FINANCIAL REPORT

Dresdner Bank Group 2004

Dresdner Bank
Advice you can bank on

A company of Allianz

Contact address:
Dresdner Bank AG
Media Relations
D-60301 Frankfurt/Main, Germany

Telephone: (+49) (0) 69 263-12631
Fax: (+49) (0) 69 263-15839
E-mail: presse@dresdner-bank.com

Address:
Dresdner Bank AG
Jürgen-Ponto-Platz 1
D-60329 Frankfurt/Main, Germany

Dresdner Bank online:
http://www.dresdner-bank.de
http://www.dresdner-bank.com
http://www.dresdner-privat.de
http://www.drkw.com

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Contents

Ladies and Gentlemen,

Dr. Herbert Walter, Chairman of the Board of Managing Directors

It gives me pleasure to present Dresdner Bank's results for fiscal year 2004 in this report. We have achieved a great deal in the past year. We have progressed faster with the realignment of Dresdner Bank than originally planned. What is particularly encouraging is that we have successfully focussed our strategic business on customers and profitability. All divisions contributed to our turnaround in 2004. We are back in the black, thanks to our continued efficient management of our costs, risks and capital, and our systematic discontinuation of non-strategic activities. In line with our strategic focus, we reduced our risk-weighted assets and freed up risk capital. This allowed us to stabilise our equity base and capital ratios.

However, the Board of Managing Directors, executives and staff of Dresdner Bank have done more than focus on our numbers in the past year. We used the time to further improve our market positioning in relation to our customers. One example of this is the reorganisation of our private and business clients business. Our first-rate advice enables our clients to maximise their potential and achieve financial success. In Personal Banking and Private & Business Banking just as in Corporate Banking or with Dresdner Kleinwort Wasserstein. The new structure puts our claim – one bank, four offerings – into practice. And our customers are rewarding us for this. In the year under review, we therefore laid the foundations for growth, sustainable profitability and a leading market position. This intensive reorganisation of Dresdner Bank was an internal process, but we also increased our public presence again last year. Our market and sales campaign for the Bank as a whole has sent a clear signal to our customers and the market: we are now taking the offensive. And this year, the signal will be even stronger.

In 2005, we plan to continue our successful progress with our "New Dresdner Plus" programme and hence launch the next stage, designed to achieve profitable growth. The emphasis here is on three areas: we are focussing all our efforts on our customers, and hence systematically leveraging our growth chances – and our new market and sales campaign has sent out a clear signal to that effect. We are establishing a performance culture in our Bank that challenges and encourages our staff. And we aim to achieve maximum efficiency and quality in our processes in all areas of our business.

Our short-term goal is to generate our cost of capital this year. The encouraging trend in the first months of this year gives us confidence for the year as a whole.

Sincerely,

Herbert Walter

Key Figures 2004

Income statement	2004 €m	2003 €m	Change %
Net interest and current income	2,279	2,584	-11.8
Net fee and commission income	2,563	2,590	-1.0
Net trading income	1,509	1,526	-1.1
Operating income	**6,351**	**6,700**	**-5.2**
Administrative expenses	5,403	5,912	-8.6
Loan loss provisions	337	1,016	-66.8
Operating result	**611**	**-228**	–[1]
Other income/expenses, net	-680	-2,633	-74.2
Income/loss before taxes	**-69**	**-2,861**	**-97.6**
Tax expense	-154	-883	-82.6
Income/loss after taxes	**85**	**-1,978**	–[1]
Income attributable to minority interests	59	11	>+100.0
Net income/net loss for the year	**26**	**-1,989**	–[1]

Balance sheet	31/12/2004 €m	31/12/2003 €m	Change %
Total assets	523,990	477,029	9.8
Lending volume	94,825	102,010	-7.0
Shareholders' equity	11,063	11,516	-3.9

Ratios	31/12/2004 %	31/12/2003 %	Change %/percentage points
Cost-income ratio	85.1	88.2	-3.1
Loan loss ratio[2]	0.3	0.8	-0.51
Return on equity[3]	0.8	-15.4	16.2
Return on equity (adjusted)[4]	3.1	-14.2	17.2
Earnings per share (€)	0.04	-3.44	–[1]

Risk-weighted assets (€m)	104,777	111,879	-6.3
Core capital ratio (%)	6.6	6.6	
Total capital ratio (%)	13	13	

Employees[5]	30,154	34,998	-13.8
Branch offices	969	1,035	-6.4

Rating	31.12.2004	31.12.2003
Moody's Investors Service, New York	P-1/A1	P-1/A1
Standard & Poor's, New York	A-1/A	A-1/A
Fitch Ratings, London	F1/A-	F1/A-

[1] Change from negative to positive figure.

[2] Net loan loss provisions as a percentage of average risk-weighted assets held in the banking book.

[3] Income/loss after taxes as a percentage of the average capital resources according to IASs.

[4] Income/loss before taxes adjusted for the amortisation of and impairment losses on goodwill amortisation and restructuring charges as a percentage of the average capital resources according to IASs.

[5] Full-time equivalents (excluding vocational trainees).

Quarterly results 2004

€m	Q1	Q2	Q3	Q4	Total
Net interest and current income	520	582	661	516	2,279
Net fee and commission income	747	623	590	603	2,563
Net trading income	440	469	256	344	1,509
Operating income	**1,707**	**1,674**	**1,507**	**1,463**	**6,351**
Administrative expenses	1,385	1,357	1,319	1,342	5,403
Loan loss provisions	135	82	54	66	337
Operating result	**187**	**235**	**134**	**55**	**611**
Other operating income/expenses	21	-65	-91	-64	-199
Result from investment securities	26	55	84	-232	-67
Amortisation of and impairment losses on goodwill	35	36	29	24	124
Restructuring charges	12	104	11	163	290
Income/loss before taxes	**187**	**85**	**87**	**-428**	**-69**
Tax expense	31	-95	-8	-82	-154
Income/loss after taxes	**156**	**180**	**95**	**-346**	**85**
Income attributable to minority interests	20	17	17	5	59
Profit/loss	**136**	**163**	**78**	**-351**	**26**

Quarterly results 2003

€m	Q1	Q2	Q3	Q4	Total
Net interest and current income	638	659	507	780	2,584
Net fee and commission income	724	624	630	612	2,590
Net trading income	607	478	329	112	1,526
Operating income	**1,969**	**1,761**	**1,466**	**1,504**	**6,700**
Administrative expenses	1,528	1,453	1,495	1,436	5,912
Loan loss provisions	351	348	23	294	1,016
Operating result	**90**	**-40**	**-52**	**-226**	**-228**
Other operating income/expenses	28	-255	-30	-287	-544
Result from investment securities	-47	95	200	-1,311	-1,063
Amortisation of and impairment losses on goodwill	55	38	39	54	186
Restructuring charges	19	203	60	558	840
Income/loss before taxes	**-3**	**-441**	**19**	**-2,436**	**-2,861**
Tax expense	183	-652	-20	-394	-883
Income/loss after taxes	**-186**	**211**	**39**	**-2,042**	**-1,978**
Income attributable to minority interests	-11	0	2	20	11
Profit/loss	**-175**	**211**	**37**	**-2,062**	**-1,989**

Dresdner Bank – An Overview

Dresdner Bank is one of the leading commercial banks in Germany, with total assets of €524 billion. Together with its subsidiaries, Dresdner Bank provides 5,3 million private and business clients within Germany and abroad with a broad range of banking products and financial services. The Bank has a network of 911 domestic branch offices and is represented in all key financial centres outside Germany.

Legal Framework

Dresdner Bank is a German public limited company domiciled in Frankfurt/M. It is registered with the Commercial Register of Frankfurt/M Local Court under registration number 14000. Its legal framework is laid down in its Articles of Association, in the version dated 8 April 2003.

Since its combination with Allianz in 2001, Dresdner Bank AG has been a wholly-owned subsidiary of Allianz AG, Munich. Dresdner Bank's share capital amounts to around €1,503 million and is composed of 578.1 million no-par value shares. Allianz AG holds the shares in Dresdner Bank AG indirectly.

Dresdner Bank is a superordinated credit institution as defined by section 10a (2) of the Kreditwesengesetz (KWG – German Banking Act). The Bank prepares exempting consolidated financial statements in accordance with section 292a of the Handelsgesetzbuch (HGB – German Commercial Code) on the basis of International Financial Reporting Standards (IFRSs). These statements include 116 companies along with Dresdner Bank AG as the operating holding company. The Bank's fiscal year is the calendar year.

Organisational Framework

In the course of fiscal 2004, Dresdner Bank realigned its operations and created a modern, high-performance organisational model. The model is based on a matrix organisation which comprises five divisions and five functions.

Organisational model

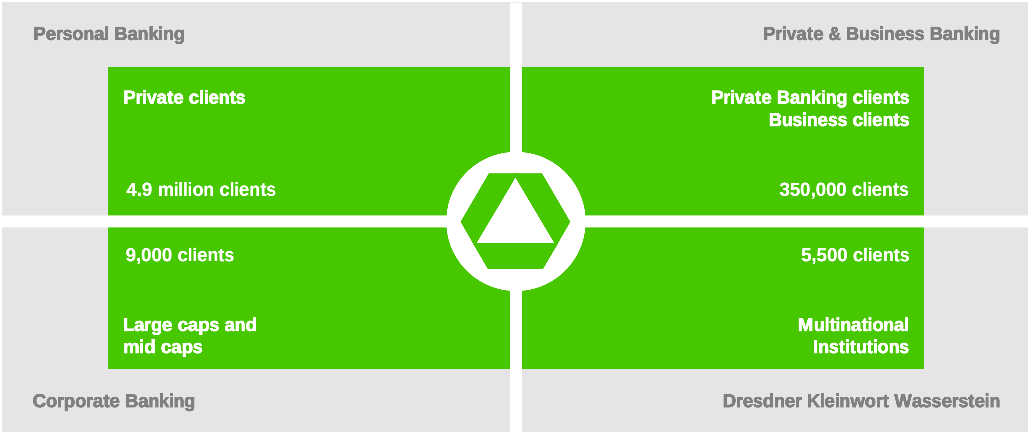
The divisions are responsible for Dresdner Bank's client business, while the functions act as internal service providers and support the divisions in conducting business. The functions comprise both the Bank's central staff functions and its auxiliary support and service units.

The organisational model is founded on the principle of clear, Group-wide responsibilities. Each of the divisions and functions is managed and headed by a member of the Board of Managing Directors. The contributions of the divisions and functions to the Bank's results are calculated and presented individually as part of segmental reporting. Each division and function is headed by an Executive Committee, which supports the respective member of the Board of Managing Directors in the operational management of his area.

Divisions

Dresdner Bank has organised its business activities into four strategic divisions – Personal Banking, Private & Business Banking, Corporate Banking and Dresdner Kleinwort Wasserstein (DrKW) – plus the Institutional Restructuring Unit (IRU), which forms the fifth division and comprises the Bank's non-strategic business. The divisions are client-oriented and focus their respective product offerings on selected client groups. The Personal Banking and Private & Business Banking divisions were formed from the former Private and Business Clients division, which was reorganised in 2004.

Divisions



The Personal Banking division provides a balanced offering of consulting and financial services in over 900 locations within Germany for 4.9 million private clients in both the securities, deposit and lending business and insurance, along with offerings and services to meet the daily needs of all clients. In addition to our branches, these services can be accessed via call centres and our private client portal on the Internet. Together with Allianz, the Bank has 12,000 sales points in Germany and around 20,000 sales employees.

Private & Business Banking stands for individual advice and end-to-end financial solutions for around 350,000 private and business clients. The division is represented in Germany by 130 teams comprising private banking and business banking advisors. The Private & Business Banking division has an onshore and offshore presence in key European financial centres to meet the global investment needs of its German and international client base in the fields of private banking and wealth management.

The Corporate Banking division serves roughly 9,000 clients. This figure includes around 80 multinationals, around 800 large caps and around 8,000 mid caps. The division works closely with our DrKW division and offers its clients an expanded range of capital market and investment banking products in addition to its traditional commercial banking services. Support for multinationals is provided in cooperation with the DrKW division. Group clients are served by the regional centres, while large enterprises whose main potential is for commercial banking products are also served by local units.

The Dresdner Kleinwort Wasserstein division comprises the Bank’s capital markets and corporate finance businesses. It operates on the basis of an integrated business model with a broad product offering that corresponds to that of an independent investment bank. DrKW has a strong position in Germany and in the UK and is increasingly focussing its business activities on Europe.

Functions

Each of the functions – Finance/Controlling and Compliance, HR, IT and Credit Risk Management/Risk Controlling – is headed by a member of the Board of Managing Directors. In addition, a number of staff functions are grouped under the management of the Chairman of the Board of Managing Directors. These include Communication & Marketing, Internal Audit, Legal, Economics, Leadership & Development, Corporate Development & Investments as well as the COO functions, which primarily comprise transaction and business processing as well as various internal services.

Business Framework

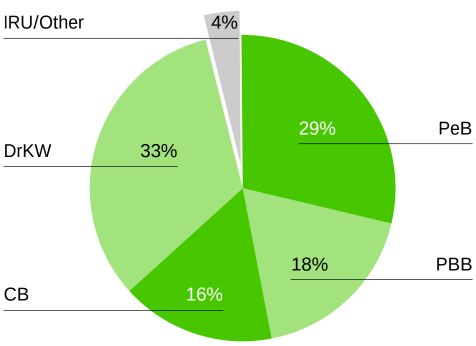
Dresdner Bank conducts banking business as defined by section 1 of the Kreditwesengesetz (German Banking Act - KWG). This consists of securities and custody business as well as lending and deposits, and payment transactions. As part of the Allianz Group, Dresdner Bank also sells the Allianz Group's life, health and non-life insurance products. In addition, the Bank is active in the investment business.

Business structure

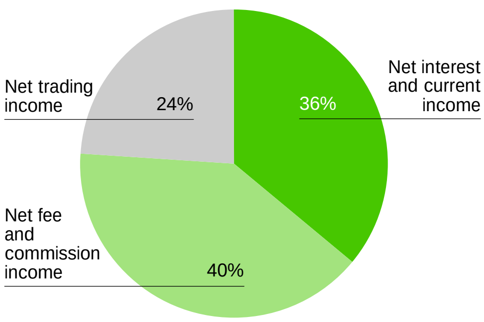
The Bank's business structure is dominated by its four strategic divisions, which recorded a balanced distribution of operating income in fiscal 2004.

Operating income 2004

By division



By income statement item

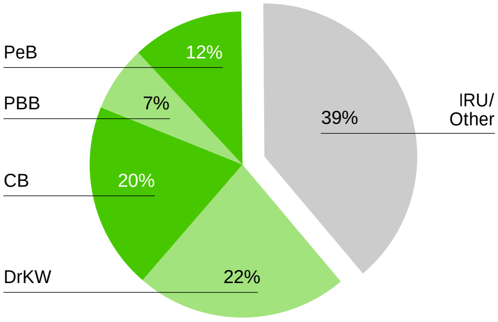


In fiscal 2004, 36% of operating income was attributable to net interest and current income and 40% to net fee and commission income. Net trading income contributed 24% to operating income.

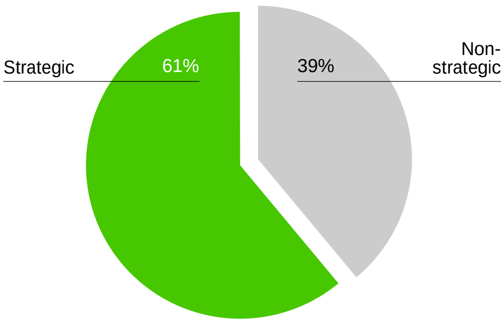
Measured in terms of the divisions' average risk capital, the business portfolio is as follows:

Risk capital 2004

By division



By strategic/non-strategic business

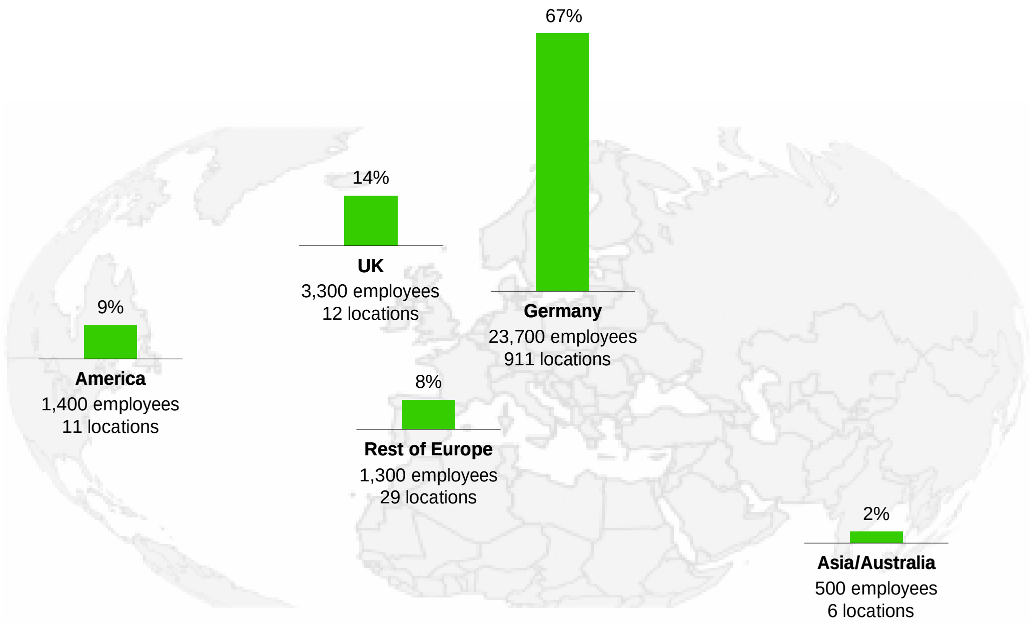


61% of the risk capital requirement was attributable to the Bank's strategic business in fiscal 2004 and 39% to its non-strategic business. In addition to the Institutional Restructuring Unit, the Bank's non-strategic business includes its investment business, which is reported under Corporate Investments in segment reporting. The Bank intends to continue reducing the capital tied up in its non-strategic business.

Regional presence

The Bank's business activities focus on Germany and on the rest of Europe. In 2004, 67% of operating income was generated within Germany and 33% outside it.

Operating income 2004



Employees and locations at the end of 2004.

Dresdner Bank has a close-knit network of branch offices in Germany which – including the Bank's subsidiaries – comprises 911 branch offices and is managed from seven German main branches.

The Bank is also present outside Germany in key financial centres and markets, including London, New York, Paris, Tokyo, Singapore and Zurich. Dresdner Bank is also represented by main branches and subsidiaries in the following locations: Amsterdam, Brussels, Budapest, Geneva, Gouda, Lugano, Luxembourg, Madrid, Milan, Moscow, Paris, Salzburg, St. Petersburg, Warsaw, Vienna, Georgetown/Grand Cayman, Miami, Panama City, São Paulo, Beijing and Shanghai. The Bank's international branch office network also includes 24 representative offices.

Employees

As at 31 December 2004, Dresdner Bank employed 35,946 employees, including 1,685 vocational trainees, a drop of 6,114 year-on-year. Calculated as full-time equivalents, the number of employees (excluding vocational trainees) amounted to 30,154 as against 34,998 in the previous year.

	31/12/2004	31/12/2003	Change	
			Absolute	%
Dresdner Bank Group	35,946	42,060	-6,114	-14.5
– Germany	29,718	34,579	-4,861	-14.1
– Other countries	6,228	7,481	-1,253	-16.7
Dresdner Bank AG	25,258	28,942	-3,684	-12.7
– Germany	24,820	28,477	-3,657	-12.8
– Other countries	438	465	-27	-5.8

In view of the constantly increasing requirements, our employees' qualifications are critically important to the Bank's success. Employee development and training is thus a key component of the Bank's human resources policy. Our training offering covers the provision of specialist, communication and sales skills on the one hand as well as leadership and management skills on the other.

In 2004, the Bank aligned its compensation models even more strongly than before on performance. The compensation models take into account and reward strong performance and the willingness to achieve.

Value-based management

The Dresdner Bank Group is managed on the basis of a value-driven approach. The key measure of this approach is Economic Value Added (EVA) – the difference between the normalised income/loss after taxes and the cost of the risk capital deployed. Value is added if the normalised income/loss exceeds the cost of capital.

In addition to prescribing the cost of capital rate, value-based management is based on the risk capital allocated to the individual divisions. The risk capital requirements of the respective divisions are calculated on the basis of internal models and methods agreed with the Allianz Group. A difference is made between market and transfer risks, investment risks and business and operational risks.

The allocation of risk capital to the divisions is prepared by the Capital & Treasury Committee and resolved by the Bank's Board of Managing Directors. The Capital & Treasury Committee comprises the Chief Executive Officer (CEO), the Chief Financial Officer (CFO) and the Chief Risk Officer (CRO).

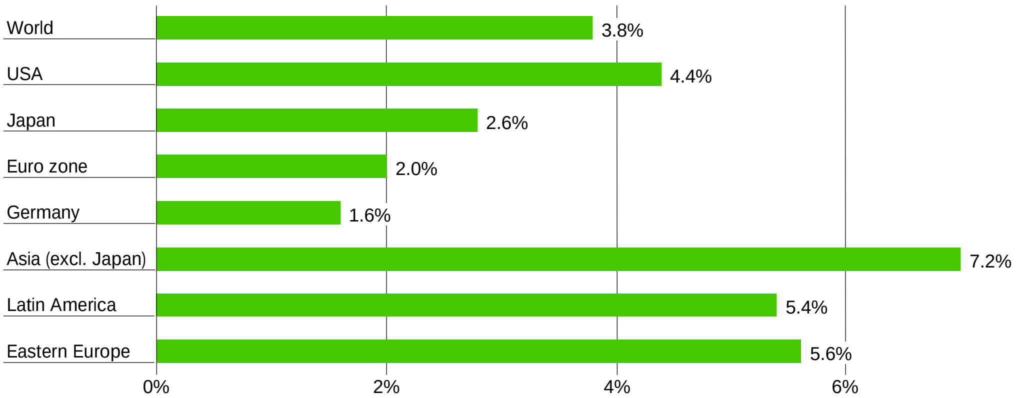
The Bank has set itself the target in fiscal 2005 of generating its cost of capital.

Group Management Report

Macroeconomic Conditions

The world economy expanded at a substantial pace in 2004. The growth in global economic output was the largest for some time, at just under 4%. The emerging economies in Asia and Central and Eastern Europe were particularly dynamic, while China increasingly established itself as an economy with an impact on global economic activity. However, the most important global economic growth driver, due to its substantial economic weight, was once again the US economy with around 4.4% growth.

Global economic growth in 2004



The increasing imbalances in national budgets and foreign trade were a cause for concern. All the major economies recorded high public sector deficits. The USA's major current account deficit was matched by substantial foreign trade surpluses in Japan, China and Germany. Against this backdrop, exchange rates remained volatile, with the euro reaching new highs against the US dollar.

However, economic growth tailed off overall in the second half of 2004. Soaring commodities prices dampened economic developments, although there was no sign of stagnation at the end of the year.

With around 2% growth, Europe was again unable to keep up with the pace of growth set by other regions in 2004. Although the economic upturn remained relatively stable in the face of high oil prices and the strong appreciation of the euro, moderate growth only allowed for labour market stagnation. The German economy was no exception, although the difference between the export economy and domestic demand was more pronounced than the European average. High export surpluses and falling retail sales were prominent features of a divided economy. In spite of this, the German economy succeeded in putting an end to a three-year stagnation period in 2004, with around 1.6% growth. The significant recovery in corporate earnings and signs of a revival in investment demand in the second half of 2004 improved the picture further.

The capital markets continued to be dominated by investor caution in 2004. Equity investment success remained limited despite strong growth in some cases in corporate earnings. On the whole, bond markets were upbeat in 2004. The yield on long-term government bonds in the euro zone dropped to well below that of the USA, mainly as a result of strong international inflows of capital and significant demand by European institutional investors. The spread between the short and long ends of the market narrowed in both the USA and Europe over the course of the year.

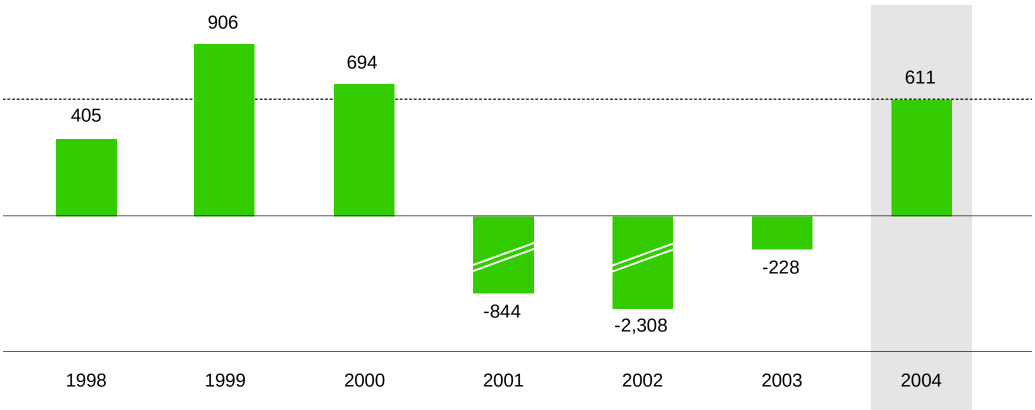
A large majority of commercial real estate locations in Europe are currently in a recession, due to many companies' reluctance to invest. Recent new builds at a level clearly in excess of requirements increased the supply overhang to the extent that vacancy rates have risen again while rental income has fallen further. However, the number of new project starts has now been scaled back substantially, thus gradually starting to improve prospects for a sustained market recovery. Trends on the residential real estate market differ considerably in some cases within Europe. For example, the housing market remained weak in Germany in 2004, while exhibiting strong growth particularly in Spain and the UK, and increasingly in France as well.

"New Dresdner" Programme

Dresdner Bank turned itself around in fiscal year 2004, despite the continuing challenging market environment in Germany. We generated an operating result of €611 million for fiscal year 2004. This corresponds approximately to the average level for the years 1998 to 2000.

Operating result

€m



The Bank built on the comprehensive consolidation and restructuring measures introduced in 2002 and 2003, with its "New Dresdner" Programme in 2004, focussing on securing its base, on disciplined cost, capital and risk management, and on the successful development of growth initiatives in all strategic business areas.

The focus on strategic business introduced in 2003 was systematically continued in 2004. A key initiative in this area was the reorganisation of our business with private and business customers into two divisions: Personal Banking and Private & Business Banking. Dresdner Bank's strategic business thus focusses on four divisions that work closely together: Personal Banking, Private & Business Banking, Corporate Banking and Dresdner Kleinwort Wasserstein. The links between Personal Banking and Private & Business Banking on the one hand, and between Corporate Banking and Dresdner Kleinwort Wasserstein on the other, are particularly close.

At the same time, we continued the systematic reduction of our non-strategic business, which is bundled in the Institutional Restructuring Unit and Corporate Investments. This included the sale of loan portfolios in Germany and abroad and the restructuring of our units in France, Central and Eastern Europe and Latin America. In this context, the Bank's "Private Banking International" activities in Latin America were sold to a strategic investor, and its life insurance subsidiary Assurance Vie et Prévoyance (AVIP) was transferred to Assurances Générales de France (AGF). As part of the streamlining of the Group structure, the remaining asset management activities at Dresdner Bank were hived off to Allianz in August 2004. We also disposed of various investments in the course of the Corporate Investments streamlining programme. These included interests in Continental and the Spanish private TV company Telecinco. Our stake in Allianz was sold in January 2005 as part of a capital market transaction carried out together with Allianz. In another move, a substantial proportion of our shares in Munich Re were transferred to Allianz. All transactions serve to further reduce our investment portfolio.

As part of its growth initiatives, the Bank signed a declaration of intent at the end of 2004 with the French company Cetelem GmbH, a subsidiary of BNP Paribas and a market leader in the European consumer lending business, to expand the existing cooperation. The aim of the partnership is to develop new customer and market segments in the consumer lending business.

2004 was also marked by the organisational realignment of the Bank. We streamlined the Bank’s support and service units and reorganised them as internal service providers. The aim is to ensure more uniform processes in all functions and to increase cost efficiency. All measures are being taken against the backdrop of the requirements of the Sarbanes-Oxley Act. We also systematically leveraged our outsourcing potential. Payment transaction processing was outsourced to Postbank, we sold our custody business to Deutsche Bank and we transferred our IT platform for securities settlement to Deutsche WertpapierService Bank AG.

Consolidated Net Income

The following table provides an overview of the consolidated income statement of the Dresdner Bank Group for 2004 and 2003:

Table 1	2004 €m	2003 €m	Change €m	 %
Net interest and current income	2,279	2,584	-305	-11.8
Net fee and commission income	2,563	2,590	-27	-1.0
Net trading income	1,509	1,526	-17	-1.1
Operating income	**6,351**	**6,700**	**-349**	**-5.2**
Administrative expenses	5,403	5,912	-509	-8.6
Loan loss provisions	337	1,016	-679	-66.8
Operating result	**611**	**-228**	**839**	
Other operating income/expenses	-199	-544	345	63.4
Result from investment securities	-67	-1,063	996	93.7
Amortisation of and impairment losses on goodwill	124	186	-62	-33.3
Restructuring charges	290	840	-550	-65.5
Income/loss before taxes	**-69**	**-2,861**	**2,792**	**97.6**
Tax expense	-154	-883	729	82.6
Income/loss after taxes	**85**	**-1,978**	**2,063**	
Income attributable to minority interests	59	11	48	>+100.0
Net income/net loss for the year	**26**	**-1,989**	**2,015**	

The Dresdner Bank Group generated operating income of €6,351 million in fiscal year 2004 (previous year: €6,700 million). This corresponds to a decline of around 5%. After the deduction of administrative expenses and loan loss provisions, the Bank generated an operating result of €611 million – a year-on-year improvement of €839 million. The loss before taxes amounted to just under €70 million after restructuring charges of €290 million, following a loss of €2,861 million in the previous year. Income after taxes improved to €85 million (previous year: loss after taxes of €1,978 million). After the deduction of income attributable to minority interests, the net income for the year amounted to €26 million (previous year: net loss of €1,989 million). We added to the net income for the year to the retained earnings. No dividend will be distributed for fiscal year 2004.

A breakdown of our strategic business carried out through the four divisions Personal Banking, Private & Business Banking, Corporate Banking and Dresdner Kleinwort Wasserstein, and our non-strategic business, which includes the Institutional Restructuring Unit, Corporate Investments and other non-core areas, produces the following picture:

Operating income in our strategic business amounted to €5,956 million, up slightly on the previous year (€5,932 million).

Table 2	2004 €m	2003 €m	Change €m	 %
Operating income	**6,351**	**6,700**	**-349**	**-5.2**
Strategic business	5,956	5,932	24	0.4
Non-strategic business	395	768	-373	-48.6

Operating income in our non-strategic business decreased by €373 million to €395 million. This was due to the systematic reduction of our business in this area.

The operating result in our strategic business improved by €307 million to €694 million. This corresponds to an increase of around 79%. At the same time, there was a significant improvement in the operating result in our non-strategic business, which totalled €-83 million following €-615 million the previous year.

Table 3	**2004** €m	**2003** €m	**Change** €m	 %
Operating result	**611**	**-228**	**839**	
Strategic business	694	387	307	79.3
Non-strategic business	-83	-615	532	86.5

This development can also be seen in our income/loss before taxes. Income before taxes in our strategic business amounted to €519 million, as against a loss before taxes of €625 million in the previous year. This includes restructuring charges of €217 million (previous year: €695 million).

Table 4	**2004** €m	**2003** €m	**Change** €m	 %
Income/loss before taxes	**-69**	**-2,861**	**2,792**	**97.6**
Strategic business	519	-625	1,144	
Non-strategic business	-588	-2,236	1,648	73.7

We spent €505 million in the non-strategic area on further improvements to the Bank's portfolio quality.

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

Net interest and current income

Net interest and current income was 11.8% below the previous year at €2,279 million. This decrease was attributable to the planned reduction of risk-weighted assets in the banking book, which fell by an average over the year of 16.1% to €102.4 billion.

Table 5	**2004** €m	**2003** €m	**Change** €m	 %
Total interest and current income	6,749	7,426	-677	-9.1
Total interest expense	4,146	4,477	-331	-7.4
Remeasurement losses from the application of IAS 39	-324	-365	41	11.2
Net interest and current income	**2,279**	**2,584**	**-305**	**-11.8**
Risk-weighted assets in the banking book (average)[1)]	102,432	122,049	-19,617	-16.1
Interest margin, %	**2.54**	**2.42**		

[1)] In accordance with BIS.

While current income from equities, rental income and gains/losses from the application of IAS 39 had a positive effect on the result, there was a decline in income from associates. The interest margin – calculated on the basis of the average risk-weighted assets held in the banking book in accordance with BIS and adjusted for the effect of remeasurement gains and losses from the application of IAS 39 – improved in 2004 to 2.54% (previous year: 2.42%).

Net fee and commission income

Net fee and commission income was stable year-on-year at €2,563 million (previous year: €2,590 million).

Table 6	2004 €m	2003 €m	Change €m	 %
Securities business	1,102	1,112	-10	-0.9
Asset management	370	463	-93	-20.1
Mergers & acquisitions and underwriting business	250	232	18	7.8
Payment transactions	284	284	0	0.0
Foreign commercial business	151	154	-3	-1.9
Other	406	345	61	17.7
Net fee and commission income	**2,563**	**2,590**	**-27**	**-1.0**

Net fee and commission income from our securities business amounted to €1,102 million (previous year: €1,112 million) and thus remained more or less stable despite a difficult market environment. Although income from the investment fund business decreased, higher income was generated by our equities and certificates business. Overall, our securities business accounted for around 43% of net fee and commission income, as in the previous year.

Net fee and commission income from asset management amounted to €370 million. This corresponds to a year-on-year decline of 20.1% or €93 million, primarily as a result of the sale of our foreign asset management companies. Income from our mergers & acquisitions and underwriting business rose by 7.8% to €250 million. Income from payment transactions and foreign commercial business remained stable year-on-year. Income from the insurance business disclosed under Other increased significantly year-on-year, as did business referrals from Allianz and Dresdner Bank, particularly in the context of life insurance brokerage.

Net trading income

Net trading income also remained at the previous year's level, at €1,509 million.

Table 7	2004 €m	2003 €m	Change €m	 %
Trading in interest rate products	800	832	-32	-3.8
Equities trading	219	176	43	24.4
Foreign exchange and precious metals trading	150	357	-207	-58.0
Remeasurement gains from the application of IAS 39	340	161	179	>+100.0
Net trading income	**1,509**	**1,526**	**-17**	**-1.1**

The result from trading in interest rate products amounted to €800 million, around 4% down on the previous year, whereby the risk positions were reduced substantially. The equities business improved by €43 million to €219 million. Foreign exchange and precious metals trading contributed €150 million to net trading income overall. This represents a decrease of €207 million as against the previous year. Remeasurement gains from the application of IAS 39 contributed €340 million to net trading income (previous year €161 million).

The strict criteria applicable to the allocation of hedging instruments to hedged items meant that not all hedging instruments qualified for hedge accounting in accordance with IAS 39. The remeasurement gains and losses for those hedging instruments that could not be allocated exactly to underlyings are reported in net trading income.

IAS 39

The aggregate effect of the application of IAS 39 on the operating result – which led to contrary effects for net interest and current income and net trading income – amounted to €16 million (previous year: €-204 million). This led to an improvement in the result year-on-year of €220 million.

Table 8	2004 €m	2003 €m	Change €m	 %
Net loss reported in net interest and current income	-324	-365	41	11.2
Net gain reported in net trading income	340	161	179	>+100.0
Overall effect of IAS 39	**16**	**-204**	**220**	

Administrative expenses

We reduced our administrative expenses further in the year under review. They amounted to €5,403 million, 8.6% below the comparative figure for the previous year.

Table 9	2004 €m	2003 €m	Change €m	 %
Total staff costs	3,314	3,561	-247	-6.9
Non-staff operating costs	2,089	2,351	-262	-11.1
Administrative expenses	**5,403**	**5,912**	**-509**	**-8.6**
Number of employees as at 31 December	35,946	42,060	-6,114	-14.5
Employees (FTEs) as at 31 December	30,154	34,998	-4,844	-13.8
Cost-income ratio, %	**85.1**	**88.2**		

Total staff costs fell by 6.9% or €247 million to €3,314 million in 2004, as part of the implementation of cost-saving and restructuring measures. The number of full-time equivalents declined over the course of year by 13.8% to 30,154. Non-staff operating costs were reduced by 11.1% or €262 million year-on-year, to €2,089 million. This was largely due to lower IT costs and expenses for office furniture and equipment. The cost-income ratio improved by around 3 percentage points to 85.1% (previous year: 88.2%).

Loan loss provisions

Loan loss provisions amounted to €337 million in the year under review. We were thus able to scale back loan loss provisions on credit risks by two thirds as against the previous year's level.

Table 10	2004 €m	2003 €m	Change €m	 %
Specific loan loss provisions (net)	548	1,288	-740	-57.5
Country loan loss provisions (net)	-2	-54	52	96.3
General loan loss provisions (net)	-97	-150	53	35.3
Recoveries on loans previously written off	112	68	44	64.7
Loan loss provisions	**337**	**1,016**	**-679**	**-66.8**

Specific loan loss provisions amounted to €548 million in 2004. This equates to a decline of around 58%. The focus of provisions for individual risks was on domestic private and business clients. The specific loan loss ratio, based on the average lending volume, fell year-on-year from 1.08% to 0.56%. A net amount of €2 million in country loan loss provisions was released. General loan loss provisions were also released as a result of the decrease in lending volume and an improved risk situation. Recoveries on loans previously written off increased to €112 million (previous year €68 million).

Table 11	2004 €m	2003 €m	Change €m	 %
Additions to loan loss provisions	1,398	2,048	-650	-31.7
Amounts released	949	964	-15	-1.6
Recoveries on loans previously written off	112	68	44	64.7
Loan loss provisions	**337**	**1,016**	**-679**	**-66.8**

Additions to loan loss provisions decreased year-on-year by €650 million or just under 32% to €1,398 million. Releases remained stable year-on-year at €949 million.

Table 12	2004 €m	2003 €m	Change €m	 %
Lending volume	94,825	102,010	-7,185	-7.0
Loan loss allowances	4,432	5,952	-1,520	-25.5
Problem loans[1)]	7,337	10,655	-3,318	-31.1
Loan loss ratio, %	0.33	0.84		
Loan loss allowances ratio, %	4.7	5.8		
Coverage ratio, %	60.4	55.9		

[1)] Represents the risk elements, i.e. non-performing loans and potential problem loans.

After additions, releases and charge-offs, loan loss provisions totalled €4,432 million as at the reporting date. This corresponds to 4.7% of the lending volume. Non-performing loans and potential problem loans were reduced by €3.3 billion to €7.3 billion in 2004, thus leading to an improvement in loan portfolio quality. The coverage ratio, which represents the ratio of loan loss provisions to problem loans, increased from 55.9% to 60.4%.

Other operating income/expenses

Net other operating income/expenses improved year-on-year by €345 million to €-199 million.

Table 13	2004 €m	2003 €m	Change €m	 %
Other operating income	268	362	-94	-26.0
Other operating expenses	467	906	-439	-48.5
Other operating income/expenses	**-199**	**-544**	**345**	**63.4**

Whilst other operating income fell by €94 million to €268 million, other operating expenses were reduced by €439 million to €467 million. This was due in particular to lower impairment losses than in the previous year.

Result from investment securities

The result from investment securities amounted to €-67 million in 2004, after €-1,063 million in 2003.

Table 14	2004 €m	2003 €m	Change €m	%
Net realised gains and losses	520	364	156	42.9
Remeasurement result	-587	-1,427	840	58.9
Result from investment securities	**-67**	**-1,063**	**996**	**93.7**

The gains realised from the disposal of non-strategic investments in 2004 were slightly exceeded by remeasurement losses on investments in the real estate and insurance sectors and in private equity.

Amortisation of and impairment losses on goodwill

Amortisation of and impairment losses on goodwill totalled €124 million, down €62 million in comparison with the previous year. No write-downs were charged in the year under review.

Restructuring charges

Restructuring charges totalled €290 million. €96 million of this was attributable to the "New Dresdner" Programme and €55 million to outstanding individual measures from earlier programmes. In addition, restructuring charges amounting to €139 million were incurred in the year under review for measures to optimise internal workflows in the Personal Banking and Dresdner Kleinwort Wasserstein divisions, and for reorganising the Bank's business in Latin America.

Table 15	2004 €m	2003 €m	Change €m	%
2004 programmes	139	-	139	
"New Dresdner" Programme	96	380	-284	-74.7
Other programmes	55	460	-405	-88.0
Restructuring charges	**290**	**840**	**-550**	**-65.5**

Tax expense

We reported a tax benefit of €154 million for the year under review. The recognition of deferred tax assets on tax loss carryforwards was the key factor here.

Table 16	2004 €m	2003 €m	Change €m	%
Current taxes	24	59	-35	-59.3
Deferred taxes	-178	-942	764	81.1
Tax expense	**-154**	**-883**	**729**	**82.6**

Segment Reporting

The table below shows the results for our divisions for fiscal year 2004. Segment reporting is based on the structure of the Group as it was on 31 December 2004. The Private and Business Clients segment was reorganised in 2004 into two divisions – Personal Banking and Private & Business Banking. The figures for the previous year have been adjusted in line with the new reporting structure.

Table 17 €m	**Personal Banking**	**Private & Business Banking**	**Corporate Banking**	**Dresdner Kleinwort Wasserstein**	**Institutional Restructuring Unit**	**Corporate Investments**	**Consolidation & Adjustments**	**Group (total)**
2004								
Net interest and current income	1,014	440	666	389	332	-61	-501	2,279
Net fee and commission income	836	692	317	549	53	-3	119	2,563
Net trading income	11	23	56	1,136	-3	2	284	1,509
Operating income	**1,861**	**1,155**	**1,039**	**2,074**	**382**	**-62**	**-98**	**6,351**
Administrative expenses	1,647	743	479	1,828	286	17	403	5,403
Loan loss provisions	138	76	54	-1	174	–	-104	337
Operating result	**76**	**336**	**506**	**247**	**-78**	**-79**	**-397**	**611**
Other operating income/expenses	1	-8	4	-8	-143	2	-47	-199
Result from investment securities	7	2	2	21	128	-286	59	-67
Amortisation of and impairment losses on goodwill	14	16	1	56	10	–	27	124
Restructuring charges	83	21	17	44	73	–	52	290
Income/loss before taxes	**-13**	**293**	**494**	**160**	**-176**	**-363**	**-464**	**-69**
Risk capital (average)	1,000	600	1,700	1,900	1,400	2,100	-100	8,600
Risk-weighted assets (average)	24,800	10,700	22,400	30,700	6,700	7,900	3.500	106,700
2003								
Net interest and current income	1,076	445	694	344	500	-51	-424	2,584
Net fee and commission income	779	641	316	560	118	–	176	2,590
Net trading income	15	22	54	1,270	14	–	151	1,526
Operating income	**1,870**	**1,108**	**1,064**	**2,174**	**632**	**-51**	**-97**	**6,700**
Administrative expenses	1,734	749	500	1,876	465	7	581	5,912
Loan loss provisions	206	76	118	-45	849	–	-188	1,016
Operating result	**-70**	**283**	**446**	**343**	**-682**	**-58**	**-490**	**-228**
Other operating income/expenses	7	-20	-8	17	-278	-4	-258	-544
Result from investment securities	1	9	-3	33	-109	-1,022	28	-1,063
Amortisation of and impairment losses on goodwill	15	16	–	57	17	–	81	186
Restructuring charges	139	35	90	30	145	–	401	840
Income/loss before taxes	**-216**	**221**	**345**	**306**	**-1,231**	**-1,084**	**-1,202**	**-2,861**
Risk capital (average)	900	600	1,500	2,200	2,300	2,600	-600	9,500
Risk-weighted assets (average)	25,400	11,600	25,800	33,800	15,700	7,500	7,700	127,500

Personal Banking

The Personal Banking division generated an operating result of €76 million in a highly competitive market segment. This represents a year-on-year improvement of €146 million. The loss before taxes amounted to €13 million including restructuring charges of €83 million (previous year: €216 million).

Table 18	2004 €m	2003 €m	Change €m	 %
Net interest and current income	1,014	1,076	-62	-5.8
Net fee and commission income	836	779	57	7.3
Net trading income	11	15	-4	-26.7
Operating income	**1,861**	**1,870**	**-9**	**-0.5**
Administrative expenses	1,647	1,734	-87	-5.0
Loan loss provisions	138	206	-68	-33.0
Operating result	**76**	**-70**	**146**	
Other operating income/expenses	1	7	-6	-85.7
Result from investment securities	7	1	6	>+100.0
Amortisation of and impairment losses on goodwill	14	15	-1	-6.7
Restructuring charges	83	139	-56	-40.3
Income/loss before taxes	**-13**	**-216**	**203**	**94.0**

Cost-income ratio, %	88.5	92.7		
Loan loss ratio, %	0.56	0.81		
Return on equity (adjusted)[1], %	8.4	-6.9		
Risk capital (average)	1,000	900	100	11.1
Risk-weighted assets (average)	24,800	25,400	-600	-2.4

[1] Income/loss before taxes adjusted for amortisation of and impairment losses on goodwill and restructuring charges as a percentage of the average risk capital.

Net interest and current income fell by 5.8% to €1,014 million. The decline was primarily due to the deposits business, and within this to the lower market interest rates year-on-year. Net fee and commission income improved by 7.3% to €836 million, as a result of successful sales activities in the securities business. The cooperation with Allianz also had a positive effect. Once again, Allianz financial planning and insurance representatives and Dresdner Bank branch employees significantly increased both income premium and income in the non-life and life insurance business year-on-year. At €1,861 million, total operating income was at the previous year's level.

Administrative expenses were cut by 5.0% as a result of strict cost management as well as a further reduction in headcount, especially in back office units. This improved the cost-income ratio to 88.5%, down from 92.7% in the previous year.

Loan loss provisions were reduced by a third to €138 million. After restructuring charges of €83 million, the loss before taxes improved year-on-year by €203 million to €-13 million. The adjusted return on equity before taxes totalled 8.4%.

Private & Business Banking

The Private & Business Banking division improved its operating result year-on-year by around 19% to €336 million. Income before taxes amounted to €293 million. This corresponds to an increase of around 33%.

Table 19	2004 €m	2003 €m	Change €m	%
Net interest and current income	440	445	-5	-1.1
Net fee and commission income	692	641	51	8.0
Net trading income	23	22	1	4.5
Operating income	**1,155**	**1,108**	**47**	**4.2**
Administrative expenses	743	749	-6	-0.8
Loan loss provisions	76	76	0	0.0
Operating result	**336**	**283**	**53**	**18.7**
Other operating income/expenses	-8	-20	12	60.0
Result from investment securities	2	9	-7	-77.8
Amortisation of and impairment losses on goodwill	16	16	0	0.0
Restructuring charges	21	35	-14	-40.0
Income/loss before taxes	**293**	**221**	**72**	**32.6**
Cost-income ratio, %	64.3	67.6		
Loan loss ratio, %	0.72	0.66		
Return on equity (adjusted)[1], %	55.0	45.3		
Risk capital (average)	600	600	0	0.0
Risk-weighted assets (average)	10,700	11,600	-900	-7.8

[1] Income/loss before taxes adjusted for amortisation of and impairment losses on goodwill and restructuring charges as a percentage of the average risk capital.

At €440 million, net interest and current income remained at the previous year's level despite the impact on deposit income of lower market interest rates in 2003, the continuing portfolio reallocation into securities and declining volumes in the lending business. The €51 million (8%) increase in fee and commission income to €692 million is primarily due to successful sales activities and product innovations in the domestic and foreign securities business and increased product sales in the areas of integrated financial services and insurance products. Overall, this led to a 4.2% rise in operating income to €1,155 million.

Administrative expenses were slightly below the previous year's level at €743 million. Loan loss provisions remained stable, helped by strict streamlining of the loan portfolio and the use of state-of-the-art risk analysis tools. The cost-income ratio improved year-on-year by 3.3 percentage points to 64.3%.

After adjustment for restructuring charges of €21 million, income before taxes amounted to €293 million. The adjusted return on equity before taxes improved from 45.3% in 2003 to 55.0% in 2004.

Corporate Banking

The Corporate Banking division increased its operating result by 13.5% to €506 million in 2004. Income before taxes improved by €149 million or 43.2% to €494 million.

Table 20	2004 €m	2003 €m	Change €m	%
Net interest and current income	666	694	-28	-4.0
Net fee and commission income	317	316	1	0.3
Net trading income	56	54	2	3.7
Operating income	**1,039**	**1,064**	**-25**	**-2.3**
Administrative expenses	479	500	-21	-4.2
Loan loss provisions	54	118	-64	-54.2
Operating result	**506**	**446**	**60**	**13.5**
Other operating income/expenses	4	-8	12	
Result from investment securities	2	-3	5	
Amortisation of and impairment losses on goodwill	1	–	1	
Restructuring charges	17	90	-73	-81.1
Income/loss before taxes	**494**	**345**	**149**	**43.2**
Cost-income ratio, %	46.1	47.0		
Loan loss ratio, %	0.24	0.46		
Return on equity (adjusted)[1], %	30.1	29.0		
Risk capital (average)	1,700	1,500	200	13.3
Risk-weighted assets (average)	22,400	25,800	-3,400	-13.2

[1] Income/loss before taxes adjusted for amortisation of and impairment losses on goodwill and restructuring charges as a percentage of the average risk capital.

Net interest and current income fell 4.0% year-on-year to €666 million. This result was achieved with significantly lower risk-weighted assets, which decreased by €3.4 billion or 13.2%. In addition, there was an improvement in corporate lending margins. Net fee and commission income and net trading income remained stable at the previous year's level, despite increasing competition. The expansion of our structured finance business and the sale of structured interest rate and currency products were the main factors contributing to this development.

The 4.2% drop in administrative expenses confirms the success of our efficiency improvement projects, implementation of which was almost completed last year. Our cost-income ratio again reached an internationally competitive level in 2004 (46.1%). Loan loss provisions fell by €64 million to €54 million as a result of focussed credit risk management.

Following only minor restructuring charges in 2004 of €17 million (previous year: €90 million), income before taxes rose by 43.2% to €494 million. The adjusted return on equity before taxes reached 30.1% in 2004, following 29.0% in 2003.

Dresdner Kleinwort Wasserstein

Dresdner Kleinwort Wasserstein (DrKW) generated an operating result of €247 million in 2004 (previous year: €343 million). Income before taxes declined by €146 million, or around 48%, to €160 million.

Table 21	2004 €m	2003 €m	Change €m	 %
Net interest and current income	389	344	45	13.1
Net fee and commission income	549	560	-11	-2.0
Net trading income	1,136	1,270	-134	-10.6
Operating income	**2,074**	**2,174**	**-100**	**-4.6**
Administrative expenses	1,828	1,876	-48	-2.6
Loan loss provisions	-1	-45	44	97.8
Operating result	**247**	**343**	**-96**	**-28.0**
Other operating income/expenses	-8	17	-25	
Result from investment securities	21	33	-12	-36.4
Amortisation of and impairment losses on goodwill	56	57	-1	-1.8
Restructuring charges	44	30	14	46.7
Income/loss before taxes	**160**	**306**	**-146**	**-47.7**
Cost-income ratio, %	88.1	86.3		
Loan loss ratio, %	0.00	-0.16		
Return on equity (adjusted)[1], %	13.7	17.9		
Risk capital (average)	1,900	2,200	-300	-13.6
Risk-weighted assets (average)	30,700	33,800	-3,100	-9.2

[1] Income/loss before taxes adjusted for amortisation of and impairment losses on goodwill and restructuring charges as a percentage of the average risk capital.

Operating income in the division fell slightly, by 4.6% to €2,074 million, in connection with the reduction of the risk profile and the division's consciously cautious positioning in view of the unpredictable market developments in the course of the year under review. At the same time, average risk capital requirements fell by 13.6% to €1.9 billion, thus improving capital efficiency. Net interest and current income rose as a result of an increased structured financing volume by 13.1% to €389 million. While net fee and commission income remained almost stable, net trading income fell to €1,136 million.

The drop in administrative expenses to €1,828 million (previous year: €1,876 million) is attributable to disciplined cost management and the systematic implementation of restructuring measures. The decline in earnings led to an increase in the cost-income ratio, from 86.3% in 2003 to 88.1% in 2004. Net loan loss provisions of €1 million were released, after €45 million in the previous year.

Restructuring provisions totalling €44 million for measures to further optimise workflows were established in the non-operating area at the end of the period under review. Overall, the division recorded income before taxes of €160 million. The adjusted return on equity before taxes totalled 13.7% (previous year: 17.9%).

Institutional Restructuring Unit

The Institutional Restructuring Unit (IRU) generated an operating result of €-78 million for fiscal year 2004, as against €-682 million in the previous year. The loss before taxes improved by €1,055 million to €176 million.

Table 22	2004 €m	2003 €m	Change €m	%
Net interest and current income	332	500	-168	-33.6
Net fee and commission income	53	118	-65	-55.1
Net trading income	-3	14	-17	
Operating income	**382**	**632**	**-250**	**-39.6**
Administrative expenses	286	465	-179	-38.5
Loan loss provisions	174	849	-675	-79.5
Operating result	**-78**	**-682**	**604**	**88.6**
Other operating income/expenses	-143	-278	135	48.6
Result from investment securities	128	-109	237	
Amortisation of and impairment losses on goodwill	10	17	-7	-41.2
Restructuring charges	73	145	-72	-49.7
Income/loss before taxes	**-176**	**-1,231**	**1,055**	**85.7**

Cost-income ratio, %	74.9	73.6		
Loan loss ratio, %	2.62	5.43		
Return on equity (adjusted)[1], %	-6.6	-46.5		
Risk capital (average)	1,400	2,300	-900	-39.1
Risk-weighted assets (average)	6,700	15,700	-9,000	-57.3

[1] Income/loss before taxes adjusted for amortisation of and impairment losses on goodwill and restructuring charges as a percentage of the average risk capital.

Operating income fell by almost 40% to €382 million, due to the sale of loan portfolios and planned reductions in the non-strategic lending business. This can also be seen from the decline in risk-weighted assets of 57.3% in 2004 to an average of €6.7 billion.

Administrative expenses fell by €179 million to €286 million. This is attributable to measures introduced as part of the reduction of the IRU portfolio to reduce headcount and non-staff operating costs. At €174 million, loan loss provisions were around 80% lower than the previous year. One of the contributing factors here was the release of loan loss provisions in the international portfolio. Loan loss provisions for credit risks amounted to €174 million, or around half of the Group's total loan loss provisions.

Net other operating income/expenses amounted to €-143 million, after €-278 million in the previous year. This includes in particular expenses relating to real estate projects and the Bank's private equity portfolio. The result from investment securities item was dominated by the sale of an equity interest. Risk capital and risk-weighted assets were reduced significantly.

Corporate Investments

The Corporate Investments segment comprises investment securities and real estate used by third parties that no longer belong to the Bank's core business. This includes investments in non-affiliated enterprises and associates. Our aim is to further reduce these holdings in a market-friendly, value-preserving manner in order to free up risk capital.

Table 23	2004 €m	2003 €m	Change €m	%
Net interest and current income	-61	-51	-10	-19.6
Net fee and commission income	-3	–	-3	
Net trading income	2	–	2	
Operating income	**-62**	**-51**	**-11**	**-21.6**
Administrative expenses	17	7	10	>+100.0
Loan loss provisions	–	–		
Operating result	**-79**	**-58**	**-21**	**-36.2**
Other operating income/expenses	2	-4	6	
Result from investment securities	-286	-1,022	736	72.0
Amortisation of and impairment losses on goodwill	–	–		
Restructuring charges	–	–		
Income/loss before taxes	**-363**	**-1,084**	**721**	**66.5**
Risk capital (average)	2,100	2,600	-500	-19.2
Risk-weighted assets (average)	7,900	7,500	400	5.3

Corporate Investments generated an operating result of €-79 million; this was attributable, as in the previous year, to negative net interest and current income. The main reason for this was the fact that financing costs determined using the market rate method were in each case higher than the current portfolio income from dividends, equity consolidation, rent and interest. The result from investment securities improved by €736 million to €-286 million. The negative result was due to impairment losses on shareholdings and real estate holdings, which were partially offset by realised gains.

The loss before taxes for the year under review amounted to €363 million (previous year: €1,084 million). Risk capital requirements fell by €500 million to €2,100 million in the course of the reduction of the portfolio.

Consolidation & Adjustments

The Consolidation & Adjustments segment includes income and expense items that cannot be directly attributed to any of the operating divisions, or that are the result of decisions that affect the Group as a whole. In addition, the Bank's real estate business and the asset management activities remaining until August 2004 were reported in the year under review under Consolidation & Adjustments.

Table 24	2004 €m	2003 €m	Change €m	 %
Net interest and current income	-501	-424	-77	-18.2
Net fee and commission income	119	176	-57	-32.4
Net trading income	284	151	133	88.1
Operating income	**-98**	**-97**	**-1**	**-1.0**
Administrative expenses	403	581	-178	-30.6
Loan loss provisions	-104	-188	84	44.7
Operating result	**-397**	**-490**	**93**	**19.0**
Other operating income/expenses	-47	-258	211	81.8
Result from investment securities	59	28	31	>+100.0
Amortisation of and impairment losses on goodwill	27	81	-54	-66.7
Restructuring charges	52	401	-349	-87.0
Income/loss before taxes	**-464**	**-1,202**	**738**	**61.4**
Risk capital (average)	-100	-600	500	83.3
Risk-weighted assets (average)	3,500	7,700	-4,200	-54.5

The operating result amounted to €-397 million, following €-490 million the previous year. The operating loss of almost €100 million remained unchanged in comparison with the previous year. The clear increase in net trading income from the effect of the application of IAS 39 was offset in particular by the decline in income from reconciliation items between the performance standards used in management reporting and IFRSs. The increase in the operating result was due to the reduction in administrative expenses for services not charged to the divisions; this positive income effect more than offset the decline in the release of country and general loan loss provisions. The non-operating result totalled €-67 million, following €-712 million in the previous year. This improvement was largely due to significantly lower restructuring costs for the functions, as well as reduced other expenses. The loss before taxes amounted to €464 million (previous year: €1,202 million).

The risk capital recognised under Consolidation & Adjustments largely comprises the positive effect on capital requirements of the diversification of risks across individual divisions.

Balance Sheet Developments

As at the reporting date, the Dresdner Bank Group's total assets amounted to €524.0 billion. This represents an increase of 9.8% as against year-end 2003. The absolute growth of €47 billion was primarily due to the sharp rise in securities-backed money market transactions. This was reflected in particular in the balance sheet items trading assets and liabilities as well as liabilities to banks. The lending volume fell by 7.0% as against the end of 2003.

Table 25	31/12/2004 €m	31/12/2003 €m	Change €m	%
Trading assets	191,288	143,035	48,253	33.7
Loans and advances to banks	124,377	121,184	3,193	2.6
Loans and advances to customers	165,230	169,291	-4,061	-2.4
Investment securities	21,094	20,885	209	1.0
Other assets	22,001	22,634	-633	-2.8
Total assets	**523,990**	**477,029**	**46,961**	**9.8**
Trading liabilities	99,599	83,222	16,377	19.7
Liabilities to banks	187,469	165,512	21,957	13.3
Liabilities to customers	154,650	152,627	2,023	1.3
Certificated liabilities	46,512	39,809	6,703	16.8
Subordinated liabilities	6,189	6,424	-235	-3.7
Profit participation certificates	1,526	1,511	15	1.0
Other liabilities	16,982	16,408	574	3.5
Shareholders' equity	11,063	11,516	-453	-3.9
Total liabilities	**523,990**	**477,029**	**46,961**	**9.8**

Trading assets and liabilities

The trading assets and liabilities items contain the Dresdner Bank Group's trading activities for securities, derivatives and other instruments. Low-risk short-term collateralised business is also included; this ties up only a minimal amount of capital, due to its low risk content. The 33.7% rise in the volume of trading assets to €191.3 billion was primarily a result of the 38.0% increase in debt and other fixed-income securities to €152.5 billion.

Our portfolio of equities and other non-fixed-income securities grew by €4.3 billion. At €19.2 billion, the volume was 29.0% above the previous year's level. The positive and negative fair values of derivative financial instruments included in trading assets and liabilities increased by around €2 billion each. The €16.4 billion increase in trading liabilities is largely attributable to a rise in delivery obligations for securities of €11.3 billion to €72.8 billion.

Lending volume

We reduced our lending volume by 7.0% to €94.8 billion as part of our continuing systematic focus on our strategic core business.

Table 26	31/12/2004 €m	31/12/2003 €m	Change €m	 %
Loans to customers	**90,789**	**98,676**	**-7,887**	**-8.0**
– Germany	67,037	72,576	-5,539	-7.6
– Other countries	23,752	26,100	-2,348	-9.0
Loans to banks	**4,036**	**3,334**	**702**	**21.1**
Lending volume[1)]	**94,825**	**102,010**	**-7,185**	**-7.0**

[1)] Excluding reverse repurchase agreements.

The decrease in the lending volume is attributable to a drop in loans to customers, which were reduced by a total of €7.9 billion to €90.8 billion. Domestic loans to customers – in particular corporate lending – declined by around 8% to €67.0 billion. The €2.3 billion reduction in our foreign lending to €23.8 billion was also related to loans to corporate clients. Roughly 25% of the total lending volume was attributable to our foreign customer loans business, as in the previous year. Loans to banks increased by €0.7 billion year-on-year to €4.0 billion.

Investment securities

Investment securities decreased by €0.2 billion to €21.1 billion as against the previous year-end. While debt securities and other fixed-income securities increased by €2.8 billion, we further reduced our portfolio of equity interests.

At the end of 2004, the market value of the Dresdner Bank Group's indirect and direct non-bank shareholdings totalled €3.7 billion. At the beginning of 2005, we disposed of our two major insurance investments. The Allianz shares still in Dresdner Bank's portfolio were sold, and in a second step a large proportion of the Bank's shares in Munich Re were transferred to Allianz.

Table 27 Company	**Percentage of capital** %	**Fair value** €m
Allianz Aktiengesellschaft, Munich	4.5	1,523
Bilfinger Berger Aktiengesellschaft, Mannheim[1)]	25.0	277
Karstadt Quelle AG, Essen	10.6	170
mg technologies ag, Frankfurt/Main	10.1	171
Münchener Rückversicherungs-Gesellschaft AG, Munich	7.3	1,517

[1)] Accounted for in the consolidated financial statements using the equity method.

Deposits and certificated liabilities

Deposits and certificated liabilities increased by €30.7 billion year-on-year to €388.6 billion. The volume of repurchase agreements was actively expanded by €29 billion to €121.3 billion in connection with our use of attractive refinancing terms.

Table 28	31/12/2004	31/12/2003	Change	
	€m	€m	€m	%
Liabilities to banks	187,469	165,512	21,957	13.3
Liabilities to customers	154,650	152,627	2,023	1.3
Certificated liabilities	46,512	39,809	6,703	16.8
Deposits and certificated liabilities	**388,631**	**357,948**	**30,683**	**8.6**
Of which: repurchase agreements	121,331	92,372	28,959	31.4

More than two thirds of the increase in deposits and certificated liabilities was attributable to liabilities to banks, which rose by around 13% to €187.5 billion. This related both to term money, which increased by €11.8 billion to €161.9 billion, and call money, which increased by €10.2 billion to €25.6 billion.

Liabilities to customers rose by €2.0 billion. Although savings deposits remained unchanged year-on-year at €4.8 billion, time deposits rose by €0.8 billion to €84.7 billion, and demand deposits by €1.1 billion to €65.2 billion. The share of total client funds attributable to foreign corporate clients rose by 2 percentage points as against the closing date for 2003 to around 48%, while private client deposits – both in Germany and abroad – fell slightly.

Certificated liabilities contributed €6.7 billion to the increase in deposits and certificated liabilities. While bonds issued fell slightly by €0.6 billion, we increased the volume of other certificated liabilities by €7.3 billion.

Shareholders' equity

The shareholders' equity reported in the consolidated balance sheet as at 31 December 2004 totalled €11.1 billion, a decline of €0.5 billion as against the end of 2003. The equity components relating to remeasurement gains on available-for-sale financial instruments amounted to €0.2 billion, following €0.4 billion in the previous year.

Regulatory capital (BIS)

Regulatory capital consists of core capital, supplementary capital and Tier III capital. The core capital primarily consists of subscribed capital, reserves and silent partnership certificates, counting as hybrid components.

Table 29	31/12/2004 €m	31/12/2003 €m
Core capital	**6,867**	**7,339**
Of which: hybrid components	1,500	1,561
Supplementary capital	**6,867**	**7,339**
Tier III capital	226	305
Total capital	**13,960**	**14,983**
Risk-weighted assets	**104,777**	**111,879**
– Banking book	100,814	106,541
– Trading book	3,963	5,338
Capital ratios		
Core capital ratio, %	6.6	6.6
Total capital ratio, %	13.3	13.4

After the adoption of the financial statements as at 31 December 2004, the core capital amounted to €6.9 billion. The supplementary capital of €6.9 billion primarily comprises profit-participation rights, subordinated liabilities and revaluation reserves on securities. Total regulatory capital including Tier III capital amounted to €14.0 billion. The 6.3% decline in risk-weighted assets to €104.8 billion is due to the systematic reduction of our non-strategic business.

The BIS core capital ratio was 6.6% (31 December 2003: 6.6%) and the total capital ratio 13.3% (31 December 2003: 13.4%).

Outlook 2005

We expect continuing uneven economic development in 2005. The global economy will revert to a moderate growth trend, though one that is still slightly above the long-term average. This development is due to a noticeable slowdown in the previously extremely dynamic US and Asian economies, which is also likely to be reflected in more muted world trade.

In Europe, the weaker global environment and positive developments in individual countries will more or less cancel each other out, meaning that growth is only expected to slow down slightly. In Germany, the transition from export-driven growth to growth fuelled by the domestic economy will be at least partially successful this year. However, the decline in foreign trade will not be entirely offset by accelerated domestic demand. As a result, Germany will again lag behind its neighbours' growth rates. Equally, the unemployment rate is unlikely to go down this year, due to the lead time needed before this year's labour market reforms take effect.

Expectations for the capital markets are also cautiously optimistic, with positive effects forecast for capital market business and investment interest from private customers. Demand for loans will benefit from the gradual increase in capital expenditure that is expected to occur, even if a substantial proportion of this will be funded internally by companies.

We intend to exploit the opportunities this situation offers in 2005. Dresdner Bank turned itself around in 2004, regaining the confidence of the markets, its customers and its employees, and is now well-positioned to benefit from positive economic and market developments, as a result of its customer- and capital market-oriented business model. The risks to our business development stem primarily from the fact that the macroeconomic situation – particularly in Germany – may not meet expectations. Financial market and exchange rate developments may also have an impact.

We intend to continue our progress in our operating business and achieve sustained profitability for Dresdner Bank with the “New Dresdner Plus“ Programme. The emphasis here is on three areas: we are focussing all our efforts on our customers, and hence systematically leveraging our growth chances – and our new market and sales campaign has sent out a clear signal to that effect. We are establishing a performance culture in our Bank that challenges and encourages our staff. And we aim to achieve maximum efficiency and quality in our processes in all areas of our business. Our short-term goal is to earn our cost of capital in 2005.

Consolidated Financial Statements

Income Statement

	Note	2004 €m	2003 €m	Change €m	Change %
Net interest and current income	(3)	2,279	2,584	-305	-11.8
– Interest and current income	(3)	6,425	7,061	-636	-9.0
– Interest expense	(3)	4,146	4,477	-331	-7.4
Loan loss provisions	(4)	337	1,016	-679	-66.8
Net interest and current income after loan loss provisions		1,942	1,568	374	23.9
Net fee and commission income	(5)	2,563	2,590	-27	-1.0
– Fee and commission income		2,880	2,883	-3	-0.1
– Fee and commission expense		317	293	24	8.2
Net trading income	(6)	1,509	1,526	-17	-1.1
Administrative expenses	(7)	5,403	5,912	-509	-8.6
Operating result		**611**	**-228**	**839**	
Result from investment securities	(8)	-67	-1,063	996	93.7
Amortisation of and impairment losses on goodwill		124	186	-62	-33.3
Other operating income/expenses	(9)	-199	-544	345	63.4
Restructuring charges	(10)	290	840	-550	-65.5
Income/loss before taxes		**-69**	**-2,861**	**2,792**	**97.6**
Tax expense	(11)	-154	-883	729	82.6
Income/loss after taxes		**85**	**-1,978**	**2,063**	
Income attributable to minority interests		59	11	48	>+100.0
Net income/net loss for the year		**26**	**-1,989**	**2,015**	
Appropriation of distributable profit					
Net income/net loss for the year		26	-1,989	2,015	
Addition to retained earnings		26	–		
Withdrawal from retained earnings		–	1,989		
Distributable profit		0	0	0	
Earnings per share (€)	(12)	0.04	-3.44		

Balance Sheet

Assets	Note	31/12/2004 €m	31/12/2003 €m	Change €m	%
Cash funds	(14)	2,266	5,491	-3,225	-58.7
Trading assets	(15)	191,288	143,035	48,253	33.7
Loans and advances to banks (net of loan loss allowance of €221m)	(16)	124,377	121,184	3,193	2.6
Loans and advances to customers (net of loan loss allowance of €3,841m)	(17)	165,230	169,291	-4,061	-2.4
Investment securities	(20)	21,094	20,885	209	1.0
Investments in enterprises accounted for using the equity method	(20)	2,860	2,928	-68	-2.3
Property and equipment	(21)	4,451	3,494	957	27.4
Intangible assets	(22)	451	766	-315	-41.1
Other assets	(23)	8,420	6,519	1,901	29.2
Deferred tax assets	(33)	3,553	3,436	117	3.4
Total assets		**523,990**	**477,029**	**46,961**	**9.8**

Liabilities, Minority Interests and Shareholders´ Equity	Note	31/12/2004 €m	31/12/2003 €m	Change €m	%
Trading liabilities	(26)	99,599	83,222	16,377	19.7
Liabilities to banks	(27)	187,469	165,512	21,957	13.3
Liabilities to customers	(28)	154,650	152,627	2,023	1.3
Certificated liabilities	(29)	46,512	39,809	6,703	16.8
Provisions and other liabilities	(30)	13,462	12,891	571	4.4
Deferred tax liabilities	(33)	1,651	1,483	168	11.3
Subordinated liabilities	(34)	6,189	6,424	-235	-3.7
Profit-participation certificates	(35)	1,526	1,511	15	1.0
Minority interests		1,869	2,034	-165	-8.1
Shareholders´equity	(36)	11,063	11,516	-453	-3.9
– Subscribed capital		1,503	1,503	0	0.0
– Additional paid-in capital		6,676	7,382	-706	-9.6
– Retained earnings		3,155	2,810	345	12.3
– Translation reserve		-497	-542	45	-8.3
– Cumulative remeasurement gains/losses on available-for-sale financial instruments		226	363	-137	-37.7
– Distributable profit		0	0	0	
Total liabilities, minority interests and shareholders' equity		**523,990**	**477,029**	**46,961**	**9.8**

Statement of Changes in Shareholders' Equity

€m	Subscribed capital	Additional paid-in capital	Retained earnings	Translation reserve	Cumulative remeasurement gains/ losses	Distributable profit	Total shareholders´ equity of Dresdner Bank Group
1 January 2003	**1,503**	**7,382**	**4,872**	**-548**	**-1,233**	**0**	**11,976**
Changes due to currency translation				6			6
Remeasurement gains/losses on available-for-sale financial instruments					1,644		1,644
Remeasurement gains/losses on cash flow hedges					-48		-48
Other capital changes			-73				-73
Net income/net loss for the year						-1,989	-1,989
Withdrawal from retained earnings			-1,989			1,989	–
31 December 2003/1 January 2004	**1,503**	**7,382**	**2,810**	**-542**	**363**	**0**	**11,516**
Withdrawal from additional paid-in capital due to divestiture of Asset Management		-706					-706
Changes due to currency translation				45			45
Remeasurement gains/losses on available-for-sale financial instruments					-137		-137
Remeasurement gains/losses on cash flow hedges					0		0
Other capital changes			319				319
Net income/net loss for the year						26	26
Addition to retained earnings			26			-26	0
31 December 2004	**1,503**	**6,676**	**3,155**	**-497**	**226**	**0**	**11,063**

Statement of Cash Flows

€m	2004	2003
Operating activities		
Net income/net loss for the year	26	-1,989
Adjustments to reconcile net income/net loss to net cash used in operating activities		
Impairment losses on investments	377	1,558
Reversals of impairment losses on investments	-134	-1,069
Depreciation, amortisation and impairment losses, and reversals of impairment losses, on items of property and equipment and intangible assets	677	638
Minority interests in net income	59	11
Changes in provisions	-302	1,504
Changes in other non-cash items	-1,328	-5,364
Gains/losses on the disposal of investment securities, property and equipment	-518	-384
Net decrease/increase in loans and advances to banks and customers	2,135	-43,886
Net decrease/increase in trading portfolio	-31,858	10,025
Net decrease/increase in other assets	-620	1,190
Net decrease/increase in liabilities to banks and customers	23,979	46,761
Net issuance of certificated liabilities	6,703	-14,785
Net decrease/increase in other liabilities	1,413	1,042
Net cash provided by/used in operating activities	**609**	**-4,748**
Investment activities		
Proceeds from the disposal of		
– Investment securities	16,189	10,681
– Property and equipment	861	616
Payments for the acquisition of		
– Investment securities	-17,849	-3,652
– Property and equipment	-2,236	-611
Effects of changes in consolidated group structure	-415	-100
Net cash provided by/used in investing activities	**-3,450**	**6,934**
Financing activities		
Dividends paid	0	-60
Net issuance of subordinated liabilities	-235	-1,500
Net issuance of profit-participation certificates	127	116
Payments on profit-participation certificates	-111	-111
Other	-139	-9
Net cash used in financing activities	**-358**	**-1,564**
Effects of exchange rate changes	-26	-8
Net decrease/increase in cash and cash equivalents	**-3,225**	**614**
Cash and cash equivalents at the beginning of the year	5,491	4,877
Cash and cash equivalents at the end of the year	2,266	5,491
Supplementary disclosure of cash flow information		
Cash interest received	4,908	6,720
Dividends received	309	217
Cash interest paid	4,061	5,253
Cash income taxes paid	179	-45

Notes

Accounting Policies

(1) Basis of accounting

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and the Interpretations of the International Financial Reporting Interpretations Committee (IFRIC). They qualify as exempting consolidated financial statements in accordance with section 292a of the Handelsgesetzbuch (HGB – German Commercial Code). All of the standards that were required to be applied in the respective fiscal years have been applied in preparing the consolidated financial statements.

The accounting policies applied uniformly across the Dresdner Bank Group comply with the European Accounting Directives and are therefore comparable to statements prepared in accordance with the HGB in conjunction with the Verordnung über die Rechnungslegung der Kreditinstitute (RechKredV – German Accounting Directive for Banks). The supplementary information required by the European Directives has been incorporated into these Notes to the Consolidated Financial Statements. The provisions of the Aktiengesetz (AktG – German Public Companies Act) have been complied with. The reporting currency is the euro (€).

Classification of financial instruments. 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 securities not held for trading are recognised at the trade date; all other financial instruments are recognised at the settlement date. Financial assets are measured on the basis of the categories described below:

- Financial assets or liabilities held for trading are mainly utilised to generate a profit from short-term fluctuations in the price or from the dealer’s margin.

- Held-to-maturity investment securities are assets with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold to maturity. This positive intent and ability must be documented on acquisition and at each reporting date. At the reporting date, the Bank did not disclose any assets classed as held-to-maturity investments.

- Loans and receivables originated by the enterprise are financial assets that are created by the enterprise by providing money, goods, or services directly to a debtor, and that are not held for trading purposes. This category of financial instruments mainly comprises loans to banks and to customers. Receivables acquired by the enterprise are not included in this category, but are instead classified as held for trading or available for sale.

- Available-for-sale financial assets are all other financial assets that cannot be assigned to one of the other categories above. The Bank records these assets as investment securities.

Financial liabilities not held for trading purposes comprise in particular liabilities to banks, liabilities to customers and certificated liabilities.

For initial recognition all financial instruments are measured at cost, which corresponds to the fair value of the consideration given (in the case of the acquisition of financial assets) or received (in the case of the acquisition of financial liabilities). Subsequently, financial assets are remeasured to fair value, except for loans and receivables originated by the enterprise that are not held for trading purposes, and certain financial assets for which the fair value cannot be reliably measured. These are carried at amortised cost. Financial liabilities – with the exception of trading liabilities – are also carried at amortised cost. Financial assets are derecognised when control of the contractual rights arising from this asset is lost. Financial liabilities are derecognised when they have been redeemed.

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. In addition, the principle of materiality is used to decide on consolidation.

Special funds and special purpose entities over which the Bank has control are accounted for 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 net income of the Bank's majority-held subsidiaries are reported separately from shareholders' equity under the items minority interests or income 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 enterprises 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 is reported as net interest and current income under the item current income from investments in enterprises accounted for using the equity method.

Investments in associates and joint ventures are reported under the item investments in enterprises accounted for using the equity method, reflecting the Bank's share in the net assets of the respective entity. The carrying amounts are reviewed for impairment at least once a year, and write-downs charged where necessary. Any goodwill arising on acquisition is recorded as a separate asset and amortised on a straight-line basis over the asset's estimated useful life.

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 over the entire year. Balance sheets are translated at the prevailing exchange rates as at 31 December of each year. Currency-related differences in shareholders’ equity are recognised in the translation reserve that forms a separate item under shareholders’ 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 amortised. Foreign currency transactions are translated into euros at the exchange rates prevailing on the transaction dates. Foreign exchange 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. Assets and liabilities denominated in foreign currencies and open spot transactions are translated into euros at the spot rate on the reporting date. 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.

Reclassifications. To harmonise the Group’s income statement and balance sheet with those in the consolidated financial statements of the Allianz Group, various expense, income and balance sheet items have been reclassified and the prior-year figures adjusted accordingly. This did not involve a change in accounting policies.

Net interest and current income. Interest income and interest expenses are recognised in the income statement on an accrual basis. 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, the Group’s share of results from investments in enterprises accounted for using the equity method, dividends from affiliated and non-affiliated enterprises, interest income on finance leases, and rental income from land and buildings used by third parties (reported under Other operating income in the previous year). 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 hedge 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 they are actually utilised.

Net fee and commission income. Fees and commission from the securities business includes fees and commission from private placements, loan syndications and financial advisory services in addition to fees and commission from the Bank‘s classic securities brokerage business. Other fees include commissions and fees from trustee and custodial services and from the brokerage of insurance policies, credit cards, home loan contracts and real estate. 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 trading assets and trading liabilities. In addition, commissions, all interest and dividend income and expense attributable to trading activities and refinancing costs are included in net trading income.

Restructuring charges. Restructuring charges are reported in the period in which the Bank has a detailed, formally approved restructuring plan in place for specific programmes, and implementation of this plan has begun. The expenses reported are measured on the basis of qualified estimates of the expected cost of the individual measures. Future obligations extending for more than twelve months are discounted to their present value. The estimates made are reviewed regularly for adequacy and adjusted where appropriate. Restructuring costs for which provisions cannot be set up are expensed in the period in which they are incurred.

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 at central banks and that have a maximum term of six months from the date of acquisition. Cash funds are reported at their nominal value.

Trading assets and liabilities. Trading assets comprise debt securities, 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 for short sales of securities. Hedging derivatives such as those used for internal risk control but not qualifying for hedge accounting under IAS 39 are also disclosed under this item.

Trading assets and liabilities are initially reported at cost on the trading date, and are subsequently remeasured at fair value. In those cases for which no quoted prices are available, comparable instruments or accepted valuation models (in particular the net present value or option pricing models) are used to determine the fair value. In this process, appropriate adjustments are made for measurement risks. Measurement gains and losses are recognised in net trading income.

Investment securities. The Group's investment securities include debt securities and other fixed-income securities, equities and other non-fixed-income securities, and investments in affiliated enterprises. In contrast to last year, registered bonds and promissory notes acquired are no longer reported under loans and advances to banks or customers, as appropriate, but under investment securities.

Investments in affiliated enterprises 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 those companies included in the consolidated financial statements of the Allianz Group.

Non-affiliated enterprises are companies in which the Bank holds an interest of up to 50%, which serves to create a continuing relationship with the respective companies. The Bank does not account for such investments in non-affiliated enterprises using the equity method because it cannot exercise a significant influence over the enterprises concerned.

Investment securities are classified as available-for-sale financial assets and hence reported at their fair value. If, in the case of unlisted shares and investments in affiliated and non-affiliated enterprises, 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.

In the case of available-for-sale financial assets, Dresdner Bank has made use of its option not to recognise gains and losses in income, but rather to initially take them directly to a separate equity account. Cumulative remeasurement gains/losses taken to equity for an available-for-sale financial instrument are subsequently recognised in income when the instrument is sold.

Securities classified as available-for-sale are regularly tested for lasting impairment if the fair value of the securities is substantially lower than their (amortised) cost for a certain period. If the impairment is regarded as lasting, the securities are written down to the lower fair value. The amount of this impairment loss is recognised in the income statement under result from investment securities. Impairment losses are subsequently reversed if the reasons why the impairment loss was charged no longer apply.

Income from debt securities, including premiums and discounts amortised over the term of the securities, is recognised in net interest and current income. Dividend income from equities and income from shares in affiliated and non-affiliated enterprises are also recognised in this item. Gains and losses realised on the sale of these securities are reported under result from investment securities. Gains and losses on derivatives classified as available-for-sale securities that do not qualify for hedge accounting are also recognised in result from investment securities.

Repurchase and reverse repurchase agreements and lending and borrowing of securities. A repurchase agreement involves the sale 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 incident 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 investment securities, 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 incident to ownership of the securities remain with the seller, the securities are 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 incident 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 investment securities, 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, are measured at amortised cost less any write-downs. Interest income and loan origination fees are recognised using the effective interest method. 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.

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 is no longer recognised where the collectability of such claim is highly unlikely. Where there is doubt regarding the ultimate collectability of the principal, all cash receipts are initially reported as reductions of the principal.

Loan impairments and loan loss allowances. The total amount of loan loss allowances includes allowances for loan losses deducted from assets and allowances for risks associated with contingent liabilities such as guarantees, irrevocable loan commitments, or other obligations, which are recognised as liabilities. A distinction is made between specific loan loss allowances, general loan loss allowances and country loan loss allowances.

Specific loan loss allowances are established to provide for specifically identified credit and counterparty risks. The amount of the allowance represents the difference between the carrying amount of the receivable and the present value of the relevant future cash flows calculated using the effective interest rate on conclusion of the transaction, after allowing for the fair value of recoverable collateral.

General loan loss allowances are established to provide for incurred but unidentified losses that are inherent in the loan portfolio as at the reporting date. The amount of the general loan loss allowances is based on historical loss probabilities and loss ratios for the loan portfolio for which no other loan loss allowances have been charged to date, plus the average identification period to be applied. The economic environment and current events are taken into account when determining the general loan loss allowances.

Country loan loss allowances are established for transfer risks and convertibility risks. Transfer and convertibility risk describes the risk that a foreign borrower may be unable to meet its obligations under the terms of cross-border foreign-currency loans due to restrictions on capital transfer or convertibility. Country loan loss allowances are based, among other things, on an internal rating system that incorporates current and historical economic, political and other data, and that categorises countries by risk profile.

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

Property and equipment. Owner-occupied properties and land and buildings used by third parties, as well as office furniture and equipment 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	25–50 years
Office furniture and equipment	4–10 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 land and buildings used by third parties is calculated on the basis of the income method to determine impairment losses.

Depreciation expense 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 expense, respectively. In contrast to previous years, depreciation on land and buildings used by third parties is recognised in result from investment securities.

Accounting for leases. Leases are divided into finance leases and operating leases. Under a finance lease, substantially all the risks and rewards incident 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.

In its capacity as a lessor, the Bank primarily offers finance leases. 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, although finance leases are also employed in isolated cases. 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.

Intangible assets. This item comprises goodwill and – with effect from fiscal year 2004 (including the figure for the previous year) – software.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group’s share of the net assets (shareholders’ equity) of the acquired subsidiary, associate, or joint venture, measured at the date of acquisition. Negative goodwill may arise if future expected losses are priced into the acquisition.

Goodwill arising on acquisitions is carried at cost and reduced by straight-line amortisation over a maximum of ten years, or written off if required. The estimated useful life is determined on the basis of the expected useful life, which in turn is based on an evaluation of factors such as the nature of the business and existing customer relationships. Amortisation is reported in other expenses. Since 31 March 2004, no goodwill subject to the prohibition on amortisation in accordance with IFRS 3 has been acquired.

The Group assesses whether there is any indication of impairment of goodwill on an annual basis, with expert appraisals being commissioned if necessary. Goodwill is written down for impairment expected to be permanent. 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 that is amortised using the straight-line method over three or seven years. Computer software development costs are capitalised and amortised using the straight-line method over the estimated useful lives of the assets. The capitalised costs 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 recognised 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.

Hedge accounting. Hedges as defined by IAS 39 (Financial Instruments: Recognition and Measurement) with a positive fair value are carried in the balance sheet under other assets; those with a negative fair value are carried under other liabilities.

If certain criteria are met, IAS 39 allows hedge accounting to be applied to non-trading derivatives. IAS allows for three forms of hedging relationship. Fair value hedges are designed to hedge the exposure to changes in the fair value of financial assets or liabilities. Cash flow hedges are designed to hedge the exposure to variability in cash flows of financial assets, liabilities and off-balance sheet commitments or forecast transactions. Hedges of net investment in a foreign entity are a special form of cash flow hedge.

In the case of fair value hedges, gains and losses on the hedged risk from the underlying transaction and the hedged item are offset in the net income for the period. For qualifying cash flow hedges, gains or losses on the effective portion of the derivatives (in relation to the hedged risk) are recognised directly in equity and are not taken to income until the gains and losses relating to the underlying hedged items are recognised in income or the transactions expire. The ineffective portion of all hedges is reported immediately in net income for the period, regardless of the type of hedging relationship involved.

Hedges must satisfy objective criteria that they eliminate a significant portion of the risk inherent in the hedged item, and must be documented in the required manner. Evidence of effectiveness requires on the one hand that a high degree of effectiveness regarding a hedging relationship can be regularly expected (prospective effectiveness), whereas on the other hand evidence must be regularly provided that the hedge was highly effective during the existence of the hedging relationship (retrospective effectiveness).

Hedging may be applied to individual transactions (“micro hedge”) or to a portfolio of similar assets or liabilities (“portfolio hedge”). The Bank uses both fair value and cash flow hedges. Fair value hedges relate to interest rate swaps used to hedge loans, deposits, available-for-sale securities and own shares issued against interest rate risks. Cash flow hedges relate to interest rate swaps used to hedge selected interest-related variable cash flows.

Due to the highly restrictive provisions of IAS 39, certain hedge relationships do not qualify for hedge accounting. This leads in some cases to asymmetrical recognition in the income statement of the hedged item and the hedging instrument; as a result, the Group expects that earnings may continue to be volatile.

In addition to hedge accounting, natural hedges also exist. Purchased credit default swaps have the same economic function as financial guarantees received if they demonstrably serve to hedge against interest and principal repayment defaults on loans.

Interest-bearing and non-interest-bearing liabilities. Interest-bearing and non-interest-bearing liabilities are recognised at amortised cost, including directly attributable transaction costs. A discount is 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 on an annual basis.

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

Tax expense. Income tax payable on net income based on the applicable tax law in each jurisdiction is recognised as an expense in the period in which the net income is recognised. 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.

In contrast to the previous year, other taxes and fiscal entity tax allocations are recognised in tax expense.

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 primarily depend on employees' years of service and 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 that defines the amount of pension benefit to be provided, usually 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; future salary and assumed pension increases, pension trends and the expected return on plan assets are also taken into account. Actuarial gains and losses – resulting from experience adjustments, changes in actuarial assumptions and changes in the plan – 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.

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 employees 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.

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.

Consolidated statement of cash flows. The consolidated statement of cash flow shows changes in the Dresdner Bank Group's cash and cash equivalents resulting from cash flows used in/provided by 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 investment securities and property and equipment. Financing activities include all cash flows used in/provided by 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.

(2) Significant differences between IFRSs and German commercial law

The Bank's consolidated financial statements were prepared in accordance with the IFRSs. Since the IFRSs differ from the provisions of German commercial law in certain respects, we have provided a summary of the most significant differences applicable to the Group in accordance with section 292a of the HGB.

Securities and derivatives. Under the IFRSs, securities and derivatives are measured at their fair values, which generally correspond to their market price. Remeasurement gains and losses are recognised in the income statement, to the extent that the securities involved are trading assets. Gains and losses on the remeasurement of investment securities are initially taken directly to equity under a special item. They are subsequently recognised in income when realised. Special rules apply to hedge accounting.

Under German commercial law, securities classified as current assets would be measured at the strict lower of cost or market. In contrast, investment securities are carried at amortised cost under the less strict principle of the lower of cost or market.

Under German commercial law, derivatives are treated as incompleted transactions and are not recognised in the balance sheet. In the case of unrealised gains and losses, the HGB only requires provisions to be set up in the case of losses; unrealised gains are not recognised.

Where derivatives and other financial instruments are treated as forming a separate portfolio, remeasurement losses are deducted from remeasurement gains within each portfolio. Net unrealised gains are not recognised, whereas net unrealised losses are recognised by setting up provisions for expected losses from incompleted transactions.

Goodwill. Goodwill arising on the acquisition of subsidiaries must be recognised as an asset in accordance with the IFRSs. Goodwill is amortised and recognised in income over a maximum period of ten years. According to the provisions of the HGB, goodwill arising on the acquisition of subsidiaries can also be immediately netted against reserves.

Deferred taxes. Tax deferral according to the IFRSs uses the balance sheet liability method, under which disclosure of deferred tax assets is mandatory. Under the provisions of the HGB, deferred taxes would be accounted for using the income statement liability method. The recognition of deferred tax assets in the single-entity financial statements is optional.

Pension provisions. The discount rate to be used when measuring pension provisions in accordance with the IFRSs is the current capital market rate. In addition, future salary and pension increases must be anticipated. Under the HGB, the 6% discount rate laid down in the Einkommensteuergesetz (EStG – German Income Tax Act) is generally used.

Other provisions. Apart from restructuring provisions, provisions for future internal expenses are not permitted under IFRSs; under the HGB, these would be permissible or mandatory.

Fund for general banking risks. According to German commercial law, provisions may be made for general banking risks pursuant to section 340f HGB, and a special item set aside for this purpose pursuant to section 340g HGB. However, this is not permitted for consolidated financial statements prepared in accordance with IFRSs.

Minority interests. Under the IFRSs, the minority shareholders‘ proportionate interest in the Bank‘s equity is shown under a special item separate from shareholders‘ equity and from liabilities. Under the HGB, minority interests are included in shareholders‘ equity.

Trustee business. In the IFRS financial statements, any trust operations carried out by the Group in its own name, but for the account of third parties, are not reported on the balance sheet. These operations are, however, included in the balance sheet of financial statements prepared in accordance with the HGB.

Premiums and discounts. Under the HGB, premiums and discounts must be deferred. Such deferrals are not required under IAS 39, as receivables and liabilities are measured at amortised cost and premiums and discounts are therefore reflected in the carrying amount.

Notes to the Consolidated Income Statement and Segment Reporting

(3) Net interest and current income

€m	2004	2003
Interest income from		
– Lending and money market operations[1)]	5,452	6,155
– Fixed-income securities and government debt	434	462
Current income from		
– Equities and other non-fixed-income securities	300	202
– Investments in non-affiliated enterprises	52	107
– Finance leases	42	51
– Land and buildings used by third parties[2)]	145	83
Income from profit transfer agreements	–	1
Total interest and current income	**6,425**	**7,061**
Interest expense for		
– Deposits	2,239	2,496
– Certificated liabilities	1,346	1,377
– Subordinated liabilities	363	344
– Other	198	260
Total interest expense	**4,146**	**4,477**
Net interest and current income	**2,279**	**2,584**

[1)] Losses from the application of IAS 39: €-324 million (previous year €-365 million).

[2)] Reclassified from Other operating income.

Net interest income from trading activities of €439 million (previous year: €867 million) is reported in Net trading income (see Note 6).

(4) Loan loss provisions

€m	2004	2003
Additions to loan loss provisions[1)]	1.398	2.048
Amounts released	949	964
Recoveries on loans previously written off	112	68
Loan loss provisions	**337**	**1.016**

[1)] Contains direct write-downs in the amount of €14 million (previous year €13 million).

(5) Net fee and commission income

€m	2004	2003
Securities business	1,102	1,112
Asset management	370	463
Mergers & acquisitions and underwriting business	250	232
Payment transactions	284	284
Foreign commercial business	151	154
Other	406	345
Net fee and commission income	**2,563**	**2,590**

Besides our securities commission business, the following management and brokerage services included in net fee and commission income represent a substantial part of the Dresdner Bank Group's activities: custody administration, management of assets held in trust, asset management, management of investment funds and brokerage of insurance policies, home loan contracts and real estate.

(6) Net trading income

€m	2004	2003
Trading in interest rate products	800	832
Equities trading	219	176
Foreign exchange and precious metals trading	150	357
Remeasurement gains/losses from the application of IAS 39	340	161
Net trading income	**1,509**	**1,526**

€m	2004	2003
Net realised gains/losses	1.046	-43
Net remeasurement gains[1)]	48	754
Brokerage fees and commissions	-24	-52
Net interest income	439	867
– Interest and dividend income	6.735	6.160
– Interest expense	6.296	5.293
Net trading income	**1.509**	**1.526**

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.

(7) Administrative expenses

€m	2004	2003
Total staff costs	3,314	3,561
– Wages and salaries	2,705	2,873
– Social security contributions	358	396
– Pension benefit expense	251	292
Other administrative expenses	1,767	1,877
– Professional services	241	251
– Occupancy expenses	382	388
– Office furniture and equipment	581	648
– Other miscellaneous administrative expenses	563	590
Depreciation of property and equipment	322	474
Administrative expenses	**5,403**	**5,912**

Excluding vocational and other trainees, the average number of staff employed during the year was 36,636 (previous year: 41,823). The breakdown of these employees by location was as follows:

Employees	2004	2003
Germany	29,754	33,641
Other countries	6,882	8,182
Total	**36,636**	**41,823**

The average number of trainees during the year was 132 (previous year: 180); the average number of vocational trainees was 1,696 (previous year: 2,009).

(8) Result from investment securities

€m	2004	2003
Net realised gains/losses	520	364
Remeasurement result[1)]	-587	-1,427
Result from investment securities	**-67**	**-1,063**

1) Including €90 million (previous year: €59 million) recognised in income from derivatives not qualifying for hedge accounting under IAS 39.

€m	2004	2003
Net income/loss from the disposal of available-for-sale securities	355	-386
Net loss on the disposal/remeasurement of affiliated enterprises/associates	-194	-661
Net loss on land and buildings used by third parties[1)]	-228	-16
Result from investment securities	**-67**	**-1,063**

1) See also Note 21.

(9) Other operating income/expenses

€m	2004	2003
Other operating income	268	362
Other operating expenses	467	906
Other operating income/expenses	**-199**	**-544**

Other operating income includes amounts that cannot be attributed to other items of the income statement, and in particular cost refunds from unconsolidated affiliated enterprises and gains on the disposal of internally used items of property and equipment.

Other operating expenses include amounts that cannot be attributed to other items of the income statement, including the costs of raising long-term debt, indemnity payments, losses on the disposal of internally used items of property and equipment and adjustments to carrying amounts.

(10) Restructuring charges

€m	2004	2003
2004 programmes	139	–
“New Dresdner” Programme	96	380
Other programmes	55	460
Restructuring charges	**290**	**840**

Restructuring charges totalled €290 million in the year under review. €139 million of the restructuring costs incurred in 2004 were due to supplementary measures initiated in addition to the “New Dresdner” Programme announced in 2003. These initiatives entail a further headcount reduction involving approximately 1,100 jobs, primarily in the Personal Banking and Dresdner Kleinwort Wasserstein divisions as well as at our subsidiary, Dresdner Bank Lateinamerika, which has been assigned to the IRU. It is planned to implement the initiatives within a two-year period.

The outstanding initiatives falling under the “New Dresdner” Programme were planned in detail in the year under review. This resulted in restructuring charges in the amount of €96 million. Other restructuring measures in previous years resulted in aggregate costs of €55 million in 2004. Information on the development of provisions is provided in Note 32.

(11) Tax expense

€m	2004	2003
Income tax expense	-162	-895
– Current taxes	16	47
– Deferred taxes	-178	-942
Other taxes	8	12
Tax expense	**-154**	**-883**

Further information on income taxes is provided in Note 33. Other taxes include property taxes, vehicle taxes and other taxes that are not based on the Group’s taxable net income.

(12) Earnings per share

Earnings per share are calculated by dividing the net income/net loss for the year by the weighted average number of shares outstanding during the fiscal year.

	2004	2003
Net income/net loss for the year (€m)	26	-1,989
Average number of shares outstanding (millions of shares)	578.1	578.1
Earnings per share (€)	**0.04**	**-3.44**

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 were still in existence at the end of 2004 and 2003. The diluted earnings per share therefore correspond to the earnings per share.

(13) 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 reflect the organisational structure of the Dresdner Bank Group valid at the end of the year, and take into account the nature of the products and services provided and the respective target customer groups.

One material change was made in the segment structure in fiscal 2004 as against the previous year. The business activities of the former Private and Business Clients division were split into two different divisions – Personal Banking and Private & Business Banking. The comparative figures for the previous year have been adjusted in line with this structural change.

The **Personal Banking** division offers private clients personalised financial solutions comprising products for asset accumulation, financing, retirement provision and insurance.

The **Private & Business Banking** division's Private Banking offering comprises individual asset management for wealthy 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. Private & Business Banking is present both in Germany and in all major European currency and financial centres.

The **Corporate Banking** division provides commercial banking services to corporate clients. Its range of services includes lending and deposits, foreign commercial business, securities and payment transactions, including related e-business activities. Corporate Banking works closely with the DrKW division to offer its clients an expanded range of capital market and investment banking products in addition to its traditional commercial banking offering.

The **Dresdner Kleinwort Wasserstein** division (DrKW) bundles the activities of the Bank's Corporate Finance & Advisory and Capital Markets units, and is therefore responsible for net income from the Bank's underwriting business, mergers & acquisitions, project and structured finance and equities, bond and derivatives trading.

The Bank bundles loan commitments that no longer fit its refocussed strategic orientation in its **Institutional Restructuring Unit (IRU)** division. The role of the IRU is to systematically reduce its portfolio, which is heterogeneous in terms of both quality and structure; some of the ways in which it achieves this are by placing loans on the capital markets, participating in corporate workouts, or by refusing loan renewals. In this way, the IRU enables the Bank's operating divisions to concentrate on profitable, high-quality business.

The **Corporate Investments** segment comprises investment securities and land and buildings used by third parties that we no longer consider to be part of our core business following our strategic reorientation. Our goal is to reduce these holdings as part of a targeted divestment process.

The **Consolidation & Adjustments** segment includes income and expense items that cannot be directly attributed to any of the operating divisions, or that are the result of decisions that affect the Group as a whole. We are aiming to reduce the items recognised under Consolidation & Adjustments as far as possible. These income and expense components include in particular the reconciliation of the financial reporting used in the Group's operating divisions, which focusses on management criteria, with the reporting measures used in the Group's external reporting, as well as expenses for Group-wide functions and projects.

In contrast, the cost of services provided by the Corporate functions are charged to the divisions as part of internal cost allocation. Consolidation & Adjustments also contains measurement gains/losses on global risks and specific transfer risks, impairment losses on goodwill, the effect of the application of the hedge accounting provisions under IAS 39 and the net income generated by the Dresdner Bank Group's remaining real estate activities. The net income from the Bank's foreign asset management companies generated in the period up to 1 September 2004, the date of their transfer in full to Allianz Global Investors, is also reported in the figures recognised under Consolidation & Adjustments.

Basis and methodology of segment reporting. Segment reporting is based on the monthly Group Management Accounts, a decision-support tool used for divisional Group management and control. Any changes to the divisional structure as well as modifications to income and cost allocation have been applied retrospectively for the years ended 31 December 2004 and 31 December 2003.

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 in line with prevailing market rates. Capital is allocated on the basis of the risk capital assigned to the divisions. The

benefit from the investment of the allocated capital is allocated to the divisions on the basis of imputed interest. In order to improve the transparency of the economic effect on net income of specific large transactions in the reported income before taxes, net interest and current income for the DrKW division contains a pre-tax equivalent of the after-tax result of these transactions; this is eliminated in Consolidation & Adjustments during reconciliation of segment reporting to the figures recognised in external reporting. Administrative expenses include both direct costs and costs allocated to the segments in connection with the intragroup provision of services.

The segment assets allocated to the divisions include trading assets, investment securities, loans and advances to banks and loans and advances to customers, net of loan loss provisions. The segment liabilities and equity allocated to the divisions include trading liabilities, liabilities to banks, liabilities to customers and allocated equity. All other assets and liabilities, plus certain amounts required to reconcile balances to the amounts reported in the Group's externally reported consolidated financial statements, are recognised under Consolidation & Adjustments.

€m	Personal Banking	Private & Business Banking	Corporate Banking	Dresdner Kleinwort Wasserstein	Institutional Restructuring Unit	Corporate Investments	Consolidation & Adjustments	Group (total)
2004								
Net interest and current income	1,014	440	666	389	332	-61	-501	2,279
Net fee and commission income	836	692	317	549	53	-3	119	2,563
Net trading income	11	23	56	1,136	-3	2	284	1,509
Operating income	**1,861**	**1,155**	**1,039**	**2,074**	**382**	**-62**	**-98**	**6,351**
Administrative expenses	1,647	743	479	1,828	286	17	403	5,403
Loan loss provisions	138	76	54	-1	174	–	-104	337
Operating result	**76**	**336**	**506**	**247**	**-78**	**-79**	**-397**	**611**
Other operating income/expenses	1	-8	4	-8	-143	2	-47	-199
Result from investment securities	7	2	2	21	128	-286	59	-67
Amortisation of and impairment losses on goodwill	14	16	1	56	10	–	27	124
Restructuring charges	83	21	17	44	73	–	52	290
Income/loss before taxes	**-13**	**293**	**494**	**160**	**-176**	**-363**	**-464**	**-69**
Change y-o-y	203	72	149	-146	1,055	721	738	2,792
Segment assets (€bn)	31.7	13.9	36.2	382.9	5.7	8.9	44.7	524.0
Segment liabilities (€bn)	27.9	19.9	28.7	299.2	4.2	2.2	141.9	524.0
Cost-income ratio, %	89	64	46	88	75			85
Loan loss ratio[1)]	0.56	0.72	0.24	0.00	2.62			0.33
Return on equity[2)], %	-1.3	48.8	29.1	8.4	-12.6			-0.6
Return on equity (adjusted)[3)], %	8.4	55.0	30.1	13.7	-6.6			3.1
Risk capital (average)	1,000	600	1,700	1,900	1,400	2,100	-100	8,600
Risk-weighted assets (average)	24,800	10,700	22,400	30,700	6,700	7,900	3,500	106,700
2003								
Net interest and current income	1,076	445	694	344	500	-51	-424	2,584
Net fee and commission income	779	641	316	560	118	–	176	2,590
Net trading income	15	22	54	1,270	14	–	151	1,526
Operating income	**1,870**	**1,108**	**1,064**	**2,174**	**632**	**-51**	**-97**	**6,700**
Administrative expenses	1,734	749	500	1,876	465	7	581	5,912
Loan loss provisions	206	76	118	-45	849	–	-188	1,016
Operating result	**-70**	**283**	**446**	**343**	**-682**	**-58**	**-490**	**-228**
Other operating income/expenses	7	-20	-8	17	-278	-4	-258	-544
Result from investment securities	1	9	-3	33	-109	-1,022	28	-1,063
Amortisation of and impairment losses on goodwill	15	16	–	57	17	–	81	186
Restructuring charges	139	35	90	30	145	–	401	840
Income/loss before taxes	**-216**	**221**	**345**	**306**	**-1,231**	**-1,084**	**-1,202**	**-2,861**
Segment assets (€bn)	29.1	13.2	41.2	317.2	17.7	9.6	49.0	477.0
Segment liabilities (€bn)	29.5	21.4	41.6	254.6	7.6	2.4	119.9	477.0
Cost-income ratio, %	92.7	67.6	47.0	86.3	73.6			88
Loan loss ratio[1)]	0.81	0.66	0.46	-0.16	5.43			0.84
Return on equity[2)], %	-24.0	36.8	23.0	13.9	-53.5			-22.1
Return on equity (adjusted)[3)], %	-6.9	45.3	29.0	17.9	-46.5			-14.1
Risk capital (average)	900	600	1,500	2,200	2,300	2,600	-600	9,500
Risk-weighted assets (average)	25,400	11,600	25,800	33,800	15,700	7,500	7,700	127,500

[1)] Net loan loss provisions as a percentage of the average risk-weighted assets in the banking book.

[2)] Income/loss before taxes as a percentage of average equity; calculated for the divisions on the basis of the allocated average risk capital.

[3)] Income/loss before taxes adjusted for amortisation of and impairment losses on goodwill and restructuring charges as a percentage of the average capital resources according to IASs.

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

€m	Income		Income/loss before taxes		Total assets	
	2004	**2003**	**2004**	**2003**	**2004**	**2003**
Germany	9,220	8,724	40	-2,569	470,165	400,617
Europe (excluding Germany)	3,826	5,480	-211	-153	166,787	148,847
North America	1,439	1,518	-20	-344	72,001	46,067
Latin America	82	167	64	122	4,506	4,833
Asia/Pacific	289	418	58	83	20,235	18,060
Consolidation	-3,761	-4,453	–	–	-209,704	-141,395
Total	**11,095**	**11,854**	**-69**	**-2,861**	**523,990**	**477,029**

Income includes interest and current income, current income from equities and other non-fixed-income securities and from investments in affiliated enterprises, current leasing income, rental income from land and buildings used by third parties, commission income, net trading income and other operating income.

Notes to the Consolidated Balance Sheet – Assets

(14) Cash funds

€m	31/12/2004	31/12/2003
Cash on hand	446	542
Balances with central banks	1,159	4,017
Of which: Deutsche Bundesbank	221	3,321
Treasury bills, discounted treasury notes	465	798
Of which: eligible for refinancing with Deutsche Bundesbank	0	0
Bills	196	134
Of which: eligible for refinancing with Deutsche Bundesbank	196	134
Cash funds	**2,266**	**5,491**

Balances held with Deutsche Bundesbank also serve to meet minimum reserve requirements.

(15) Trading assets

€m	31/12/2004	31/12/2003
Debt and other fixed-income securities	152,486	110,513
Equities and other non-fixed-income securities	19,154	14,852
Positive fair values of derivative financial instruments	19,531	17,553
Other trading assets	117	117
Trading assets	**191,288**	**143,035**

Breakdown of debt and other fixed-income securities

€m	31/12/2004	31/12/2003
Bonds and notes	149,126	106,115
– Public sector issuers	88,454	55,012
– Other issuers	60,672	51,103
Money market securities	3,360	4,398
– Public sector issuers	1,211	3,109
– Other issuers	2,149	1,289
Own bonds and notes	–	–
Debt and other fixed-income securities	**152,486**	**110,513**
Of which: marketable securities	149,792	109,237
– listed securities	128,406	96,189
– unlisted securities	21,386	13,048

Breakdown of equities and other non-fixed-income securities

€m	31/12/2004	31/12/2003
Equities	17,242	13,684
Other	1,912	1,168
Equities and other non-fixed-income securities	**19,154**	**14,852**
Of which: marketable securities	16,796	14,521
– listed securities	16,713	14,460
– unlisted securities	83	61

Positive fair values of derivative financial instruments are disclosed net. Positive and negative fair values in the amount of €52,836 million (previous year: €40,685 million) were offset on the basis of existing netting agreements. Negative fair values of derivative financial instruments and obligations to deliver securities are reported under trading liabilities. Trading assets totalling €134,340 million (previous year: €94,335 million) were pledged as collateral for the Group's liabilities.

(16) Loans and advances to banks

€m	31/12/2004 Germany	31/12/2004 Other countries	31/12/2004 Total	31/12/2003 Germany	31/12/2003 Other countries	31/12/2003 Total
Payable on demand	4,757	19,073	23,830	5,590	15,733	21,323
Other advances	18,625	78,107	96,732	17,056	79,702	96,758
Loans	206	3,830	4,036	276	3,058	3,334
Loans and advances to banks[1)]	**23,588**	**101,010**	**124,598**	**22,922**	**98,493**	**121,415**
Less: loan loss allowances	2	219	221	1	230	231
Loans and advances to banks	**23,586**	**100,791**	**124,377**	**22,921**	**98,263**	**121,184**
Of which: reverse repurchase agreements	16,984	76,869	93,853	16,508	74,346	90,854

1) Before loan loss allowances.

Loans and advances to banks in the amount of €6,599 million (previous year: €4,049 million) were pledged as collateral for the Group's liabilities at the reporting date.

(17) Loans and advances to customers

€m	31/12/2004 Germany	31/12/2004 Other countries	31/12/2004 Total	31/12/2003 Germany	31/12/2003 Other countries	31/12/2003 Total
Corporate customers	31,026	94,487	125,513	38,153	91,110	129,263
Public authorities	341	2,365	2,706	178	2,492	2,670
Private customers	39,637	1,215	40,852	41,038	1,556	42,594
Loans and advances to customers[1)]	**71,004**	**98,067**	**169,071**	**79,369**	**95,158**	**174,527**
Less: loan loss allowances	3,308	533	3,841	4,115	1,121	5,236
Loans and advances to customers	**67,696**	**97,534**	**165,230**	**75,254**	**94,037**	**169,291**
Of which: reverse repurchase agreements	2,327	57,676	60,003	5,574	57,666	63,240

1) Before loan loss allowances.

Breakdown by sector €m	31/12/2004 Germany	31/12/2004 Other countries	31/12/2004 Total	31/12/2003 Germany	31/12/2003 Other countries	31/12/2003 Total
Manufacturing industry	6,454	3,941	10,395	7,991	4,740	12,731
Construction	811	408	1,219	1,062	574	1,636
Wholesale and retail trade	3,976	1,305	5,281	4,194	1,066	5,260
Financial institutions and insurance companies	5,626	77,943	83,569	9,675	72,485	82,160
Transport	1,068	976	2,044	876	2,022	2,898
Telecommunications	361	2,958	3,319	58	1,694	1,752
Service providers	10,622	1,823	12,445	12,017	3,339	15,356
Other	2,108	5,133	7,241	2,280	5,190	7,470
Corporate customers	**31,026**	**94,487**	**125,513**	**38,153**	**91,110**	**129,263**
Public authorities	**341**	**2,365**	**2,706**	**178**	**2,492**	**2,670**
Private individuals	**39,637**	**1,215**	**40,852**	**41,038**	**1,556**	**42,594**
Loans and advances to customers[1)]	**71,004**	**98,067**	**169,071**	**79,369**	**95,158**	**174,527**

1) Before loan loss allowances.

Breakdown by transaction type €m	31/12/2004 Germany	Other countries	Total	31/12/2003 Germany	Other countries	Total
Loans	66,841	23,753	90,594	72,443	26,099	98,542
Of which: mortgage loans	10,718	633	11,351	10,958	601	11,559
communal loans	1,088	226	1,314	953	354	1,307
home loans	1,928	43	1,971	902	4	906
other loans secured by mortgages	16,612	135	16,747	17,851	131	17,982
Reverse repurchase agreements	2,327	57,676	60,003	5,574	57,666	63,240
Other advances	1,836	16,638	18,474	1,352	11,393	12,745
Loans and advances to customers[1)]	**71,004**	**98,067**	**169,071**	**79,369**	**95,158**	**174,527**

[1)] Before loan loss allowances.

Loans and advances to customers include advances under finance leases in the amount of the net investment of €1,248 million (previous year: €705 million). The corresponding gross investment value of these leases amounts to €1,533 million (previous year: €782 million), of which €285 million (previous year: €77 million) relates to unearned income. The residual values of all leased assets were guaranteed both in the fiscal year under review and in the previous year. No allowances for unrecoverable lease receivables had been charged at the reporting date (previous year: €42 million). Of the aggregate lease receivables, €319 million is due within one year and €158 million is due within five years. €771 million has a residual maturity of more than five years.

The Group’s finance leasing operations are based in New York and London. The items financed include aircraft, railway equipment, real estate and other infrastructure investments.

Loans and advances to customers in the amount of €6,380 million (previous year: €7,875 million) were pledged as collateral for the Group’s liabilities.

(18) Lending volume

In contrast to the reporting of loans and advances, the lending volume does not include reverse repurchase agreements or other advances. However, this item does comprise loans extended on bills that are not reported under loans and advances to banks or loans and advances to customers, as appropriate.

€m	31/12/2004 Germany	Other countries	Total	31/12/2003 Germany	Other countries	Total
Loans extended on bills	196	–	196	134	–	134
Corporate customers	27,051	20,752	47,803	31,434	23,978	55,412
Public authorities	315	1,794	2,109	173	588	761
Private customers	39,475	1,206	40,681	40,835	1,534	42,369
Customer loans	**67,037**	**23,752**	**90,789**	**72,576**	**26,100**	**98,676**
Loans to banks	**206**	**3,830**	**4,036**	**276**	**3,058**	**3,334**
Lending volume	**67,243**	**27,582**	**94,825**	**72,852**	**29,158**	**102,010**
Less: loan loss allowances	3,310	752	4,062	4,116	1,351	5,467
Lending volume net of loan loss allowances	**63,933**	**26,830**	**90,763**	**68,736**	**27,807**	**96,543**

(19) Changes in loan loss allowances

The total loan loss allowances item includes the loan loss allowances deducted from the asset side of the balance sheet in the amount of €4,062 million (previous year: €5,466 million) and the allowance for contingent liabilities in the amount of €370 million (previous year: €486 million) included in provisions and other liabilities.

	Specific loan loss allowances		Country risk allowances		General loan loss allowances		Total	
€m	**2004**	**2003**	**2004**	**2003**	**2004**	**2003**	**2004**	**2003**
1 January	5,019	6,069	269	367	664	813	5,952	7,249
Additions to loan loss provisions	1,281	2,007	117	41	–	–	1,398	2,048
Charge-offs	1,861	2,034	0	7	–	–	1,861	2,041
Amounts released	733	719	119	95	97	150	949	964
Changes in consolidated companies	-56	–	–	–	–	–	-56	–
Other additions/ reductions	-9	-60	1	4	–	4	-8	-52
Currency translation differences	-34	-244	-8	-41	-2	-3	-44	-288
31 December	**3,607**	**5,019**	**260**	**269**	**565**	**664**	**4,432**	**5,952**

The loan portfolio includes non-accrual loans amounting to €5,545 million (previous year: €8,239 million). In more detail, this amount includes €3,460 million (previous year: €5,172 million) representing loans that were placed on non-accrual status and €2,085 million (previous year: €3,067 million) of loans which have a specific allowance against the interest accrued. As a result, interest amounting to €238 million (previous year: €361 million), which would have been recognised had these loans been accruing interest, was not included in net interest and commission income.

(20) Investment securities and investments in enterprises accounted for using the equity method

€m	**31/12/2004**	**31/12/2003**
Debt and other fixed-income securities	15,526	12,765
Equities and other non-fixed-income securities	3,907	6,228
Investments in unconsolidated affiliated enterprises	1,661	1,892
Investment securities	**21,094**	**20,885**
Investments in enterprises accounted for using the equity method	**2,860**	**2,928**

Investment securities are generally recognised at their fair values. The total carrying amounts of investment securities measured at amortised cost amounted to €139 million (previous year: €175 million).

The unrealised gains and losses of €226 million (previous year: €363 million) contained in the item cumulative remeasurement gains/losses on available-for-sale financial instruments can be broken down as follows: debt and other fixed-income securities: €165 million (previous year: €127 million), equities and other non-fixed income securities: €70 million (previous year: €359 million), investments in enterprises accounted for using the equity method: €80 million (previous year: none) and hedge accounting €-46 million (previous year: €-46 million); a deferred tax liability in the amount of €57 million (previous year: €60 million) was recognised on the unrealised gains and losses. Net remeasurement losses of €14 million (previous year: gains of €18 million) are reported in minority interests.

Investment securities in the amount of €540 million (previous year: €138 million) were pledged as collateral for the Group's liabilities.

Breakdown of debt and other fixed-income securities

€m	31/12/2004	31/12/2003
Bonds and notes	13,023	11,476
– Public sector issuers	3,222	3,951
– Other issuers	9,801	7,525
Money market securities	2,503	1,289
– Public sector issuers	171	195
– Other issuers	2,332	1,094
Debt and other fixed-income securities	**15,526**	**12,765**
Of which: marketable securities	15,526	12,765
– listed securities	11,482	9,630
– unlisted securities	4,044	3,135

Debt and other fixed-income securities with a nominal value of €3,237 million (previous year: €3,476 million) will mature in 2005.

Breakdown of equities and other non-fixed-income securities

€m	31/12/2004	31/12/2003
Equities	2,588	4,588
Other	1,319	1,640
Equities and other non-fixed-income securitites	**3,907**	**6,228**
Of which: marketable securities	2,617	5,258
– listed securities	2,617	4,168
– unlisted securities	–	1,090

Portfolio development **€m**	**Investments in unconsolidated affiliated enterprises**	**Investments in enterprises accounted for using the equity method**
Historical cost		
1 January 2004	2,777	2,993
Foreign currency translation	1	–
Additions	15	5
Disposals	53	21
Transfers	14	-171
31 December 2004	**2,754**	**2,806**
Reversals of impairment losses during the year	**0**	**8**
Amortisation and impairment losses		
1 January 2004	885	65
Additions	208	20
Disposals	–	–
Transfers	-1	-51
31 December 2004	**1,092**	**34**
Cumulative remeasurement gains/losses on available-for-sale financial instruments		
1 January 2004	–	–
Additions	–	80
Disposals	–	–
31 December 2004	**–**	**80**
Carrying amounts 31 Dec. 2004	**1,662**[1)]	**2,860**
Carrying amounts 31 Dec. 2003	1,892[1)]	2,928

[1)] Does not include investments in financial services providers.

The list of shareholdings lodged with the Commercial Register provides a complete breakdown of unconsolidated affiliated enterprises, enterprises accounted for using the equity method and other shareholdings.

(21) Property and equipment

€m	Owner-occupied land and buildings	Land and buildings used by third parties	Office furniture and equipment	Total
Historical cost				
1 January 2004	2,436	919	1,860	5,215
Foreign currency translation	–	–	-8	-8
Additions	262	1,781	110	2,153
Disposals	71	630	236	937
Transfers	-26	14	-1	-13
31 December 2004	**2,601**	**2,084**	**1,725**	**6,410**
Reversals of impairment losses during the fiscal year	**–**	**–**	**–**	**–**
Depreciation and impairment losses				
1 January 2004	357	75	1,289	1,721
Foreign currency translation	–	–	-7	-7
Depreciation and impairment losses during the fiscal year	53	239	121	413
Disposals	15	27	212	254
Transfers	46	27	13	86
31 December 2004	**441**	**314**	**1,204**	**1,959**
Carrying amounts 31 Dec. 2004	**2,160**	**1,770**	**521**	**4,451**
Carrying amounts 31 Dec. 2003	2,079	844	571	3,494

The Group used land and buildings with a carrying amount of €2,160 million (previous year: €2,079 million) in connection with Group activities. During the fiscal year, impairment losses on owner-occupied real estate were charged in the amount of €3 million (previous year: €1 million).

The Group has land and buildings used by third parties with a carrying amount of €1,770 million (previous year: €844 million); the fair value of these properties is €1,783 million (previous year: €891 million). These are leased properties that have been measured at cost less accumulated depreciation and impairment losses. During the fiscal year, write-downs for impairment of land and buildings used by third parties were recognised in the amount of €229 million (previous year: €1 million) in result from investment securities.

Write-downs for impairments of IT equipment and other office furniture and equipment amounted to €1 million (previous year: €4 million) and €3 million (previous year: €10 million) respectively. During 2004 and 2003, no reversals of previous impairment losses were recognised.

At the reporting date, no items of property and equipment (previous year: €7 million) were pledged as collateral for the Group's liabilities.

(22) Intangible assets

€m	Goodwill	Internally developed software	Purchased software	Total
Historical cost				
1 January 2004	3,104	376	672	4,152
Foreign currency translation	1	–	-1	0
Additions	0	67	16	83
Disposals	408	9	180	597
Transfers	-1	–	1	0
31 December 2004	**2,696**	**434**	**508**	**3,638**
Reversals of impairment losses during the fiscal year	**13**	**–**	**–**	**13**
Depreciation and impairment losses	0	0	0	0
1 January 2004	2,652	240	494	3,386
Foreign currency translation	0	-3	-1	-4
Amortisation and impairment losses during the fiscal year	129	67	82	278
Disposals	290	1	170	461
Transfers	0	1	0	1
31 December 2004	**2,491**	**304**	**405**	**3,200**
Carrying amounts 31 Dec. 2004	**218**	**130**	**103**	**451**
Carrying amounts 31 Dec. 2003	452	136	178	766

No impairment losses were charged on goodwill in the fiscal year (previous year: €35 million).

Of the write-downs for impairments of software in the amount of €18 million (previous year: €70 million) recognised under depreciation of property and equipment, €4 million (previous year: none) was attributable to internally developed software.

(23) Other assets

€m	31/12/2004	31/12/2003
Accrued interest	4,413	3,192
Positive fair values of hedging derivatives in accordance with IAS 39	961	658
Other assets	2,144	1,740
Recoverable taxes	902	929
Other assets	**8,420**	**6,519**

Other assets include cheques and other items presented for collection, prepayments, and credit balances on clearing and settlement accounts, among other things.

(24) Subordinated assets

€m	31/12/2004	31/12/2003
Trading assets	25	98
– Debt and other fixed-income securities	21	92
– Equities and other non-fixed-income securities	4	6
Loans and advances to banks	2	10
Loans and advances to customers	142	77
Investment securities	47	97
– Debt and other fixed-income securities	17	75
– Equities and other non-fixed-income securities	30	22
Subordinated assets	**216**	**282**

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) Assets sold under repurchase agreements

At the reporting date, the Group was committed to repurchasing assets sold under repurchase agreements with a net carrying amount of €159,300 million (previous year: €103,860 million). These assets continue to be reported in the consolidated balance sheet.

Notes to the Consolidated Balance Sheet – Liabilities, Minority Interests and Shareholders' Equity

(26) Trading liabilities

€m	31/12/2004	31/12/2003
Negative fair values of derivative financial instruments	20,595	18,778
Obligations to deliver securities	72,804	61,476
Other trading liabilities	6,200	2,968
Trading liabilities	**99,599**	**83,222**

(27) Liabilities to banks

€m	31/12/2004	31/12/2003
Payable on demand	25,619	15,381
Other term liabilities	161,850	150,131
Of which: registered bonds issued	2,724	3,045
Liabilities to banks	**187,469**	**165,512**
Of which: repurchase agreements	75,124	52,194
Domestic banks	79,613	76,388
Foreign banks	107,856	89,124

(28) Liabilities to customers

€m	31/12/2004	31/12/2003
Savings deposits		
– With agreed period of notice of three months	1,199	1,202
– With agreed period of notice of more than three months	381	421
Home loan savings deposits	3,214	3,116
Savings deposits and home loan savings deposits	**4,794**	**4,739**
Payable on demand	65,166	64,040
Term liabilities	84,690	83,848
Of which: registered bonds issued	6,887	6,747
Other liabilities	**149,856**	**147,888**
Liabilities to customers	**154,650**	**152,627**
Of which: repurchase agreements	46,207	40,178

Breakdown by customer group

€m	31/12/2004	31/12/2003
Corporate customers	114,433	111,353
– Germany	40,140	41,020
– Other countries	74,293	70,333
Public authorities	7,830	4,500
– Germany	1,496	1,136
– Other countries	6,334	3,364
Private customers	32,387	36,774
– Germany	27,222	29,103
– Other countries	5,165	7,671
Liabilities to customers	**154,650**	**152,627**
– Germany (total)	68,858	71,259
– Other countries (total)	85,792	81,368

(29) Certificated liabilities

€m	31/12/2004	31/12/2003
Bonds issued[1)]	24,071	24,628
Other certificated liabilities	22,441	15,181
– Money market securities	21,693	15,016
– Own acceptances and promissory notes outstanding	344	0
– Other	404	165
Certificated liabilities	**46,512**	**39,809**

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

Certificated liabilities include bonds and other liabilities for which transferable certificates have been issued. €4,438 million of bonds issued will mature in 2005 (previous year: €6,621 million).

(30) Provisions and other liabilities

€m	31/12/2004	31/12/2003
Provisions for pensions and similar liabilities	2,021	1,992
Provisions for current taxes	630	886
Other provisions	2,880	3,411
Accrued interest	1,730	1,646
Negative fair values of hedging derivatives in accordance with IAS 39	1,226	946
Other liabilities	4,975	4,010
Provisions and other liabilities	**13,462**	**12,891**

Other liabilities include trade payables not yet invoiced and payroll deductions payable to tax or social insurance authorities.

(31) Provisions for pensions and similar liabilities

The amounts reported in the balance sheet can be broken down as follows:

€m	31/12/2004	31/12/2003
Present value of wholly unfunded obligations	2,374	2,123
Present value of funded obligations	708	687
Fair value of plan assets	-656	-600
Total pension liabilities as at 31 December	**2,426**	**2,210**
Unrecognised actuarial losses	-405	-218
Liability in balance sheet as at 31 December	**2,021**	**1,992**

Changes in pension liabilities under defined-benefit plans are shown below:

€m	2004	2003
Total pension liabilities as at 1 January	2,210	2,117
Less actuarial gains/losses as at 1 January	-218	-154
Liabilities in balance sheet as at 1 January	1,992	1,963
Service cost	77	75
Interest cost	150	147
Other additions and transfers	-82	-72
Benefits paid during the year	-116	-121
Liability in balance sheet as at 31 December	**2,021**	**1,992**
Actuarial gains (–) or losses (+) as at 31 December	405	218
Total pension liabilities as at 31 December	**2,426**	**2,210**

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

Changes in plan assets in the fiscal year:

€m	2004	2003
Fair value of plan assets as at 1 January	600	592
Transfer	30	-30
Actual return on plan assets	34	36
Employee contributions	18	29
Benefits paid	-26	-26
Fair value of plan assets as at 31 December	**656**	**600**

The calculations were based on the actuarial assumptions set out below:

€m	2004	2003
Discount rate[1)]	4.9	5.5
Expected return on plan assets	5.4	6.0
Expected rate of salary increase	1.9	1.9
Expected future pension increases	1.25	1.4

[1)] An interest rate of 6.0% (previous year: 7.8%) is used in the United States and an interest rate of 5.4% (previous year: 5.5%) in the United Kingdom.

The following items were recognised in the pension benefit expense:

€m	2004	2003
Service cost	77	75
Interest cost	150	147
Other additions	-46	-33
Expenses for defined-benefit plans	181	189
Of which: pension payments in the year under review	114	121
Expenses for defined-contribution plans	42	68
Other pensions	28	34
Exchange rate adjustments	0	1
Pension benefit expense	**251**	**292**

(32) Other provisions

€m	Restructuring provision	Loan loss allowance	Other provisions for staff costs	Other	Total
1 January 2004	815	486	863	1,247	3,411
Foreign currency translation	-6	-2	-30	-5	-43
Additions	275	160	806	873	2,114
Charge-offs	246	27	784	517	1,574
Amounts released	62	94	40	583	779
Transfers	-41	-141	15	38	-129
Changes in consolidated companies	-55	-12	-22	-6	-95
Compensation payments for plan assets	-23	–	-2	–	-25
31 December 2004	**657**	**370**	**806**	**1,047**	**2,880**

Restructuring provision €m	2004 programmes	"New Dresdner" Programme	Other programmes	Total
1 January 2004	–	345	470	815
Foreign currency translation	–	-1	-5	-6
Additions[1)]	132	97	46	275
Charge-offs	–	72	174	246
Amounts released	–	39	23	62
Transfers	–	-10	-31	-41
Changes in consolidated companies	–	–	-55	-55
Compensation payments for plan assets	–	-12	-11	-23
31 December 2004	**132**	**308**	**217**	**657**

[1)] Including a €18 million change in the present value.

Provisions of €132 million were set up in relation to the new restructuring measures initiated in 2004. All measures for the "New Dresdner" Programme announced in August 2003 have now been defined in detail, with the result that it is now reflected in full in the provisions as at the end of 2004 in the amount of €308 million.

The remaining provisions relate to programmes that were initiated in the years 2000 to 2003 and that have now been almost completed.

Current provisions for the various restructuring projects primarily cover future obligations for staff costs and rental agreements that are associated with the implementation of the individual initiatives. The adequacy of the provisions is tested at regular intervals as part of project management for the restructuring programmes, and corresponding additions or reversals made. The resulting effects on income are recognised in the additions and amounts released. Adjustments are required on the one hand as a result of the detailed definition of the human resources instruments employed, and on the other as a result of adjustments to expected income from subletting due to market developments in the real estate sector.

As a result of changes to the legal situation, working time credits under partial early retirement contracts must be protected against insolvency. This also includes all partial early retirement contracts concluded in the course of our ongoing restructuring programmes. As a result, working time credits worth €23 million requiring protection against insolvency were transferred to a pension fund, where they are secured by plan assets.

(33) Deferred taxes and tax expense

Deferred tax assets and tax liabilities. Due to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements, deferred tax assets or tax liabilities, as appropriate, have been recognised for the following assets and liabilities:

€m	31/12/2004	31/12/2003
Deferred tax assets		
Investment securities	86	158
Of which: cumulative remeasurement gains/losses on available-for-sale financial instruments	13	17
Trading assets and liabilities	10	20
Pension provisions	133	186
Other provisions	358	342
Loan loss allowances	215	210
Losses carried forward	2,442	2,187
Other	309	333
Total deferred tax assets	**3,553**	**3,436**
Deferred tax liabilities		
Investment securities	115	123
Of which: cumulative remeasurement gains/losses on available-for-sale financial instruments	70	77
Trading assets and liabilities	424	364
Property and equipment	206	111
Intangible assets	–	37
Other provisions	7	43
Loan loss provisions	376	234
Loan loss allowances	35	34
Other	488	537
Total deferred tax liabilities	**1,651**	**1,483**
Net deferred tax assets	**1,902**	**1,953**

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 €3,553 million and provisions for deferred tax liabilities in the amount of €1,651 million resulted in net deferred tax assets of €1,902 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 €583 million (previous year: €897 million), which were predominantly due to unused tax loss carryforwards, were not recognised since, on the basis of the information available at the reporting date, it is not probable that they will be realised. €527 million of these unrecognised deferred tax assets relates to foreign loss carryforwards, with €77 million of this figure relating to foreign trade tax.

At the reporting date, unused corporation tax loss carryforwards amounted to €7,226 million; deferred tax assets were recognised for these to the extent that their recognition is sufficiently certain. There is no time limit on the utilisation of €5,658 million of the loss carryforwards. The loss carryforwards subject to time limits expire in the coming years as follows: €89 million in 2006, €53 million in 2007, €42 million in 2008, €25 million in 2009, €13 million in 2010 and €33 million in 2011. The total volume of loss carryforwards with a residual term of more than 10 years amounts to €1,313 million. No loss carryforwards subject to time limits expire in the years 2005 and 2012 to 2014. In addition, the Bank has accumulated trade tax loss carryforwards of €5,914 million that are not subject to any time limit, and trade tax loss carryforwards of €1,643 million subject to a time limit.

Income tax expense. The income tax expense item includes current tax expense on income as well as deferred tax expense/benefit:

€m	**2004**	**2003**
Current taxes	16	47
– Germany	-37	-16
– Other countries	53	63
Deferred taxes	-178	-942
– Germany	-72	-908
– Other countries	-106	-34
Income tax expense	**-162**	**-895**

Deferred tax assets and liabilities were calculated for domestic companies in 2004 using an effective corporate tax rate, including the solidarity surcharge, of 26.38% (previous year: 26.38%) plus an effective trade tax rate of 13.52% (previous year: 13.52%). In all other cases, the country-specific tax rates were applied.

The effective tax benefit recognised in 2004 is €138 million higher than the expected tax benefit. The table below provides a reconciliation of the expected income tax expense to the effective tax expense/benefit recognised. It represents a summary of the individual reconciliations based on individual corporate and country-specific tax rates:

€m	2004	2003
Expected income tax expense	**-24**	**-819**
– Trade tax and similar taxes	-11	-194
– Tax-free income	-123	224
+ Amortisation of and impairment losses on goodwill	7	41
+ Non-deductible expenses	1	-6
+ Adjustment for deferred tax assets	-48	-68
+ Other tax adjustments	36	-78
= Effective income tax expense	**-162**	**-895**

(34) Subordinated liabilities

The subordinated liabilities in the amount of €6,189 million (previous year: €6,424 million) consist of hybrid capital in the amount of €1,500 million (previous year: €1,561 million) and other subordinated liabilities in the amount of €4,689 million (previous year: €4,863 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 and 2001 we issued silent partnership certificates, which are composed of the following tranches:

Year of issue	Nominal amount	Issuer[1)]	Interest rate	Maturity
1999	€500m	Dresdner Bank AG	5.790%	2011
1999	USD1,000m[2)]	Dresdner Bank AG	8.151%	2031
2001	€159m	Dresdner Bank AG	7.000%	2013
2001	JPY15,000m	Dresdner Bank AG	3.500%	2033

1) Issued via Dresdner Capital LLC I to IV, Wilmington/Delaware, USA.

2) This issue is in excess of 10% of total subordinated liabilities.

The carrying amount as at 31 December 2004 amounted to €1,500 million (previous year: €1,561 million). These silent partnerships qualify as core capital under the provisions of the Basel Committee for Banking Supervision. Interest paid on the silent partnerships in the fiscal year amounted to €110 million (previous year: €122 million).

Other subordinated liabilities. Other subordinated liabilities were recognised in the amount of €4,689 million (previous year: €4,863 million). Interest paid on these subordinated liabilities in the fiscal year amounted to €254 million (previous year: €222 million). Fixed-rate subordinated liabilities have coupons between 4.0% and 8.4%. In addition, floating rate issues linked to a reference interest rate and zero coupon bonds exist. The average interest rate is 5.2%.

Subordinated liabilities are shown below (at nominal amounts):

Currency	Equivalent €m	Maturity
EUR	2,418	2005–2039
USD	1,284	2005–2025
CHF	356	2005–2009
GBP	213	2007
JPY	179	2027–2029
Other currencies	80	2010–2011

(35) Profit-participation certificates

Profit-participation certificates in the amount of €1,526 million (previous year: €1,511 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 share in losses in accordance with the conditions attached to the certificates. Profit-participation certificates are redeemed in line with the provisions regarding loss sharing.

The following table provides details of the two largest issues of profit-participation certificates:

Year of issue	Nominal amount	Issuer	Interest rate	Maturity
1996	€511m	Dresdner Bank AG	8.0%	2007
1997	€767m	Dresdner Bank AG	7.0%	2008

(36) Shareholders' equity

Subscribed capital. The subscribed capital of €1,502,972,205.80 at 31 December 2004 was composed of 578,066,233 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.

Allianz AG holds a 100% indirect interest in Dresdner Bank AG's share capital. Dresdner Bank is an affiliated enterprise of Allianz AG as defined by section 271 (2) of the HGB and is included in the consolidated financial statements of Allianz AG, Munich. These can be obtained from Allianz AG, Koeniginstrasse 28, 80802 Munich.

Authorised capital of Dresdner Bank AG. The Bank's authorised capital at 1 January 2004 amounted to €174 million. No use was made of the authorisation that expired on 28 May 2004 to increase the share capital by issuing new shares. No authorised capital existed at the reporting date.

Additional paid-in capital. The additional paid-in capital includes premiums received on the issue of own shares, convertible bonds and bonds with warrants, and on the exercise of conversion or option rights.

Retained earnings. Retained earnings include the Group's retained earnings as well as the impact of any consolidation adjustments on the income statement. Retained earnings include €1,014 million (previous year: €1,071 million) resulting from the application of the equity method of accounting.

Cumulative remeasurement gains/losses on available-for-sale financial instruments. This item is used to record the remeasurement gains/losses on available-for-sale financial instruments; these gains/losses are transferred to the income statement at the time of their actual realisation.

€m	**Cumulative remeasurement gains/losses**
1 January 2004	363
Fair value gains recognised in income statement	355
Fair value losses recognised in income statement	-70
Gains and losses from the disposal of assets	-461
Fair value changes recognised directly in equity	-40
Remeasurement gains from enterprises accounted for using the equity method	79
31 December 2004	**226**

Treasury shares. No trading in Dresdner Bank's own shares took place in 2004. As at the end of 2004, no Dresdner Bank shares had been pledged to the Bank or affiliated enterprises as collateral (previous year: none).

Regulatory capital and risk-weighted assets (BIS). Regulatory capital consists of three categories: core capital (Tier I capital) and supplementary capital (Tier II capital), which together make up a bank's liable capital, and Tier III capital. Core capital consists of the Group shareholders' equity and minority interests, hybrid capital and other adjustments. Supplementary capital chiefly consists of profit-participation certificates, long-term subordinated liabilities and revaluation reserves on investment securities. Tier III capital comprises subordinated liabilities that do not qualify as supplementary capital.

€m	**31/12/2004**	**31/12/2003**
Core capital	6,867	7,339
Of which: hybrid components	1,500	1,561
Supplementary capital[1)]	6,867	7,339
Of which: Profit-participation certificates	3,380	3,529
Subordinated liabilities	3,214	3,695
Revaluation reserves for securities (of which 45%)	541	477
Other components	646	418
Tier III capital	226	305
Total capital (BIS)	**13,960**	**14,983**
Risk-weighted assets in the banking book	100,814	106,541
Risk-weighted assets in the trading book	3,963	5,338
Total risk-weighted assets	**104,777**	**111,879**

[1)] Maximum of 100% of the core capital.

Breakdown of assets in the banking book by their risk-weighted amounts

€m	100%	70%	50%	25%	20%	10%	4%	Total
Risk-weighted assets in the banking book	64,033	1,108	25,532	33	9,229	875	4	100,814
Of which: balance sheet assets	61,534	1,108	9,307	–	3,844	361	–	76,154
traditional off-balance sheet business	–	–	12,142	33	111	514	4	12,804
derivatives	–	–	83	–	47	–	–	130

Capital ratios[1)]

%	31/12/2004	31/12/2003
Core capital ratio[2)]	6.6	6.6
Total capital ratio	13.3	13.4

1) In accordance with the capital adequacy framework laid down by the Basel Committee for Banking Supervision of the Bank for International Settlements (BIS).

2) Calculation includes risk-weighted assets from the trading book.

Unrealised reserves (securities and investments in non-affiliated enterprises) in the amount of €119 million (previous year: 241 million) have been included under liable capital pursuant to section 10 (2b) sentence 1 no. 7 of the Kreditwesengesetz.

Other Balance Sheet Information

(37) Collateral pledged for own liabilities

The Group has pledged assets in the amount indicated below for the following liabilities and contingent liabilities:

€m	31/12/2004	31/12/2003
Liabilities to banks	102,838	73,047
Liabilities to customers	43,303	32,919
Contingent liabilities	0	7
Other commitments	1,718	431
Collateralised liabilities and contingent liabilities	**147,859**	**106,404**

The total amount of assets pledged as collateral can be broken down as follows:

€m	31/12/2004	31/12/2003
Loans and advances to banks	6,599	4,049
Loans and advances to customers	6,380	7,875
Trading assets	134,340	94,335
Investment securities	540	138
Property and equipment	–	7
Assets pledged as collateral[1)]	**147,859**	**106,404**

1) Includes assets sold under repurchase agreements (see Note 25).

(38) Foreign currency holdings

€m	USD	GBP	Other	31/12/2004	31/12/2003
Assets	113,415	38,246	30,023	181,684	158,266
Liabilities	113,088	39,685	33,535	186,308	168,145

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 41.

Impact of exchange rate fluctuations. Excluding exchange rate fluctuations, consolidated total assets for the year would have been €9.5 billion higher (previous year: €21.8 billion lower). Net income after taxes would have been unchanged (previous year: the net loss after taxes would have been €130 million lower).

(39) Structure of residual terms of loans and advances and liabilities

The matrix of residual terms provides a breakdown of loans and advances as well as liabilities by their final maturity or call date.

31 December 2004

Loans and advances €m	Up to 3 months	> 3 months – 1 year	> 1 year – 5 years	More than 5 years	Total
Term loans and advances to banks	66,834	30,125	3,576	233	100,768
Loans and advances to customers[1)]	74,034	19,601	38,149	37,287	169,071
Total	**140,868**	**49,726**	**41,725**	**37,520**	**269,839**

1) Loans and advances to customers with residual terms of up to three months include €9,837 million of undated claims.

Liabilities €m	Up to 3 months	> 3 months – 1 year	> 1 year – 5 years	More than 5 years	Total
Term liabilities to banks	142,210	9,518	5,664	4,458	161,850
Savings deposits and home loan savings deposits	1,229	3,402	132	31	4,794
Other term liabilities to customers	71,422	5,668	1,744	5,856	84,690
Certificated liabilities	18,441	8,297	16,836	2,938	46,512
Subordinated liabilities	46	513	2,254	3,376	6,189
Profit-participation certificates	10	–	1,493	23	1,526
Total	**233,358**	**27,398**	**28,123**	**16,682**	**305,561**

31 December 2003

Loans and advances €m	Up to 3 months	> 3 months – 1 year	> 1 year – 5 years	More than 5 years	Total
Term loans and advances to banks	64,759	33,966	1,217	150	100,092
Loans and advances to customers[1)]	93,107	17,884	25,558	37,978	174,527
Total	**157,866**	**51,850**	**26,775**	**38,128**	**274,619**

1) Loans and advances to customers with residual terms of up to three months include €7,706 million of undated claims.

Liabilities €m	Up to 3 months	> 3 months – 1 year	> 1 year – 5 years	More than 5 years	Total
Term liabilities to banks	121,436	16,745	6,492	5,458	150,131
Savings deposits and home loan savings deposits	1,230	159	2,223	1,127	4,739
Other term liabilities to customers	67,422	6,225	3,444	6,757	83,848
Certificated liabilities	11,530	7,779	15,071	5,429	39,809
Subordinated liabilities	95	136	2,421	3,772	6,424
Profit-participation certificates	0	0	1,447	64	1,511
Total	**201,713**	**31,044**	**31,098**	**22,607**	**286,462**

(40) Securitisation business

When securitising financial assets, we sell revolving loans to the capital market as part of precisely defined loan portfolios. The assets transferred are securitised as debt instruments by the buying special purpose entities and sold to third parties. The Dresdner Bank Group conducts these transactions via the fully consolidated special purpose entities Silver Lux Inc., Grand Cayman, and Silver Tower 125 Inc., Grand Cayman. The maximum transaction volume in each case is €5 billion. As at 31 December 2004, the two programmes together were utilised in the amount of €5.0 billion.

In addition, we have used synthetic securitisation under the KfW/PROMISE programmes to place credit risks on the market. As at 31 December 2004, credit risks in the amount of €1 billion had been transferred to third parties using the PROMISE-K-2001-1 structure.

The securitisation programmes generally provide for the retention of a small part of the risk in the form of discounts on the purchase price of the receivables sold, or interest subparticipation by the guarantor.

(41) Derivatives business

Derivative financial instruments, which enable the transfer of market and credit risks between different parties, derive their value, among other things, from underlying instruments such as interest rates, indices, share prices, or exchange rates. The most important derivatives products are swaps, forward rate agreements, foreign exchange forwards, 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).

With regard to the Group’s worldwide trade in derivative financial instruments, demand from customers primarily focusses on instruments for the individual management of market and credit risks, as well as on the utilisation of derivative products for structured financial operations. The Group also uses derivatives to manage the risks of proprietary trading positions and for the purposes of asset/liability management.

When measuring derivatives, a distinction is made between standard exchange-traded products and OTC products. In the case of exchange-traded contracts, a daily cash settlement is generally made. Positive and negative fair values are only disclosed if the contract provides for full settlement at the date of maturity only, or if the variation margin was not fixed on the reporting date (e.g. due to exchanges operating in different time zones).

If no market prices are quoted (OTC derivatives), the established methods used by the financial markets for estimating value (e.g. the net present value method or option pricing models) are used. The fair value of a derivative corresponds to the sum of all future cash flows discounted to the measurement date (present value or dirty close-out value). The following tables (for the trading and banking books respectively) show the nominal volumes by residual term and the positive and negative fair values of the derivative transactions we have concluded. The nominal 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.

Fair values are disclosed gross, i.e. before netting. The netting effect indicates the reduction in loss exposures due to global netting agreements; this amounted to €52.8 billion (previous year: €40.7 billion). Non-nettable fair values amounted to €2.3 billion (previous year: €8.2 billion). The positive fair values for exchange-traded derivatives are not included in the Risk Report, as by definition these are not exposed to any credit and counterparty risk. The positive and negative fair values of hedging derivatives from hedge accounting under IAS 39 amounted to €961 million (previous year: €658 million) and €-1,226 million (previous year: €-946 million) respectively.

Trading book contracts €m	Nominal amount/residual term up to 1 year	> 1 year – 5 years	more than 5 years	Total 2004	Total 2003	Positive fair values	Negative fair values
Interest rate derivatives	**1,285,728**	**884,113**	**774,061**	**2,943,902**	**2,898,273**	**48,477**	**47,892**
OTC products							
– FRAs	93,138	9,327	–	102,465	91,052	25	30
– Interest rate swaps	970,413	789,186	734,429	2,494,028	2,519,061	47,095	45,721
– Fixed-rate swaps	55	708	83	846	650	23	7
– Basis swaps	6,806	10,686	10,277	27,769	41,871	292	452
– Interest rate swaps (IRS)	963,552	777,792	724,069	2,465,413	2,476,540	46,780	45,262
– Interest rate options: calls	36,158	34,903	15,556	86,617	61,216	1,292	0
– Interest rate options: puts	38,830	38,121	24,031	100,982	80,448	0	2,103
– Other interest rate contracts	12,736	–	45	12,781	20	0	5
Exchange-traded products							
– Interest rate futures	106,047	12,576	–	118,623	106,752	63	24
– Interest rate options: calls	16,436	–	–	16,436	17,052	2	–
– Interest rate options: puts	11,970	–	–	11,970	22,672	–	9
Currency derivatives	**543,386**	**71,260**	**21,737**	**636,383**	**643,988**	**16,052**	**16,774**
OTC products							
– Forward currency transactions	390,953	7,023	137	398,113	286,694	7,186	7,926
– Cross-currency swaps	13,892	44,082	16,095	74,069	256,908	5,019	4,498
– Currency options: calls	73,804	4,984	2,239	81,027	49,343	3,831	–
– Currency options: puts	63,366	15,065	3,266	81,697	50,046	–	4,341
Exchange-traded products							
– Currency futures	1,371	106	0	1,477	997	16	9
Equity/index derivatives	**131,889**	**185,035**	**11,062**	**327,986**	**196,710**	**5,927**	**6,399**
OTC products							
– Equity/index swaps	8,022	2,198	523	10,743	10,017	543	654
– Equity/index options: calls	30,659	25,820	2,007	58,486	44,519	3,639	–
– Equity/index options: puts	44,688	136,153	6,193	187,034	81,765	–	3,963
Other equity/index contracts	13	7	–	20	13	3	–
Exchange-traded products							
– Equity/index futures	8,953	–	17	8,970	9,526	8	33
– Equity/index options: calls	20,239	10,843	1,004	32,086	25,395	1,734	–
– Equity/index options: puts	19,315	10,014	1,318	30,647	25,475	–	1,749
Credit derivatives	**22,524**	**190,430**	**51,107**	**264,061**	**83,021**	**2,417**	**2,670**
Credit default swaps	20,367	187,801	48,209				
– Protection buyer	8,241	77,601	24,528	110,370	37,738	305	1,189
– Protection seller	12,126	110,200	23,681	146,007	41,217	1,364	162
Total return swaps	2,157	2,629	2,898				
– Protection buyer	1,136	2,169	2,891	6,196	2,638	430	1,319
– Protection seller	1,021	460	7	1,488	1,428	318	0
Other derivatives	**6,308**	**2,958**	**886**	**10,152**	**7,522**	**261**	**220**
OTC products							
– Precious metal contracts	2,687	2,093	809	5,589	6,319	234	196
– Other contracts	3,016	756	77	3,849	1,132	26	24
Exchange-traded products							
– Futures	530	109	–	639	6	–	0
– Options: calls	68	–	–	68	0	1	–
– Options: puts	7	–	–	7	65	–	0
Grand total	**1,989,835**	**1,333,796**	**858,853**	**4,182,484**	**3,829,514**	**73,134**	**73,955**
Of which: products denominated in EUR						48,556	41,665
products denominated in USD						7,668	17,916
products denominated in GBP						8,070	8,030
products denominated in JPY						3,680	2,796

Banking book contracts €m	Nominal amount/residual term up to 1 year	 > 1 year – 5 years	 more than 5 years	Total 2004	Total 2003	Positive fair values	Negative fair values
Interest rate derivatives	**12,083**	**2,452**	**1,663**	**16,198**	**17,462**	**118**	**158**
OTC products							
– FRAs	3,324	–	–	3,324	4,847	1	2
– Interest rate swaps	6,978	2,267	903	10,148	9,399	114	71
– Fixed-rate swaps	–	8	1	9	10	0	–
– Basis swaps	216	–	–	216	0	0	–
– Interest rate swaps (IRS)	6,762	2,259	902	9,923	9,389	114	71
– Interest rate options: calls	–	–	–	0	163	–	–
– Interest rate options: puts	–	23	12	35	1,302	–	1
– Other interest rate contracts	35	162	748	945	446	2	84
Exchange-traded products							
– Interest rate futures	1,305	–	–	1,305	1,305	1	–
– Interest rate options: calls	147	–	–	147	0	–	–
– Interest rate options: puts	294	–	–	294	0	–	–
Currency derivatives	**5,599**	**21**	**0**	**5,620**	**4,627**	**58**	**73**
OTC products							
– Forward currency transactions	3,008	21	–	3,029	2,586	51	66
– Cross-currency swaps	89	–	–	89	1,070	1	2
– Currency options: calls	81	–	–	81	14	6	–
– Currency options: puts	2,274	–	–	2,274	739	–	4
– Other currency contracts	–	–	–	0	0	–	–
Exchange-traded products							
– Currency futures	147	–	–	147	218	0	1
– Currency options: calls	–	–	–	–	–	–	–
– Currency options: puts	–	–	–	–	–	–	–
Equity/index derivatives	**2,061**	**25,425**	**599**	**28,085**	**3,706**	**13**	**296**
OTC products							
– Equity/index swaps	–	239	–	239	200	–	32
– Equity/index options: calls	890	28	5	923	836	10	–
– Equity/index options: puts	1,171	25,112	594	26,877	2,576	–	256
Other equity/index contracts	–	46	–	46	94	3	8
Credit derivatives	**308**	**2,571**	**810**	**3,689**	**1,475**	**21**	**172**
Credit default swaps	308	2,569	810	3,687	1,450	21	172
– Protection buyer	308	2,490	810	3,608	1,450	21	172
– Protection seller	–	79	–	79	0	–	–
Total return swaps	–	2	–	2	25	–	0
– Protection buyer	–	2	–	2	25	–	0
– Protection seller	–	–	–	0	0	–	–
Other derivatives	**40**	**–**	**–**	**40**	**34**	**–**	**–**
OTC products							
– Other contracts	40	–	–	40	34	–	0
Grand total	**20,091**	**30,469**	**3,072**	**53,632**	**27,304**	**210**	**699**
Of which: products denominated in EUR						100	592
products denominated in USD						62	50
products denominated in GBP						18	21
products denominated in JPY						1	5

Off-Balance Sheet Business

(42) Contingent liabilities and other commitments

Contingent liabilities and other commitments include the Group's potential future liabilities under fixed-term loan commitments to customers that have not yet been drawn upon. 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.

The following tables present the amounts at risk should customers draw fully on all facilities and then default without any collateral being available. A large majority of these commitments may expire without being drawn upon, and the figures are therefore not representative of actual future credit exposure or the liquidity required to fund such commitments.

€m	31/12/2004	31/12/2003
Liabilities on guarantees and warranties	15,839	17,951
– Credit guarantees	876	1,466
– Other guarantees and warranties	13,206	14,902
– Letters of credit	1,757	1,583
– Letters of credit opened	893	919
– Letters of credit confirmed	864	664
Liability on collateral pledged for third-party liabilities	7	8
Contingent liabilities	**15,846**	**17,959**
Irrevocable loan commitments	40,613	36,590
– Advances	30,800	25,595
– Standby facilities	8,238	7,909
– Guarantee credits	1,228	2,817
– Discount credits	65	40
– Mortgage loans/communal loans	282	229
Other commitments	**40,613**	**36,590**

(43) Other financial commitments

€m	31/12/2004	31/12/2003
Obligations arising from hire and rental contracts and leases	2,628	2,845
Commitments under capital projects in progress	57	111
Commitments to pay up shares, bonds and other capital interests; secondary liability	82	92
Other	58	61
Other financial commitments	**2,825**	**3,109**

Commitments to pay up shares, bonds and other capital interests totalled €66 million (previous year: €76 million); secondary liability in accordance with section 24 of the Gesetz betreffend die Gesellschaften mit beschränkter Haftung (GmbHG – German Limited Liability Companies Act) amounted to €16 million (previous year: €16 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 €12.1 million (6.05%). The Dresdner Bank Group is contingently liable to pay in further contributions to LIKO up to a total of €60.5 million (6.05%). 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, the financial status of the other shareholders involved is sound.

The liability arising from the Group's ownership interest in Bankhaus Reuschel & Co. is unlimited due to the legal form of this enterprise. In this case, too, the financial status of the other partners involved is sound.

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. In 2004, a contribution of €28 million (previous year: none) was levied on Dresdner Bank.

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.

(44) Trustee business

The table shown below gives a breakdown of trustee business not reported in the balance sheet.

€m	31/12/2004	31/12/2003
Loans and advances to banks	3,920	3,426
Loans and advances to customers	1,889	2,319
Investment securities	950	828
Assets held in trust[1)]	**6,759**	**6,573**
Liabilities to banks	1,044	997
Liabilities to customers	5,715	5,576
Liabilities incurred as a trustee	**6,759**	**6,573**

1) Including fiduciary loans of €5,016 million (previous year: €5,101 million).

Supplementary Information

(45) Fair value of financial instruments

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. Where available, the most suitable measure for fair value is the market price. Financial instruments primarily include securities, loans and receivables, liabilities and derivatives.

Assets	**31/12/2004**		**31/12/2003**	
€bn	Fair value	Carrying amount	Fair value	Carrying amount
Cash funds	2.3	2.3	5.5	5.5
Trading assets	191.3	191.3	143.0	143.0
Loans and advances to banks and advances to customers	290.6	288.8	291.2	290.8
Investment securities	21.1	21.1	18.9	18.9

Liabilities	**31/12/2004**		**31/12/2003**	
€bn	Fair value	Carrying amount	Fair value	Carrying amount
Trading liabilities	99.6	99.6	83.2	83.2
Liabilities to banks and liabilities to customers	342.0	341.9	318.5	318.6
Certificated liabilities and subordinated liabilities	53.7	52.5	47.1	46.2
Profit-participation certificates	1.8	1.5	1.7	1.5

In the absence of organised secondary markets for most financial instruments, and in particular for loans, deposits and unlisted derivatives, direct market prices are not available. The fair value of such instruments was therefore calculated on the basis of well-established valuation techniques using current market parameters. In particular, the net present value method and option pricing models were used. As a result, the fair value is a theoretical value applicable at a given reporting date, and hence can only be used as an indicator of the value realisable in a future sale.

Financial instruments due on sight. Financial instruments due on sight are measured at their principal amount. These instruments include cash on hand, current account credit balances and demand deposits owed to banks and customers.

Loans and advances, liabilities. The fair values are determined by calculating the future contractually agreed cash flows, discounted using appropriate market interest rates. The differing credit quality of borrowers was taken into consideration by adjusting the discount rates appropriately.

Trading assets/liabilities. The Group carries trading assets and liabilities, which include debt and equity securities, derivatives and foreign exchange transactions, at their fair value.

Securities. Investment securities are classified as available-for-sale financial instruments in accordance with IAS 39 and measured at their fair value.

Long-term liabilities. Profit-participation certificates, certificated liabilities and subordinated liabilities 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, the fair value is established using valuation models.

The fair value of unrefinanced loan commitments, existing standby facilities and other letters of credit is not material.

(46) Related party transactions

Dresdner Bank conducts banking transactions with related parties in the normal course of business activities and at market rates and conditions. The scope of such transactions is shown below:

Loans and advances and liabilities to affiliated enterprises

€m	31/12/2004	31/12/2003
Trading assets	26	29
Loans and advances to banks	–	1
Loans and advances to customers	29	160
Other assets	73	29
Total	**128**	**219**
Liabilities to banks	80	3,424
Liabilities to customers	984	2,099
Certificated liabilities	235	–
Provisions	–	1
Other liabilities	38	468
Subordinated liabilities	10	8
Total	**1,347**	**6,000**

€220 million in income (previous year: €427 million) and €406 million in expenses (previous year: €496 million) in the income statement were attributable to transactions with the parent company and affiliated enterprises.

Loans and advances and liabilities to non-affiliated enterprises

€m	31/12/2004	31/12/2003
Loans and advances to banks	3,483	3,359
Loans and advances to customers	753	1,447
Debt and other fixed-income securities	4,713	7,913
Total	**8,949**	**12,719**
Liabilities to banks	2,441	1,813
Liabilities to customers	212	410
Certificated liabilities		
Total	**2,698**	**2,223**

Loans and advances and liabilities to non-affiliated enterprises also contain loans and advances and liabilities to associates; the prior-year figures were adjusted accordingly.

Loans to shareholders. In the normal course of business, the Group may grant loans to its shareholder. These transactions are entered into on an arm's-length basis.

Loans to members of the Board of Managing Directors and the Supervisory Board. Loans to members of the Board of Managing Directors and liabilities assumed on their behalf totalled €423,820.25 (previous year: €505,150.94). This included loans extended to, or liabilities assumed on behalf of, managers of subsidiaries in the amount of €27,383.04 (previous year: €2,699.50). Loans to members of Dresdner Bank AG's Supervisory Board and liabilities assumed on their behalf totalled €431,287.00 (previous year: €71,000.35). 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 executive body members and of offices held (see Notes 51 and 52).

Remuneration of executive body members. Remuneration paid within the Group to members of the Board of Managing Directors amounted to €10,770,077.05 (previous year: €10,989,017.45); this figure includes share-based incentive plans. Payments to former members of the Board of Managing Directors and their surviving dependants amounted to €15,713,462.47 (previous year: €13,915,742.28); pension provisions for these persons as at 31 December 2004 amounted to €111 million (previous year: €93 million). Compensation granted to members of the Group's Supervisory Board for fiscal 2004 amounted to €1,015,340.00, including value-added tax (previous year: €1,116,900.00). Payments to the members of the regional advisory boards amounted to €1,278,281.00 (previous year: €1,431,638.00), including value-added tax.

(47) Share-based payment

Employee share purchase plans. Shares of Allianz AG are offered to qualifying employees in Germany and abroad at preferred terms within a defined period. To qualify, employees must have been in an uninterrupted 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 the fiscal year amounted to 426,269; the difference between the exercise price and the market price in the amount of approximately €7 million in 2004 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 AG's shares has outperformed the Dow Jones Europe STOXX Price Index (600) at least once 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 AG'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.

300,224 SARs were granted in the year under review (previous year: 202,285). No SARs had been exercised as at 31 December 2004. On 31 December 2004, the number of SARs granted under the SAR plans but not yet exercised amounted to 641,041 (previous year: 353,479).

The total staff costs for the SARs are calculated as the amount by which the Allianz AG 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 AG share price and are accrued over the two-year lock-up period. A provision in the amount of €5 million was recognised as an expense as at 31 December 2004.

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 AG's share price performance. The shares are subject to a five-year lock-up period.

150,974 RSUs were issued to executives under this plan in 2004. 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 closing price of Allianz AG shares on the exercise date, or to issue one Allianz AG share or equivalent equity instruments per RSU to the beneficiaries.

The total staff costs for the RSU Plan are based on the Allianz AG share price; they are recalculated for each reporting period on the basis of the changes in the share price and are accrued over the five-year lock-up period. A provision in the amount of €4 million was recognised as an expense as at 31 December 2004.

Dresdner Kleinwort Wasserstein Stock Plan. A bonus plan based on Allianz AG shares has existed for selected Dresdner Kleinwort Wasserstein division employees since 2003. The goal of this Plan is to improve the connection between the compensation paid to employees and Allianz AG's share price performance, and hence between compensation and shareholder value, as well as to bind employees to the Company. The plan provides for part of employees' bonuses to be distributed in the form of Allianz AG shares. The employees initially receive the right to a certain number of Allianz AG shares, which are transferred over the next three years. The number of shares distributed depends on 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 distributed 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 AG shares. These payments are also disbursed over the next three years and are also subject to performance-related adjustments like the distribution of shares. These payments are accounted for in the same way as cash bonuses. The fair value is remeasured at the end of the reporting periods on the basis of the change in the price of Allianz AG's shares. The expenses are recognised over a period of three years.

In the fiscal year under review, rights to the transfer of 1,086,963 Allianz AG shares were issued. These were disclosed as share-based payment, measured at the fair value on the grant date and expensed over three years. The corresponding expense in the fiscal year amounted to €60 million. The number of share rights as at 31 December 2004 declined to 1,011,380 Allianz AG shares due to employee departures, which led to their rights lapsing.

In the fiscal year under review, rights to cash payments were granted corresponding to the value of 74,651 Allianz AG shares. In 2004, the corresponding expenses amounted to €4 million. The number of cash payment rights as at 31 December 2004 declined to the equivalent of 67,973 Allianz AG shares due to employee departures, which led to their rights lapsing.

(48) Significant subsidiaries, associates and joint ventures

In addition to Dresdner Bank Aktiengesellschaft, which is domiciled in Frankfurt am Main and registered in the Commercial Register of the Frankfurt am Main Local Court under the number HRB 14000, 116 companies are fully consolidated and 12 accounted for using the equity method in the consolidated financial statements, as described below.

Significant subsidiaries. Subsidiaries consolidated as at 31 December 2004 included 48 domestic (previous year: 61) and 68 foreign (previous year: 84) entities, including 14 (previous year: 13) funds and 24 special purpose entities as required by SIC 12. These figures include 11 sub-groups, but not their 188 companies and the eight enterprises within them accounted for using the equity method.

Seventeen domestic and 35 foreign companies (previous year: 13 domestic and seven foreign entities) were deconsolidated. Four domestic and 19 foreign companies (previous year: four domestic and 13 foreign entities) were included in consolidation for the first time.

66 domestic and 78 foreign Group companies (previous year: 72 domestic and 121 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 increased by a total of €91 million or 0.02% (previous year: €302.2 million or 0.06%); the effect on the net income/net loss would have amounted to €0.9 million or 1.02% (previous year: €2.3 million or 0.1%).

Six enterprises were included in the consolidated financial statements on the basis of accounts prepared as at 30 September 2004, and six enterprises were included on the basis of accounts prepared as at 30 November 2004.

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. In 2004, this resulted in goodwill of €0.4 million (previous year: €25 million). Changes in goodwill are discussed in Note 22, intangible assets.

Associates. Investments in eight (previous year: eight) and three (previous year: two) 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.

Joint ventures. One (previous year: two) joint ventures in which the Group holds 50% of the shares was also included in consolidation using the equity method.

The Group's pro rata share of the profit and loss reported by these companies is included in net interest and current income under the item current income from investments in enterprises accounted for using the equity method.

The Group's share in the aggregate assets and liabilities, as well as in the income and expenses, of the joint ventures is set out below:

€m	**2004**	**2003**
Assets	261	365
Liabilities	–	72
Income	0	35
Expenses	0	16

No control of subsidiaries. The following companies in which we hold more than half of the voting rights were not included in consolidation as they are not controlled by us: EP Euro-Projektentwicklungs GmbH & Co. Objekt 1KG, Frankfurt am Main (100.0%), EP Euro-Projektentwicklungs GmbH & Co. Objekt Am Markt Chemnitz KG, Frankfurt am Main (88.3%) and EP Euro-Projektentwicklungs-Verwaltungs GmbH, Frankfurt am Main (100.0%).

List of shareholdings. The list of our shareholdings pursuant to section 313 (2) of the HGB is filed with the Commercial Register at the Frankfurt/Main Local Court, under registration number HRB 14000. This list contains significant subsidiaries, associates and joint ventures; it is not contained in the Notes.

(49) Changes in the companies included in consolidation

Additions

Germany
CCB Zweite FraMü Beteiligungs GmbH, Frankfurt/Main
dbi DGF BOND, Frankfurt/Main
Dresdner Grund Money Market, Frankfurt/Main
Dresdner Mezzanine GmbH, Frankfurt/Main

Other countries
Alexandria Capital PLC, London
Beethoven, New York
Bosphorus Capital Limited
Bridge Finance Inc., Grand Cayman
Dresdner Kleinwort Holding Inc., New York
Dresdner Kleinwort Wasserstein France SAS, Paris
Dresdner Kleinwort Wasserstein Leasing Inc., San Mateo
Dresdner Kleinwort Wasserstein Securities France SA, Paris
DrKW Finance Inc., New York
DrKW Pfandbriefe Investment Inc.
FAF Inc., Grand Cayman
Kleinwort Benson Investment Management Americas Inc., New York
Limited Liability Company Teza, Moscow
Octagon, London
Pioneer Investment, Ireland
Skylark, London
Symphony 1 LLC, New York
Symphony No. 2, Delaware
TGAF Inc., Grand Cayman

Disposals

Name	Reason for deconsolidation
Allianz Dresdner Asset Management Taiwan Limited, Taipei	Spun off
Assurance Finance Europe (AFI Europe), Paris	Sold within Allianz Group
Assurance Vie et Prévoyance (AVIP) SA, Paris	Sold within Allianz Group
Assurance Vie et Prévoyance-Indendie, Accident, Paris	Sold within Allianz Group
Caywood Scholl Capital Management LLC, San Diego	Spun off
Compagnie Financière pour la Réalisation d' Opération, Lyon	Sale
dbi-Fonds AKAS, Frankfurt/Main	Liquidation
Dresdner Asset Management (UK) Ltd., London	Spun off
Dresdner Asset Management Ltd. i.L., Singapore	Spun off
Dresdner Bank CZ a.s., Prague	Liquidation
Dresdner Bank Lateinamerika, Santiago de Chile	Sale
Dresdner BdW Beteiligungsverwaltungsgesellschaft, Dresden	Merged with Dresdner Bank AG
Dresdner Forfaitierungs Aktiengesellschaft, Zurich	Liquidation
Dresdner Gazdasagi Szolgaltato Kft., Budapest	Liquidation
Dresdner Global Asset Management Beteiligungs GmbH, Frankfurt/Main	Spun off
Dresdner Kleinwort Wasserstein Australia Limited, Sydney	In liquidation
Dresdner Kleinwort Wasserstein Securities Società, Milan	Merged with Dresdner Finanziaria S.p.A.
Dresdner Pension Fund Holdings LLC, Wilmington/Delaware	Liquidation
Dresdner Polska Verwaltungs Sp.z.o.o. i.L., Warsaw	Liquidation
Dresdner RCM Distributors LLC, San Francisco	Spun off
Dresdner RCM Global Investors (Jersey) Australia, St. Helier/Jersey	Spun off
Dresdner RCM Global Investors (Jersey) Hong Kong, St. Helier/Jersey	Spun off
Dresdner RCM Global Investors (Jersey) Taiwan, St. Helier/Jersey	Spun off
Dresdner Zahlungsverkehrsservice GmbH, Frankfurt/Main	Sale

Name	Reason for deconsolidation
FGI Frankfurter Gesellschaft für Industriewerte mbH, Frankfurt/Main	Merged with Dresdner Bank AG
FGL Frankfurter Gesellschaft für Luftfahrtwerte mbH, Frankfurt/Main	Merged with Dresdner Bank AG
First European ALPHA Beteiligungs GmbH, Frankfurt/Main	Merged with Dresdner Bank AG
First European GAMMA Beteiligungs GmbH, Frankfurt/Main	Merged with Dresdner Bank AG
GENUJO Dritte Beteiligungs GmbH, Frankfurt/Main	Merged with Dresdner Bank AG
GENUJO Erste Beteiligungs GmbH, Frankfurt/Main	Merged with Dresdner Bank AG
GENUJO Fünfte Beteiligungs GmbH, Frankfurt/Main	Merged with Dresdner Bank AG
GENUJO Siebte Beteiligungs GmbH, Frankfurt/Main	Merged with Dresdner Bank AG
GENUJO Zweite Beteiligungs GmbH, Frankfurt/Main	Merged with Dresdner Bank AG
Hetha Beteiligungsgesellschaft mbH, Bad Vilbel	Merged with Dresdner Bank AG
Hetha Erste Beteiligungsgesellschaft mbH, Bad Vilbel	Merged with Dresdner Bank AG
Inversiones DBLA Limitada, Santiago de Chile	Sale
K.B.I.M. Overseas B.V., Amsterdam	Merged with Dresdner Finance B.V.
KBPB Holdings Ltd., London	Merged with Dresdner Finance B.V.
Kleinwort Benson Investment Management International, London	Merged with Dresdner Finance B.V.
New comp. USA 1, Grand Cayman	Sale
ORBIS Group Ltd, St. Peter Port, Guernsey	Merged with Kleinwort Benson Channel Islands
RCM Capital Management LLC, San Francisco	Spun off
RCM US Holdings LLC, San Francisco	Spun off
S.A. Martin Maurel Vie, Paris	Sold within Allianz Group
SCI AVIP SCPI Slection, Paris	Sold within Allianz Group
SCI Dicca, Paris	Sold within Allianz Group
SCI Garibaldi, Paris	Sale
SCI Mediteranee distributors, Paris	Sold within Allianz Group
SCI stratus, Paris	Sold within Allianz Group
Siebte FraMü Beteiligungs GmbH, Frankfurt/Main	Spun off
Weser Ems International Bond Funds A, Dublin	Merged with Oldenburgische Landesbank AG
Zwölfte DRESIB Beteiligungs-Gesellschaft mbH, Frankfurt/Main	Merged with Dresdner Bank AG

Name changes

New name	Previous name
DEGI Beteiligungs GmbH, Frankfurt/Main	Fünfte DRESIB Beteiligungs-Gesellschaft mbH, Frankfurt/Main
Dresdner Mezzanine GmbH & Co KG, Frankfurt/Main	Dresdner Private Placement GmbH & Co. SREI KG, Frankfurt/Main
4212657 Canada Inc., Toronto	Dresdner Bank Canada – Banque Dresdner du Canada –, Toronto

(50) Events occurring after the balance sheet date

No dividend will be distributed for fiscal year 2004.

Dresdner Bank was involved in a complex capital market transaction by Allianz in the first two months of the current year. As part of this, we sold our stake in Allianz; the sale was accretive to earnings in fiscal year 2004. In a further move, a transfer of shares in Munich Re to Allianz was agreed; this was implemented in February 2005.

(51) List of Supervisory Board members

Michael Diekmann Chairman	Chairman of the Board of Management of Allianz AG, Munich
Peter Haimerl Deputy Chairman	Dresdner Bank AG, Munich
Claudia Eggert-Lehmann	Dresdner Bank AG, Dortmund
Bernhard Enseling	Bad Griesbach
Christian Höhn	Dresdner Bank AG, Munich
Oda-Renate Krauß	ver.di Vereinte Dienstleistungsgewerkschaft, Berlin/Brandenburg district, Financial Services, Berlin
Dr. Heinz Kriwet	Member of the Supervisory Board of ThyssenKrupp AG, Dusseldorf
Prof. Dr. Edward G. Krubasik	Member of the Managing Board of Siemens AG, Munich
Dr. Dietmar Kuhnt	Member of the Supervisory Board of RWE AG, Essen
Igor Landau	Member of the Board of Directors of Sanofi-Aventis S. A., Paris
Dr. Hartmut Mehdorn	Chairman of the Management Board of Deutsche Bahn AG, Berlin
Brunhilde Nast	Dresdner Bank AG, Dresden
Dr. Helmut Perlet	Member of the Board of Management of Allianz AG, Munich
Dr. Bernd Pischetsrieder	Chairman of the Management Board of Volkswagen AG, Wolfsburg
Stefan Quandt	Chairman of the Supervisory Board of DELTON AG, Bad Homburg v. d. H.
Jürgen Rose	Dresdner Bank AG, Nuremberg
Sultan Salam	Dresdner Bank AG, Frankfurt/Main
Margit Schoffer	Dresdner Bank AG, Aalen
Uwe Spitzbarth	Head of the National Working Party on Banks, ver.di Vereinte Dienstleistungsgewerkschaft, Berlin
Dr. Bernd W. Voss	Frankfurt/Main

Honorary Chairman of the Supervisory Board

Dr. Wolfgang Röller	Frankfurt/Main

(52) List of members of the Board of Managing Directors and of offices held

Name	Offices held in other statutory supervisory boards of large corporations (as at 31 December 2004)
Dr. Herbert Walter Chairman	Deutsche Börse AG, Frankfurt/Main TSV München von 1860 GmbH & Co. Kommanditgesellschaft auf Aktien, Munich
Dr. Andreas Georgi	ABB AG, Mannheim Deutsche Schiffsbank AG, Hamburg/Bremen (Deputy Chairman) Deutscher Investment-Trust Gesellschaft für Wertpapieranlagen mbH, Frankfurt/Main Eurohypo Aktiengesellschaft, Eschborn Rheinmetall AG, Dusseldorf RWE Dea Aktiengesellschaft, Hamburg
Karl Ralf Jung	dresdnerbank investment management Kapitalanlagegesellschaft mbH, Frankfurt/Main
Dr. Stephan-Andreas Kaulvers (since 1 February 2004)	AGIS Allianz Dresdner Informationssysteme GmbH, Munich Allianz Dresdner Bauspar AG, Bad Vilbel[1)] (Chairman) Deutscher Investment-Trust Gesellschaft für Wertpapieranlagen mbH, Frankfurt/Main EWE Aktiengesellschaft, Oldenburg Oldenburgische Landesbank AG, Oldenburg[1)] (Chairman)
Jan E. Kvarnström	Dresdner Bank Lateinamerika Aktiengesellschaft, Hamburg[1)] (Chairman)
Wulf Meier (since 1 March 2004)	AGIS Allianz Dresdner Informationssysteme GmbH, Munich
Andrew Pisker	–

Name	Offices held in other statutory supervisory boards of large corporations (as at 31 December 2004)
Klaus Rosenfeld	Dresdner Bank Lateinamerika Aktiengesellschaft, Hamburg[1)] (Deputy Chairman)
Otto Steinmetz	Oldenburgische Landesbank AG, Oldenburg[1)]
Dr. Friedrich Wöbking	AGIS Allianz Dresdner Informationssysteme GmbH, Munich (Chairman)
	Dresdner Zahlungsverkehrsservice GmbH, Frankfurt/Main

[1)] Group office.

(53) List of offices held by members of staff

Name	Offices held in other statutory supervisory boards of large corporations (as at 31 December 2004)
Claudia Eggert-Lehmann	Allianz Aktiengesellschaft, Munich
Volker von Franqué	Schwälbchen Molkerei Jakob Berz AG, Bad Schwalbach (Deputy Chairman)
Peter Haimerl	Allianz Aktiengesellschaft, Munich
Joachim Heinsohn	Allianz Dresdner Bauspar AG, Bad Vilbel[1)]
Detlef Hermann	Kaiser's Tengelmann AG, Viersen
	RC Ritzenhoff Christal Aktiengesellschaft, Marsberg
Christian Höhn	Dresdner Zahlungsverkehrsservice GmbH, Frankfurt/Main
Bernd Kriegeskorte	Rathgeber AG, Munich (Deputy Chairman)
Hans Krogmann	Blohm + Voss GmbH, Hamburg
Dr. Altfried M. Lütkenhaus	RWE Solutions Aktiengesellschaft, Frankfurt/Main
Gert Jürgen Müller	GZS Gesellschaft für Zahlungssysteme mbH, Bad Vilbel
	Lombardkasse AG i. A., Berlin (Deputy Chairman)
Hildegard Müller	NOVA Allgemeine Versicherung Aktiengesellschaft, Hamburg
Sultan Salam	Allianz Aktiengesellschaft, Munich
Margit Schoffer	Allianz Aktiengesellschaft, Munich

[1)] Group office.

Group Risk Report

Group-Wide Risk Management and Risk Monitoring

Principles of risk management and control

Judicious, controlled risk-taking with a return-oriented focus is a cornerstone of Dresdner Bank's overall risk management policy. The objective is to identify and effectively manage risks entered into in the course of business activities. The essential success factor in this context is the strict integration of the divisions, the Institutional Restructuring Unit (IRU) and the functions within the Dresdner Bank Group, as well as coordination with the Allianz Group's Group Center units.

The roles and responsibilities are clearly defined in the Dresdner Bank's Group Risk Guideline. This Guideline lays down the fundamental principles for the risk management system applied by the Dresdner Bank Group and systematically implements the relevant statutory and internal requirements. It defines the framework for uniform methodologies and processes to be used in assessing and managing risks, in line with the standards laid down by the Allianz Group Risk Policy.

Global risk management and control are based on the following key risk principles:

- The Board of Managing Directors establishes the risk strategy for the Group and is responsible for its implementation.
- The organisational structure from a risk perspective and the functions, tasks and powers of the employees, committees and departments involved in the risk processes are clearly and unambiguously defined and cover all risk types.
- To ensure objectivity and prevent conflicts of interest, market/sales functions and risk management/control functions have been separated at a functional and organisational level up to and including the corporate management level. In addition, the risk management and control functions have been separated at the level below corporate management.
- Risk-related issues are taken into consideration in all business decisions. Clearly defined, appropriate processes and limits exist within the Group for activities entailing risks.
- The risk limitation process is closely linked to management processes such as strategic planning and performance measurement.
- Once identified, risks are reported openly and fully to the management instances responsible.
- Appropriate, effective controls exist for all processes entailing risks.

The Group Risk Guideline is supplemented by risk measurement and monitoring guidelines for specific risk types. The guidelines are reviewed regularly and adapted to take account of internal and external developments. A best-practice approach is used to ensure continuous further development of risk management activities. This is integrated with overall Bank management in line with the annual earnings, cost and risk budgeting process. Risk-based performance measurement is supplemented by risk limits at the overall bank and divisional level, as well as by consistent operating limits for individual business activities.

Organisation of risk management and control

The Chief Risk Officer, who is a member of Dresdner Bank's Board of Managing Directors, is responsible for independent Risk Control and Risk Management in the Bank's strategic divisions: Personal Banking, Private & Business Banking, Corporate Banking and Dresdner Kleinwort Wasserstein (DrKW).

The core tasks of Risk Control are to record credit and counterparty risks (including country risks), as well as market, liquidity, operational and business risks and risks from shareholdings, and to assess these in a timely fashion. Risk Control monitors compliance with the limits and risk standards approved by the Board of Managing Directors. This includes regular internal and external risk reporting at portfolio level.

The key tasks of the Risk Management units include loan decisions, as well as ongoing risk monitoring at client group level. In addition, Dresdner Kleinwort Wasserstein's Risk Management system is responsible for allocating the market risk limits adopted by the Board of Managing Directors to the risk-bearing activities within Dresdner Kleinwort Wasserstein. Risk is managed proactively using early warning systems and portfolio instruments.

The Large Transactions Group is responsible for risk management for Dresdner Bank's multinational and group clients, with particular reference to sector- and product-specific issues.

Risk Management also includes the intensive management of problem loans in the Corporate Banking and Dresdner Kleinwort Wasserstein divisions, as well as receivables management for the Personal Banking and Private & Business Banking divisions. The IRU is responsible for risk management for the Bank's non-strategic business.

Group-wide committees

To ensure a comprehensive risk management process at Group level, the Board of Managing Directors of Dresdner Bank established a number of committees:

The Capital Committee (CapCo) plays a central role in the value-driven management of the Dresdner Bank Group. It serves as a discussion and decision-making forum for all key methodological, strategic and operational questions concerning funding and the investment and allocation of capital.

In fiscal 2004, the Board of Managing Directors delegated the ongoing review of market risk strategy and positioning, as well as market risk management and the review of the methods used for this, to the Group Market Risk Committee (MaRCo). The MaRCo addresses Dresdner Bank's current market risks, prepares decisions on value at risk (VaR) limits at portfolio level and also approves the procedures and processes used for limit monitoring.

The task of the Risk Executive Committee (RExCo) is to formulate and enforce Group-wide guidelines and standards with regard to risk policy and the management of credit and counterparty risk, market and operational risk, as well as reputation risk.

The Group Credit Committee (GCC) was established as a decision-making body with responsibility for loans that exceed the scope of authority of the divisional Risk Management units. On the basis of the powers granted to it, the body decides on overall limits for individual commitments that do not require a decision by the Board of Managing Directors and issues recommendations on loan commitments to be decided by the Board of Managing Directors. In addition, the GCC is responsible for operational decisions relating to country risks, e.g. for country limit allocations within the regional limits laid down by the Board of Managing Directors.

Internal Audit

The Internal Audit function is an independent internal unit that monitors operating procedures and workflows, Risk Management and Risk Control as well as the internal control system. In this capacity it reports directly to the CEO and is not bound by any instructions during reporting and when evaluating the results of audits. The Internal Audit function ensures comprehensive monitoring on an enterprise-wide basis by integrating the subsidiaries' internal audit units and maintaining close cooperation with them.

Risk Types

Dresdner Bank differentiates between the following types of risk in the management of its business: (1) credit and counterparty risk, (2) market risk, (3) liquidity risk, (4) operational risk, (5) business risk, (6) risks from shareholdings and (7) other risks.

Details of the individual types of risks are as follows:

(1) Credit and counterparty risk

Dresdner Bank defines credit and counterparty risk as the potential loss resulting from the default of business partners, or write-downs resulting from an unforeseen deterioration in their creditworthiness. In more detail, this definition comprises credit and counterparty risks in the lending area, issuer risks in the case of securities holdings and counterparty risks from trading activities, as well as country risks.

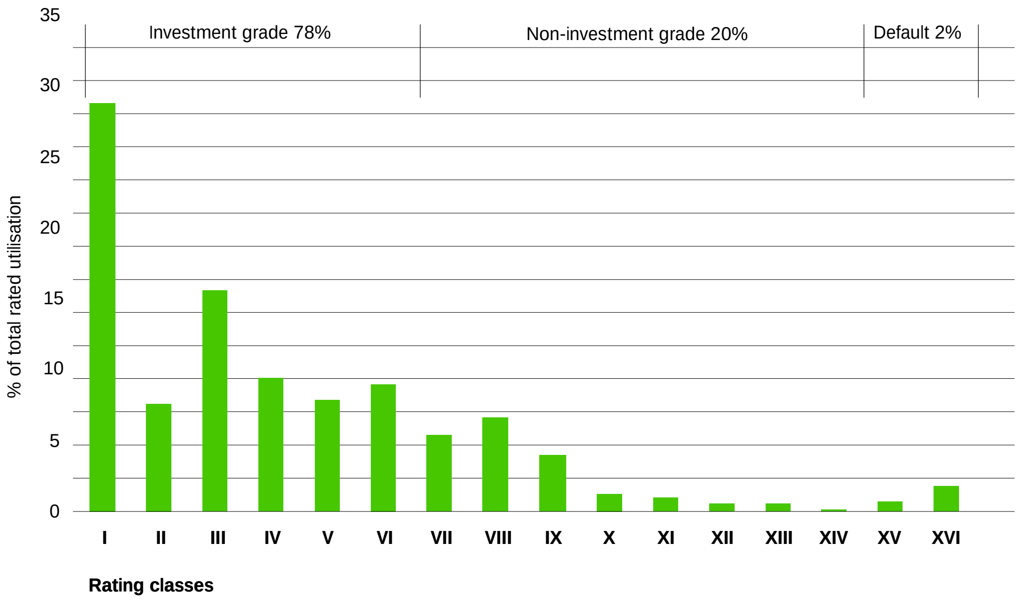
In 2004, priority was given to the further development of credit processes and credit risk control instruments. For example, the use of risk capital and expected loss as central elements of credit risk management and risk-oriented performance measurement was further refined with a view to the requirements of Basel II.

During the year under review, the Bank implemented its "one obligor" concept as the basic concept underlying its lending business: this consolidates all relevant individual debtors within the Dresdner Bank Group into a single lending unit per debtor. An individual risk manager is responsible for this single debtor unit.

Credit quality assessment methodology. Dresdner Bank uses statistics-based rating systems for credit quality assessment. The rating procedures are a central and integral part of credit risk management. The results of the rating process are used as the basis for the loan approval and monitoring process, to calculate the risk costs and costs of capital, and for the risk-appropriate pricing of new business.

The processes are validated regularly and optimised where required. In 2004, the procedures were further refined in accordance with our own high quality demands and with the requirements of Basel II (IRB Advanced Approach).

Portfolio overview. In 2004, we sharpened and strengthened the profile of our strategic business units. This entailed expanding our sector-specific expertise and introducing an organisational structure based on customer segments within the Risk Management units. The business bundled in the Institutional Restructuring Unit was dominated by more intensive and selective portfolio restructuring activities. Among other things, a number of subporfolios were sold to institutional investors. As part of our enhanced risk monitoring activities, reporting was expanded and focussed on compliance with the Minimum Requirements for the Credit Activities of Credit Institutions (Mindestanforderungen für das Kreditgeschäft – MaK). Around 78% of the total portfolio of Dresdner Bank and its subsidiaries have been assigned internal rating classes I to VI (investment grade).

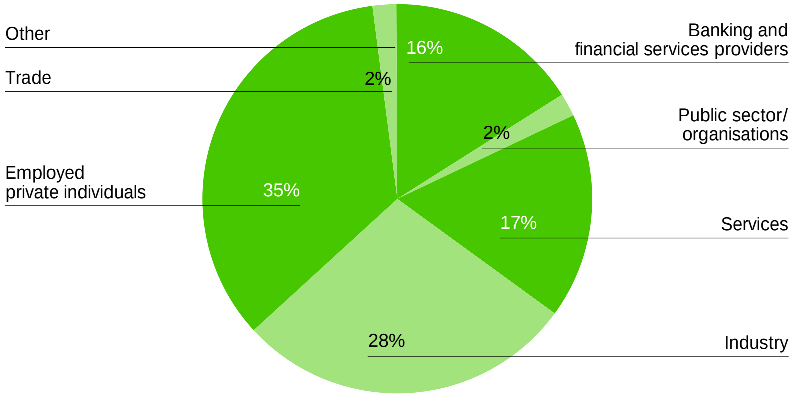


The volume of the total portfolio is largely determined by the Bank's trading activities, which account for 59% of total utilisation. Transactions with public sector authorities/public institutions and banks/financial service providers account for 89% of trading activities as well as 60% of the total portfolio and show a superior risk profile.

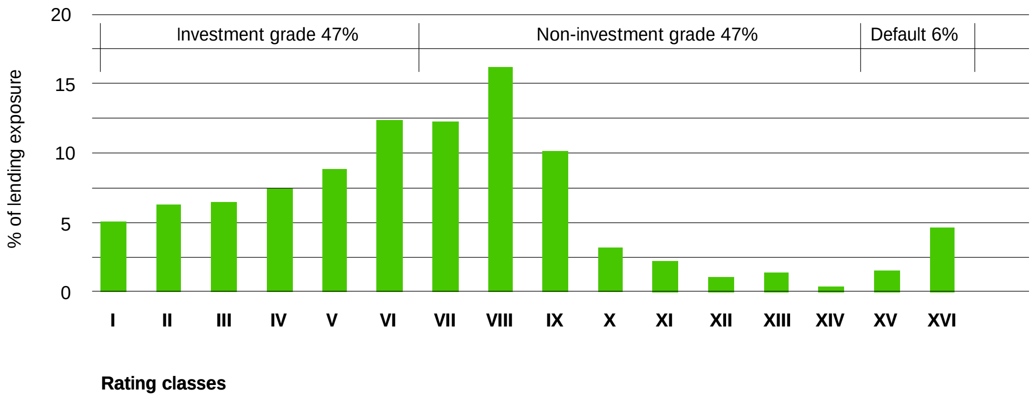
In fiscal 2004, the management of concentration risks was enhanced. In addition to developing and implementing specific strategies for selected commitments, investments and hedging activities were performed at portfolio level to increase portfolio diversification.

Credit and counterparty risk from lending activities. The Personal Banking division accounted for 34% of the Bank's lending business as at 31 December 2004, Private & Business Banking for 15%, Corporate Banking for 34%, Dresdner Kleinwort Wasserstein for 11% and the Institutional Restructuring Unit for 6%.

In line with the high percentage accounted for by the Personal Banking and Private & Business Banking divisions, employed private individuals form the largest customer group with 35% of the loan portfolio. Manufacturing industry and the service sector are the strongest customer segments in our business customer activities. In 2004, the risk profile in all customer/sector segments improved.



The Institutional Restructuring Unit's risk-driven reduction of its portfolio as well as the improvements in the loan processes that have already been made overall are reflected in a decrease in the average default probability for the loan portfolio. The breakdown of rating in the lending business is presented in the following overview.



Loan loss allowance and provisions for credit risks. Specific loan loss allowances are set up for risks arising from loans identified and quantified during the fiscal year; they are established either as asset-side provisions or as reserves for contingent liabilities (such as guarantees), taking existing collateral and other mitigation techniques (e.g. hedging, credit derivatives) into account.

General loan loss allowances cover inherent loan-related credit losses which may already have arisen but which have not yet been identified at the reporting date. The amount of these loan loss allowances is based on empirical historical default probabilities and loss ratios for the lending portfolio (provided that other risk provisions have not already been set up). The calculation is based on statistical methods of credit risk measurement and takes into account current cyclical developments as well as overall economic conditions.

Country risk allowances cover the risk to the Bank that a country will be unable or unwilling to provide sufficient funds in the underlying currency to service its cross-border debt as contractually agreed.

The following overview presents the amounts of the respective loan loss allowances as at the reporting date:

	Specific loan loss allowances		Country risk allowances		General loan loss allowances		Total	
€m	2004	2003	2004	2003	2004	2003	2004	2003
as at 31 December	3,607	5,019	260	269	565	664	4,432	5,952

Of the total amount of specific loan loss allowances, domestic business accounts for €3,117 million and international business for €490 million; €3,547 million is attributable to loans and advances to customers and €60 million to loans and advances to banks.

The clear decrease in specific loan loss allowances compared to 2003 (28%) is particularly due to the systematic reduction of loan loss allowances that had accumulated over time and mainly related to the non-strategic business, in addition to moderate net additions.

Counterparty risk from trading activities. Counterparty risk associated with derivative trading activities mainly arises in relation to over-the-counter (OTC) transactions. However, the resulting exposure cannot be inferred directly from the notional volumes for the latter. From the Bank's point of view, the decisive criterion when calculating counterparty risk at any given time is the positive replacement cost. This corresponds to the additional expense or reduced income that would result from the replacement of the transaction by an equivalent item if the counterparty were to default. At the end of the year, aggregate positive replacement costs for all OTC-traded derivatives amounted to €73,328 million (gross, before netting).

The table below provides a breakdown of the notional amounts and positive replacement costs of our entire derivatives business by market segment.

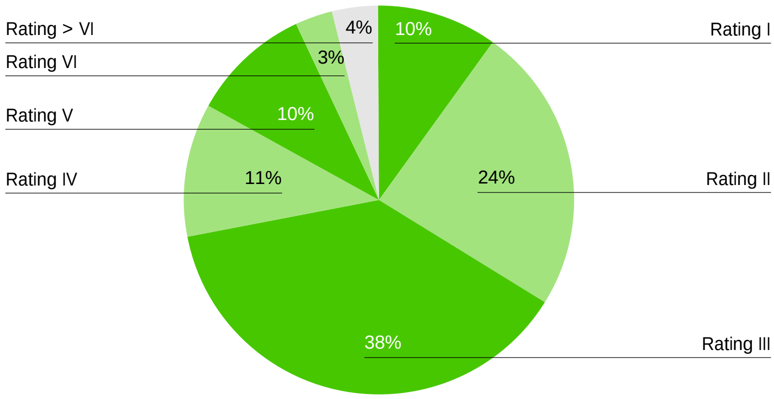
Market segments	**Notional amounts by time to maturity**				**Positive replacement costs**[1]
€m	<= 1 year	>1 year - 5 years	> 5 years	Total	
Interest rate derivatives	1,297,810	886,565	775,724	2,960,099	48,589
Currency derivatives	548,985	71,281	21,737	642,003	16,104
Equity/index derivatives	133,951	210,460	11,662	356,073	5,938
Credit derivatives	22,831	193,001	51,917	267,749	2,438
Other transactions	6,347	2,958	886	10,191	261
Total	**2,009,924**	**1,364,265**	**861,926**	**4,236,115**	**73,330**

[1] Not including netting effects.

The total notional volume of derivatives rose by 9.8% to €4,236 billion in the year under review. This was primarily due to equity/index derivatives, which increased by €156 billion (+77.7%), and credit derivatives, which increased by €183 billion (+216.9%). Interest rate derivatives continue to be the dominant product group, accounting for 70% of the total volume.

The maturity structure of the derivatives portfolio as a whole shifted slightly year-on-year from short- to long-term maturities. 48% (previous year: 51%) of all derivative transactions have a term of less than one year, an almost unchanged 32% (previous year: 33%) have a term of between one and five years, and 20% (previous year: 16%) have a term of more than five years.

Classification of counterparties by internal ratings



Further evidence of our conservative selection of trading counterparties in this area is provided by the classification of the positive replacement costs of our derivative transactions using internal credit ratings. Counterparties with investment grade ratings (categories I to VI) account for 96% (previous year: 97%) of positive replacement costs.

In the credit-sensitive field of OTC derivatives trading, counterparty selection is vital and remains focussed on prime-rated partners. This is confirmed by the high proportion (90%; previous year: 95%) of positive replacement costs attributable to credit institutions, other financial service providers, insurance companies and sovereign borrowers.

Counterparty by industry sector €m	Positive replacement costs 31/12/2004	31/12/2003
Banks	46,014	38,611
Other financial service providers	19,752	16,063
Insurance companies	115	411
Industrial companies	669	741
Telecommunication, media, technology	3,159	489
Transport	492	457
Extractive industries	19	148
Real estate	126	108
Sovereign borrowers	59	1,119
Other	2,925	773
Total – before netting	**73,330**	**58,920**
Total – after netting	**20,492**	**18,220**
Total – after netting and collateral	**13,926**	**14,251**

Despite the substantial rise of positive replacement costs before netting from €59 billion to €73 billion (+24%), this value was reduced by the increased use of netting and collateral management as explained below, falling by 2% from €14.3 billion to €13.9 billion.

Netting. We enter into cross-product master netting agreements with our business partners in order to reduce the counterparty risk in trading activities. Netting allows all claims and liabilities not yet due to be offset against each other in the case of counterparty default. Dresdner Bank uses such master agreements not only to reduce risks and the utilisation of internal counterparty limits, but also to reduce regulatory capital requirements. After adjustment for netting effects, positive replacement costs declined by €53 billion (previous year: by €41 billion).

Collateral management. In addition to the netting agreements, the collateralisation of exposures from counterparty risks (positive replacement costs after netting) is agreed (collateral management). At year-end, the lending value of the collateral received in relation to these derivatives transactions amounted to roughly €6.6 billion (previous year: €4.0 billion). After netting and deduction of the collateral furnished, Dresdner Bank Group's exposure from counterparty risks thus amounted to approximately €13.9 billion (previous year: €14.3 billion).

Credit risk exposures that are required to be included in credit and counterparty risk management are managed within the Bank using a global, multi-stage limit system, and are monitored continuously. Both the current replacement costs and any potential future fluctuations in the value of the commitments concerned are taken into account in the credit and counterparty risk exposures. As part of this calculation, a value at risk approach is used to quantify collateralised transactions.

When quantifying counterparty risks from derivatives for regulatory purposes, both replacement costs and a global estimate of future market price fluctuations (potential exposure) are taken into account. The assessment of this potential risk depends on the underlying product involved and the individual time to maturity (add-on). This is combined with the relevant replacement cost to yield the credit equivalent value of a derivative transaction. The aggregate credit equivalent values were quantified in line with Principle I of the Kreditwesengesetz (KWG – German Banking Act), i.e. before credit weighting and after regulatory netting, at €43.4 billion (previous year: €36.2 billion). The risk-weighted assets from derivatives relevant for regulatory capital amounted to €9.2 billion, as against €8.1 billion the previous year. The increase in these two parameters is largely due to the decline of the US dollar against the euro and related contracts involving foreign currency risk (e.g. currency forwards and options).

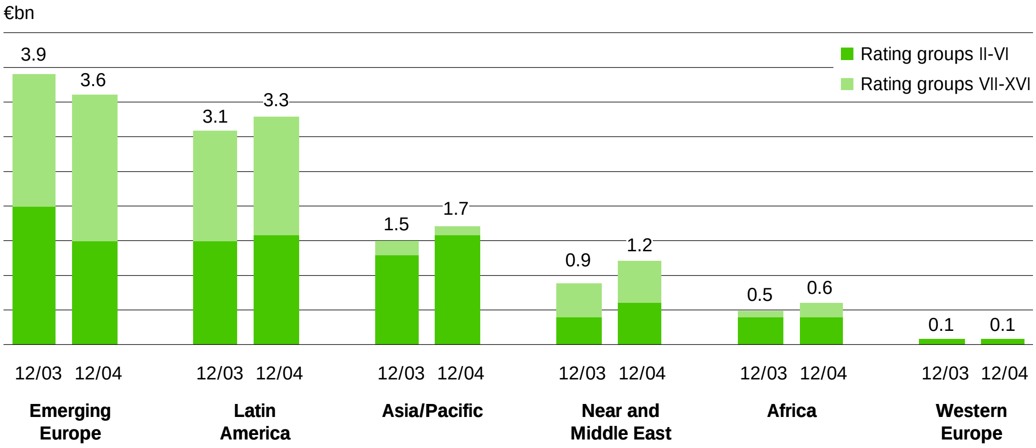
Settlement risk. Settlement risk is defined as a further component of counterparty risk. This short-term risk arises during the settlement of transactions whenever instructions for payment are issued before the consideration is received (e.g. where currencies are exchanged in forex transactions). The settlement risk is counted towards the corresponding counterparty limit per value date in the amount of the consideration owed. In order to avoid or minimise these risks, we are increasingly settling such transactions via clearing houses (e.g. via CLS – continuous linked settlement – in the case of forex transactions). In addition, individual netting agreements with individual counterparties as already described above are in place in this area as well to minimise risks.

Country risk. Dresdner Bank defines country risk as convertibility and transfer risks relating to cross-border transactions, plus the risk arising from local operations by the Bank's foreign branches. Our assessment of country risk is based on an internal country rating system. The assessment of individual countries is based on quantitative, mainly macroeconomic key indicators as well as qualitative factors (the economic, social and political situation of the country). The system focusses in particular on solvency in the foreign currency. The country rating system was extended from eight to 16 rating groups in spring 2004 to bring it into line with the individual credit rating system used for our clients. These provide for classification into countries without identifiable country risks and countries with an increased or high risk potential.

Country risk management aims to limit transfer and local risks using a comprehensive country limit system. Since June 2004, this provides for risk capital limits for non-strategic and strategic businesses, which in the latter case includes defined limits for geographical regions and individual countries.

The Dresdner Bank Group's overall country risk exposure can be broken down into countries without an identifiable country risk (unchanged at 96.4%) and countries with an increased or high risk potential (3.6%). Around 34% of the latter were identified as belonging to our non-strategic business. In addition, country exposure is broken down into the industrialised countries (Country Rating Group I, accounting for 92.1% of total exposure) and all other countries (7.9%); of the latter figure, approximately 45% is attributable to emerging markets (Country Rating Groups VII to XVI).

The following chart provides a breakdown of exposures for the Country Rating Groups II-XVI by region:



Around 60% of our exposure in Latin America is accounted for by our non-strategic business, 4% in Emerging Europe, 14% in the Near and Middle East, 1% in Asia and 0% in Africa and Western Europe respectively.

(2) Market risk

Market risk is determined by changes in market prices and rates (such as interest rates, exchange rates and share prices) as well as the correlations between them and their volatility level.

The value at risk method is used to measure market risk in the Group's global trading activities. Value at risk is defined as the maximum loss that is not exceeded for a given level of probability (confidence level) within a given period (holding period). Dresdner Bank's internal value at risk model takes both general and specific risks into account. The Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) approved the Bank's model for the purposes of regulatory reporting in accordance with Principle I of section 10 of the KWG for the first time in 1998 and later approved the enhancements to the model that were made in 2001, 2002 and 2004.

This value at risk model is supplemented by weekly stress tests. The entire range of standard stress tests (e.g. parallel shifts and twists in yield curves, the appreciation and depreciation of the euro, etc.) through to historical stress tests (e.g. "September 11", "Russian Crisis", "Asian Crisis", etc.) and current macroeconomic stress tests are applied.

Internal market risk management. In addition to regulatory reporting requirements, value at risk is calculated for the purposes of internal monitoring and risk measurement using a confidence level of 95% and a one-day holding period. In contrast to calculations for regulatory purposes, higher weight is assigned to more recent market fluctuations than to older market parameters. This ensures that the value at risk data reflects current market developments in a timely manner.

In addition to applying the value at risk approach, the Bank monitors market risk using operational risk indicators and limits, which are tailored to the specific needs and risk situations of the individual trading units. Trading activities are managed using the value at risk and operational market risk limit framework, and monitored on a daily basis by Risk Control. Where limits are exceeded, the responsible management is notified and takes action to remedy the situation.

In accordance with the principle of dual risk management, Risk Management is responsible for setting the limits for the different risk activities in its respective unit within the overall framework approved by the Board of Managing Directors. Risk Control ensures the consistency and completeness of all approved limits.

A general distinction is made between activities in the trading book and activities undertaken in order to manage market risk in the banking book. The latter also includes securities held for investment purposes.

Market risk in the trading book. The risk from trading activities declined over the year. Due to the diversification at portfolio level, which is accounted for in value at risk using correlations between the individual risk categories, the aggregate risk is lower than the total figure for risks broken down by risk type.

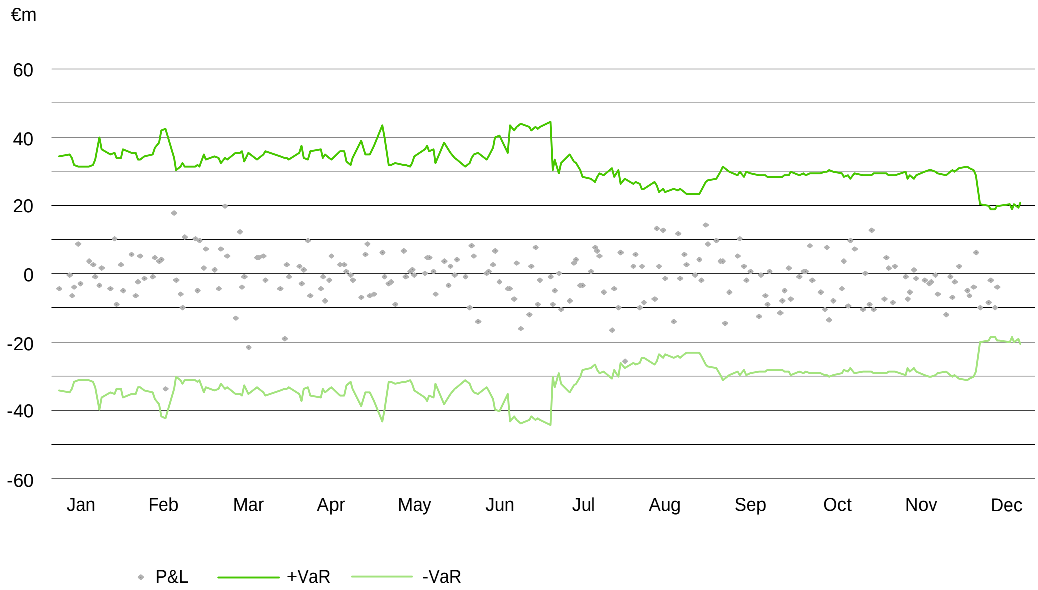
Value at risk statistics (99% confidence level, 10-day holding period)

Value at risk	**31/12/2004**	**2004 annual statistics**			**31/12/2003**
€m		Mean value	Maximum	Minimum	
Aggregate risk	50	95	155	46	96
Interest rate risk	57	99	159	49	88
Equity risk	15	20	36	12	29
Currency/commodity risk	9	11	37	2	19
Diversification effect[1)]	-31	-35	–	–	-40

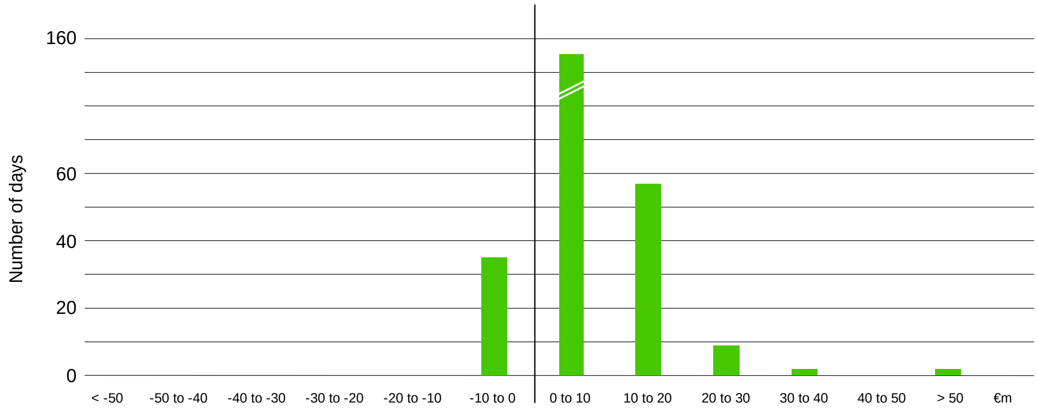
[1)] No diversification effect can be taken into account for the maximum and minimum values, as these were measured on different dates.

To validate the quality of our value at risk model, the calculated value at risk and the hypothetical performance computed for the particular trading day are compared on a daily basis (backtesting). For the hypothetical performance only the performance from the modified market data is taken into account; income components from changes in items that are not part of the value at risk model are not considered. No outliers were observed at the level of the Dresdner Bank Group in 2004.

Backtesting (99% confidence level, 1 day holding period) v. hypothetical performance



The distribution of daily changes in portfolio values was as follows:



Market risk in the banking book. The market risk in the banking book mainly comprises the risk of interest rate changes. Dresdner Bank's Treasury department is responsible for performance and risk in relation to the management of interest rate risks in the banking book. Position risk is limited using operational value at risk limits, which are also used in the same way to monitor trading. Risk Control determines, monitors and reports the risk limit utilisation on a daily basis; value at risk is calculated on the basis of a confidence level of 99% and a ten-day holding period. After adjustment for portfolio effects, the interest rate value at risk from the Group's banking book amounted to €8.6 million at the end of 2004 (previous year: €31.2 million).

In addition to the interest rate risk, the Bank is subject to currency risks on loans and deposits denominated in foreign currencies. As a rule, all loans and deposits in foreign currency are refinanced or reinvested in the same currency with matching maturities. The residual risk of exchange rate changes in commercial business primarily results from intra-year income developments at foreign affiliated enterprises.

(3) Liquidity risk

Liquidity risk is defined as the risk that a bank may not be able to meet its current and future payment obligations in full or on time, or that in the case of a liquidity crisis refinancing may only be obtained at higher market rates (funding risk) and that assets may only be liquidated at a discount to the market rates (market liquidity risk) respectively.

The Treasury department is responsible for managing liquidity and liquidity risk within the Dresdner Bank Group. Regional Treasury units monitor local markets and report regularly to the Treasury department. Risk Control, which is a functionally and organisationally independent unit, is responsible for monitoring risk limits, validating the methodology used and reporting.

Treasury and Risk Control have laid down principles for liquidity management as part of a Group Liquidity Policy. This policy meets both regulatory requirements and internal standards. It includes the setting of liquidity risk limits as well as the establishment of an escalation process when limits are exceeded, plus emergency planning.

Liquidity risk is managed at Dresdner Bank AG and relevant subsidiaries using an integrated liquidity management system that provides management information for the Treasury department and a limit system based on this for the independent Risk Control function.

The liquidity management system is used to run daily scenario-based run-off profiles, i.e. the maturity structures for cash flows from operating activities. In addition, certain derived parameters are analysed, e.g. volumes and the composition of available-for-sale securities, securities deposited as collateral with central banks, unsecured funding through banks and own issues of money-market securities.

The regulatory requirements form the external framework for liquidity management. As at 31 December 2004, application by Dresdner Bank AG of the Principle II ratio (the ratio of highly liquid assets to short-term liabilities) as defined by the BaFin produced excess liquidity (maturity: one month) of €24.2 billion.

(4) Operational risk

In accordance with the International Convergence of Capital Measurement and Capital Standards of the Basel Committee on Banking Supervision, Dresdner Bank defines operational risk as risks resulting from an organisation’s business process. They can arise from inadequacies or failures in business processes, projects or controls, and may be due to technology, staff, organisational structures, or external factors.

The independent Risk Control function defines consistent minimum requirements for operational risk for the entire Dresdner Bank Group, and also ensures that preparatory measures for the determination of operational risk are coordinated across all divisions and subsidiaries.

Guidelines and policies have been established in order to ensure a systematic and consistent process consisting of identification, assessment and reporting of operational risks, as well as their management and monitoring. Risk Control supports the divisions and subsidiaries with the implementation of the integrated approach, and in particular with the individual assessment of operational risks.

A loss database is used to record and analyse actual losses incurred as a result of operational risks. This forms the basis for the target-oriented, detailed analysis and elimination of the causes of such losses. The Dresdner Bank Group units use a structured self-assessment process to assess individual operational risks and the quality of their workflows. The process managers assess all significant risk factors with respect to their potential frequency and loss severity.

An internal risk model has been developed for calculating economic (internal) risk capital requirements; this will also be used in future for the calculation of the regulatory capital in accordance with Basel II. Risk capital requirements for organisational units, locations, products or risk factors are computed using the results obtained from the structured self-assessment process. Loss data is employed to validate the results.

The Bank's regular reporting procedures under the integrated approach, which comprise loss data analysis, self-assessment and risk indicators, were further enhanced in 2004. Reports are sent to the Board of Managing Directors, the divisional heads and the relevant process owners.

(5) Business risk

Business risk is defined as unexpected fluctuations in results that arise when expenses cannot be reduced in line with a decline in earnings. Reasons for fluctuations in results may include changes in the competitive situation or customer behaviour, or the consequences of technological advances. Dresdner Bank's business strategy is constantly reviewed in order to avoid business risk and, if necessary, adapted to reflect changing general conditions. In particular, the cost-cutting measures already implemented have reduced the fix cost risk.

Above and beyond the regulatory capital requirements, business risks are backed by economic risk capital as part of internal control procedures. Starting with the approved budget, the relevant risk capital requirements are determined using a scenario approach in which the individual income and cost components are subjected to division-specific stress scenarios. The resulting decline in income serves as a quantitative indicator of the existing business risk and is backed by the corresponding amount of risk capital.

(6) Risks from shareholdings

Risks from shareholdings are potential losses that could arise from the provision of equity to third parties. These risks result from general market fluctuations and issuer-specific factors. Dresdner Bank distinguishes between risks from listed investments and risks from private equity investments.

In addition to being included in the regulatory capital backing, risks from shareholdings are backed by economic risk capital, taking historical fluctuations in value into account, and disclosed as a separate risk category as part of internal control. The economic risk capital backing provided in this context substantially exceeds current regulatory weighting factors.

(7) Other risks

In addition to the types of risk outlined above, which are monitored and reported on by Group Risk Control, other risks may be encountered. These take the form of legal risk, strategic risk and reputation risk.

Legal risk. Legal risk comprises the risk of losses due to new statutory regulations, disadvantageous amendments to existing regulations and their interpretation, and the risk that contractually agreed provisions may not be legally enforceable or that a court may replace agreed contractual provisions by other provisions detrimental to the Bank.

Limiting legal risk is one of the key tasks of the Legal function. This is achieved, for example, by using internationally recognised standard documentation and, if necessary, by obtaining legal opinions. The contractual conditions for established products are continuously reviewed to include any amendments required by changes in legislation or case law.

Strategic risk. Dresdner Bank accounts for strategic risk – the risk of not achieving long-term corporate goals based on underlying business assumptions and projections – by continuously monitoring its market position and competitive environment. As part of a systematic multi-year planning process, the Board of Managing Directors regularly reviews the validity of the strategies employed in the individual divisions and business units, the resulting strategic initiatives and investments, and the portfolio structure of the Bank as a whole.

Reputation risk. Reputation risk is the risk of direct or indirect losses that could arise due to the deterioration of the Dresdner Bank Group's reputation, either in its own right or as part of the Allianz Group, among its stakeholders, clients, Allianz shareholders, staff, or the more general public. Risks affecting the Bank's reputation are analysed and quantified in the Risk function and managed in conjunction with the Communication & Marketing unit.

Summary of the Bank's Risk Position

Dresdner Bank's overall risk management policy revolves around its internal risk capital requirements – the amount needed to back the risks entered into in the form of unexpected losses. Risk capital requirements include credit and counterparty risk (including transfer risk), market risk, operational risk, business risk and risks from shareholdings. These individual risks are aggregated to produce the overall risk for the individual divisions and the Bank as a whole, after adjustment for diversification effects between different risk types which reduce the overall risk level.

Risk capital requirements by risk type[1)]	**31/12/2004** €bn	**31/12/2003** €bn
Credit and counterparty risk, incl. transfer risk	5.1	5.9
Market risk	0.4	0.8
Operational risk	1.1	1.1
Business risk	0.5	0.6
Risks from shareholdings	2.8	3.0
Total (excl. diversification effect)	**9.9**	**11.4**
Diversification effect	-2.0	-2.2
Total	**7.9**	**9.2**

[1)] 2003 values adjusted to reflect methodological changes.

The decrease in 2004, like that in 2003, is primarily due to the reduction in our non-strategic business by the Institutional Restructuring Unit.

Risk capital requirements are reconciled on a monthly basis with the capital available as risk cover. In 2004, the risks entered into were never larger than the available risk cover amount. Risk capital requirements are used as the basis for risk limitation at the level of the Bank as a whole and of the individual divisions. The size of the limits is derived annually from the risk cover amount and adjusted, if necessary, in line with risk acceptability considerations. The limits are approved by the Full Board of Managing Directors and require the explicit consent of the Supervisory Board's Credit and Risk Committee. Limit utilisation reports are submitted to the Board of Managing Directors on a monthly basis and to the Supervisory Board at regular intervals.

Along with the risk acceptability analysis, risk capital requirements are also taken into account as part of the annual earnings, cost and risk budgeting process. The key performance measure is Economic Value Added (EVA). In addition to the usual income components in the financial statements, EVA recognises the costs of economic risk as reflected by the economic risk capital requirement. While EVA takes the costs of capital into account at their annual average values, the risk acceptability assessment is based on the values at the closing date.

Dresdner Bank's internal risk measurement methods are compared regularly with the standards used by Allianz for its insurance business, in order to ensure comparable risk measurement within the Allianz Group and hence consistent risk capital allocation between the banking and insurance businesses.

The Bank continuously refines and optimises its internal risk measurement procedures as well as the necessary underlying data and processes so as to maintain best-practice risk management. This also provides the basis for meeting the Basel Committee's future regulatory capital requirements. Internal and regulatory risk measurement methods will clearly converge, to some extent, although not entirely, with the implementation of the Basel II requirements, particularly as regards the measurement of credit and counterparty risk.

Declaration by the Board of Managing Directors

The consolidated financial statements of Dresdner Bank AG have been prepared in accordance with the provisions of the International Financial Reporting Standards (IFRSs) and the Interpretations of the International Financial Reporting Interpretations Committee (IFRIC). They qualify as exempting consolidated financial statements in accordance with section 292a of the Handelsgesetzbuch (HGB – German Commercial Code). The supplementary information required by the European Directives has been incorporated into these Notes to the Consolidated Financial Statements.

Frankfurt/Main, 24 February 2005

Dresdner Bank
Aktiengesellschaft

Dr. Walter	Dr. Georgi	Jung	Dr. Kaulvers
Kvarnström	Meier	Pisker	Rosenfeld
Steinmetz	Dr. Wöbking		

Independent Auditors’ Report

We have audited the consolidated financial statements, comprising the balance sheet, the income statement and the statements of changes in shareholders’ equity and cash flows as well as the notes to the financial statements prepared by Dresdner Bank Aktiengesellschaft, Frankfurt/Main, for the business year from 1 January to 31 December 2004. The preparation and the content of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit of the consolidated financial statements in accordance with German auditing regulations and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (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 it can be assessed with reasonable assurance whether the consolidated financial statements are free of material misstatements. Knowledge of the business activities and the economic and legal environment of the Group and evaluations of possible misstatements are taken into account in the determination of audit procedures. The evidence supporting the amounts and disclosures in the consolidated financial statements is examined on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the net assets, financial position, results of operations and cash flows of the Group for the business year in accordance with International Financial Reporting Standards (IFRS).

Our audit, which also extends to the group management report prepared by the Company’s management for the business year from 1 January to 31 December 2004, has not led to any reservations. In our opinion on the whole the group management report provides a suitable understanding of the Group’s position and suitably presents the risks of future development. In addition, we confirm that the consolidated financial statements and the group management report for the business year from 1 January to 31 December 2004 satisfy the conditions required for the Company’s exemption from its duty to prepare consolidated financial statements and the group management report in accordance with German law.

Frankfurt/Main, 25 February 2005

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Wohlmannstetter	Andriowsky
Wirtschaftsprüfer	Wirtschaftsprüfer

Report of the Supervisory Board

Michael Diekmann, Chairman of the Supervisory Board

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 management. It was informed in writing and verbally by the Board of Managing Directors in a regular, comprehensive and timely manner of the intended business strategies and other fundamental issues concerning corporate planning, the position and development of the Bank and the Group and key transactions. The Supervisory Board also regularly discussed these matters with the Board of Managing Directors.

In its three regular meetings, the Supervisory Board was informed by the Board of Managing Directors with regard to the course of business, significant lending commitments and investments, and other matters of material importance to the Group. In these meetings, the Supervisory Board also discussed the realignment of the Bank's business model, especially the new strategic structures for the business with private clients and business clients. In addition to its regular reports regarding the progress and status of the "New Dresdner" Programme introduced in fiscal year 2003, the Board of Managing Directors presented the new market and sales campaign, which the Supervisory Board examined in detail. The Supervisory Board also discussed the disposal of non-strategic investments as well as the disposal of Dresdner Bank Lateinamerika AG's private client business, and approved the measures where required.

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 Supervisory Board further discussed the Board of Managing Directors' credit risk strategy, which was reported according to the Minimum Requirements for the Credit Activities of Credit Institutions issued by the German Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungen – BaFin), as well as the risk report by the Board of Managing Directors, which now has to be issued on a quarterly basis.

As the German Corporate Governance Code primarily addresses listed companies, and Dresdner Bank AG was delisted with effect from 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 into 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 Operations Committee (Betriebsausschuss), the Accounts Committee (Bilanzausschuss) and the Mediation Committee in accordance with section 27 (3) of the German Co-determination Act (Mitbestimmungsgesetz).

The Executive Committee met on three occasions in fiscal year 2004 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 Bank's loan portfolio structure, risk management and exposures subject to particular risks. The Operations Committee of the Supervisory Board also met three times in fiscal year 2004, and considered structural, organisational, social and other internal issues. At the 2004 meeting of the Accounts Committee, Dresdner Bank's single-entity and consolidated financial statements as at 31 December 2003 were discussed. A meeting of the Mediation Committee was not required.

The Chairman of the Supervisory Board reported regularly to the plenary meeting on 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 also 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 2004 financial statements and management report of Dresdner Bank AG, prepared in accordance with the HGB (German Commercial Code), and the 2004 consolidated financial statements and group management report of the Dresdner Bank Group, prepared in accordance with the IFRS, were audited by KPMG Deutsche Treuhand-Gesellschaft 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 meeting of the Accounts Committee. The auditors who signed the single-entity and consolidated financial statements were present at both 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 2004, as presented by the Board of Managing Directors. The final results of this examination did not result in any objections. At its meeting on 10 March 2005, the Supervisory Board therefore approved the single-entity financial statements and the consolidated financial statements. The single-entity financial statements are thereby adopted.

In addition, the Board of Managing Directors presented to the Supervisory Board the report of the Board of Managing Directors on relations to connected enterprises in accordance with section 312 of the German Stock Corporation Act (Aktiengesetz) 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 report on relations with connected enterprises 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 report on relations with connected enterprises.

The following changes to the Board of Managing Directors took place in fiscal year 2004: Dr. Stephan-Andreas Kaulvers was appointed as a member of the Board of Managing Directors with effect from 1 February 2004. Mr. Wulf Meier was appointed in fiscal year 2003 as a member of the Board of Managing Directors with effect from 1 March 2004.

The Supervisory Board would like to thank all Bank employees for their work.

Frankfurt/Main, 10 March 2005

THE SUPERVISORY BOARD

Michael Diekmann
Chairman

Supervisory Board

Michael Diekmann
Chairman

Peter Haimerl
Deputy Chairman

Claudia Eggert-Lehmann

Bernhard Enseling

Christian Höhn

Oda-Renate Krauß

Dr. Heinz Kriwet

Prof. Dr. Edward G. Krubasik

Dr. Dietmar Kuhnt

Igor Landau

Dr. Hartmut Mehdorn

Brunhilde Nast

Dr. Helmut Perlet

Dr. Bernd Pischetsrieder

Stefan Quandt

Jürgen Rose

Sultan Salam

Margit Schoffer

Uwe Spitzbarth

Dr. Bernd W. Voss

Dr. Wolfgang Röller

Honorary Chairman

Board of Managing Directors

Dr. Herbert Walter
Chairman

Dr. Andreas Georgi

Karl Ralf Jung

Dr. Stephan-Andreas Kaulvers

Jan E. Kvarnström

Wulf Meier

Andrew Pisker

Klaus Rosenfeld

Otto Steinmetz

Dr. Friedrich Wöbking

Glossary

Asset-backed securities (ABSs): Tradable securities whose interest and principal repayments are secured by an underlying pool of receivables. Usually issued by a special purpose vehicle as part of a securitisation programme.

Associate: Enterprise over which the parent exerts a significant influence but not control. Such enterprises are accounted for in the consolidated financial statements using the equity method.

Backtesting: Procedure for monitoring the quality of value at risk (VaR) models. Backtesting is used retrospectively over a longer period of time to check whether the estimated potential losses based on the VaR approach were actually exceeded substantially more regularly than would be expected given the confidence level applied.

Banking book: Risk positions which are not allocated to the trading book.

Basel II: The Basel Committee for Banking Supervision's new regulatory standards.

BIS: Bank for International Settlements.

Cash flow hedge: A derivative hedging transaction for non-trading positions designed to offset changes in volatility in the cash flows of financial assets, liabilities, off-balance sheet commitments and future transactions.

Cost-income ratio: The ratio of administrative expenses to the sum of net interest income, net fee and commission income, and net trading income.

Credit default swap: Purchased credit default swaps have the same economic function as financial guarantees received if they demonstrably serve to hedge against interest and principal repayment defaults on loans.

Derivatives (derivatives business): Financial products which are derived from underlying instruments (such as equities, bonds, foreign exchange, or indices), the price of which can be calculated from the price of another security or financial product. The most frequently used forms of derivatives are swaps, options and futures.

Economic capital requirement: An indicator for quantifying all unexpected losses resulting from credit and counterparty, country, market, operational, and business risks. By contrast to the regulatory capital requirement determined in accordance with BIS capital adequacy rules or in accordance with the Kreditwesengesetz (German Banking Act), the economic capital requirement is determined using the Bank's own internal risk measurement procedures.

Equity method: Accounting method whereby investments in a company are initially recognised at cost and are adjusted thereafter for the post-acquisition change in the investor's share of the recognised net assets of the investee. The profit or loss of the investor includes the investor's share of the profit or loss of the investee.

Expected loss: A measure of the potential loss on a loan portfolio expected within a year, based on historical loss data.

Fair value: The amount for which a financial instrument could be exchanged between knowledgeable, willing parties on an arm's length basis.

Fair value hedge: A derivative hedging transaction for non-trading positions designed to offset changes in the fair value of financial assets or liabilities.

Hedge accounting: Derivative hedging transactions for non-trading positions as defined by IAS 39, which allows for three forms of hedging relationship: fair value hedges, cash flow hedges, and the special case of hedges of a net investment.

IFRSs: Abbreviation for the International Financial Reporting Standards. As well as the IFRSs themselves, the Standards also encompass the existing International Accounting Standards (IASs) and the interpretations of the Standing Interpretations Committee, as well as future standards and interpretations to be released by the International Accounting Standards Board.

Impairment: An unscheduled write-down on assets such as goodwill, loan receivables, securities and property, plant and equipment due to an expected permanent impairment in the value of the corresponding asset.

Integrated financial services provider: A bancassurance company that aims to offer customers a single source for their banking and insurance requirements.

Joint venture: A company or virtual entity founded and jointly managed by several (usually two) companies.

Market risk position: Market risk position as defined by Principle I of the Kreditwesengesetz (German Banking Act) comprises currency, commodity, and option risk, as well as trading book risk items such as interest rate and share price risks, and credit and counterparty risk.

Netting: The netting effect indicates the reduction in loss exposures due to global netting agreements.

Operational risk: The risk of losses resulting from inadequate internal processes, human error, technology failure, or external events.

Rating: Judgement of creditworthiness of a financial instrument (issue rating) or issuer (issuer rating) carried out by an independent rating agency.

Replacement costs, positive: Positive replacement costs for derivative positions correspond to the additional expenditure or reduced revenue that would result from the replacement of an equivalent position in the event of potential counterparty default.

Repurchase ("repo") transaction: An agreement involving the transfer of securities against payment to a counterparty and their repurchase at set terms at a later date. From the transferee's perspective this is referred to as a "reverse repo" transaction.

Return on equity (RoE): An indicator that expresses the ratio of the income/loss after taxes to average shareholders' equity.

Reverse repo transaction: see repurchase ("repo") transaction.

Risk control: Ongoing risk measurement and monitoring, including the development of the methods concerned, as well as corresponding risk analyses/reporting by a neutral, independent unit.

Risk management: Operational management of specific portfolios from the risk/return point of view.

Sarbanes-Oxley Act: Act passed by the US Congress in July 2002 with the aim of strengthening the trust of the capital markets and general public in financial reporting. The Act requires companies listed in the USA to implement a functional internal control systems, the effectiveness of which in relation to financial reporting must be assessed and certified by the auditors.

Scoring: A procedure whereby a risk profile is used to assess the risk factors of an investment or loan, applying qualitative and quantitative methods.

Securitisation: The bundling of receivables (e.g. loans, trade bills, or lease receivables) into a pool and their transfer to a special purpose vehicle (SPV). The SPV refinances itself by issuing securities that are placed with potential investors. The redemption of and interest payments on the securities are directly linked to the performance of the underlying receivables and not the performance of the issuer.

Standard default costs: The estimated expected loss on loans and advances based on historical credit risk parameters such as default and recovery rates, and which represent operational lending costs.

Stress testing: Procedure whereby an attempt is made to model the effects of extreme market fluctuations, a required complement to value at risk analyses.

Swaps: General term for the exchange of assets, rights, etc., particularly the exchange of cash flows in the same currency (interest rate swap) or different currencies (currency swap).

Trading book: A regulatory term for positions in financial instruments, shares and tradable claims held by a bank which are intended for resale in the short term in order to benefit from price and interest rate fluctuations.

Value at risk (VaR): Value at risk is defined as the potential loss which may occur during a pre-defined period of time, based on a given confidence level and certain assumptions regarding changes to market parameters. This statistical figure is used to compare market risks across the bank's various portfolios.

Volatility: The extent and intensity of fluctuations in market prices, interest rates, or entire markets.

Five-Year Overview

Income statement	2004 €m	2003 €m	2002 €m	2001 €m	2000 €m
Net interest and current income	2,279	2,584	3,276	4,364	4,312
Net fee and commission income	2,563	2,590	3,090	3,841	4,291
Net trading income	1,509	1,526	1,044	1,526	1,329
Operating income	**6,351**	**6,700**	**7,410**	**9,731**	**9,932**
Administrative expenses	5,403	5,912	7,500	8,682	7,652
Loan loss provisions	337	1,016	2,218	1,893	1,586
Operating result	**611**	**-228**	**-2,308**	**-844**	**694**
Other income/expenses, net	-680	-2,633	1,162	997	919
Income/loss before taxes	**-69**	**-2,861**	**-1,146**	**153**	**1,613**
Tax expense	-154	-883	-211	-33	-129
Income/loss after taxes	**85**	**-1,978**	**-935**	**186**	**1,742**
Income attributable to minority interests	59	11	7	6	12
Net income/net loss for the year	**26**	**-1,989**	**-942**	**180**	**1,730**

Balance sheet	31/12/2004 €m	31/12/2003 €m	31/12/2002 €m	31/12/2001 €m	31/12/2000 €m
Total assets	523,990	477,029	413,445	506,683	483,498
Lending volume	94,825	102,010	123,089	219,210	225,343
Shareholders´ equity	11,063	11,516	11,976	21,633	13,020

Ratios	31/12/2004 %	31/12/2003 %	31/12/2002 %	31/12/2001 %	31/12/2000 %
Cost-income ratio	85.1	88.2	101.2	89.2	77.0
Loan loss ratio[1)]	0.33	0.84	1.56	1.12	0.92
Return on equity[2)]	0.8	-15.4	-6.6	1.3	15.1
Return on equity (adjusted)[3)]	3.1	-14.1	2.0	9.6	24.0
Earnings per share (€)	0.04	-3.44	-1.63	0.32	3.32
Risk-weighted assets (€m)	104,777	111,879	142,801	189,814	209,315
Core capital ratio (BIS)	6.6	6.6	6	5.5	6.3
Total capital ratio (BIS)	13.3	13.4	10.6	11.4	12.5
Employees[4)]	30,154	34,998	39,754	45,793	45,130
Branch offices	969	1,035	1,103	1,172	1,360

Rating	31/12/2004	31/12/2003	31/12/2002	31/12/2001	31/12/2000
Moody’s Investors Service, New York	P-1/A1	P-1/A1	P-1/Aa3	P-1/Aa2	P-1/Aa3
Standard & Poor’s, New York	A-1/A	A-1/A	A-1/A+	A-1/AA-	A-1+/AA-
Fitch Ratings, London	F1/A-	F1/A-	F1/A+	F1/AA-	F1+/AA-

1) Net loan loss provisions as a percentage of average risk-weighted assets held in the banking book.

2) Income/loss after taxes as a percentage of the average capital resources according to IASs.

3) Income/loss before taxes adjusted for the amortisation of and impairment losses on goodwill amortisation and restructuring charges as a percentage of the average capital resources according to IASs.

4) Full time equivalents (excluding vocational trainees).

Financial Calendar 2005 Dresdner Bank Group

2004 Annual Earnings Press Conference	23 March 2005
Interim Results as at 31 March 2005	13 May 2005
Interim Results as at 30 June 2005	15 August 2005
Interim Results as at 30 September 2005	11 November 2005