-party liabilities.

The Group supplies open credit facilities to provide clients with rapid access to funds that may be required to meet their short-term obligations as well as their long-term financing needs. Such credit facilities can take different forms: guarantees, where the Group guarantees repayment of a loan taken out by a client with a third party; standby letters of credit, which are credit enhancement facilities enabling customers to engage in trade finance at lower cost; documentary letters of credit, which are trade finance-related payments made on behalf of a customer and reimbursed to the Group later; standby note issuance facilities and revolving underwriting facilities, which allow customers to issue money market paper or medium-term notes when required without engaging in the normal underwriting process on each occasion. Revenue from guarantees is recognised in net fee and commission income and is determined by applying agreed rates to the nominal amount of the guarantee.

Where appropriate, collateral is used to cover the customer's total obligation comprising loans and loan guarantees. There are also sub-interests held by third parties in irrevocable loan commitments and loan guarantees.

The following tables present the amounts at risk should all customers draw fully on all facilities and then default without any collateral being available. However, a large majority of these commitments in fact expire without being drawn upon. These amounts are therefore not representative for risk assessment purposes of the actual future credit exposure, or of the liquidity required to fund such commitments. The Risk Report contains further information on the credit risk arising from financial guarantee contracts and irrevocable loan commitments as well as on liquidity risk and the management and monitoring of this risk.

€m	31/12/2008	31/12/2007
Contingent liabilities from guarantees and indemnity agreements	17,290	18,683
– Credit guarantees	439	634
– Other guarantees and warranties	14,777	15,656
– Letters of credit	2,074	2,393
– Letters of credit opened	710	838
– Letters of credit confirmed	1,364	1,555
Contingent liabilities	**17,290**	**18,683**
Repurchase commitments under reverse repo transactions	1	2
Irrevocable loan commitments	31,590	37,635
– Advances	27,651	33,929
– Standby facilities	1,570	1,635
– Guarantee credits	1,963	1,604
– Discount credits	15	64
– Mortgage loans/municipal loans	391	403
Other commitments	**31,591**	**37,637**

€1,453 million (previous year: €1,707 million) of the irrevocable loan commitments have binding fixed interest rates.

47 Other financial commitments

€m	31/12/2008	31/12/2007
Obligations arising from hire and rental contracts and leases[1]	1,948	2,377
Commitments under capital projects in progress	216	203
Commitments to pay up shares, bonds and other capital interests; secondary liability	167	155
Other	59	60
Other financial commitments	**2,390**	**2,795**

1) See Note 43.

Commitments to pay up shares, bonds and other capital interests totalled €38 million (previous year: €26 million). Secondary liability in accordance with section 24 of the Gesetz betreffend die Gesellschaften mit beschränkter Haftung (GmbHG – German Limited Liability Companies Act) was €129 million (previous year: €130 million); the run-off liability following a hive-off in accordance with section 133 of the Umwandlungsgesetz (UmwG – German Reorganisation Act) amounted to €129 million (previous year: €132 million).

Liquiditäts-Konsortialbank GmbH ("LIKO") is a bank that was founded in 1974 in order to provide funding for German banks experiencing liquidity problems. Deutsche Bundesbank owns 30% of the shares in LIKO, with the rest of the shares being held by other German banks and banking associations. The shareholders have provided €200 million in capital to fund LIKO; the Dresdner Bank Group's interest amounts to €11.7 million (5.87%). The Dresdner Bank Group is contingently liable to pay in further contributions to LIKO up to a total of €58.7 million (5.87%). In addition, under section 5 (4) of the Articles of Association of LIKO, Dresdner Bank is jointly and severally liable in the event that other shareholders do not fulfil their commitments to pay their further contributions, if any. To the extent that any such secondary liability exists, we do not have any reason to doubt the financial status of the other shareholders involved.

The liability arising from the Group's ownership interests in Lofra GmbH Co. KG, Frankfurt/Main, Reuschel & Co. Kommanditgesellschaft, Munich and Dresdner Kleinwort Leasing December (15), London, is unlimited due to the legal form of these companies or to Dresdner Bank AG's position as a partner. In these cases, too, we have no reason to doubt the financial status of our partners.

In the case of the two closed-end real estate funds MERKUR Grundstücks-Gesellschaft Objekt Berlin Lange Straße KG, Grünwald, and KALMUS Grundstücks-Gesellschaft Objekt Erfurt KG, Grünwald, Dresdner Bank AG has issued an irrevocable declaration of indemnity to Kommanditgesellschaft Allgemeine Leasing GmbH & Co. (KGAL), Grünwald, which covers certain rights of tender in respect of KGAL.

Furthermore, Dresdner Bank is a member of the Deposit Protection Fund of the Federal Association of German Banks ("Einlagensicherungsfonds"), which covers liabilities to individual creditors up to specified amounts. As a member of the Fund, which is itself a shareholder in LIKO, Dresdner Bank is jointly and severally liable with other Fund members for additional capital contributions up to a maximum of its annual contribution. For 2008, a contribution of €31 million (previous year: €27 million) was levied on Dresdner Bank including its subsidiaries.

Under section 5 (10) of the Statutes of the Deposit Protection Fund, the Bank has undertaken to indemnify the Bundesverband deutscher Banken e. V. (Federal Association of German Banks) for any losses it may incur by reason of measures taken on behalf of any banks in which the Bank owns a majority interest.

In the case of subsidiaries as defined in section 290 (1) and (2) of the HGB which are engaged in banking business or complementary operations, Dresdner Bank AG takes care in relation to the proportion of its shareholding, except with regard to political risk, that these companies are able to meet their obligations.

48 Trustee business

The table shown below gives a breakdown of trustee business not reported in the balance sheet:

€m	31/12/2008	31/12/2007
Loans and advances to banks	1,021	2,030
Loans and advances to customers	756	959
Financial investments	313	564
Other	336	–
Fiduciary assets[1)]	**2,426**	**3,553**
Liabilities to banks	359	655
Liabilities to customers	2,067	2,898
Fiduciary liabilities	**2,426**	**3,553**

1) Including fiduciary loans of €1,228 million (previous year: €1,554 million).

Supplementary Information

49 Fair values and carrying amounts of financial instruments according to IFRS 7 classes

The financial instruments in the following table include recognised and unrecognised financial assets and liabilities that fall within the scope of IFRS 7. The criteria used to define classes are presented in the section entitled "Basis of accounting".

Financial assets €bn	31/12/2008 Carrying amount	Fair value	31/12/2007 Carrying amount	Fair value
Cash funds	18.6	18.6	6.6	6.6
Trading assets	189.4	189.4	160.2	160.2
Financial assets designated at fair value	12.0	12.0	8.6	8.6
Loans and advances to banks	61.8	61.8	113.2	112.8
Loans and advances to customers[1]	122.3	121.7	187.0	186.1
Receivables under finance leases	0.8	0.8	1.2	1.2
Financial investments[2]	10.2	10.2	13.5	13.5
Financial assets not traded on an active market (measured at amortised cost)	0.1	0.1	0.1	0.1
Accrued interest[3]	2.0	2.0	3.3	3.3
Positive fair values of hedging derivatives in accordance with IAS 39[3]	0.9	0.9	0.3	0.3
Non-current assets and disposal groups held for sale	0.8	0.8	–	–
Total	**418.9**	**418.3**	**494.0**	**492.7**

1) Excluding lease receivables.
2) Excluding investment property and financial instruments measured at cost.
3) Included in other assets (see Note 23).

Financial liabilities €bn	31/12/2008 Carrying amount	Fair value	31/12/2007 Carrying amount	Fair value
Trading liablities	164.3	164.3	119.0	119.0
Financial liabilities designated at fair value	16.2	16.2	2.3	2.3
Liabilities to banks	55.1	55.1	128.1	128.0
Liabilities to customers	140.1	139.7	185.4	184.4
Certificated liabilities	22.8	22.7	34.6	34.6
Subordinated liabilities	6.6	5.1	6.3	6.3
Profit-participation certificates	0.7	0.3	1.7	1.6
Accrued interest[1]	1.8	1.8	3.4	3.4
Negative fair values of hedging derivatives in accordance with IAS 39[1]	0.1	0.1	0.1	0.1
Liabilities included in disposal groups classified as held for sale	1.9	1.9	–	–
Total	**409.6**	**407.2**	**480.9**	**479.7**
Financial guarantee contracts[2]	0.1	0.1	0.1	0.1
Irrevocable loan commitments[2]	0.0	0.0	0.1	0.1

1) Included in other liabilities (see Note 34).
2) See Note 46.

The fair value of a financial instrument is the amount for which it could be voluntarily exchanged between knowledgeable, willing, independent parties in an arm's length transaction.

The following sections describe in particular the fair value measurement of financial instruments that are not recognised at fair value, but for which IFRS 7 requires additional fair value disclosures. The methods applied in determining the fair values of financial instruments recognised at fair value are described in Note 1 (Basis of accounting) and later in this Note in the section entitled “Fair value hierarchy”.

Financial instruments due on sight. Financial instruments due on sight are measured at their principal amount; this corresponds to the fair value of these financial instruments. These instruments include cash funds, current account credit balances and demand deposits classified as loans and advances to banks and customers or liabilities to banks and customers.

Financial assets and liabilities at fair value through profit or loss. The Group carries trading assets/liabilities, which include debt and equity securities, derivatives and currency transactions, at their fair value, as it does the financial assets/liabilities designated at fair value. The methods used to calculate the fair value of such financial instruments that are not traded in an active market are described in the section below entitled “Fair value hierarchy”.

Loans and advances, liabilities. Direct market prices are not available for loans and deposits due to the absence of organised secondary markets for such financial instruments. The fair value of such instruments was therefore calculated on the basis of well-established valuation techniques using current market parameters. In particular, the discounted cash flow method was used. The fair value is a model-based value applicable at a given reporting date.

The fair value of receivables is determined by calculating the future contractually agreed cash flows, discounted using appropriate market interest rates. The differing credit quality of companies and institutions was taken into consideration by adjusting the discount rates to reflect the related risks. The rates used for discounting to reflect the risk were calculated using observed capital market rates; where possible, individual yield curves were used to determine borrower-specific interest rates. In the case of loans to private clients, the discount rate reflected all cost components, such as refinancing costs, credit default costs, the cost of capital and processing costs. For the first time, liquidity costs were included as a component in order to ensure the fair values reflected the market conditions caused by the financial crisis; liquidity costs did not have a material effect in the previous year. In the case of loans with option components, these components were measured using option pricing models and were included in the fair value calculation. In the case of deposits that are not due on sight, the fair value of the cash flows is calculated using valuation techniques. The interbank swap rate is used as the discount rate for these deposits.

Financial investments. Financial investments are classified as available-for-sale financial instruments in accordance with IAS 39 and measured at their fair value. In addition, securities measured at amortised cost are presented in Note 20.

Long-term securitised liabilities and subordinated capital. Securitised liabilities, subordinated liabilities and profit-participation certificates are measured on the basis of quoted market prices, where available. The measurement takes into account such factors as current market interest rates and the Group's credit rating. If no quoted prices are available, fair value is established using valuation models (discounted cash flow, option pricing models), which in turn are based on yield curves, volatility, own credit spreads, etc. The Bank's own credit spread is factored into the model, especially in cases where it has issued structured debt instruments that are measured at fair value (see Note 27). The change in the market prices or in the market inputs relevant to measurement resulted in the fair value of these liabilities being significantly lower than their carrying amount in comparison to the previous year.

Lease receivables and lease liabilities. Financial assets and liabilities under finance leases are measured in accordance with IAS 17. The fair value of these assets is calculated on the basis of the net investment and the expected interim profits due to the relatively short-term nature of the assets from the Bank's perspective.

Financial guarantee contracts and irrevocable loan commitments. The carrying amount of provisions for issued financial guarantee contracts and irrevocable loan commitments is calculated on the basis of future expected cash drawdowns. Expected cash flows from the realisation of collateral are reflected here. When calculating the present value of financial guarantee contracts, expected future claims are discounted at the average rate for current account drawdowns; in the case of loan commitments, the market interest rate is used. The present values calculated in this way also represent the fair value.

Fair value hierarchy. In principle, the fair value of a financial instrument is based on quoted prices for identical financial instruments in an active market (Level I), where these are available. In those cases where no quoted prices are available for identical financial instruments in an active market, fair value is established using valuation techniques. These valuation techniques include comparisons with quoted prices for similar financial instruments in active markets, comparisons with quoted prices for identical or similar financial instruments in inactive markets, and the use of valuation models for which all significant inputs are based – as far as possible – on observable market data (Level II). If, exceptionally, valuation models are used that incorporate inputs for which there is insufficient observable market data, these valuations inherently include a greater level of management judgement (Level III). The estimates and assumptions used are based on historical experience and other factors, such as projections and expectations or forecasts with regard to future events, which appear appropriate under the given conditions. Realisble fair values determinable at a later date could differ from the estimated fair values.

The financial instruments recognised at fair value are summarised in the following table, classified by the fair value hierarchy described above:

€bn	31/12/2008 Quoted market prices Level I	Valuation based on observable market data Level II	Valuation not based on observable market data Level III	Total	31/12/2007 Total
Financial assets					
Trading assets[1]	25.1	7.4	4.0	36.5	87.6
Financial assets designated at fair value	8.2	2.0	1.8	12.0	8.6
Positive fair values of derivative financial instruments	20.3	211.6	5.8	237.7	91.7
Positive fair values of hedging instruments in accordance with IAS 39	–	0.9	–	0.9	0.3
AfS financial instruments	9.3	0.9	0.1	10.3	13.6
Total	**62.9**	**222.8**	**11.7**	**297.4**	**201.8**
Financial liabilities	–	–	–	–	–
Trading liabilities[2]	12.8	4.8	0.3	17.9	47.5
Financial liabilities designated at fair value	0.1	16.1	–	16.2	2.3
Negative fair values of derivative financial instruments	17.6	210.6	3.5	231.7	90.7
Negative fair values of hedging instruments in accordance with IAS 39	–	0.1	–	0.1	0.1
Total	**30.5**	**231.6**	**3.8**	**265.9**	**140.6**

1) Excluding positive and negative fair values of derivative financial instruments.
2) Gross value including netting amount of a total of €85.0 billion (previous year: €19.5 billion).

Most of the financial instruments measured at fair value are instruments for which no quoted prices are available for the identical financial instrument in an active market, but whose fair value is established using suitable valuation techniques for which significant inputs are largely based on observable market data (Level II). These include in particular derivative financial instruments that are mainly measured by discounting the expected future cash flows to obtain the present value of those cash flows (discounted cash flow models). Alternatively, arbitrage models are used to ascertain the fair value of the financial instrument that would ensure no gain or loss could be derived from arbitraging the instrument against other traded instruments. Prices or indices that are published by financial exchanges or brokers or made available by other organisations are used as observable market data.

For certain financial instruments, the valuation technique is based on inputs that are not or only insignificantly based on observable market data, and therefore depend on management judgement (Level III). These inputs may be derived from extrapolations and interpolations, or may be obtained by approximation with historical or correlated data, whereby the effect of entity-specific inputs is minimised as far as possible. Valuation models must be consistent with accepted economic pricing methodologies and must incorporate all factors that market participants would consider appropriate in setting a price. These also include the counterparty credit spread.

The Bank refined the valuation models applied to financial instruments related to asset-backed securities; these models are used primarily to measure tranches comprising US residential mortgage-backed securities (US RMBSs) and collateralised debt obligations (CDOs) that mainly reference US RMBSs. The main inputs used to generate expected cash flows for the individual tranches are prepayment rates and default rates, which are analysed under various scenarios. Under these scenarios, the average present value of expected cash flows is calibrated to observable market data; this includes the ABX.HE series of subprime RMBS indices and predefined portfolios for which independently sourced price data is consistently available. The calibration of valuation models in line with available price data (current credit spreads) adequately reflects the illiquidity of certain market segments.

To assess exposure to unobservable inputs, the constant default rate (CDR) vector and the constant prepayment rate (CPR) vector are stressed over two pricing scenarios by 10% and 20% from the base case. A 10% change in the CDR and a –10% change in the CPR across the US RMBS subprime portfolio has a resultant sensitivity equivalent to €37 million.

Day one P&L. The aggregate difference between the transaction price and the theoretical value that is not based exclusively on observable market data ("day one P&L") relates to trading positions; the amounts changed as follows:

€m	2008			2007
	Trading assets	Trading liabilities	Total	Total
1 January	3	25	28	42
Additions recognised directly in equity	13	4	17	2
Reversals through profit or loss	11	12	23	16
31 December	**5**	**17**	**22**	**28**

50 Other disclosures on financial instruments in accordance with IFRS 7

Net gains and losses on financial instruments classified using the measurement categories defined in IAS 39. The amounts in the following tables have been disclosed to meet the requirements under IFRS 7. They do not represent a presentation of gains and losses that is used by management for management purposes. Rather, the income and expense structures used for management purposes are presented in the Notes to the Income Statement and in the Management Report (in the section entitled "Consolidated Earnings"). The following table shows the net gains or losses for the measurement categories of financial assets and liabilities defined in IAS 39.

€m	2008	2007
Net gains or losses on		
– Trading assets and liabilities	-5,349	-360
– Financial assets and liabilities designated at fair value	169	-43
– Available-for-sale financial assets	753	505
Of which: removed from equity and recognised in profit or loss	753	505
– Loans and receivables	-1,718	91
– Other financial liabilities	267	16

The net gains and losses on trading assets and liabilities and on financial assets and liabilities designated at fair value comprise realised disposal gains and losses as well as measurement gains and losses from impairment losses and reversals of impairment losses; interest and dividends are not included. The respective net gains and losses on available-for-sale financial assets, loans and receivables as well as other financial liabilities are primarily composed of realisation and measurement gains or losses; interest and dividends are not included.

Total interest income and expense for financial assets and liabilities that are not designated as at fair value through profit or loss is as follows:

€m	2008	2007
Interest income on loans and advances to banks and customers	17,464	17,353
Interest income on AfS financial instruments	564	609
Aggregate interest income	**18,028**	**17,962**
Interest expense on loans and advances to banks and customers	14,197	15,174
Interest expense on AfS financial instruments	1,923	2,670
Aggregate interest expense	**16,120**	**17,844**

Maximum credit risk. The Bank's maximum credit risk exposure in accordance with IFRS 7 – excluding collateral or other credit enhancements – corresponds to the carrying amounts of the relevant recognised assets per category, or to the principal amounts in the case of irrevocable loan commitments and financial guarantee contracts. The following table summarises the carrying amounts and nominal values of the financial instruments that are exposed to a potential credit and counterparty risk:

€m	31/12/2008	31/12/2007
Debt instruments		
– Trading assets	30,136	57,091
– Financial assets designated at fair value	9,295	6,882
– Available-for-sale financial assets	9,764	10,483
Loans and advances to banks[1)]	62,377	113,555
Loans and advances to customers[1)]	125,054	189,622
Positive fair values of derivative financial instruments		
– Trading assets	152,756	72,592
– Hedging derivatives in accordance with IAS 39	872	291
Irrevocable loan commitments	31,590	37,635
Financial guarantee contracts	17,290	18,683

1) Including receivables designated at fair value.

The amounts relating to the maximum credit risk exposure listed in the above table are not part of the Bank's internal risk management system because the management of credit risk also reflects collateral, probabilities of default and other economic factors. These amounts are therefore not representative of actual risk assessments. The Risk Report contains further information on credit risk arising from credit and counterparty risk, in particular a description of collateral held as security and other credit enhancements, as well as information on the quality of standard credit risks and on renegotiated loans in accordance with IFRS 7.36. The Risk Report also provides information on the age structure and impairment of financial assets in accordance with IFRS 7.37.

In addition, Note 19 contains disclosures in accordance with IFRS 7.16 (allowance account), and Notes 9 and 20 include disclosures in accordance with IFRS 7.20 (e) (impairment losses). Disclosures in accordance with IFRS 7.13 (transfers that do not qualify for derecognition) are included in the section entitled "Basis of accounting" and in Notes 40 and 44.

Residual terms of liabilities with undiscounted cash flows. In contrast to the presentation in Note 42, which is based on discounted cash flows, the following table lists the liabilities by undiscounted contractual cash flows in accordance with IFRS 7.39 (a). In order to do justice to the short-term nature of the activities associated with the trading liabilities and the negative fair values of hedging derivatives in accordance with IAS 39, we consider it appropriate to assign them to the time bucket with the shortest maturity. This is based on the assumption that the present values of the future cash flows would be used to close out the positions. In line with the internal liquidity risk model, the reported cash flows do not include any interest payment cash flows.

31 December 2008

Liabilities €m	Up to 3 months	> 3 months – 1 year	> 1 year – 2 years	> 2 years – 3 years	> 3 years – 4 years	> 4 years – 5 years	More than 5 years
Trading liabilities	164,619	–	–	–	–	–	–
Financial liabilities designated at fair value	8,529	5,421	83	455	445	440	944
Negative fair values of hedging derivatives in accordance with IAS 39	69	–	–	–	–	–	–
Liabilities to banks	44,664	4,635	1,008	1,033	250	877	2,687
Liabilities to customers	120,100	11,834	652	970	988	618	6,482
Securitised liabilities	9,579	4,324	2,676	3,177	1,267	419	2,330
Subordinated liabilities	439	702	118	579	57	276	4,421
Profit-participation certificates	–	56	–	–	–	–	665
Total	**347,999**	**26,972**	**4,537**	**6,214**	**3,007**	**2,630**	**17,529**
Financial guarantee contracts	17,290	–	–	–	–	–	–
Irrevocable loan commitments	1,209	10,407	3101	4,726	7,343	2,682	2,122

31 December 2007

Liabilities €m	Up to 3 months	> 3 months – 1 year	> 1 year – 2 years	> 2 years – 3 years	> 3 years – 4 years	> 4 years – 5 years	More than 5 years
Trading liabilities	119,026	–	–	–	–	–	–
Financial liabilities designated at fair value	352	20	145	190	68	28	1,564
Negative fair values of hedging derivatives in accordance with IAS 39	120	–	–	–	–	–	–
Liabilities to banks	105,858	12,799	1,958	1,163	1,245	1,138	4,017
Liabilities to customers	165,172	11,130	1,707	747	633	901	6,636
Securitised liabilities	13,285	10,313	3,938	2,815	1,195	1,707	2,470
Subordinated liabilities	86	431	579	148	579	57	4,392
Profit-participation certificates	3	900	51	–	–	–	732
Total	**403,902**	**35,593**	**8,378**	**5,063**	**3,720**	**3,831**	**19,811**
Financial guarantee contracts	18,683	–	–	–	–	–	–
Irrevocable loan commitments	2,611	9,124	917	4,339	3,215	5,159	12,270

51 Related party transactions

On 31 December 2008, Allianz SE held a 100% indirect interest in Dresdner Bank AG's share capital; we classify both Allianz SE and those companies that directly hold Dresdner Bank AG's share capital as parent companies. Other related parties within the meaning of IAS 24 are the other consolidated Allianz Group companies and other unconsolidated affiliated companies of Dresdner Bank. Related parties also include other equity investments as well as associates and joint ventures. We regard the members of the Board of Managing Directors and the Supervisory Board as individual related parties and key management personnel.

The companies belonging to the Dresdner Bank Group maintain wide-ranging business relationships with related parties. These relationships primarily comprise typical banking products and financial services such as the deposit, loan and money market business, custody, trading, payment transactions, account maintenance and the brokerage of insurance and banking products. Dresdner Bank conducts banking transactions with related parties in the normal course of business activities at standard market rates and conditions.

The Dresdner Bank Group exchanges services with Allianz Group companies through its partnership involving the reciprocal brokerage of insurance and banking services. The companies also provide each other with services.

As part of the agreements reached between Allianz SE and Commerzbank AG in 2008 under which Dresdner Bank AG is to be merged with Commerzbank AG, assets held in the Dresdner Bank Group were sold to Allianz SE or to one of its affiliated companies (Allianz). The following transactions had been implemented as of 31 December 2008:

- Dresdner Bank sold around 15 million directly held shares of Oldenburgische Landesbank AG (OLB) as well as its aggregate interest of 98.8% in OLB Beteiligungsgesellschaft mbH, through which a further 5.9 million shares in OLB are held.

- The 51% interest in the share capital of ADEUS Aktienregister Service GmbH held by Dresdner Bank was transferred to Allianz.

- The "Pariser Platz" building in Berlin was sold to Allianz, subject to the proviso that the City of Berlin does not exercise its pre-emptive right of purchase.

- All shares of Dresdner Holding B. V. held by Dresdner Bank AG were transferred to Allianz. The shares of Banco Popular Español, Spain, and Bank Pekao S.A., Poland, held via the sold company were also transferred as a result. In the first quarter of the fiscal year, Dresdner Holding B. V. increased its holdings of shares in Banco Popular Español S.A. by 3.4 million shares, which were acquired at their quoted market price from two Allianz subsidiaries.

- The approximately 313 million shares in Industrial and Commercial Bank of China Limited (ICBC) directly held by Dresdner Bank Luxembourg S.A. were transferred to Allianz. An additional approximately 6,120 million shares of ICBC held by Dresdner Bank Luxembourg S.A. were transferred to Allianz in consideration for the offsetting of the purchaser's claim in connection with the transfer of equity linked notes.

- All shares of Puxian Investments S.à.r.l. (Puxian) held directly or indirectly by Dresdner Bank were transferred to Allianz. This corresponds to the figure of approximately 808 million shares of ICBC attributable to Dresdner Bank's share of Puxian and held via Puxian.

In addition to the above-mentioned transactions, which resulted from the agreement between Allianz SE and Commerzbank AG under which Dresdner Bank AG is to be merged with Commerzbank AG, the following transactions with related parties took place in the first half of the fiscal year:

- To reduce complexity and streamline shareholding structures, in May 2008 we acquired the 27% interest held by Allianz Versicherungs-AG in AZ-Aiolos Vermögensverwaltungsgesellschaft OHG (Aiolos), as a result of which the shares of Aiolos accrued to Dresdner Bank AG without affecting the income statement. As part of this transaction, the assets originally attributable to Allianz Versicherungs-AG were subsequently transferred back to it.

- Also to simplify the shareholding structure, in June 2008 we sold our 2% share in Allianz Global Investors Deutschland GmbH (AGID), which we held via a wholly owned subsidiary of Dresdner Bank AG, to the majority shareholder Allianz Global Investors Europe Holdings GmbH.

- As part of the realignment of IT infrastructure activities within the Allianz Group, Allianz Shared Infrastructure Services GmbH (ASIC) will be held as a 100% direct interest by Allianz SE. To this end, we transferred our 33% share in ASIC to Allianz SE in April 2008.

We operate Dresdner-Cetelem Kreditbank GmbH as a joint venture in the consumer loans business together with the French company BNP Paribas Personal Finance S. A. Dresdner Bank's interest amounts to 49.9%. We have contractually undertaken to support the business development of the joint venture by making contributions to its capital reserves up to 2010. A further €23 million may be drawn down under this undertaking in the period up to 2010.

In 2006, Dresdner Bank AG established a contractual trust arrangement (CTA) and transferred assets amounting to €1.9 billion to it to secure employer-funded direct benefit commitments. The assets are kept separate from Dresdner Bank AG's business assets and are used solely for post-employment benefits for employees. The dual trust structure also ensures that the assets managed by the CTA are protected against insolvency. Verein Pension-Trust der Dresdner Bank e. V., which is independent of Dresdner Bank AG, acts as the trustee and is responsible for investing the funds and managing them in trust in accordance with the Investment Guidelines agreed with Dresdner Bank AG. In turn, Verein Pension-Trust der Dresdner Bank e.V. has appointed Allianz Global Investors Advisory GmbH (AGI) as its asset manager with responsibility for centrally managing investments and implementing the Verein's investment decisions. Dresdner Bank AG bears all the costs incurred by the Verein on the basis of the asset management agreement signed with AGI. As at 31 December 2008, the pension trust assets managed by the Verein were predominantly invested in special investment funds and mutual funds operated by Allianz Global Investors KAG and PIMCO, as well as in a capitalisation product issued by Allianz Lebensversicherung AG.

The total scope of the related party transactions is shown below:

	Parent company		Other related parties		Other equity investments and equity-accounted investments	
€m	31/12/2008	31/12/2007	31/12/2008	31/12/2007	31/12/2008	31/12/2007
Trading assets	222	831	3	8	–	–
Loans and advances to banks	–	–	–	10	1,658	669
Loans and advances to customers	2,832	2,813	131	85	106	96
Debt instruments	–	–	–	–	–	–
Other assets	43	40	44	51	–	7
Total	**3,097**	**3,684**	**178**	**154**	**1,764**	**772**
Trading liabilities	–	2	78	84	–	–
Liabilities to banks	–	–	4	4	407	213
Liabilities to customers	865	521	1,511	1,680	16	18
Securitised liabilities	–	–	376	52	–	–
Provisions	–	–	–	–	–	–
Other liabilities	17	16	39	43	–	18
Subordinated liabilities	1,000	1,000	17	17	–	–
Total	**1,882**	**1,539**	**2,025**	**1,880**	**423**	**249**
Contingent liabilities	–	–	71	43	212	29
Transaction income	168	91	210	255	349	87
Transaction expenses	152	78	275	66	311	309

Loans to members of the Board of Managing Directors and the Supervisory Board. Loans to members of the Board of Managing Directors and contingent liabilities assumed on their behalf totalled €396,257.03 (previous year: €435,046.79). This figure did not include any loans extended to managers of subsidiaries (previous year: €8,770.99). Loans to members of Dresdner Bank AG's Supervisory Board and contingent liabilities assumed on their behalf totalled €9,343,915.00 (previous year: €447,719.26). These transactions have been entered into at normal terms. A list of all members of the Board of Managing Directors and the Supervisory Board is provided in the lists of members of the Supervisory Board and of the Board of Managing Directors (see Notes 57 and 58).

Remuneration of executive body members. The remuneration paid to the Board of Managing Directors in accordance with section 314 no. 6a of the HGB amounted to €14,624,407.32. This includes share-based payments comprising 29,690 stock appreciation rights (SARs) with a fair value of €23.98 at the grant date and 14,409 restricted stock units (RSUs) with a fair value of €82.75 at the grant date. The remuneration paid to former members of the Board of Managing Directors and their surviving dependants amounted to €12,145,979.81. Pension provisions for former members of the Board of Managing Directors and their surviving dependants amounted to €139 million as at 31 December 2008.

The compensation paid to the Board of Managing Directors as defined by IAS 24.16 amounted to €58,049,658.84 (previous year: €27,034,067.56). This figure can be broken down as follows: short-term employee benefits €12,748,034.91 (previous year: €12,916,221.75); post-employment benefits €1,730,270.00 (previous year: €1,391,241.00); no other long-term benefits (previous year: none); termination benefits €24,252,290.00 (previous year: none); share-based payment €19,319,063.93 (previous year: €12,726,604.81).

Compensation granted to members of the Group's Supervisory Board for fiscal year 2008 amounted to €1,103,387.50 (previous year: €1,179,168.00), including value added tax. Payments to the members of the regional advisory boards amounted to €1,220,103.00 (previous year: €1,230,084.25), including value added tax.

52 Share-based payment

Employee share purchase plans. Shares of Allianz SE are offered to qualifying employees in Germany and abroad at preferred terms within a defined period. To qualify, employees must have been in a continuous employment or training relationship, with no notice of termination given, for at least six months before the share offer; in addition, the purchase is subject to restrictions on the amount that employees can invest. The number of shares issued under these offers in fiscal year 2008 for Dresdner Bank AG within Germany and its domestic subsidiaries amounted to 201,785 (previous year: 370,852); the difference between the exercise price and the market price in the amount of approximately €3 million (previous year: €11 million) was recognised in total staff costs.

Group Equity Incentive (GEI). The Allianz Group GEI was established for senior executives and is designed to recognise their contribution to the increase in enterprise value and to promote the Group's long-term success. The GEI consist of two components:

1. Stock Appreciation Rights (SARs). Beneficiaries under this plan are granted stock appreciation rights. These rights are subject to a two-year lock-up and expire after seven years.

The stock appreciation rights can be exercised at almost any time between the second and seventh anniversary of the grant date, provided that the price of Allianz SE's shares has outperformed the Dow Jones Europe STOXX Price Index (600) at least once during the term for a period of five consecutive exchange trading days, and that it exceeds the reference price by at least 20% at the time of exercise.

Under the terms of the SARs, the Bank is obliged to settle in cash the difference between the quoted market price of Allianz SE's shares on the exercise date and the reference price specified in the relevant plan. The maximum difference is capped at 150% of the reference price. Once the SARs have been exercised, payment is made in the relevant local currency by the company granting the rights. Any rights that have not been exercised by the last day of the plan will be automatically exercised to the extent that the conditions for this have been met. Where the conditions have not been met or where a participant has left the Bank's employment, the rights will expire. In addition, SARs may be exercised before the lock-up period expires if a Plan participant dies, if there is a change of control at the Allianz Group, or if the subsidiary that employs the Plan participant is sold.

The fair value of the options at the grant date is calculated using a Cox-Rubinstein binomial model. Option valuation models require the input of subjective assumptions, e.g. on expected share price volatility and the expected option term. Volatility is derived from observable historical market prices. If no historical information is available with regard to the exercise of the SARs (all plans issued from 1999 to 2002 are "out of the money"), it is assumed that the expected term corresponds to the period up to the expiry of the SARs.

The following table shows the assumptions used to calculate the fair value of the SARs at the grant date.

	2008	2007
Expected volatility (%)	32.0	27.9
Risk-free rate (%)	3.6	3.9
Expected dividend yield (%)	5.3	3.0
Share price (€)	112.83	158.01
Expected term (years)	7	7

The SARs are accounted for as cash-settled share-based payments. The total staff costs for the SARs are calculated as the amount by which the Allianz SE share price exceeds the SAR reference price. The total staff costs are recalculated for each reporting period on the basis of the changes in the Allianz SE share price and are accrued over the two-year lock-up period. The sale of Dresdner Bank AG to Commerzbank was implemented in January 2009. The terms and conditions of the SARs specify that these should be exercised early on the date of the sale; this led to the two-year lock-up period being shortened to 31 December 2008. All in all, no provisions were therefore recognised (previous year: addition in the amount of €18 million); the volume of provisions for unexercised SARs amounted to €2 million as at 31 December 2008 (previous year: €28 million). The price of Allianz's shares as of 31 December 2008 was less than the amount to be paid on exercise, i.e. the exercisable rights were “out of the money” on the reporting date.

2. Restricted Stock Units (RSUs). In 2003, the Group launched an incentive plan for the first time that grants performance-related compensation in the form of virtual shares, or “restricted stock units” (RSUs). The goal of the RSU Plan is to increase enterprise value and align the interests of the Group's shareholders and management by linking the compensation paid to key executives to Allianz SE's share price performance. The shares are subject to a five-year lock-up period. These rights will be exercised at the same time for all Plan participants on the first exchange trading day following the expiration of the five-year lock-up period. The Company can choose one of the two following methods of redemption at the time of exercise: to make a cash payment to beneficiaries in the amount of the average quoted market price of Allianz SE shares on the ten trading days preceding the expiry of the lock-up period, or to issue one Allianz SE share or equivalent equity instruments per RSU to the beneficiaries. In addition, RSUs may be exercised before the lock-up period expires if a Plan participant dies, if there is a change of control at the Allianz Group, or if the subsidiary that employs the Plan participant is sold.

RSUs are rights to no-par value shares excluding dividend payments; the fair value of these rights is determined by deducting the present value of future expected dividend payments from Allianz SE's share price at the measurement date.

The following table shows the assumptions used to calculate the fair value of the RSUs at the grant date.

%	Interest rate	Dividend yield
RSUs 2005	2.8	1.9
RSUs 2006	3.8	1.5
RSUs 2007	3.9	3.2
RSUs 2008	3.4	5.7

The RSUs are accounted for as cash-settled share-based payments because cash settlement is planned. The total staff costs for the RSU Plan are based on the Allianz SE share price; previously they were recalculated for each reporting period on the basis of the changes in the share price and accrued over the five-year lock-up period. The sale of Dresdner Bank AG to Commerzbank was implemented in January 2009. The terms and conditions of the SARs specify that these should be exercised early on the date of the sale; this led to the five-year lock-up period being shortened to 31 December 2008. A provision in the amount of €21 million (previous year: €17 million) was recognised as an expense as at 31 December 2008; the volume of provisions for unexercised RSUs amounted to €46 million as at 31 December 2008 (previous year: €45 million).

Dresdner Kleinwort Stock Plan. This is a bonus plan based on Allianz shares that is granted to selected Dresdner Kleinwort division employees. The plan provides for part of employees' bonuses to be distributed in the form of Allianz SE shares. The employees initially receive the right to a certain number of Allianz SE shares; the transfer of the shares was distributed over the next three years in line with the rules governing the Plan. The number of shares to be disbursed depends on the remaining beneficiaries and the operating results for the following years. If the results are positive, additional shares will be distributed, whereas if the results are negative, the number of shares to be disbursed will be reduced.

In countries in which share-based payment is not permitted, employees receive the right to cash payments corresponding to the value of the relevant number of Allianz shares. These payments are also disbursed over the next three years and are subject to performance-related adjustments like the distribution of shares. These payments are accounted for in the same way as cash bonuses.

Rights to the transfer of Allianz shares are reported as share-based payments; previously they were expensed over three years. Under IFRIC 11, the transfer/cash payment rights are equivalent to cash-settled share-based payments; the fair value is remeasured at the end of each reporting period based on the changes in the price of Allianz's shares.

As a result of the announcement of the sale of Dresdner Bank AG to Commerzbank on 31 August 2008, the change of control provision of the Dresdner Kleinwort Stock Plans came into force. This specifies an adjustment in the value of the transfer rights and the early exercise of the rights. According to the provision, 50% of the rights become eligible for exercise either six months after the announcement or on the date on which the sale takes effect. The remaining rights become eligible for exercise twelve months after the first exercise date. These effects led to an additional charge on income of €37 million in the fiscal year.

The total expense for the plan reported in the fiscal year amounted to €109 million (previous year: €103 million); the provision recognised amounted to €128 million (previous year: €194 million).

53 Auditors' fees

€m	2008[1)]	2007
Auditing of the financial statements	17	15
Other assurance or valuation services	1	3
Tax advisory services	0	2
Other services	2	2
Total	**20**	**22**

1) KPMG Germany and United Kingdom have been affiliated companies since 1 October 2007; KPMG Switzerland and Spain have also been affiliated companies of KPMG Germany since 1 October 2008. The auditors' fees for fiscal year 2008 therefore also include these two companies.

54 Significant subsidiaries, associates and joint ventures

In addition to Dresdner Bank Aktiengesellschaft, which is domiciled in Frankfurt/Main and registered in the Commercial Register of the Frankfurt/Main Local Court under the number HRB 14000, 143 (previous year: 145) companies are fully consolidated and 14 (previous year: 17) are accounted for using the equity method in the consolidated financial statements, as described below.

Significant subsidiaries. Subsidiaries consolidated as at 31 December 2008 included 29 domestic (previous year: 43) and 114 foreign (previous year: 102) entities, including ten (previous year: eleven) funds and 53 (previous year: 50) special purpose entities, which were required to be included in consolidation due to the application of SIC 12. These figures include nine (previous year: seven) sub-groups, but not their 149 (previous year: 166) individual companies, plus one company (previous year: two companies) accounted for using the equity method. The number of special purpose entities does not include any consolidation into special purpose entity groups.

Thirty-nine domestic and 34 foreign Group companies (previous year: 50 domestic and 36 foreign companies) were not included in the consolidated financial statements because their inclusion would not have been material. Had these companies been consolidated, consolidated total assets would have decreased by a total of €16 million or 0.04% (previous year: €48 million or 0.01%); the effect on profit would have amounted to €2 million or -0.02% (previous year: €-0.4 million or -0.1%).

Companies included in consolidation for the first time have been accounted for using the purchase method. The principles applied were the same as in the previous year. Changes in goodwill are discussed in Note 22, “Intangible assets”.

The Bank has conditionally waived a claim of €83 million in respect of a subsidiary.

Associates. Investments in six (previous year: six) domestic and eight (previous year: ten) foreign companies were reported as associates in the consolidated balance sheet and accounted for using the equity method. Current income from these investments is included in net interest and current income. Nineteen companies were not consolidated because they were not significant in the aggregate. The list of shareholdings comprises those associates that were not included in the consolidated financial statements using the equity method.

Joint ventures. One joint venture (previous year: one) in which the Group holds 49.9% of the shares was also included using the equity method. The Group's pro rata share of earnings and losses is included in net interest and current income under the item current income from equity-accounted investments.

The Group's share in the aggregate assets and liabilities, as well as in the income and expenses, of the associates and joint ventures is set out below:

€m	2008	2007
Assets	8,016	6,752
Liabilities	7,572	6,334
Income	507	450
Expenses	462	389

List of shareholdings. The list of our shareholdings pursuant to section 313(2) of the HGB is presented separately in accordance with section 313(4) sentence 1 of the HGB and is published in the electronic Bundesanzeiger (Federal Gazette) together with the consolidated financial statements. This list contains significant subsidiaries, associates and joint ventures; it is part of the Notes..

55 Significant changes in the companies included in consolidation

Fourteen domestic and 23 foreign companies (previous year: two domestic and twelve foreign companies) were deconsolidated. No domestic companies and 35 foreign companies (previous year: one domestic and 22 foreign companies) were included in consolidation for the first time. The names of the key additions and disposals are listed below:

Additions

K2 Corporation, Georgetown - Grand Cayman
K2 (USA) LLC, Wilmington

Disposals

Name	Reason for derecognition
Bankhaus W. Fortmann & Söhne KG, Oldenburg	Sale
Münsterländische Bank Thie & Co. KG, Münster	Sale
Oldenburgische Landesbank Aktiengesellschaft, Oldenburg	Sale
OLB-Beteiligungsgesellschaft mbH , Oldenburg	Sale
Damien Courtens & Cie, Brussels, Belgium	Merged with Dresdner Van Moer Courtens S.A

Name changes

New name	Previous name
Dresdner Van Moer Courtens S.A , Brussels	Van Moer Santerre & Cie , Brussels
DreCo Erste Beteiligungs GmbH , Frankfurt	Dresdner Securitized Products GmbH , Frankfurt

56 Events after the balance sheet date

On 12 January 2009, Commerzbank implemented the takeover of Dresdner Bank and is now the sole shareholder of Dresdner Bank. The merger of the two companies will take place in the spring of 2009.

On implementation of the takeover by Commerzbank at the beginning of January 2009, there was a further agreement that Allianz will strengthen Dresdner Bank's capital base. This was achieved by Allianz taking over collateralised debt obligations with a notional value of €2 billion for a purchase price of €1.1 billion. In addition, Allianz will subscribe for a silent partner's contribution in the amount of €750 million.

In January 2009 there were extensive changes to the Board of Managing Directors at Dresdner Bank AG. Four previous members left the Board, while six members of Commerzbank's Board of Managing Directors were appointed to the Dresdner Bank Board. There was also a change in the position of Chairman of the Board of Managing Directors.

The Investment Banking division is being realigned in the course of the integration with Commerzbank and will focus in future on customer-oriented products. In this context, staff were let go at the beginning of February.

In view of the acute danger to the continued existence of Dresdner Bank as a going concern and the fact that capital ratios had fallen below minimum regulatory capital requirements, Commerzbank resolved on 3 March 2009 to increase Dresdner Bank’s capital by €4.0 billion in the first quarter of 2009.

57 List of Supervisory Board members

Klaus-Peter Müller Chairman (since 12 January 2009)	Frankfurt/Main
Michael Diekmann Chairman (until 12 January 2009)	Chairman of the Board of Management of Allianz SE, Munich
Claudia Eggert-Lehmann Deputy Chairwoman (Deputy Chairwoman since 14 March 2008)	Dresdner Bank AG, Dortmund
Peter Haimerl Deputy Chairman (until 14 March 2008)	Dresdner Bank AG, Munich
Dr. Olaf Berlien	Member of the Executive Board of ThyssenKrupp AG, Düsseldorf
Gunnar de Buhr (since 14 March 2008)	Dresdner Bank AG, Hamburg
Thomas Fröhlich	Dresdner Bank AG, Frankfurt/Main
Christian Höhn	Dresdner Bank AG, Munich
Stefan Jennes (since 14 March 2008)	Dresdner Bank AG, Düsseldorf
Oda-Renate Krauß (until 14 March 2008)	ver.di Vereinte Dienstleistungsgewerkschaft, Berlin/Brandenburg district, Financial Services, Berlin
Prof. Dr. Edward G. Krubasik (until 12 January 2009)	Munich
Frank Lehmhagen (since 14 March 2008)	ver.di Vereinte Dienstleistungsgewerkschaft, Berlin
Dr. Dietmar Kuhnt (until 12 January 2009)	RWE AG, Essen
Dr. Hartmut Mehdorn	Chairman of the Board of Management of Deutsche Bahn AG, Berlin
Klaus Müller-Gebel (since 12 January 2009)	Lawyer, Frankfurt/Main
Prof. Hans Georg Näder (since 1 January 2008)	Managing Shareholder of Otto Bock Holding GmbH & Co. KG, Duderstadt
Brunhilde Nast (until 14 March 2008)	Dresdner Bank AG, Dresden
Dr. Helmut Perlet	Member of the Board of Management of Allianz SE, Munich
Dr. Bernd Pischetsrieder	Volkswagen AG, Wolfsburg

Konrad Remmele (since 14 March 2008)	Dresdner Bank AG, Frankfurt/Main
Jürgen Rose (until 14 March 2008)	Dresdner Bank AG, Nuremberg
Dr. Stefan Schmittmann (since 12 January 2009)	Member of the Board of Managing Directors of Commerzbank AG, Frankfurt/Main
Margit Schoffer	Dresdner Bank AG, Aalen
Prof. Dennis J. Snower, Ph.D. (until 12 January 2009)	President of the Kiel Institute for the World Economy, Kiel
Wolfgang Spauszus	Dresdner Bank AG, Göttingen
Uwe Spitzbarth	Head of the National Working Party on Banks, ver.di Vereinte Dienstleistungsgewerkschaft, Berlin
Dr. Eric Strutz (since 12 January 2009)	Member of the Board of Managing Directors of Commerzbank AG, Frankfurt/Main
Dr. Bernd W. Voss	Frankfurt/Main

Honorary Chairman

Dr. Wolfgang Röller	Frankfurt/Main

58 List of members of the Board of Managing Directors

Martin Blessing
Chairman
(since 19 January 2009)

Dr. Herbert Walter
Chairman
(until 19 January 2009)

Frank Annuscheit
(since 12 January 2009)

Markus Beumer
(since 19 January 2009)

Dr. Andreas Georgi
(until 19 January 2009)

Wolfgang Hartmann
(since 12 January 2009)

Franz Herrlein
(until 12 January 2009)

Dr. Stefan Jentzsch
(until 12 January 2009)

Dr. Achim Kassow
(since 19 January 2009)

Wulf Meier

Andree Moschner

Michael Reuther
(since 12 January 2009)

Klaus Rosenfeld

Otto Steinmetz
(until 31 May 2008)

Dr. Friedrich Wöbking

59 List of offices held by members of the Board of Managing Directors (as at 31 December 2008)

Name	Offices held in other statutory supervisory boards of large corporations (as at 31 December 2008)
Dr. Herbert Walter Chairman	Deutsche Börse AG, Frankfurt/Main
	Deutsche Lufthansa AG, Cologne
	E.ON Ruhrgas AG, Essen
Dr. Andreas Georgi	ABB AG, Mannheim
	Deutsche Schiffsbank AG, Hamburg/Bremen (Deputy Chairman)
	Oldenburgische Landesbank AG, Oldenburg
	Rheinmetall AG, Düsseldorf
	RWE Dea AG, Hamburg
Franz Herrlein	–
Dr. Stefan Jentzsch	adidas AG, Herzogenaurach
	Premiere AG, Munich
Wulf Meier	–
Andree Moschner	Allianz Dresdner Bauspar AG, Bad Vilbel[1)] (Chairman)
	Oldenburgische Landesbank AG, Oldenburg (Chairman)
Klaus Rosenfeld	–
Dr. Friedrich Wöbking	Allianz Shared Infrastructure Services SE, Munich

1) Group office.

60 List of offices held by members of staff (as at 31 December 2008)

Name	Offices held in other statutory supervisory boards of large corporations (as at 31 December 2008)
Claudia Eggert-Lehmann	Allianz SE, Munich
Dr. Peter Gassmann	Düsseldorfer Hypothekenbank Aktiengesellschaft, Düsseldorf
Detlef Hermann	Kaiser's Tengelmann AG, Viersen
	RC Ritzenhoff Cristal Aktiengesellschaft, Marsberg
Oliver Klink	Allianz Dresdner Bauspar AG, Bad Vilbel[1)]
Rüdiger Maroldt	Allianz Dresdner Bauspar AG, Bad Vilbel[1)]
Jens-Peter Neumann	RHÖN-KLINIKUM Aktiengesellschaft, Bad Neustadt, Saale

1) Group office.

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Frankfurt/Main, 16 March 2009

Dresdner Bank
Aktiengesellschaft

Blessing

Annuscheit	Beumer	Hartmann
Dr. Kassow	Meier	Moschner
Reuther	Rosenfeld	Dr. Wöbking

Auditors' Report

We have audited the consolidated financial statements prepared by the Dresdner Bank Aktiengesellschaft, Frankfurt/Main – comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements – together with the group management report for the business year from January 1 to December 31, 2008. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to section 315a Abs. 1 HGB (Handelsgesetzbuch, German Commercial Code) are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW, Institute of Independent Auditors), and in supplementary compliance with Standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs, as adopted by the EU, the additional requirements of German commercial law pursuant to section 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Without qualifying our opinion we would like to draw your attention to the passages in the group management's report concerning "Business Development" and "Outlook" as well as the passage "Summary and Outlook" in the group risk report. It is mentioned that the continuance of Dresdner Bank as a Going Concern is dependent on obtaining adequate equity to strengthen its regulatory capital as well as its available financial resources. It is thus necessary that

- Allianz SE enters a silent partnership agreement for a sum of €750 million;
- Commerzbank AG, owning 100% of the share capital of Dresdner Bank AG, maintains adequate regulatory capital for Dresdner Bank AG until the merger;
- Following the merger, the newly integrated financial institution Commerzbank AG maintains adequate capital;
- The responsible authorities do not take regulatory action;
- No legal caveats are enforced in respect of the above mentioned measures (especially EU legal action).

Frankfurt/Main, 16 March 2009

KPMG AG
Witschaftsprüfungsgesellschaft

(former
KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft)

Pastor	Andriowsky
Wirtschaftsprüfer	Wirtschaftsprüfer

The Supervisory Board of Dresdner Bank

Klaus-Peter Müller
Chairman

Claudia Eggert-Lehmann
Deputy Chairwoman

Dr. Olaf Berlien

Gunnar de Buhr

Thomas Fröhlich

Christian Höhn

Stefan Jennes

Frank Lehmhagen

Dr. Hartmut Mehdorn

Klaus Müller-Gebel

Prof. Hans Georg Näder

Dr. Helmut Perlet

Dr. Bernd Pischetsrieder

Konrad Remmele

Dr. Stefan Schmittmann

Margit Schoffer

Wolfgang Spauszus

Uwe Spitzbarth

Dr. Eric Strutz

Dr. Bernd W. Voss

Dr. Wolfgang Röller
Honorary Chairman
of the Supervisory Board

The Board of Managing Directors of Dresdner Bank

Martin Blessing
Chairman

Frank Annuscheit

Markus Beumer

Wolfgang Hartmann

Dr. Achim Kassow

Wulf Meier

Andree Moschner

Michael Reuther

Klaus Rosenfeld

Dr. Friedrich Wöbking

Quarterly Overview

The following table gives an overview of the results for the individual quarters since 2007:

Quarterly results €m	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007
Net interest and current income	771	643	716	683	675	740	717	929
Net fee and commission income	447	571	558	604	670	689	718	789
Net trading income	-2,786	-381	-637	-509	-867	-254	297	343
Other operating income	13	–	–	–	–	–	–	–
Total operating income	**-1,555**	**833**	**637**	**778**	**478**	**1,175**	**1,732**	**2,061**
Administrative expenses	965	1,308	1,107	1,159	1,075	1,136	1,280	1,358
Other operating expenses	26	18	31	6	12	4	5	-2
Total operating expenses	**991**	**1,326**	**1,138**	**1,165**	**1,087**	**1,140**	**1,285**	**1,356**
Loan impairment losses	1,334	261	66	10	-208	21	62	-7
Operating profit/loss	**-3,880**	**-754**	**-567**	**-397**	**-401**	**14**	**385**	**712**
Net income from financial investments	1,096	-263	60	43	-33	53	37	126
Net income from intangible assets	-39	–	–	–	–	–	–	–
Restructuring charges	-17	32	1	-16	34	4	3	9
Profit/loss before tax	**-2,806**	**-1,049**	**-508**	**-338**	**-468**	**63**	**419**	**829**
Tax expense	1,107	275	37	115	-32	241	-4	168
Profit/loss after tax	**-3,913**	**-1,324**	**-545**	**-453**	**-436**	**-178**	**423**	**661**
Profit attributable to minority interests	14	17	15	16	12	14	17	17
Profit/loss for the period	**-3,927**	**-1,341**	**-560**	**-469**	**-448**	**-192**	**406**	**644**

Five-Year Overview

Income statement	2008 €m	2007 €m	2006 €m	2005 €m	2004 €m
Total operating income[1)]	693	5,446	6,813	6,025	6,334
Total operating expenses[1)]	4,620	4,868	5,436	5,543	5,403
Loan impairment losses	1,671	-132	27	-113	337
Operating profit/loss	-5,598	710	1,350	595	594
Other income/expenses, net[1)]	–	–	–	–	-199
Net income from financial investments	936	183	276	1,573	142
Net income from intangible assets	-39	–	–	-2	-124
Restructuring charges	0	50	422	12	290
Profit/loss before tax	-4,701	843	1,204	2,154	123
Tax expense	1,534	373	258	368	-142
Profit/loss after tax	-6,235	470	946	1,786	265
Profit attributable to minority interests	62	60	76	76	59
Profit/loss for the period	-6,297	410	870	1,710	206

Balance sheet	31/12/2008 €m	31/12/2007 €m	31/12/2006 €m	31/12/2005 €m	31/12/2004 €m
Total assets	420,961	500,209	554,897	460,548	523,870
Lending volume	105,132	113,026	112,375	98,532	97,074
Equity attributable to shareholder of parent	2,759	10,587	12,219	11,763	10,929

Ratios	31/12/2008 %	31/12/2007 %	31/12/2006 %	31/12/2005 %	31/12/2004 %
Cost-income ratio	666.7	89.4	79.8	92.0	85.3
Loan loss ratio[2)]	1.65	-0.13	0.02	-0.11	0.33
Return on risk-adjusted capital[3)]	-100.2	2.5	9.2	9.1	3.3
Return on equity before tax[4)]	-62.3	8.5	15.6	21.4	5.8
Return on equity after tax	-85.2	4.0	8.5	17.1	2.9
Earnings per share (€)	-11.72	0.73	1.51	2.96	0.36

Employees[5)]	23,295	26,309	27,625	28,774	30,154
Branch offices	910	1,074	952	959	969

Risk-weighted assets (€m)[6)]	114,808	123,115	119,980	111,534	104,777
Core capital ratio (%)[6)]	4.0/3.7	9.1	10.4	10.0	6.6
Total capital ratio (%)[6)]	8.4/7.5	13.8	15.6	16.3	13.3

Short-/Long-term rating	31/12/2008	31/12/2007	31/12/2006	31/12/2005	31/12/2004
Moody's Investors Service, New York	P-1/Aa3	P-1/Aa2	P-1/A1	P-1/A1	P-1/A1
Standard & Poor's, New York	A-1/A	A-1/A+	A-1/A+	A-1/A	A-1/A
Fitch Ratings, London[7)]	F1/A	F1+/A+	F1/A	F1/A	F1/A-

1) Figures for 2004 are only comparable to a limited extent.
2) Loan impairment losses as a percentage of the average risk-weighted assets in the banking book. The corresponding risk-weighted assets for 2007 were adjusted on a pro forma basis.
3) Ratio of normalised profit/loss after tax to the adjusted risk capital.
4) Profit/loss before tax, net income from intangible assets and restructuring charges as a percentage of the average capital resources according to IFRSs.
5) Full-time equivalents (excluding vocational trainees).
6) 2008 information in accordance with Basel II; figures for 2005 to 2007 in accordance with BIS/IFRSs; 2004 figures in accordance with BIS/HGB (for details on the calculation of the capital ratios in 2008 see Note 39).
7) The amount reported already contains the downgrade of both the short-term and the long-term rating performed on 13 January 2009.

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Cautionary Note Regarding Forward-Looking Statements

Certain of the statements contained herein may be statements of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. In addition to statements which are forward-looking by reason of context, the words "may", "will", "should", "expects", "plans", "intends", "anticipates", "believes", "estimates", "predicts", "potential", or "continue" and similar expressions identify forward-looking statements. Actual results, performance or events may differ materially from those in such statements due to, without limitation, (i) general economic conditions, including in particular economic conditions in core businesses and core markets, (ii) performance of financial markets, including emerging markets, (iii) the extent of credit defaults, (iv) interest rate levels, (v) currency exchange rates including the euro-U.S. dollar exchange rate, (vi) changing levels of competition, (vii) changes in laws and regulations, including monetary convergence and the European Monetary Union, (viii) changes in the policies of central banks and/or foreign governments, (ix) reorganisation measures and (x) general competitive factors, in each case on a local, regional, national and/or global basis. Many of these factors may be more likely to occur, or more pronounced, as a result of terrorist activities and their consequences. The matters discussed herein may also involve risks and uncertainties described from time to time in Allianz SE's filings with the U.S. Securities and Exchange Commission. The company assumes no obligation to update any forward-looking information contained herein.

This edition of our financial report is prepared for the convenience of our English-speaking readers. It is based on the German original, which takes precedence in all legal aspects.