15 May 2006

Deutsche Bank Aktiengesellschaft

Registration Document

Pursuant to Art. 5 (3) of the Directive 2003/71/EC and § 12 (1) 3 German Securities Prospectus Act (*Wertpapierprospektgesetz*)

English Language Version

Approval, Publication and Validity of Registration Document

This Registration Document has been approved pursuant to § 13 subsection 1 of the Securities Prospectus Act by the *Bundesanstalt für Finanzdienstleistungsaufsicht* (the "**BAFIN**"). It has been published on the website of Deutsche Bank (www.db.com/ir) Aktiengesellschaft (hereinafter also referred to as "**Deutsche Bank**", or the "**Bank**") on the date of its approval.

The Registration Document is valid for a period of twelve months from the date of its publication and it reflects the status as of its respective date of publication. The document is only valid for debt and derivative securities and those securities which are not covered by article 4 of the Commission Regulation (EC) No 809/2004, such as bonds, including certificates, and money market papers. The contents of the Registration Document will be updated in accordance with the provisions of the Directive 2003/71/EC ("EU Prospectus Directive") and the applicable provisions of any national laws implementing such Directive.

This Registration Document does not constitute an offer of or an invitation by or on behalf of Deutsche Bank to subscribe for or purchase any Notes and should not be considered as a recommendation by Deutsche Bank that any recipient of this Registration Document should subscribe for or purchase any Notes Deutsche Bank may issue. No person has been authorized by Deutsche Bank to give any information or to make any representation other than those contained in this document or consistent with this document. If given or made, any such information or representation should not be relied upon as having been authorized by Deutsche Bank.

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Risk Factors

An investment in debt securities, including certificates, and money market papers issued by Deutsche Bank bears the risk that Deutsche Bank is not able to fulfil its obligations created by the issuance of the securities on the relevant due date.

In order to assess the risk, prospective investors should consider all information provided in this Registration Document and consult with their own professional advisers if they consider it necessary.

The risk related to an Issuer's ability to fulfill its obligations created by the issuance of debt securities and money market papers is described by reference to the credit ratings assigned by independent rating agencies. A credit rating is an assessment of the solvency or credit-worthiness of creditors and/or bond-issuers according to established credit review procedures. These ratings and associated research help investors analyse the credit risks associated with fixed-income securities by providing detailed information of the ability of issuers to meet their obligations. The lower the assigned rating is on the respective scale, the higher the respective rating agency assesses the risk that obligations will not, not fully and/or not timely be met. A rating is not a recommendation to buy, sell or hold any notes issued and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. A suspension, reduction or withdrawal of any rating assigned may adversely affect the market price of the notes issued.

Deutsche Bank is rated by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc.("S&P"), Moody's Investors Service, Inc. ("Moody's") and by Fitch Ratings Limited ("Fitch", together with S&P and Moody's, the "Rating Agencies").

As of the Publication Date of this Registration Document, the ratings assigned by the Rating Agencies to debt securities and money market papers of Deutsche Bank were as follows:

by S&P:	long-term rating:	AA–
	short-term rating:	A-1+
	outlook:	stable

S&P defines:

AA–: An obligation rated "AA" differs from the highest rated obligations only in small degree.The obligor's capacity to meet its financial commitment on the obligation is very strong.

Long-term ratings by S&P are divided into several categories ranging from "AAA", reflecting the strongest creditworthiness, over categories "AA", "A", "BBB", "BB", "B" "CCC", "CC", "C" to category "D", reflecting that an obligation is in payment default. The ratings from "AA" to "CCC" may be modified by the addition of a plus ("+") or minus ("–") sign to show relative standing within the major rating categories.

A-1+: A short-term obligation rated "A-1" is rated in the highest category by S&P. The obligor's capacity to meet its financial commitment on the obligation is strong. Within this category, certain obligations are designated with a plus sign ("+"). This indicates that the obligor's capacity to meet its financial commitment on these obligations is extremely strong.

Short-term ratings by S&P are divided into several categories ranging from "A-1", reflecting the strongest creditworthiness, over categories "A-2", "A-3", "B", "C" to category "D' reflecting that an obligigation is in payment default.

by Moody's:	long-term rating:	Aa3
	short-term rating:	P-1
	outlook:	stable

Moody's defines:

Aa3:	Obligations rated "Aa" are judged to be of high quality and are subject to very low credit risk. Moody's long-term obligation ratings are divided into several categories ranging from "Aaa", reflecting the highest quality with minimal credit risk, over categories "Aa", "A", "Baa", "Ba", "B", "Caa", "Ca" to category "C", reflecting the lowest rated class of bonds which are typically in default with little prospect for recovery of principal or interest. Moody's appends numerical modifiers 1, 2 and 3 to each generic rating classification from "Aa" through "Caa". The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.
P-1:	Issuers rated Prime-1 have a superior ability to repay short-term debt obligations. Moody's short-term ratings are divided into several categories ranging from "P-1", reflecting a superior ability of an Issuer to repay short-term debt obligations, over categories "P-2" and "P-3" to category "NP", reflecting that an Issuer does not fall within any of the Prime rating categories.

by Fitch:	long-term rating:	AA–
	short-term rating:	F1+
	outlook:	stable

Fitch defines:

AA–:	A rating of "AA" denotes a very low expectation of credit risk. It indicates a very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events. Fitch's long-term ratings are divided into several major categories ranging from "AAA", reflecting the highest credit quality, over categories "AA", "A", "BBB", "BB", "B", "CCC, CC, C" to category "DDD, DD, D", reflecting that an obligor has defaulted on some or all of its obligations. A plus ("+") or minus ("–") sign may be appended to a rating to denote the relative status within major rating categories. Such suffixes are not added to the "AAA" category or to categories below "CCC".
F1+:	A rating of "F1" indicates the strongest capacity for timely payment of financial commitments. It may have an added plus ("+") sign to denote any exceptionally strong credit feature. Fitch's short-term ratings are divided into several categories ranging from "F1", reflecting the highest credit quality, over categories "F2", "F3", "B", "C" to category "D" which denotes an actual or imminent payment default.

Rating of Subordinated Obligations

If Deutsche Bank enters into subordinated obligations, these obligations may be rated lower because, in the case of an insolvency or liquidation of the Bank, the claims and interest claims resulting from these obligations are subordinate to those claims of creditors of the Bank that are not also subordinated. Deutsche Bank will disclose the ratings of subordinated obligations (if any).

Information about Deutsche Bank

History and Development of the Bank

Deutsche Bank Aktiengesellschaft originated from the reunification of Norddeutsche Bank Aktiengesellschaft, Hamburg, Rheinisch-Westfälische Bank Aktiengesellschaft, Düsseldorf and Süddeutsche Bank Aktiengesellschaft, Munich; pursuant to the Law on the Regional Scope of Credit Institutions, these had been disincorporated in 1952 from Deutsche Bank which was founded in 1870. The merger and the name were entered in the Commercial Register of the District Court Frankfurt am Main on 2 May 1957. Deutsche Bank is a banking institution and a stock corporation incorporated under the laws of Germany under registration number HRB 30 000.

The objects of Deutsche Bank, as laid down in its Articles of Association, include the transaction of all kinds of banking business, the provision of financial and other services and the promotion of international economic relations. The Bank may realise these objectives itself or through subsidiaries and affiliated companies. To the extent permitted by law, the Bank is entitled to transact all business and to take all steps which appear likely to promote the objectives of the Bank, in particular: to acquire and dispose of real estate, to establish branches at home and abroad, to acquire, administer and dispose of participations in other enterprises, and to conclude enterprise agreements.

Deutsche Bank has its registered office in Frankfurt am Main, Germany. It maintains its head office at Taunusanlage 12, 60325 Frankfurt am Main (telephone: +49-69-910-00) and branch offices in Germany and abroad including in London, New York, Sydney, Tokyo and an Asia-Pacific Head Office in Singapore which serve as hubs for its operations in the respective regions.

Deutsche Bank is the parent company of a group consisting of banks, capital market companies, fund management companies, a property finance company, instalment financing companies, research and consultancy companies and other domestic and foreign companies (the "**Deutsche Bank Group**"). To the significant companies of Deutsche Bank Group belong:

Deutsche Bank Privat- und Geschäftskunden Aktiengesellschaft (Frankfurt am Main, Germany) serves private individuals, affluent clients and small business clients with banking products.

Taunus Corporation (Delaware, United States) is a holding company for most of Deutsche Bank Group's companies in the United States, including:

- **Deutsche Bank Trust Company Americas** (New York, United States) is a subsidiary of Taunus Corporation. Deutsche Bank Trust Company Americas is a New York State-chartered bank which originates loans and other forms of credit, accepts deposits, arranges financings and provides numerous other commercial banking and financial services.
- **Deutsche Bank Securities Inc.** (Delaware, United States) is a subsidiary of Taunus Corporation. Deutsche Bank Securities Inc. is a U. S. SEC-registered broker dealer and a member of, and regulated by, the New York Stock Exchange. It is also regulated by the individual state securities authorities in the states in which it operates.

DB Capital Markets (Deutschland) GmbH (Frankfurt am Main, Germany) is a German limited liability company and operates as a holding company for a number of European subsidiaries, mainly institutional and mutual fund management companies located in Germany, Luxembourg, France, Austria, Zwitzerland, Italy, Poland and Russia, including **DWS Investment GmbH** (Frankfurt am Main, Germany), in which DB Capital Markets (Deutschland) GmbH indirectly owns 100 % of the equity and voting interests.

DB Investments (GB) Limited (London, United Kingdom) principally acts as an investment holding company. It is a direct subsidiary of Deutsche Bank AG and is the holding company for most of Deutsche Bank Group's subsidiaries in the United Kingdom providing financial services in the United Kingdom and to clients outside the United Kingdom (principally centered around the international equities business). Its subsidiaries also provide equity capital for unlisted companies and arrange purchases of interests in companies by their managements.

DB Value GmbH (Soessen-Gostau, Germany) ist the holding company for DB Equity S.à r.L., Luxembourg, which ist the holding company for Deutsche Bank Group's major industrial shareholdings (Allianz-Aktiengesellschaft, DaimlerChrysler Aktiengesellschaft und Linde Aktiengesellschaft).

Organisational Structure

Deutsche Bank operates through three group divisions, each of which is not established as a separate company but is rather operated across Deutsche Bank Group:

Corporate and Investment Bank (CIB) comprises the following Corporate Divisions:

Corporate Banking & Securities (CB&S) comprises the following Business Divisions:

Global Markets comprises all sales, trading and research in bonds, commodities, equities, equity-linked products, exchange-traded and OTC derivatives, foreign exchange, money market instruments, asset- and mortgage-backed securities and hybrid products. Global Markets also covers debt and equity origination, jointly with Corporate Finance.

Corporate Finance comprises M&A advisory, Asset Finance & Leasing (AFL), Commercial Real Estate (CRE), Debt Capital Markets (DCM), Equity Capital Markets (ECM) and corporate lending businesses. Both ECM and DCM are run in collaboration with Global Markets.

Global Transaction Banking (GTB) comprises Cash Management, including Clearing; Trust & Securities Services, including Domestic Custody Services; and Trade Finance, which includes syndicated lending and structured trade financing products.

Private Clients and Asset Management (PCAM) comprises the following Corporate Divisions:

Private & Business Clients (PBC) serves private individuals and business clients with investment management and traditional banking services, including loans, deposits, payments and business banking.

Asset and Wealth Management (AWM) comprises the following Business Divisions:

Asset Management serves retail clients with a full range of mutual fund products and institutional clients globally with a fully-integrated offering, from traditional asset management products through to high-value products including absolute return strategies and real estate asset management.

Private Wealth Management caters to wealthy individuals and families throughout the world.

Corporate Investments (CI) encompasses industrial and other holdings, certain real estate assets used by the Bank, private equity investments and venture capital holdings.

Trend Information / Recent Developments and Outlook

Recent Developments and Outlook

On 1 February 2006, the Supervisory Board of Deutsche Bank extended the appointments of Management Board members Dr. Josef Ackermann and Dr. Tessen von Heydebreck until the general meeting following their 62nd birthdays. Dr. Ackermann's contract will therefore run until the end of the Annual General Meeting in 2010; Dr. von Heydebreck's until the end of the Annual General Meeting in 2007.

With immediate effect the Supervisory Board has also appointed Dr. Ackermann as Chairman of the Management Board (Chief Executive Officer). Henceforth the Management Board of Deutsche Bank will be headed by a chairman who is appointed by the Supervisory Board. Deutsche Bank is thus conforming to national and international practice in the appointment of its Management Board.

At the Management Board's proposal, the Supervisory Board resolved to propose to the Annual General Meeting on 1 June 2006 that a dividend of € 2.50 per share be paid for the 2005 financial year. This is an increase of 47 per cent compared with the previous year, when a dividend of € 1.70 per share was paid.

On 2 February 2006, Deutsche Bank published the preliminary and unaudited key figures for the fourth quarter and the full year 2005 for its consolidated group.

On 9 March 2006, Deutsche Bank announced that some of the previously published preliminary and unaudited key figures were adjusted as a result of subsequent events after 2 February 2006. Deutsche Bank also stated that the adjusted amounts will be reflected in Deutsche Bank's 2005 Annual Report.

On 23 March 2006, Deutsche Bank published its 2005 Annual Report.

On 3 May 2006, Deutsche Bank published its interim report for the first quarter 2006.

The publication of Deutsche Bank's interim reports for the second and third quarter in 2006 is scheduled as follows:

Second Quarter 2006:	1 August 2006
Third Quarter 2006:	1 November 2006

On 2 April 2006, at an extraordinary meeting of the Supervisory Board of Deutsche Bank, Dr. Rolf-E. Breuer, Chairman of the Supervisory Board, declared his resignation from the Board, effective 3 May 2006. Dr. Breuer said he was stepping down from the Supervisory Board to relieve Deutsche Bank of further discussion regarding him personally following a decision by the German Supreme Court on 24 January 2006. The Supervisory Board accepted Dr. Breuer's decision with regret but expressed its respect for his action and thanked him for his valuable work as Chairman and as a long time member of the Management Board, including as Spokesman of the Management Board. Dr. Breuer will continue to represent Deutsche Bank in a number of select capacities.

After careful consideration, the Supervisory Board, in agreement with Dr. Clemens Boersig, formerly Deutsche Bank's Chief Financial Officer, came to the conclusion that Dr. Boersig should move to the Supervisory Board and become its Chairman. Therefore, the Supervisory Board will propose to the Annual General Meeting on 1 June 2006 that Dr. Boersig is elected to the Board. As a result, Dr. Boersig stepped down from the Bank's Management Board at the close of business on 3 May 2006. Dr. Boersig has been appointed as a member of the Deutsche Bank Supervisory Board by the Frankfurt Local Court and has been elected as Chairman of the Supervisory Board, effective 4 May 2006. The Supervisory Board is convinced that the Chair of the Supervisory Board can only be transferred to someone who, through personal and senior managerial experience, is familiar with the complex nature of a bank with global operations.

In addition, the Supervisory Board has appointed Anthony Di Iorio and Dr. Hugo Banziger as new members of the Management Board, effective 4 May 2006. Di Iorio, formerly Group Controller, assumed the position of Chief Financial Officer while Dr. Banziger, formerly Chief Risk Officer for Credit and Operational Risk, became Chief Risk Officer.

Share buyback program

On 28 July 2005, Deutsche Bank announced that its Management Board decided to launch with immediate effect a new share buyback program under the terms of the authorization granted at the Annual General Meeting on 18 May 2005. Within this new program, Deutsche Bank may buy back up to 10 per cent of shares issued at the time of the Annual General Meeting, i. e. up to 54,832,129 shares, by 31 October 2006; reserving the right to suspend the program in favour of strategic growth initiatives. As with previous programs, buybacks will be executed through direct purchases on XETRA and potentially through the use of derivatives. The Bank plans to use repurchased shares to reduce share capital and to support future equity-based compensation programs. The Bank also reserves the option to use the repurchased shares for other purposes in accordance with the authorization granted at the Annual General Meeting. On January 24, 2006, the Management Board of Deutsche Bank decided to cancel 40 million of the shares held in treasury, which became legally effective on February 15, 2006.

Other

In February 2003, the Düsseldorf Prosecutor filed charges against Dr. Ackermann and other former members of the Supervisory Board, members of the Management Board and one manager of Mannesmann AG at the Düsseldorf District Court (*Landgericht Düsseldorf*). The complaint alleges a breach of trust in connection with payments to former members of the Management Board and other managers of Mannesmann AG following the takeover of Mannesmann by Vodafone in spring 2000. On 22 July 2004 the Düsseldorf District Court acquitted every defendant of such charges. The Düsseldorf Prosecutor filed a notice of appeal to the Federal Supreme Court (*Bundesgerichtshof*). On 21 December 2005 the Federal Supreme Court ordered a retrial at the Düsseldorf District Court. It is not yet known when the new trial will begin. The Supervisory Board of Deutsche Bank has repeatedly declared that it supports Dr. Ackermann's defense. On 21 December 2005 it expressed once again its unrestricted trust in Dr. Ackermann.

Statement of no Material Adverse Change

There has been no material adverse change in the prospects of the Deutsche Bank, other than disclosed in this Registration Document since 31 December 2005, the date of its last audited financial statements.

Administrative, Management, and Supervisory Bodies

In accordance with German law, Deutsche Bank has both a **Management Board** (*Vorstand*) and a **Supervisory Board** (*Aufsichtsrat*). These Boards are separate; no individual may be a member of both. The Supervisory Board appoints the members of the Management Board and supervises the activities of this Board. The Management Board represents Deutsche Bank and is responsible for its management.

The **Management Board** consists of

Dr. Josef Ackermann	Chairman of the Management Board (Chief Executive Officer)
Dr. Hugo Banziger	Chief Risk Officer (CRO)
Anthony Di Iorio	Chief Financial Officer (CFO)
Dr. Tessen von Heydebreck	Chief Administrative Officer (CAO)
Hermann-Josef Lamberti	Chief Operating Officer (COO)

The **Supervisory Board** consists of the following 20 members:

Dr. Clemens Börsig	Chairman Frankfurt am Main
Heidrun Förster*	Deputy Chairperson Deutsche Bank Privat- und Geschäftskunden AG Berlin
Dr. Karl-Gerhard Eick	Deputy Chairman of the Board of Managing Directors of Deutsche Telekom AG Cologne
Ulrich Hartmann	Chairman of the Supervisory Board of E.ON AG Düsseldorf
Sabine Horn*	Deutsche Bank AG Frankfurt am Main

Rolf Hunck*	Deutsche Bank AG Hamburg
Sir Peter Job	London
Prof. Dr. Henning Kagermann	Chairman and CEO of SAP AG Walldorf/Baden
Ulrich Kaufmann*	Deutsche Bank AG Düsseldorf
Peter Kazmierczak*	Deutsche Bank AG Essen
Prof. Dr. Paul Kirchhof	University professor Ruprecht-Karls- Universität Heidelberg Heidelberg
Henriette Mark*	Deutsche Bank AG Munich
Margret Mönig-Raane*	Deputy Chairperson of ver.di Vereinte Dienstleistungs-gewerkschaft Berlin
Dr. jur. Dr.-Ing. E. h. Heinrich von Pierer	Chairman of the Supervisory Board of Siemens AG Erlangen
Gabriele Platscher*	Deutsche Bank Privat- und Geschäftskunden AG Braunschweig
Karin Ruck*	Deutsche Bank AG Bad Soden am Taunus
Tilman Todenhöfer	Managing Partner of Robert Bosch Industrietreuhand KG Stuttgart
Dipl.-Ing. Dr.-Ing. E. h. Jürgen Weber	Chairman of the Supervisory Board of Deutsche Lufthansa AG Hamburg
Dipl.-Ing. Albrecht Woeste	Chairman of the Supervisory Board and Shareholders' Committee of Henkel KGaA Düsseldorf
Leo Wunderlich*	Deutsche Bank Mannheim

* Elected by the staff in Germany.

The members of the Management Board accept membership on the Supervisory Boards of other corporations within the limits prescribed by law.

The business address of each member of the Management Board and of the Supervisory Board of Deutsche Bank is Taunusanlage 12, 60325 Frankfurt am Main, Germany.

There are no conflicts of interest between the interest of Deutsche Bank and the private interests of the members of the Supervisory Board and the Management Board.

Corporate Governance

Deutsche Bank has issued and made available to its shareholders the declaration prescribed by § 161 AktG.

Major Shareholders

The German Securities Trading Act (*Wertpapierhandelsgesetz*) requires investors in publicly-traded corporations whose investments reach certain thresholds to notify both the corporation and the BaFin of such change within seven days. The minimum disclosure threshold is 5% of the corporation's outstanding voting share capital. Deutsche Bank is not aware of any single investor holding 5% or more of the Bank's shares as of 28 February 2006.

Deutsche Bank is neither directly nor indirectly owned nor controlled by any other corporation, by any foreign government or by any other natural or legal person severally or jointly.

Pursuant to German law and the Deutsche Bank's Articles of Association, to the extent that the Bank may have major shareholders at any time, it may not give them different voting rights from any of the other shareholders holding the same class of shares.

Deutsche Bank is aware of no arrangements the operation of which may at a subsequent date result in a change in control of the company.

Financial Information concerning Deutsche Bank's Assets and Liabilities, Financial Position and Profits and Losses

Historical Financial Information / Financial Statements

Deutsche Bank's consolidated financial statements for the financial years 2005 and 2004 as well as the Annual Financial Statements and Management Report of Deutsche Bank Aktiengesellschaft for the financial year 2005 are annexed to this Registration Document as Annexes 1 to 3.

Statutory Auditors

The independent auditors of Deutsche Bank are KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft ("**KPMG**"), Marie-Curie-Strasse 30, 60439 Frankfurt am Main, Germany. KPMG is a member of the *Wirtschaftsprüferkammer*.

Auditing of Historical Annual Financial Information

KPMG audited Deutsche Bank's non-consolidated financial statements for the years ended 31 December 2003, 2004 and 2005, which were prepared in accordance with the German Commercial Code ("**HGB**"). In accordance with § 292a HGB HGB in the version effective until 9 December 2004 in connection with Article 2 of the Accounting Law Reform Act (*Bilanzrechtsreformgesetz* – BilReG) and Article 57 of the Introductory Act for the German Commercial Code (EGHGB), the consolidated financial statements for the years ended 31 December 2003, 2004 and 2005 were prepared in accordance with United States Generally Accepted Accounting Principles ("**U.S. GAAP**") and audited by KPMG. In each case an unqualified auditor's certificate has been provided.

Interim Financial Information

Deutsche Bank's interim report as of 31 March 2006 is annexed in this Registration Document as Annex 4.

General Information

Legal and Arbitration Proceedings

Other than set out herein Deutsche Bank is not, or during the last two financial years has not been involved (whether as defendant or otherwise) in, nor does it have knowledge of any threat of any legal, arbitration, administrative or other proceedings the result of which may have, in the event of an adverse determination, a significant effect on its financial condition presented in this Registration Document.

IPO Allocation Litigation

Deutsche Bank Securities Inc. ("DBSI") and its predecessor firms, along with numerous other securities firms, have been named as defendants in over 80 putative class action lawsuits pending in the United States District Court for the Southern District of New York. These lawsuits allege violations of securities and antitrust laws in connection with the allocation of shares in a large number of initial public offerings ("IPOs") by issuers, officers and directors of issuers, and underwriters of those securities. DBSI is named in these suits as an underwriter. The securities cases allege material misstatements and omissions in registration statements and prospectuses for the IPOs and market manipulation with respect to aftermarket trading in the IPO securities. Among the allegations are that the underwriters tied the receipt of allocations of IPO shares to required aftermarket purchases by customers and to the payment of undisclosed compensation to the underwriters in the form of commissions on securities trades, and that the underwriters caused misleading analyst reports to be issued. The antitrust claims allege an illegal conspiracy to affect the stock price based on similar allegations that the underwriters required aftermarket purchases and undisclosed commissions in exchange for allocation of IPO stocks. In the securities cases, the motions to dismiss the complaints of DBSI and others were denied on February 13, 2003. Plaintiffs' motion to certify six "test" cases as class actions in the securities cases was granted on October 13, 2004, and DBSI and other defendants appealed that decision to the Court of Appeals for the Second Circuit. Discovery in the securities cases is underway. In the putative antitrust class action, the defendants' motion to dismiss the complaint was granted on November 3, 2003. On September 28, 2005 the Court of Appeals for the Second Circuit vacated the ruling and remanded the case to the lower court for consideration of alternate grounds for dismissal. Defendants have moved for reconsideration by the Second Circuit.

Enron Litigation

Deutsche Bank AG and certain of its affiliates are collectively involved in more than 20 lawsuits arising out of their banking relationship with Enron Corp., its subsidiaries and certain Enron-related entities ("Enron"). These lawsuits include a series of purported class actions brought on behalf of shareholders of Enron, including the lead action captioned Newby v. Enron Corp. The consolidated complaint filed in Newby named as defendants, among others, Deutsche Bank AG, several other investment banking firms, a number of law firms, Enron's former accountants and affiliated entities and individuals and other individual defendants, including present and former officers and directors of Enron, and it purported to allege claims against Deutsche Bank AG under federal securities laws. On December 20, 2002, the Court dismissed all of the claims alleged in the Newby action against Deutsche Bank AG. Plaintiffs in Newby filed a first amended consolidated complaint on May 14, 2003 and reasserted claims against Deutsche Bank AG under federal securities laws and also added similar claims against its subsidiaries DBSI and Deutsche Bank Trust Company Americas ("DBTCA"). On March 29, 2004, the Court dismissed in part the claims alleged in the Newby action against the Deutsche Bank entities. Specifically, the Court dismissed the fraud claims, but did not dismiss the non-fraud claims. On July 26, 2005, the Court granted plaintiffs' motion for reconsideration of the partial dismissal of the Deutsche Bank entities, and reinstated the fraud allegations against the Deutsche Bank entities that had been dismissed on March 29, 2004. Plaintiffs' motion to certify a class of shareholders in Newby was argued before the Court on March 7 and 8, 2006, and is pending.

Also, an adversary proceeding has been brought by Enron in the bankruptcy court against, among others, Deutsche Bank AG and certain of its affiliates. In this adversary proceeding, Enron seeks damages from the Deutsche Bank entities, as well as the other defendants, for alleged aiding and abetting breaches of fiduciary duty by Enron insiders, aiding and abetting fraud and unlawful civil conspiracy, and also seeks return of alleged fraudulent conveyances and preferences and equitable subordination of their claims in the Enron bankruptcy. The Deutsche Bank entities' motion to partially dismiss the adversary complaint is pending.

In addition to Newby and the adversary proceeding described above, there are third-party actions brought by Arthur Andersen in Enron-related cases asserting contribution claims against Deutsche Bank AG, DBSI and many other defendants, and individual and putative class actions brought in various courts by Enron investors and creditors alleging federal and state law claims against the same entities named by Arthur Andersen, as well as DBTCA.

WorldCom Litigation

Deutsche Bank AG and DBSI were defendants in more than 40 actions filed in federal and state courts arising out of alleged material misstatements and omissions in the financial statements of WorldCom Inc. DBSI was a member of the syndicate that underwrote WorldCom's May 2000 and May 2001 bond offerings, which are among the bond offerings at issue in the actions. Deutsche Bank AG, London branch was a member of the syndicate that underwrote the sterling and euro tranches of the May 2001 bond offering. Plaintiffs were alleged purchasers of these and other WorldCom debt securities. The defendants in the various actions included certain WorldCom directors and officers, WorldCom's auditor and members of the underwriting syndicates for the debt offerings. Plaintiffs alleged that the offering documents contained material misstatements and/or omissions regarding WorldCom's financial condition. The claims against DBSI and Deutsche Bank AG were made under federal and state statutes (including securities laws), and under various common law doctrines. The largest of the actions against Deutsche Bank AG and DBSI was a class action litigation in the U.S. District Court in the Southern District of New York, in which the class plaintiffs are the holders of a significant majority of the bonds at issue. On March 10, 2005, Deutsche Bank AG and DBSI reached a settlement agreement, subject to court approval, resolving the class action claims asserted against them, for a payment of approximately U.S.$ 325 million. The settlement of the class action claims did not resolve the individual actions brought by investors who chose to opt out of the federal class action. The financial effects of the class action settlement are reflected in our 2004 consolidated financial statements. All but three of the individual actions have been resolved.

Tax-Related Products

Deutsche Bank AG, along with certain affiliates and employees (collectively referred to as "Deutsche Bank"), have collectively been named as defendants in more than 75 legal proceedings brought by investors in various tax-oriented transactions. Deutsche Bank provided financial products and services to these investors, who were advised by various accounting, legal and financial advisory professionals. The investors claimed tax benefits as a result of these transactions, and the United States Internal Revenue Service has rejected those claims. In these legal proceedings, the investors allege that, together with Deutsche Bank, the professional advisors improperly misled the investors into believing that the claimed tax benefits would be upheld by the Internal Revenue Service. The legal proceedings are pending in numerous state and federal courts and in arbitration, and claims against Deutsche Bank are alleged under both U.S. state and federal law. Many of the claims against Deutsche Bank are asserted by individual investors, while others are asserted on behalf of a putative investor class. No litigation class has been certified as against Deutsche Bank. The legal proceedings are currently at various pre-trial stages, including discovery.

The United States Department of Justice ("DOJ") is also conducting a criminal investigation of tax-oriented transactions that were executed from approximately 1997 through 2001. In connection with that investigation, DOJ has sought various documents and other information from Deutsche Bank and has been investigating the actions of various individuals and entities, including Deutsche Bank, in such transactions. In the latter half of 2005, DOJ brought criminal charges against numerous individuals based on their participation in certain tax-oriented transactions while employed by entities other than Deutsche Bank. In the latter half of 2005, DOJ also entered into a Deferred Prosecution Agreement with an accounting firm (the "Accounting Firm"), pursuant to which DOJ agreed to defer prosecution of a criminal charge against the Accounting Firm based on its participation in certain tax-oriented transactions provided that the Accounting Firm satisfied the terms of the Deferred Prosecution Agreement. On February 14, 2006, DOJ announced that it had entered into a Deferred Prosecution Agreement with a financial institution (the "Financial Institution"), pursuant to which DOJ agreed to defer prosecution of a criminal charge against the Financial Institution based on its role in providing financial products and services in connection with certain tax-oriented transactions provided that the Financial Institution satisfied the terms of the Deferred Prosecution Agreement. Deutsche Bank provided similar financial products and services in certain tax-oriented transactions that are the same or similar to the tax-oriented transactions that are the subject of the above-referenced criminal charges. Deutsche Bank also provided financial products and services in additional tax-oriented transactions as well. DOJ's criminal investigation is on-going.

In the Matter of KPMG LLP Certain Auditor Independence Issues

On November 20, 2003, the SEC requested Deutsche Bank to produce certain documents in connection with an ongoing investigation of certain auditor independence issues relating to KPMG LLP. Deutsche Bank is cooperating with the SEC in its inquiry. KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft ("KPMG DTG"), a KPMG LLP affiliate, is Deutsche Bank's auditor. Aspects of this investigation appear to involve certain tax-oriented transactions among those at issue in the tax-related litigation described above, where Deutsche Bank provided financial products and services and a KPMG LLP affiliate advised the investors. During all relevant periods, including the present, KPMG DTG has confirmed to Deutsche Bank that KPMG DTG was and is "independent" from Deutsche Bank under applicable accounting and SEC regulations.

Kirch Litigation

In May 2002, Dr. Leo Kirch personally and as an assignee initiated legal action against Dr. Breuer and Deutsche Bank AG alleging that a statement made by Dr. Breuer (then the Spokesman of Deutsche Bank's Management Board) in an interview with Bloomberg television on February 4, 2002 regarding the Kirch Group was in breach of laws and financially damaging to Kirch. On January 24, 2006 the German Federal Supreme Court sustained the action for the declaratory judgment only in respect of the claims assigned by the PrintBeteiligungs GmbH. Such action does not require a proof of any loss caused by the statement made in the interview. PrintBeteiligungs GmbH is the only company of the Kirch Group which was a borrower of Deutsche Bank. Claims by Kirch personally and by the group holding company, TaurusHolding GmbH & Co. KG, were dismissed. To be awarded a judgment for damages against Deutsche Bank AG, Dr. Kirch would have to file a new lawsuit; in such proceedings he would have to prove that the statement caused financial damages to PrintBeteiligungs GmbH and the amount thereof.

In 2003 Dr. Kirch instituted legal action in the Supreme Court of the State of New York in which he seeks the award of compensatory and punitive damages based upon Dr. Breuer's interview. Upon referral to the U.S. District Court for the Southern District of New York, the case was dismissed on September 24, 2004. Dr. Kirch appealed this decision. The hearing before the US Court of Appeals for the Second Circuit took place on October 21, 2005.

On December 31, 2005 the KGL Pool GmbH filed a lawsuit against Deutsche Bank and Dr. Breuer. The lawsuit is based on alleged claims assigned from various subsidiaries of the former Kirch Group. The KGL Pool GmbH is also a plaintiff in the above mentioned case in the USA and seeks a declaratory judgment to the effect that Deutsche Bank AG and Dr. Breuer are jointly and severally liable for damages as a result of the interview statement and the behaviour of Deutsche Bank in respect of several subsidiaries of the Kirch Group.

Philipp Holzmann AG

Philipp Holzmann AG ("Holzmann") is a major German construction firm which filed for insolvency in March 2002. Deutsche Bank had been a major creditor bank and holder of an equity interest of Holzmann for many decades, and, from April 1997 until April 2000, a former member of Deutsche Bank AG's Management Board was the Chairman of its Supervisory Board. When Holzmann had become insolvent at the end of 1999, a consortium of banks led by Deutsche Bank participated in late 1999 and early 2000 in a restructuring of Holzmann that included the banks' extension of a credit facility, participation in a capital increase and exchange of debt into convertible bonds. In March 2002, Holzmann and several of its subsidiaries, including in particular imbau Industrielles Bauen GmbH ("imbau"), filed for insolvency. As a result of this insolvency, the administrators for Holzmann and for imbau and a group of bondholders have informed Deutsche Bank they are asserting claims against it because of its role as lender to the Holzmann group prior to and after the restructuring and as leader of the consortium of banks which supported the restructuring. The purported claims include claims that amounts repaid to the banks constituted voidable preferences that should be returned to the insolvent entities and claims of lender liability resulting from the banks' support for an allegedly infeasible restructuring. Although Deutsche Bank is in ongoing discussions, it cannot exclude that some of the parties may file lawsuits against it. To date, the administrator for imbau filed a lawsuit against Deutsche Bank in August 2004 alleging that payments received by Deutsche Bank in respect of a loan made to imbau in 1997 and 1998 and in connection with a real estate transaction that was part of the restructuring constituted voidable preferences that should be returned to the insolvent entity. Several bondholders filed a lawsuit against Deutsche Bank in December 2005 seeking damages because of its allegedly unlawful support of Holzmann's 1999/2000 restructuring. Additionally, Gebema N.V. filed a lawsuit in 2000 seeking damages against Deutsche Bank alleging deficiencies in the offering documents based on which Gebema N.V. had invested in equity and convertible bonds of Holzmann in 1998.

Parmalat Litigation

Following the bankruptcy of the Italian company Parmalat, the Special Administrator of Parmalat, Mr. Enrico Bondi, is suing Deutsche Bank for damages totaling EUR 2.199 billion for facilitating the insolvency offence of delaying the filing of a petition in insolvency allegedly committed by Parmalat's former management and supervisory board. There are two separate complaints and they allege that by managing and/or underwriting the issuance of Parmalat bonds in 2003 and entering into certain derivative transactions, Deutsche Bank assisted Parmalat by providing liquidity in order to enable Parmalat to meet its short term liabilities/obligations. It is alleged that Deutsche Bank knowingly helped Parmalat to continue its business for several months until December 2003, despite being aware of the true financial situation that the company was in. Parmalat reserves the right to increase the amount of damages sought. The damages currently requested are, it is claimed, equal to the loss creditors of Parmalat incurred in the second half of 2003.

Also in connection with the Parmalat insolvency, Mr. Bondi has already brought two claw back actions against Deutsche Bank SpA.

General

Due to the nature of its business, Deutsche Bank and its subsidiaries are involved in litigation, arbitration and regulatory proceedings in Germany and in a number of jurisdictions outside Germany, including the United States, arising in the ordinary course of its businesses. Such matters are subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. Although the final resolution of any such matters could have a material effect on Deutsche Bank's consolidated operating results for a particular reporting period, the Bank believes that it should not materially affect its consolidated financial position.

Significant Change in Deutsche Bank's Financial Position

Save as disclosed herein, there has been no material adverse change in the financial position of Deutsche Bank since 31 December 2005.

Material Contracts

In the usual course of its business, Deutsche Bank enters into numerous contracts with various other entities. The Bank has not, however, entered into any material contracts outside the ordinary course of its business within the past two years.

Third Party Information and Statement by Experts and Declaration of any Interest

Where information has been sourced from a third party, Deutsche Bank confirms that, to the best of its knowledge, this information has been accurately reproduced and that so far as Deutsche Bank is aware and able to ascertain from information published by such third party no facts have been omitted which would render the reproduced information inaccurate or misleading.

Documents on Display

Upon request, Deutsche Bank will provide, free of charge, a copy of the Registration Document and of the Articles of Association of Deutsche Bank at its specified office. These documents are available on the website of Deutsche Bank (www.db.com) as well.

Persons Responsible

Deutsche Bank, Frankfurt am Main, Germany, accepts responsibility for the information contained in this Registration Document. To the best of the knowledge and belief of Deutsche Bank (which has taken all reasonable care to ensure that such is the case), the information contained in this Registration Document is in accordance with the facts and contains no omissions likely to affect the statements herein.

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Annex 1
Financial Report 2005

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Deutsche Bank

The Group at a Glance

	2005	2004
Share price at period end	€ 81.90	€ 65.32
Share price high	€ 85.00	€ 77.77
Share price low	€ 60.90	€ 52.37
Dividend per share (proposed for 2005)	€ 2.50	€ 1.70
Basic earnings per share	€ 7.62	€ 5.02
Diluted earnings per share[1]	€ 6.95	€ 4.53
Average shares outstanding, in m., basic	463	493
Average shares outstanding, in m., diluted	509	532
Return on average total shareholders' equity (post-tax)	12.5%	9.1%
Adjusted return on average active equity (post-tax)[2, 3]	16.2%	10.5%
Pre-tax return on average total shareholders' equity	21.7%	14.8%
Pre-tax return on average active equity[3]	24.3%	16.3%
Cost/income ratio[4]	74.7%	79.9%
	in € m.	in € m.
Total revenues	25,640	21,918
Provision for loan losses	374	372
Total noninterest expenses	19,154	17,517
Income before income tax expense and cumulative effect of accounting changes	6,112	4,029
Net income	3,529	2,472
	Dec 31, 2005 in € bn.	Dec 31, 2004 in € bn.
Total assets	992	840
Loans, net	151	136
Shareholders' equity	29.9	25.9
BIS core capital ratio (Tier I)	8.7%	8.6%
	Number	Number
Branches	1,588	1,559
thereof in Germany	836	831
Employees (full-time equivalent)	63,427	65,417
thereof in Germany	26,336	27,093
Long-term rating		
Moody's Investors Service, New York	Aa3	Aa3
Standard & Poor's, New York	AA–	AA–
Fitch Ratings, New York	AA–	AA–

[1] Including effect of dilutive derivatives, net of tax.
[2] Net income of € 3,529 million for 2005 and € 2,472 million for 2004 is adjusted for the reversal of 1999/2000 credits for tax rate changes of € 544 million for 2005 and € 120 million for 2004.
[3] We calculate this adjusted measure of our return on average total shareholders' equity to make it easier to compare us to our competitors. We refer to this adjusted measure as our "return on average active equity". However, this is not a measure of performance under U.S. GAAP and you should not compare our ratio to other companies' ratios without considering the differences in calculation of the ratios. The items for which we adjust the average shareholders' equity of € 28,201 million for 2005 and € 27,194 million for 2004 are the average unrealized net gains on securities available for sale, net of applicable tax effects of € 2,023 million for 2005 and € 1,601 million for 2004 and the average dividends of € 1,048 million for 2005 and € 815 million for 2004. The dividend is paid once a year following its approval by the general shareholders' meeting.
[4] Noninterest expenses as a percentage of net interest revenues before provision for loan losses plus noninterest revenues.

Due to rounding, numbers presented throughout this document may not add up precisely to the totals we provide and percentages may not precisely reflect the absolute figures.

Content

Management Report

The following discussion and analysis should be read in conjunction with the consolidated financial statements and the related notes to them. Our consolidated financial statements for the years ended December 31, 2005 and 2004 have been audited by KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft that issued an unqualified opinion.

Business and Operating Environment

Our Organization

Headquartered in Frankfurt am Main, Germany, we are the largest bank in Germany, and one of the largest financial institutions in Europe and the world, as measured by total assets of € 992 billion as of December 31, 2005. As of this date, we employed 63,427 people on a full-time equivalent basis, operating in 73 countries out of 1,588 facilities worldwide, of which 53% were in Germany. We offer a wide variety of investment, financial and related products and services to private individuals, corporate entities and institutional clients around the world.

In order to best serve our clients and manage our own investments, we are organized into three group divisions, two of which are further sub-divided into corporate divisions. As of December 31, 2005, our group divisions were:

- *The Corporate and Investment Bank* (CIB), comprising two corporate divisions:
  - Corporate Banking & Securities (CB&S)
  - Global Transaction Banking (GTB)
- *Private Clients and Asset Management* (PCAM), comprising two corporate divisions:
  - Asset and Wealth Management (AWM)
  - Private & Business Clients (PBC)
- *Corporate Investments* (CI)

Our organization also includes our Corporate Center and an infrastructure group into which we centralized our business support areas (which were formerly part of our group divisions). Additionally, we created a regional management function that covers regional responsibilities worldwide.

Economic Environment in 2005

In 2005, the global economy grew by 4.5%, above its long-term trend rate. China, with GDP growth of 9.9% and the United States, at 3.5%, together generated nearly half of the rise in global GDP. Japan's GDP growth accelerated to 2.8%, while economic growth in the Eurozone slowed to 1.3%, however Germany, against a backdrop of weak consumer spending, lagged significantly behind the other countries with a growth rate of only 0.9%. In the last months of 2005 business confidence in the industrialised nations improved strongly. The capital markets developed better than expected last year and confidence in the international financial markets increased. The Nikkei Index and the DAX gained 40% and 27%, respectively. The Dow Jones was volatile but ended the year hardly changed from its starting level, partly reflecting continued interest rate increases by the Federal Reserve.

Banks world-wide posted exceptionally strong results in 2005. For the fourth year running, pre-tax profits in the global banking industry rose significantly, exceeding by a wide margin even the boom year 2000 both in absolute terms and relative to assets and capital. Dynamic revenue growth coincided with a successful restraint of costs and, most importantly, a strong decline in risk provisions reflecting the benign credit environment and markedly improved credit risk management. The rise of banks' profits extended to those countries where it had been absent before, including Germany. On the back of buoyant global capital markets, commission income and trading results were the main drivers for revenue growth. Net interest income also increased, but less so than the other two categories reflecting ongoing margin pressure due to strong competition as well as the normalization of interest rates from the unusually low levels. Growth in net interest income was strongest in household lending, especially in those markets where house prices rose strongly. In contrast, corporate lending remained subdued in most mature markets, especially in Europe, reflecting ample corporate liquidity and – in Europe – low investment volumes. On balance, cost levels edged up slightly, though this mainly reflected higher business volumes and performance-related increases in staff compensation; overall, however, cost discipline remained well intact with outsourcing and industrialization of processes becoming a major theme in the financial industry, too.

Executive Summary

Thanks to our strong global presence, especially in corporate and investment banking and our investment management businesses, we took advantage of the generally favorable economic and market environment. We generated higher revenues in most business areas which, combined with some expense growth and a similar level of loan loss provisions, resulted in significant bottom-line profit growth.

Income before income tax expense increased from € 4.0 billion in 2004 to € 6.1 billion, including restructuring charges of € 767 million related to the Business Realignment Program ("BRP") (similar charges in 2004 amounted to € 400 million). We reported a pre-tax return on average active equity of 24% in 2005 – a substantial improvement over 16% in 2004 (pre-tax return on average total shareholders' equity was 22% and 15%, respectively, for these years). Net income for 2005 increased 43% to € 3.5 billion compared to € 2.5 billion in 2004, and diluted earnings per share grew 53% to € 6.95.

Compared to 2004, total net revenues excluding the provision for loan losses increased by € 3.7 billion, or 17%, to € 25.6 billion. Revenues grew in all major categories. Net interest and trading revenues were up € 819 million, or 16%, and € 1.2 billion, or 20%, respectively. This growth was primarily attributable to our Sales & Trading businesses, which achieved total revenues (net interest, trading, fee and other revenues) of € 10.6 billion, up 21% from 2004 to a new record level. Our business model, which emphasizes high-value 'intellectual capital' products and customized solutions, performed strongly – in both the good and challenging market conditions in 2005. Commission and fee revenues improved by € 582 million to € 10.1 billion in 2005, driven by strong results in both our origination/advisory and investment management businesses. Also contributing to higher revenues in 2005 was an increase of € 821 million in gains on sales from our portfolio of securities available for sale, mainly reflecting gains from the further reduction of our stake in DaimlerChrysler AG.

Our total noninterest expenses were € 19.2 billion compared to € 17.5 billion in 2004. Noninterest expenses reflected restructuring expenses of € 767 million in 2005 and € 400 million in 2004, increased provisions in 2005 related to legal exposures for legacy issues, and € 203 million in 2005 related to grundbesitz-invest, an open-end property fund sponsored and managed by a German subsidiary of ours. Declines in noninterest expenses due to headcount reductions and other additional measures were offset by higher performance-related bonuses, in line with strong business results, as well as by investments in growth businesses.

In 2005 the provision for loan losses was € 374 million compared to € 372 million in 2004. The level in 2005 partly reflects growth in our consumer lending business, consistent with our stated strategy. At the end of 2005, problem loans were € 3.9 billion, down 20% from € 4.8 billion at the end of 2004, reflecting the quality of our loan book, tight credit risk management, the positive results of workout processes and the overall benign credit environment.

The following table presents our condensed consolidated statement of income for 2005 and 2004.

			2005 increase (decrease) from 2004	
in € m.	**2005**	2004	in €	in %
Net interest revenues	6,001	5,182	819	16
Provision for loan losses	374	372	2	1
Net interest revenues after provision for loan losses	**5,627**	**4,810**	**817**	**17**
Commissions and fee revenues	10,089	9,506	582	6
Trading revenues, net	7,429	6,186	1,243	20
Net gains on securities available for sale	1,055	235	821	N/M
Net income from equity method investments	418	388	30	8
Other noninterest revenues	648	421	227	54
Total noninterest revenues	**19,639**	**16,736**	**2,903**	**17**
Total net revenues	**25,266**	**21,546**	**3,719**	**17**
Compensation and benefits	10,993	10,222	771	8
Goodwill impairment/impairment of intangibles	–	19	(19)	N/M
Restructuring activities	767	400	367	92
Other noninterest expenses	7,394	6,876	518	8
Total noninterest expenses	**19,154**	**17,517**	**1,637**	**9**
Income before income tax expense and cumulative effect of accounting changes	**6,112**	**4,029**	**2,083**	**52**
Income tax expense	2,039	1,437	602	42
Reversal of 1999/2000 credits for tax rate changes	544	120	424	N/M
Income before cumulative effect of accounting changes, net of tax	**3,529**	**2,472**	**1,056**	**43**
Cumulative effect of accounting changes, net of tax	–	–	–	–
Net income	**3,529**	**2,472**	**1,056**	**43**

N/M – Not meaningful

Our net income included the effects of reversing income tax credits related to 1999 and 2000 tax law changes, as described in "Effects of 1999/2000 German Tax Reform Legislation and Accounting for Income Taxes" and the cumulative effect of accounting changes as described in Note [2] to our consolidated financial statements. The following table shows our net income excluding these effects.

in € m. (except per share amounts)	**2005**	**Per share (basic)**	**Per share (diluted)**	2004	Per share (basic)	Per share (diluted)
Net income	**3,529**	**7.62**	**6.95**	**2,472**	**5.02**	**4.53**
Add (deduct):						
Reversal of 1999/2000 credits for tax rate changes	544	1.18	1.07	120	0.24	0.23
Cumulative effect of accounting changes, net of tax	–	–	–	–	–	–
Net income before reversal of 1999/2000 credits for tax rate changes and cumulative effect of accounting changes, net of tax	**4,073**	**8.80**	**8.02**	**2,592**	**5.26**	**4.76**

Net income above included pre-tax gains of € 750 million in 2005, € 140 million in 2004 and € 222 million in 2003 on sales of securities that generated the reversal of the 1999/2000 credits for tax rate changes.

Effects of 1999/2000 German Tax Reform Legislation and Accounting for Income Taxes

The German Tax Reform Act stipulated that profits on the sale of shareholdings in German corporations were exempt from tax beginning January 1, 2002. For our consolidated financial statements for 2000, this meant that the respective deferred tax liability formed in connection with the unrealized gains from equity securities available for sale accumulated in other comprehensive income (OCI) had to be released as a credit in the tax line of the income statement although the gains were still unrealized since the securities were not yet sold.

The release of the deferred tax liability through the income statement did not affect the offset amount in OCI. It remains fixed in the amount determined at the date of the release of the deferred tax liability until such time as the securities are sold.

The following table presents the level of unrealized gains and related effects for available for sale equity securities of DB Investor, which holds most of our industrial holdings.

in € bn.	**2005**	2004	2003	2002	2001
Market value	4.1	5.4	6.3	5.3	14.1
Cost	2.2	4.0	4.6	5.0	5.7
Unrealized gains in other comprehensive income	**1.9**	**1.4**	**1.7**	**0.3**	**8.4**
Less: deferred tax relating to 1999 and 2000 tax rate changes in Germany	2.1	2.7	2.8	2.9	5.5
Other comprehensive income (loss), net	**(0.2)**	**(1.3)**	**(1.1)**	**(2.6)**	**2.9**

As a consequence, the accounting for income tax rate changes related to eligible equity securities may result in significant impacts on our results of operations in periods in which we sell these securities. This effect is illustrated in 2005, 2004, 2003, 2002 and 2001 when we sold portions of our eligible equity securities. The gains resulting from most of these sales were not subject to tax. We reversed the deferred taxes which had accumulated in other comprehensive income, through December 31, 2000, in respect of these securities. We recognized these reversals as tax expense of € 544 million in 2005, € 120 million in 2004, € 215 million in 2003, € 2.8 billion in 2002 and € 995 million in 2001.

The only tax payable is on 5% of any gain as a result of the 2004 Tax Reform Act which was enacted in December 2003. Under the Act, effective starting in 2004, corporations effectively became subject to tax on 5% of capital gains from the disposal of foreign and domestic shareholdings irrespective of holding percentage and holding period; losses from a shareholding disposal continue to be non-tax deductible.

Neither the initial release of the deferred tax liability nor the unrealized gains and losses from securities available for sale are included in regulatory core capital or in the calculation of our adjusted return on equity. The entire procedure is a U.S. GAAP specific accounting requirement. We believe that the economic effects of the tax rate changes are not appropriately reflected in the individual periods up to and including the period of the sale.

For more information on this accounting method, see the respective section of our Form 20-F filed March 23, 2006.

Operating Results

You should read the following discussion and analysis in conjunction with the consolidated financial statements.

Net Interest Revenues

The following table sets forth data related to our net interest revenues.

in € m. (except percentages)	2005	2004	2005 increase (decrease) from 2004 in €	in %
Total interest revenues	41,708	28,023	13,685	49
Total interest expenses	35,707	22,841	12,866	56
Net interest revenues	**6,001**	**5,182**	**819**	**16**
Average interest-earning assets[1]	866,750	751,557	115,193	15
Average interest-bearing liabilities[1]	809,321	695,094	114,227	16
Gross interest yield[2]	4.81%	3.73%	1.08 ppt	29
Gross interest rate paid[3]	4.41%	3.29%	1.12 ppt	34
Net interest spread[4]	0.40%	0.44%	(0.04) ppt	(9)
Net interest margin[5]	0.69%	0.69%	–	–

ppt – Percentage points
[1] Average balances for each year are calculated based upon month-end balances.
[2] Gross interest yield is the average interest rate earned on our average interest-earning assets.
[3] Gross interest rate paid is the average interest rate paid on our average interest-bearing liabilities.
[4] Net interest spread is the difference between the average interest rate earned on average interest-earning assets and the average interest rate paid on average interest-bearing liabilities.
[5] Net interest margin is net interest revenues expressed as a percentage of average interest-earning assets.

Net interest revenues in 2005 were € 6.0 billion, an increase of € 819 million from 2004. Average interest-bearing volumes of assets and liabilities each increased by approximately € 115 billion, the overall net interest spread narrowed by 4 basis points and our net interest margin stood at 69 basis points in both years. Much of the increase in net interest revenues was related to our trading activities. Factors in this increase include a € 49 billion increase in interest-earning trading assets outstanding (mainly in non-German offices) and the effect of a larger increase in noninterest-bearing trading liabilities than noninterest bearing trading assets. Interest revenues from loans remained nearly unchanged as strong competition held down interest yields and our average loans outstanding changed little year-to-year, though lending picked up later in the year primarily in our retail and wealth management businesses. Our overall funding costs rose by 112 basis points due primarily to the higher rates in the U.S. as the Federal Reserve continued its policy of rate increases.

The development of our net interest revenues is also influenced to a significant extent by the accounting treatment of some of our derivatives transactions. We enter into nontrading derivative transactions as economic hedges of the interest rate risks of our nontrading assets and liabilities. Some of these derivatives qualify as hedges for accounting purposes while others do not. When derivative transactions qualify as hedges for accounting purposes, the interest arising from the derivatives appear in interest revenues and expense, where they offset the interest flows from the assets and liabilities they are intended to hedge. When derivatives do not qualify for hedge accounting treatment, the interest flows that arose from the derivatives during any period all appear in trading revenues for that period.

Trading revenues, net

The following table sets forth data related to our trading revenues.

in € m. (except percentages)	2005	2004	2005 increase (decrease) from 2004 in €	in %
CIB – Sales & Trading (equity)	3,273	2,192	1,081	49
CIB – Sales & Trading (debt and other products)	3,725	3,666	59	2
Other trading revenues	431	328	103	31
Total trading revenues, net	**7,429**	**6,186**	**1,243**	**20**

Trading revenues from CIB – Sales & Trading (equity) increased € 1.1 billion, mainly driven by substantial growth in our equity derivatives business and to a lesser extent greater results from our proprietary activity.

The increase in other trading revenues was mainly due to higher mark-to-market results from credit default swaps used to hedge our investment-grade loan exposure, to a loss of € 13 million in 2005 from a loss of € 231 million in 2004. This development was partly offset because mark-to-market gains related to AWM's guaranteed-value mutual funds business were reflected in the 2004 results but not in 2005 following its deconsolidation pursuant to the adoption of FIN 46(R).

Our trading and risk management businesses include significant activities in interest rate instruments and related derivatives. Under U.S. GAAP, interest revenues earned from trading assets (e.g., coupon and dividend income), and the costs of funding net trading positions are part of net interest revenues. Our trading activities can periodically shift revenues between trading revenues and interest revenues, depending on a variety of factors, including risk management strategies. In order to provide a more business-focused commentary, we discuss the combined net interest and trading revenues by group division and by product within the Corporate and Investment Bank, rather than by type of revenues generated.

The following table sets forth data relating to our combined net interest and trading revenues by group division and product within Corporate and Investment Bank.

in € m.	2005	2004	2005 increase (decrease) from 2004 in €	in %
Net interest revenues	6,001	5,182	819	16
Trading revenues, net	7,429	6,186	1,243	20
Total net interest and trading revenues	**13,430**	**11,368**	**2,062**	**18**
Breakdown by Group Division/CIB product[1]:				
Sales & Trading (equity)	2,465	1,594	871	55
Sales & Trading (debt and other products)	6,433	5,368	1,065	20
Total Sales & Trading	8,899	6,963	1,936	28
Loan products[2]	766	698	68	10
Transaction services	913	828	85	10
Remaining products[3]	(20)	(135)	115	85
Total Corporate and Investment Bank	10,558	8,354	2,204	26
Private Clients and Asset Management	2,818	2,923	(105)	(4)
Corporate Investments	37	118	(81)	(69)
Consolidation & Adjustments	17	(26)	43	N/M
Total net interest and trading revenues	**13,430**	**11,368**	**2,062**	**18**

N/M – Not meaningful

[1] Note that this breakdown reflects net interest and trading revenues only. For a discussion of the group divisions' total revenues by product please refer to "Results of Operations by Segment".

[2] Includes the traditional net interest spread on loans as well as the results of credit default swaps used to hedge our investment-grade loan exposure.

[3] Includes origination, advisory and other products.

Corporate and Investment Bank (CIB). The significant increase in combined net interest and trading revenues from sales and trading products of € 1.9 billion to € 8.9 billion reflected our results in commodity, credit, equity and interest rate derivatives and emerging markets. Strong gains from the proprietary business additionally contributed to this development. In loan products, net interest and trading revenues were higher by € 68 million due to lower trading losses on credit risk hedge positions. This was partly offset by a decrease in net interest revenues from our corporate loan book reflecting lower interest margins. The increase of € 85 million in transaction services was due to higher interest revenues from Cash Management products and from Trust and Securities Services. Net interest and trading revenues from remaining products were € 115 million higher than in 2004 mainly due to foreign currency effects on certain corporate liabilities and lower goodwill funding costs.

Private Clients and Asset Management (PCAM). Combined net interest and trading revenues were € 2.8 billion in 2005, a decrease of € 105 million compared to 2004. Net interest and trading revenues in 2004 included € 155 million attributable to the aforementioned deconsolidation of AWM's guaranteed-value mutual funds business. This deconsolidation impact was partly offset by higher net interest revenues in 2005 resulting from increased loan volumes in the retail and wealth management business.

Corporate Investments (CI). The decrease of € 81 million to € 37 million included lower dividend income from our downsized industrial holdings portfolio.

Provision for Loan Losses

Our provision for loan losses reflects charges to and releases from the allowance we carry for credit losses on loans. The allowance consists of a specific loss component, which relates to specific loans, and an inherent loss component. The inherent loss component consists of a country risk allowance, an allowance for smaller-balance standardized homogeneous loans and an inherent loss component to cover losses in our loan portfolio that have not yet been individually identified, and reflects the imprecisions and uncertainties in estimating our loan loss allowance.

Our provision for loan losses in 2005 was € 374 million, nearly unchanged from the prior year (€ 372 million), reflecting tight credit risk management, positive results of workout processes as well as the overall benign credit environment. Exposure in our smaller-balance standardized homogeneous loan portfolio accounted for 98% of our total loan loss provision in 2005.

For further information on the provision for loan losses see our Risk Report.

Noninterest Revenues, Excluding Trading Revenues

			2005 increase (decrease) from 2004	
in € m.	**2005**	2004	in €	in %
Commissions and fee revenues[1]	10,089	9,506	582	6
Net gains on securities available for sale	1,055	235	821	N/M
Net income from equity method investments	418	388	30	8
Other noninterest revenues	648	421	227	54
Total noninterest revenues, excluding trading revenues	**12,210**	**10,550**	**1,660**	**16**

N/M – Not meaningful

[1] Includes	**2005**	2004	in €	in %
Commissions and fees from fiduciary activities:				
Commissions for administration	396	281	115	41
Commissions for assets under management	3,009	2,847	163	6
Commissions for other securities business	151	83	67	81
Total	**3,556**	**3,211**	**345**	**11**
Commissions, broker's fees, mark-ups on securities underwriting and other securities activities:				
Underwriting and advisory fees	2,059	1,793	266	15
Brokerage fees	1,998	1,918	80	4
Total	**4,057**	**3,711**	**346**	**9**
Fees for other customer services	2,476	2,584	(108)	(4)
Total commissions and fee revenues	**10,089**	**9,506**	**582**	**6**

Commissions and Fee Revenues. Total 2005 commissions and fee revenues were € 10.1 billion, an increase of € 582 million, or 6%, compared with 2004. The increase of € 345 million in commissions and fees from fiduciary activities mainly resulted from higher assets under management in our mutual funds business and higher performance fees in AM's Real Estate business. Underwriting and advisory fees increased by € 266 million, mainly attributable to improved results from Origination (equity) and Advisory in CIB. The decrease of € 108 million in fees for other customer services was driven by higher sales of insurance products in 2004, due largely to changes in German tax legislation.

Net Gains on Securities Available for Sale. Results in 2005 included € 666 million from gains on sales of DaimlerChrysler AG shares in our industrial holdings portfolio. Additionally, the gains from the disposal of our interest in Südzucker AG and from the partial disposal of HCL Technologies Ltd. contributed to the 2005 profit. In 2004, results included several disposal gains of which the most significant was a € 118 million net gain related to sales of DaimlerChrysler AG shares.

Net Income from Equity Method Investments. The key contributors to net income from equity method investments in 2005 and in 2004 were structured transactions in CIB's sales & trading areas as well as CI's equity method investments. Both years also include income related to real estate investments in AWM.

Other Noninterest Revenues. Total other noninterest revenues increased by € 227 million in 2005 compared to 2004. The improvement primarily arose because 2004 included provisions for the beneficial interest of the investors in AWM's guaranteed value mutual funds business. Also contributing to the increase was higher income from other investments in CI and in AWM's real estate business. These positive factors were partly offset by lower returns from loans held for sale subsequent to interest rate increases, predominantly in the U.S.

Noninterest Expenses

The following table sets forth information on our noninterest expenses.

in € m.	2005	2004	2005 increase (decrease) from 2004 in €	in %
Compensation and benefits	10,993	10,222	771	8
Other noninterest expenses[1]	7,394	6,876	518	8
Goodwill impairment/impairment of intangibles	–	19	(19)	N/M
Restructuring activities	767	400	366	92
Total noninterest expenses	**19,154**	**17,517**	**1,637**	**9**

N/M – Not meaningful

[1] Includes:	2005	2004	in €	in %
Net occupancy expense of premises	1,014	1,258	(244)	(19)
Furniture and equipment	169	178	(9)	(5)
IT costs	1,539	1,726	(187)	(11)
Agency and other professional service fees	895	824	72	9
Communication and data services	599	599	–	–
Other expenses	3,178	2,291	886	39
Total other noninterest expenses	**7,394**	**6,876**	**518**	**8**

Compensation and Benefits. The increase of € 771 million in 2005 compared to 2004 reflected several partly offsetting factors:

- Performance-related compensation increased in 2005 driven by improved operating results across all of our businesses.
- Severance payments of € 51 million in 2005 decreased by € 231 million compared to 2004, with almost 60% of the decline attributable to CB&S.
- Salaries and benefits showed net decreases reflecting headcount reductions related to the BRP and sales of non-core businesses, partly offset by the effects of headcount increases in selected growth businesses.

Other Noninterest Expenses. Total other noninterest expenses increased by € 518 million in 2005. The increase of € 886 million in the category “Other expenses” was mainly attributable to two factors: higher provisions for legal exposures, including provisons related to legacy issues included in Consolidation & Adjustments, and provisions of € 203 million related to grundbesitz-invest, an open-end property fund sponsored and managed by a German subsidiary of ours. In December 2005, the issuance and redemption of fund share units was temporarily suspended pending an extraordinary revaluation of assets. The provisions of € 203 million represented the estimated costs of direct and indirect compensation to certain share unit holders. The direct compensation would be paid to certain investors who, taking into account the purchase price of their share units and earnings distributions received, would incur a loss due to the revaluation of the properties. Other noninterest expenses also increased due to volume-driven expense increases for payment and clearing services. Declines in net occupancy and IT costs were a modest offset to the increased expenses. Net occupancy expenses decreased in 2005 primarily because 2004 included costs related to the elimination of excess space and sublease losses. Both net occupancy and IT costs also decreased because of ongoing cost containment efforts.

Goodwill Impairment/Impairment of Intangibles. The previous year included an impairment loss of € 19 million in Asset and Wealth Management following the termination of certain investment management agreements in the UK.

Restructuring Activities. During 2005 we continued our BRP which included restructuring charges of € 767 million in 2005 and € 400 million in 2004. For further information on restructuring activities see Note [28] to our consolidated financial statements.

Income Tax Expense

Income tax expense was € 2.6 billion in 2005 compared to € 1.6 billion in 2004, primarily attributable to the increase of operating income and an increase of the reversal, required under U.S. GAAP, of 1999/2000 credits for tax rate changes due to sales of equity securities that are exempt from German income taxes. The reversal of 1999/2000 credits for German tax rate changes was € 544 million in 2005 and € 120 million 2004. The actual effective tax rates were 42% in 2005 and 39% in 2004. Excluding the effect of the reversal, our effective tax rates were 33% in 2005 and 36% in 2004, with the lower effective tax rate in 2005 mainly due to greater tax-exempt capital gains.

Results of Operations by Segment

The following is a discussion of the results of our business segments. See Note [27] to the consolidated financial statements for information regarding

– our organizational structure;
– effects of significant acquisitions and divestitures on segmental results;
– changes in the format of our segment disclosure;
– a discussion of the framework of our management reporting systems;
– consolidating and other adjustments to the total results of operations of our business segments;
– definitions of non-GAAP financial measures that are used with respect to each segment, and
– the rationale for excluding items in deriving the measures.

The criterion for segmentation into divisions is our organizational structure as it existed at December 31, 2005. For further discussion of our business segments, see Note [27] to the consolidated financial statements. Segment results were prepared in accordance with our management reporting systems.

2005 in € m. (except percentages)	Corporate and Investment Bank	Private Clients and Asset Management	Corporate Investments	Total Management Reporting	Consolidation & Adjustments	Total Consolidated
Net revenues[2]	**15,918**	**8,594**	**1,229**	**25,741**	**(102)**	**25,640**
Provision for loan losses	32	342	–	374	–	374
Provision for off-balance sheet positions	(22)	(2)	–	(24)	–	(24)
Total provision for credit losses	**10**	**340**	**(1)**	**350**		
Operating cost base[1]	11,120	6,342	181	17,642		
Policyholder benefits and claims	–	49	–	49	3	52
Minority interest	37	30	(2)	66	(11)	55
Restructuring activities	418	347	2	767	–	767
Goodwill impairment/impairment of intangibles	–	–	–	–	–	–
Total noninterest expenses[3]	**11,575**	**6,768**	**181**	**18,524**	**654**	**19,178**
Income (loss) before income taxes[4]	**4,333**	**1,485**	**1,049**	**6,867**	**(756)**	**6,112**
Add (deduct):						
Net (gains) from businesses sold/ held for sale	–	(90)	–	(90)		
Significant equity pick-ups/net (gains) from investments	–	–	(156)	(156)		
Net (gains) on securities available for sale/industrial holdings including hedging	–	–	(801)	(801)		
Net (gains) on the sale of premises	–	–	(57)	(57)		
Restructuring activities	418	347	2	767		
Goodwill impairment/impairment of intangibles	–	–	–	–		
Underlying pre-tax profit	**4,751**	**1,742**	**37**	**6,531**		
Cost/income ratio in %	73	79	15	72	N/M	75
Underlying cost/income ratio in %	70	75	84	72		
Assets[5]	881,643	123,785	15,025	984,318	7,843	992,161
Risk-weighted positions (BIS risk positions)	167,742	74,074	7,448	249,264	1,938	251,202
Average active equity[6]	14,385	6,700	3,047	24,132	998	25,130
Return on average active equity in %	30	22	34	28	N/M	24
Underlying return on average active equity in %	33	26	1	27		

N/M – Not meaningful

[1] Includes:

Severance payments	17	22	–	38	13	51

[2] Net interest revenues and noninterest revenues.
[3] Excludes provision for off-balance sheet positions (reclassified to provision for credit losses).
[4] Before cumulative effect of accounting changes.
[5] The sum of corporate divisions does not necessarily equal the total of the corresponding group division because of consolidation items between corporate divisions, which are to be eliminated on the group division level. The same approach holds true for the sum of group divisions compared to Total Management Reporting.
[6] See Note [27] to the consolidated financial statements for a description of how average active equity is allocated to the divisions.

2004 in € m. (except percentages)	Corporate and Investment Bank	Private Clients and Asset Management	Corporate Investments	Total Management Reporting	Consolidation & Adjustments	Total Consolidated
Net revenues[2]	**13,414**	**8,023**	**621**	**22,058**	**(140)**	**21,918**
Provision for loan losses	89	264	19	372	–	372
Provision for off-balance sheet positions	(65)	(1)	–	(65)	–	(65)
Total provision for credit losses	**24**	**263**	**19**	**307**		
Operating cost base[1]	10,327	6,206	414	16,948		
Policyholder benefits and claims	–	50	–	50	210	260
Minority interest	5	1	(1)	4	(1)	3
Restructuring activities	299	98	3	400	–	400
Goodwill impairment/impairment of intangibles	–	19	–	19	–	19
Total noninterest expenses[3]	**10,631**	**6,373**	**416**	**17,420**	**162**	**17,582**
Income (loss) before income taxes[4]	**2,759**	**1,386**	**186**	**4,331**	**(302)**	**4,029**
Add (deduct):						
Net (gains) from businesses sold/ held for sale	(31)	(8)	(38)	(76)		
Significant equity pick-ups/net (gains) from investments	–	–	(148)	(148)		
Net (gains) on securities available for sale/industrial holdings including hedging	–	–	(176)	(176)		
Net (gains) on the sale of premises	–	–	(20)	(20)		
Restructuring activities	299	98	3	400		
Goodwill impairment/impairment of intangibles	–	19	–	19		
Underlying pre-tax profit (loss)	**3,027**	**1,496**	**(194)**	**4,329**		
Cost/income ratio in %	79	79	67	79	N/M	80
Underlying cost/income ratio in %	77	78	174	79		
Assets[5]	729,872	113,818	16,442	832,933	7,135	840,068
Risk-weighted positions (BIS risk positions)	139,124	65,677	10,242	215,044	1,742	216,787
Average active equity[6]	12,860	6,715	3,933	23,507	1,271	24,778
Return on average active equity in %	21	21	5	18	N/M	16
Underlying return on average active equity in %	24	22	(5)	18		

N/M – Not meaningful

[1] Includes:

Severance payments	170	101	1	272	10	282

[2] Net interest revenues and noninterest revenues.
[3] Excludes provision for off-balance sheet positions (reclassified to provision for credit losses).
[4] Before cumulative effect of accounting changes.
[5] The sum of corporate divisions does not necessarily equal the total of the corresponding group division because of consolidation items between corporate divisions, which are to be eliminated on the group division level. The same approach holds true for the sum of group divisions compared to Total Management Reporting.
[6] See Note [27] to the consolidated financial statements for a description of how average active equity is allocated to the divisions.

Group Divisions

Corporate and Investment Bank Group Division

The following table sets forth the results of our Corporate and Investment Bank Group Division for the years ended December 31, 2005 and 2004, in accordance with our management reporting systems.

in € m. (except percentages)	**2005**	2004
Net revenues:		
Sales & Trading (equity)	3,312	2,489
Sales & Trading (debt and other products)	7,336	6,299
Origination (equity)	647	499
Origination (debt)	1,017	916
Advisory	604	488
Loan products	1,256	1,139
Transaction services	1,971	1,863
Other	(225)	(277)
Total net revenues	**15,918**	**13,414**
Therein: Net interest and trading revenues	10,558	8,354
Provision for credit losses:		
Provision for loan losses	32	89
Provision for off-balance sheet positions	(22)	(65)
Total provision for credit losses	**10**	**24**
Noninterest expenses[1]:		
Operating cost base	11,120	10,327
Minority interest	37	5
Restructuring activities	418	299
Goodwill impairment	–	–
Total noninterest expenses[1]	**11,575**	**10,631**
Therein: Severance payments	17	170
Income before income taxes	**4,333**	**2,759**
Add (deduct):		
Net (gains) from businesses sold/held for sale	–	(31)
Restructuring activities	418	299
Goodwill impairment	–	–
Underlying pre-tax profit	**4,751**	**3,027**
Cost/income ratio in %	73%	79%
Underlying cost/income ratio in %	70%	77%
Assets	881,643	729,872
Risk-weighted positions (BIS risk positions)	167,742	139,124
Average active equity[2]	14,385	12,860
Return on average active equity in %	30%	21%
Underlying return on average active equity in %	33%	24%

[1] Excludes provision for off-balance sheet positions (reclassified to provision for credit losses).
[2] See Note [27] to the consolidated financial statements for a description of how average active equity is allocated to the divisions.

The following paragraphs discuss the contribution of the individual corporate divisions to the overall results of the Corporate and Investment Bank Group Division.

Corporate Banking & Securities Corporate Division

The following table sets forth the results of our Corporate Banking & Securities (CB&S) Corporate Division for the years ended December 31, 2005 and 2004, in accordance with our management reporting systems.

in € m. (except percentages)	**2005**	2004
Net revenues:		
Sales & Trading (equity)	3,312	2,489
Sales & Trading (debt and other products)	7,336	6,299
Origination (equity)	647	499
Origination (debt)	1,017	916
Advisory	604	488
Loan products	1,256	1,139
Other	(225)	(308)
Total net revenues	**13,947**	**11,520**
Provision for credit losses:		
Provision for loan losses	25	79
Provision for off-balance sheet positions	3	(66)
Total provision for credit losses	**28**	**14**
Noninterest expenses[1]:		
Operating cost base	9,675	8,752
Minority interest	37	5
Restructuring activities	331	272
Goodwill impairment	–	–
Total noninterest expenses[1]	**10,043**	**9,028**
Therein: Severance payments	18	154
Income before income taxes	**3,877**	**2,478**
Add (deduct):		
Net (gains) losses from businesses sold/held for sale	–	–
Restructuring activities	331	272
Goodwill impairment	–	–
Underlying pre-tax profit	**4,207**	**2,750**
Cost/income ratio in %	72%	78%
Underlying cost/income ratio in %	69%	76%
Assets	871,941	720,557
Risk-weighted positions (BIS risk positions)	155,467	128,066
Average active equity[2]	13,070	11,479
Return on average active equity in %	30%	22%
Underlying return on average active equity in %	32%	24%

[1] Excludes provision for off-balance sheet positions (reclassified to provision for credit losses).
[2] See Note [27] to the consolidated financial statements for a description of how average active equity is allocated to the divisions.

Income before income taxes increased by € 1.4 billion to € 3.9 billion for the year ended December 31, 2005. The improvement was driven by revenue growth of 21%, spread across most business units, together with continued tight cost management, with the increase of 11% in noninterest expenses driven by performance-related compensation. Underlying pre-tax profit, at € 4.2 billion, increased by € 1.5 billion compared to € 2.8 billion in 2004.

Net revenues of € 13.9 billion in 2005 were € 2.4 billion higher than net revenues of € 11.5 billion in 2004.

Sales & Trading (debt and other products) revenues were a record € 7.3 billion in 2005 and increased by € 1.0 billion compared to 2004. Sales & Trading (equity) revenues were € 3.3 billion, € 823 million higher than 2004.

Improved earnings in our Debt and Equity franchises reflected sustained leadership in high-value structured products in commodity, credit, equity and interest rate derivatives, emerging markets and securitized products. Customer demand for these products remained robust throughout the year. Equity derivatives in particular showed substantial growth, benefiting from synergies arising from closer integration with our institutional fixed income sales force.

Margin compression remained a significant factor in the performance of more mature 'flow' businesses such as foreign exchange, money markets and cash equities. Despite this compression, we nonetheless succeeded in making modest earnings gains in most of these businesses by growing market share. In cash equities, however, difficult conditions in program trading marginally reduced overall performance versus 2004.

Market conditions presented a number of attractive proprietary trading opportunities throughout the year. While remaining committed to a customer-centric business model, we took selective advantage of these opportunities, and together with the re-engineering of the equities proprietary trading unit at the beginning of the year, generated strong gains versus 2004.

Revenues from Origination and Advisory were € 2.3 billion, € 366 million higher than in 2004. Origination (equity) increased market share in both the U.S. and Europe, and regained the no. 1 position in European equity/equity-linked issuance as measured by fees according to *Dealogic*. In Origination (debt), high-yield issuance rose to the global no.1 position in the fee league table in 2005 according to *Dealogic*, and we acted as bookrunner on the three largest leveraged buyouts of 2005 in the North American market. In Advisory, the mergers and acquisitions environment continued to gain momentum throughout the year and we improved our fee league table position in 2005 as a result of market share gains in the U.S. and Europe. We ranked no. 8 globally as an M&A advisor, as measured by fees according to *Dealogic*, compared to no. 10 in 2004. In Europe, we advised on ten of the twenty largest transactions announced in 2005 (source: *Thomson Financial*).

Revenues from Loan Products were € 1.3 billion, € 118 million higher than in 2004. The main driver was an increase in mark-to-market gains on credit default swaps used to hedge the bank's investment grade loan exposure. While credit spreads tended to tighten, reflecting the continuing overall benign credit environment, the credit spreads that particularly impacted CIB's hedge portfolio widened.

The provision for credit losses remained low at € 28 million in 2005, compared to € 14 million in 2004, reflecting the continued benign credit environment and tight credit discipline.

Noninterest expenses in 2005 were € 10.0 billion, an increase of € 1.0 billion compared to € 9.0 billion in 2004, driven by an increase in performance-related compensation consistent with improved operating results. Also contributing to the increase were charges of € 331 million for restructuring activities related to the Business Realignment Program. In 2004, similar charges amounted to € 272 million.

The *cost income ratio* improved by 6 percentage points in 2005 to 72%, resulting from the increased revenues and continued tight cost management. After adjusting for the restructuring activities, the underlying cost income ratio improved by 7 percentage points from 76% to 69%.

Global Transaction Banking Corporate Division

The following table sets forth the results of our Global Transaction Banking (GTB) Corporate Division for the years ended December 31, 2005 and 2004, in accordance with our management reporting systems.

in € m. (except percentages)	**2005**	2004
Net revenues:		
Transaction services	1,971	1,863
Other	–	31
Total net revenues	**1,971**	**1,894**
Provision for credit losses:		
Provision for loan losses	7	9
Provision for off-balance sheet positions	(25)	1
Total provision for credit losses	**(18)**	**11**
Noninterest expenses[1]:		
Operating cost base	1,445	1,576
Minority interest	–	–
Restructuring activities	87	28
Goodwill impairment	–	–
Total noninterest expenses[1]	**1,532**	**1,603**
Therein: Severance payments	(1)	16
Income before income taxes	**457**	**280**
Add (deduct):		
Net (gains) from businesses sold/held for sale	–	(31)
Restructuring activities	87	28
Goodwill impairment	–	–
Underlying pre-tax profit	**544**	**277**
Cost/income ratio in %	78%	85%
Underlying cost/income ratio in %	73%	85%
Assets	17,966	16,636
Risk-weighted positions (BIS risk positions)	12,275	11,058
Average active equity[2]	1,315	1,381
Return on average active equity in %	35%	20%
Underlying return on average active equity in %	41%	20%

[1] Excludes provision for off-balance sheet positions (reclassified to provision for credit losses).
[2] See Note [27] to the consolidated financial statements for a description of how average active equity is allocated to the divisions.

Income before income taxes increased by € 176 million to € 457 million for the year ended December 31, 2005.

Net revenues increased by 4% to almost € 2 billion in 2005. Trust and Securities Services improved its revenues significantly through new business and expanded its lead as the no. 1 trustee for U.S. asset-backed securities and mortgage-backed securities. Cash Management earned higher interest revenues across all customer segments while Trade Finance increased its revenues due to Structured Export Finance deals in Europe and sales of interest and currency risk products. Net revenues in 2004 included a gain of € 55 million following the sale of a substantial part of our Global Securities Services (GSS) business to State Street Corporation in 2003 and a charge of € 24 million, representing GTB's share of the loss on the sale of DB Payments. Excluding the net gains on sales, net revenues increased in 2005 by € 108 million, or 6%, compared to 2004.

The provision for credit losses amounted to a net release of € 18 million in 2005, compared to a charge of € 11 million for 2004 reflecting the continued benign credit environment and tight credit discipline.

Noninterest expenses of € 1.5 billion decreased by € 71 million from 2004, although charges for restructuring activities, which represent GTB's share of the Business Realignment Program, increased by € 59 million from € 28 million in 2004 to € 87 million in 2005. The savings in noninterest expenses reflected ongoing gains in cost efficiency and the fact that 2004 expenses included some costs related to the sold GSS business, partly offset by higher performance-related compensation in 2005 in line with improved operating results.

The cost income ratio of 78% was 7 percentage points lower than in 2004. After adjusting for the net gains on sales and the restructuring activities, the underlying cost income ratio improved by 12 percentage points from 85% to 73%, reflecting the aforementioned improvements in revenues and noninterest expenses.

Private Clients and Asset Management Group Division

The following table sets forth the results of our Private Clients and Asset Management Group Division for the years ended December 31, 2005 and 2004, in accordance with our management reporting systems.

in € m. (except where indicated)	2005	2004
Net revenues:		
Portfolio/fund management	2,718	2,526
Brokerage	1,847	1,657
Loans/deposits	2,415	2,359
Payments, account & remaining financial services	857	915
Other	757	565
Total net revenues	**8,594**	**8,023**
Therein: Net interest and trading revenues	2,818	2,923
Provision for credit losses:		
Provision for loan losses	342	264
Provision for off-balance sheet positions	(2)	(1)
Total provision for credit losses	**340**	**263**
Noninterest expenses[1]:		
Operating cost base	6,342	6,206
Policyholder benefits and claims	49	50
Minority interest	30	1
Restructuring activities	347	98
Goodwill impairment/impairment of intangibles	–	19
Total noninterest expenses[1]	**6,768**	**6,373**
Therein: Severance payments	22	101
Income before income taxes	**1,485**	**1,386**
Add (deduct):		
Net (gains) losses from businesses sold/held for sale	(90)	(8)
Restructuring activities	347	98
Goodwill impairment/impairment of intangibles	–	19
Underlying pre-tax profit	**1,742**	**1,496**
Cost/income ratio in %	79%	79%
Underlying cost/income ratio in %	75%	78%
Assets	123,785	113,818
Risk-weighted positions (BIS risk positions)	74,074	65,677
Average active equity[2]	6,700	6,715
Return on average active equity in %	22%	21%
Underlying return on average active equity in %	26%	22%
Invested assets (in € bn.)[3]	867	828

[1] Excludes provision for off-balance sheet positions (reclassified to provision for credit losses).
[2] See Note [27] for a description of how average active equity is allocated to the divisions.
[3] We define invested assets as (a) assets we hold on behalf of customers for investment purposes and/or (b) client assets that are managed by us. We manage invested assets on a discretionary or advisory basis, or these assets are deposited with us.

The following paragraphs discuss the contribution of the individual corporate divisions to the overall results of Private Clients and Asset Management Group Division.

Asset and Wealth Management Corporate Division

The following table sets forth the results of our Asset and Wealth Management (AWM) Corporate Division for the years ended December 31, 2005 and 2004, in accordance with our management reporting systems.

in € m. (except where indicated)	**2005**	2004
Net revenues:		
Portfolio/fund management (AM)	2,199	2,040
Portfolio/fund management (PWM)	303	300
Total portfolio/fund management	**2,501**	**2,339**
Brokerage	769	667
Loans/deposits	165	133
Payments, account & remaining financial services	15	18
Other	431	332
Total net revenues	**3,881**	**3,488**
Provision for credit losses:		
Provision for loan losses	–	(6)
Provision for off-balance sheet positions	–	–
Total provision for credit losses	**–**	**(6)**
Noninterest expenses[1]:		
Operating cost base	2,984	2,923
Policyholder benefits and claims	49	50
Minority interest	30	1
Restructuring activities	220	88
Goodwill impairment/impairment of intangibles	–	19
Total noninterest expenses[1]	**3,284**	**3,080**
Therein: Severance payments	4	51
Income before income taxes	**597**	**414**
Add (deduct):		
Net (gains) losses from businesses sold/held for sale	(81)	(32)
Restructuring activities	220	88
Goodwill impairment/impairment of intangibles	–	19
Underlying pre-tax profit	**736**	**489**
Cost/income ratio in %	85%	88%
Underlying cost/income ratio in %	80%	86%
Assets	37,269	34,945
Risk-weighted positions (BIS risk positions)	13,811	11,424
Average active equity[2]	4,993	5,034
Return on average active equity in %	12%	8%
Underlying return on average active equity in %	15%	10%
Invested assets (in € bn.)[3]	704	679

AM – Asset Management
PWM – Private Wealth Management
[1] Excludes provision for off-balance sheet positions (reclassified to provision for credit losses).
[2] See Note [27] to the consolidated financial statements for a description of how average active equity is allocated to the divisions.
[3] We define invested assets as (a) assets we hold on behalf of customers for investment purposes and/or (b) client assets that are managed by us. We manage invested assets on a discretionary or advisory basis, or these assets are deposited with us.

Income before income taxes was € 597 million in 2005, € 183 million higher than in 2004. The current year included charges of € 220 million for restructuring activities and net gains of € 81 million from the sale of businesses. In 2004, income before income taxes included charges of € 88 million for restructuring activities, gains of € 32 million from the sale of businesses and an impairment loss of € 19 million related to intangible assets. Excluding these items, income before income taxes would have increased € 247 million from € 489 million in 2004 to € 736 million in 2005.

Net revenues were € 3.9 billion in 2005, an increase of € 392 million, or 11%, compared to 2004. This was a record year for net revenues of the Asset and Wealth Management Corporate Division with growth in all major product areas.

Portfolio/fund management revenues of € 2.2 billion in our Asset Management Business Division increased by € 159 million, or 8%, from 2004. This improvement mainly reflected higher levels of invested assets, particularly in Germany and the rest of Continental Europe, as well as higher performance fees in the Real Estate and Hedge Fund businesses. Partly offsetting these results was a decline in revenues for the division attributable to the sale of a substantial part of our UK- and Philadelphia-based Asset Management businesses to Aberdeen Asset Management PLC in 2005.

Portfolio/fund management revenues of € 303 million in our Private Wealth Management Business Division were slightly ahead of 2004, even though the previous year included operating revenues of € 27 million generated by Scudder Private Investment Counsel (PIC) business, which was sold in the fourth quarter 2004. Excluding this deconsolidation effect, the 11% increase in revenues was mainly attributable to the successful gathering of new assets, performance improvements in the client portfolios and higher performance fees.

Brokerage revenues of € 769 million increased € 102 million, or 15%, primarily due to strong customer demand for high-value products as well as higher transaction-based revenues as a result of improved market conditions. Brokerage revenues also benefited from net inflows of invested assets.

Revenues related to loans/deposits of € 165 million increased by € 32 million, or 24%, driven by higher volumes, particularly in our margin loan business.

Revenues from other products of € 431 million were € 99 million, or 30%, greater than in 2004 due to higher gains from the sale of investments, mainly in the Real Estate business, and an increase of € 49 million in net gains from the sale of businesses. Such gains totaled € 81 million in 2005 (UK-AM, € 68 million; PIC,€ 13 million) and € 32 million in 2004 (Australia-AM and PIC).

Noninterest expenses were € 3.3 billion in 2005, an increase of € 204 million, or 7%, from 2004. Most of the increase was due to restructuring charges, which increased from € 88 million in 2004 to € 220 million in 2005. The remaining increase in noninterest expenses was primarily driven by higher performance-related compensation. Partly offsetting these increases were lower severance payments and the effect of an intangible asset impairment loss of € 19 million in 2004.

The cost/income ratio was 85% in 2005, an improvement of 3 percentage points compared to 88% in 2004. Excluding restructuring charges, gains from the sale of businesses and the 2004 intangible asset impairment loss, the cost/income ratio decreased by 6 percentage points from 86% in 2004 to 80% in 2005. This improvement was mainly driven by the aforementioned revenue growth with noninterest expenses increasing at a lower rate.

Invested assets increased by € 25 billion to € 704 billion in 2005. Our Private Wealth Management Business Division gathered net new assets of € 11 billion across all major regions. Invested Assets in our Asset Management Business Division were essentially unchanged at € 536 billion at the end of 2005. Invested assets attributable to the sold UK- and Philadelphia-based Asset Management businesses amounted to € 77 billion at date of sale in 2005. Excluding the invested assets of the sold businesses, invested assets in Asset Management grew from € 458 billion in 2004 to € 535 billion in 2005. The increase of € 77 billion or 17% was due equally to market appreciation and foreign exchange rate developments, as well as net new assets of € 14 billion. In Germany, our mutual fund company DWS achieved record net inflows of € 9 billion in Germany and record funds under management of € 110 billion at year-end 2005. DWS continues to be the market leader in Germany with a 24% market share (as measured by the German Investment Association, BVI) and it remains one of the leading retail asset managers in Europe by size and investment performance. In 2005, DWS was awarded the Standard & Poor’s Fund Award for the best-performing mutual fund company in Germany for the eleventh consecutive year.

Private & Business Clients Corporate Division

The following table sets forth the results of our Private & Business Clients (PBC) Corporate Division for the years ended December 31, 2005 and 2004, in accordance with our management reporting systems.

in € m. (except where indicated)	**2005**	2004
Net revenues:		
Portfolio/fund management	216	187
Brokerage	1,078	991
Loans/deposits	2,251	2,226
Payments, account & remaining financial services	842	898
Other	326	233
Total net revenues	**4,713**	**4,534**
Provision for credit losses:		
Provision for loan losses	342	270
Provision for off-balance sheet positions	(2)	(1)
Total provision for credit losses	**340**	**269**
Noninterest expenses[1]:		
Operating cost base	3,358	3,283
Policyholder benefits and claims	–	–
Minority interest	–	–
Restructuring activities	127	10
Goodwill impairment / impairment of intangibles	–	–
Total noninterest expenses[1]	**3,485**	**3,293**
Therein: Severance payments	17	50
Income before income taxes	**888**	**972**
Add (deduct):		
Net (gains) losses from businesses sold/held for sale	(9)	24
Restructuring activities	127	10
Goodwill impairment / impairment of intangibles	–	–
Underlying pre-tax profit	**1,006**	**1,006**
Cost/income ratio in %	74%	73%
Underlying cost/income ratio in %	71%	72%
Assets	86,554	78,930
Risk-weighted positions (BIS risk positions)	60,263	54,253
Average active equity[2]	1,707	1,681
Return on average active equity in %	52%	58%
Underlying return on average active equity in %	59%	60%
Invested assets (in € bn.)[3]	163	150
Loan volume (in € bn.)	74	69
Deposit volume (in € bn.)	66	63

[1] Excludes provision for off-balance sheet positions (reclassified to provision for credit losses).
[2] See Note [27] to the consolidated financial statements for a description of how average active equity is allocated to the divisions.
[3] We define invested assets as (a) assets we hold on behalf of customers for investment purposes and/or (b) client assets that are managed by us. We manage invested assets on a discretionary or advisory basis, or these assets are deposited with us.

Income before income taxes of € 888 million in 2005 was € 84 million lower than in 2004, largely due to an increase in restructuring charges of € 117 million to € 127 million in 2005. Both years included results from the sale of businesses. A loss of € 24 million in 2004 was related to the disposal of DB Payments. In 2005, the sale of the private banking business in the Netherlands resulted in a gain of € 9 million. Excluding restructuring activities and results from the sale of businesses, income before income taxes of € 1 billion matched the record level of 2004, as revenue growth offset higher noninterest expenses and an increased provision for credit losses.

Net revenues of € 4.7 billion increased by € 179 million or 4% compared to 2004 despite modest GDP growth in Germany and Italy, PBC's core markets, as well as exceptional market conditions for insurance brokerage in Germany in 2004 following changes in tax legislation.

Portfolio/fund management revenues and brokerage revenues were the key drivers of the growth in 2005. These revenues increased by € 29 million and € 87 million, respectively. The improvements reflected successful placements of investment products, such as the Kompass Life Funds and other innovative investment products, as well as higher transaction-based flow revenues.

Loans/deposits revenues increased by € 24 million, driven by higher loan volumes reflecting PBC's strategy of growing consumer lending. Revenues attributable to deposits decreased due to margin pressure in a very competitive environment, especially in Germany.

Payments, account and remaining financial services revenues decreased by € 56 million, due to the aforementioned increase from tax legislation on insurance brokerage in 2004, in part offset by higher revenues from payment services in 2005.

Revenues from other products of € 326 million in 2005 increased by € 93 million compared to 2004, primarily due to improved results from asset and liability management activities as well as the effect from the sale of businesses described above.

Provision for credit losses increased by € 71 million, or 26%, to € 340 million in 2005 reflecting the growth in consumer lending and lower values realized on real estate collateral supporting distressed loans, especially in Germany.

Noninterest expenses of € 3.5 billion were € 191 million higher than in 2004, primarily due to the € 117 million increase in restructuring charges. Excluding restructuring charges, the rise in costs was due to investments in growing the business, including the launch of branch banking in India, the extension of the branch network in Poland, as well as the expansion of the sales forces in Germany, Italy and Spain.

The cost/income ratio increased slightly by 1 percentage point to 74% in 2005, driven by the aforementioned higher restructuring charges. Excluding restructuring charges and the impact of business disposal results, the cost/income ratio improved from 72% in 2004 to 71% in 2005.

Invested assets of € 163 billion at the end of 2005 grew by € 13 billion or 9%. The increase was attributable to both market appreciation and net inflows.

Corporate Investments Group Division

The following table sets forth the results of our Corporate Investments Group Division for the years ended December 31, 2005 and 2004, in accordance with our management reporting systems.

in € m. (except percentages)	2005	2004
Net revenues	**1,229**	**621**
Therein: Net interest and trading revenues	37	118
Provision for credit losses:		
Provision for loan losses	–	19
Provision for off-balance sheet positions	–	–
Total provision for credit losses	**(1)**	**19**
Noninterest expenses[1]:		
Operating cost base	181	414
Minority interest	(2)	(1)
Restructuring activities	2	3
Goodwill impairment / impairment of intangibles	–	–
Total noninterest expenses[1]	**181**	**416**
Therein: Severance payments	–	1
Income before income taxes	**1,049**	**186**
Add (deduct):		
Net (gains) losses from businesses sold/held for sale	–	(38)
Significant equity pick-ups/net (gains) losses from investments	(156)	(148)
Net (gains) losses on securities available for sale/ industrial holdings including hedging	(801)	(176)
Net (gains) losses on sale of premises	(57)	(20)
Restructuring activities	2	3
Goodwill impairment / impairment of intangibles	–	–
Underlying pre-tax profit (loss)	**37**	**(194)**
Cost/income ratio in %	15%	67%
Underlying cost/income ratio in %	84%	174%
Assets	15,025	16,442
Risk-weighted positions (BIS risk positions)	7,448	10,242
Average active equity[2]	3,047	3,933
Return on average active equity in %	34%	5%
Underlying return on average active equity in %	1%	(5)%

[1] Excludes provision for off-balance sheet positions (reclassified to provision for credit losses).
[2] See Note [27] to the consolidated financial statements for a description of how average active equity is allocated to the divisions.

Our Corporate Investments Group Division reported an *income before income taxes* of € 1.0 billion in 2005 compared to an income before income taxes of € 186 million in 2004.

Net revenues were € 1.2 billion in 2005, an increase of € 609 million compared to 2004. Net revenues in 2005 included net gains of € 801 million on sales of securities available for sale and from our industrial holdings portfolio. The largest gains, totaling € 666 million, resulted from sales which further reduced our investment in DaimlerChrysler AG from 10.4% to 4.4%. The sale of our stake in Südzucker AG, the partial sale of HCL Technologies Ltd., and the sale of some smaller investments also contributed to the overall net gains on securities available for sale and our industrial holdings portfolio in 2005. Net revenues in 2004 included net gains of € 176 million on sales of securities available for sale and from our industrial holdings portfolio. The largest transaction was the reduction of our investment in DaimlerChrysler AG from 11.8% to 10.4%, which resulted in a net gain of € 118 million. The reduction of our investment in DEUTZ AG from 10.5% to 4.5% and the sale of our investments in Fresenius AG and Motor-Columbus AG also contributed to the overall net gains on securities available for sale and our industrial holdings portfolio in 2004.

Net revenues in 2005 also included net gains of € 57 million from the disposal of premises and net gains of € 156 million from significant equity method and other investments, including a € 44 million gain from the reduction of our stake in EUROHYPO AG.

In 2004, net revenues included net gains of € 38 million from sold businesses related to our remaining North American commercial and consumer finance business. Net revenues in 2004 also reflected net gains of € 20 million from the disposal of premises and net gains of € 148 million from significant equity method and other investments, including a € 52 million gain from the sale of our 49% stake in DSI Financial Solutions Pte Ltd.

Excluding these items, the remaining variance between net revenues in 2005 and 2004 was mainly attributable to lower dividend income from our reduced industrial holdings portfolio and revenues subsequent to the sale of businesses.

Total *noninterest expenses* decreased in 2005 to € 181 million from € 416 million in 2004. The savings primarily resulted from a reduction in vacant office space costs, which amounted to € 173 million in 2004 compared to € 14 million in 2005. Noninterest expenses in 2005 also decreased as a result of business sales in prior periods.

At year-end 2005, the alternative assets portfolio of the Corporate Investments Group Division had a carrying value of € 1.4 billion, of which 36% was private equity direct investments, 26% was real estate investments and 38% was private equity indirect and other investments. This compares to a value at year-end 2004 of € 1.6 billion. We continue to monitor portfolio values on a quarterly basis to determine if valuation adjustments, including potential impairments, are necessary.

Other Financial Information

Liquidity and Capital Resources

Liquidity and capital are managed by Group Treasury. At the group level and on a consolidated basis this is the responsibility of Corporate Treasury, whereby regional treasuries manage liquidity and capital locally in each region. The allocation of financial resources (capital, liquidity, balance sheet limits) in general and capital in particular favors business portfolios with the highest positive impact on our profitability and shareholder value. As a result, Corporate Treasury periodically reallocates available capital among business portfolios.

Corporate Treasury develops and implements our capital strategy including the issuance and repurchases of shares. We are committed to maintain our sound capitalization. Overall capital demand and supply are constantly monitored and adjusted, if necessary, to meet the need for capital from various perspectives. These include book equity based on U.S. GAAP accounting standards, regulatory capital based on BIS and economic risk driving the capital usage of the business portfolios, commonly called economic capital. Our target for the BIS Tier I capital ratio is to stay within an 8-9% target range.

Milestones in capital management in 2005 were the completion of the third share buy-back program and the start of a fourth program. Under the third program, which was completed in April 2005, 45.5 million shares were repurchased. Based on the authority to buy back up to 10% of total shares issued, which was granted at the 2005 Annual General Meeting and expires at the end of October 2006, the fourth buy-back program was launched in July 2005. The program serves equity-based compensation programs and allows us to return excess capital to shareholders. Buy-backs were mainly funded from surplus capital and current earnings. As of December 31, 2005, 16.1 million shares (approximately 2.9% of our share capital) were repurchased under the fourth program. In total, 35.5 million shares were repurchased in 2005 under our share buy-back programs.

In 2005, we issued € 0.9 billion hybrid Tier I capital. Total outstanding hybrid Tier I capital as of December 31, 2005 amounted to € 3.6 billion.

While the funding plan and liquidity risk at the group level are managed centrally, the issuance of liability products in accordance with the funding plan and all other measures related to the mitigation of liquidity risk are executed by our regional treasuries. Group Treasury controls the demand for liquidity through limits on unsecured funding and caps on daily maximum cash outflows. Furthermore, investor concentration and liability roll-off reports are prepared to analyze the sources of funds and to identify trends within our refinancing base. This information allows for adjustments with respect to our funding strategy. In total, Treasury issued approximately € 15 billion of capital market instruments in various currencies and regions in 2005.

Treasury applies stress testing to all local liquidity profiles to quantify the potential effects of developments unfavorable to our funding capability. The stress testing covers expected cash flows and the salability of trading assets under various adverse scenarios including systemic shocks as well as unfavorable rating changes.

The allocation and re-allocation of resources such as capital, the determination of the appropriate limits for unsecured funding as well as other resource issues are framed by the Asset and Liability management process. The Group Asset and Liability Committee (Group ALCO), on which all corporate divisions and Group Treasury are represented, has the responsibility to balance group-wide business needs with resource availability. In particular, the Group ALCO makes proposals to our Management Board with respect to decisions on financial resources, including the allocation of capital and liquidity to the divisions.

Most of our subsidiaries are subject to legal and regulatory capital requirements as well as minimum liquidity thresholds. Local ALCOs attend to those needs under the stewardship of regional treasuries. Furthermore they safeguard compliance with requirements such as restrictions on dividends allowable for remittance to Deutsche Bank AG or on the ability of our subsidiaries to make loans or advances to the parent bank. See “Item 4: Information on the Company-Regulation and Supervision.” In developing, implementing and testing our liquidity and capital strategy, we take such legal and regulatory requirements into account and seek to ensure that the attendant requirements are not likely to have a material impact on our ability to meet our expected cash obligations. In our opinion, our working capital is sufficient for our present requirements.

For a detailed discussion of our liquidity risk management, see our Risk Report.

Pension Plans

We have a global policy for determining the significant assumptions and estimates that are applied to our pension and other employee benefit plans. These assumptions and estimates are measurable against market factors, or equivalents where market factors are not available. As stated in Note [24] to our consolidated financial statements, “Pension and Other Employee Benefit Plans”, below are the significant assumptions and estimates related to our pension plans.

The discount rate is determined on the basis of yields to maturity of AA-rated corporate bond indices of the same currency, similar duration of the liability, and representing sufficient depth of market. Alternatively, benchmark government bonds are used for countries where sufficient depth of AA-corporate bond markets is not available. In cases of significant differences between the published bond duration and the calculated duration of the obligation, an adjustment is made equal to this difference multiplied by the slope of the yield curve. No such adjustment was made in the Eurozone, the UK and the U.S. The resulting discount rate was rounded to the nearest multiple of 10 basis points. At December 31, 2005, the average discount rate used to measure our pension obligations (Projected Benefit Obligation (PBO) and Accumulated Benefit Obligation (ABO)) was 4.3%. In determining our pension expense for the year ended December 31, 2005, an average discount rate of 5.0% (i.e., the December 31, 2004 rate) was applied. The respective average discount rates for the Defined Benefit Postretirement Plans were 5.4% as of December 31, 2005 and 5.7% for determining the expected expense for 2005.

The expected return on our defined benefit pension plans’ assets is calculated by applying a risk premium, which reflected the inherent risks associated with each relevant asset category, over a risk-free return. Using this so-called “building block” approach globally ensures that we have a consistent framework in place. In addition, it allows sufficient flexibility for changes that must be made to reflect specific local conditions. The average expected return on plan assets for the net periodic benefit expense for 2005 (NPBC 2005) was 5.0%. The determination of the expected return on plan assets for 2006 was based on the actual asset allocation as of the measurement date. The ten-year government fixed interest bond yield for the country in which each plan is located was used as the basis for the risk-free return, taking into account the duration of the bonds held compared to the ten-year benchmark. The additional return for debt securities was calculated by reference to the mix of debt securities in each plan. For cash, we estimated the expected return to be equivalent to the market yield on three-month treasury instruments for the applicable country. The average expected return for the 2006 NPBC is 4.4%.

The long term price inflation assumption is set by reference to region-specific consensus indices (published in October) adjusted where necessary to extend the duration. Salary increases are expressed as a percentage over this base inflation assumption. Other assumptions, such as mortality tables, were set by us in consultation with our local actuaries.

We made contributions of € 521 million and € 310 million to our defined benefit pension plans for the fiscal years 2005 and 2004, respectively. These contributions were funded with cash from operations and were recorded as a component of prepaid pension benefit cost (€ 1,365 million at December 31, 2005 and € 1,094 million at December 31, 2004) in our consolidated balance sheet.

The contributions were determined by considering several factors (e.g., ratio of fair value of plan assets to respective Projected Benefit Obligations, funding requirements in accordance with the Employee Retirement Income Security Act of 1974 (ERISA)). No minimum ERISA contributions were required for our U.S. pension plan.

Our funding policy is to ensure a proper coverage of the PBO by plan assets for our funded plans. Any obligation for our unfunded plans was accrued for accordingly and is funded when paid to the beneficiaries.

Our principle is to finance pension plans using external financing vehicles (e.g., trusts, insured arrangements) unless circumstances justify an exception, for example where it would not comply with legislation or be tax inefficient. The goal is to maintain a financing level within a range of 90% to 110% of the obligation and to spread the deficit or surplus over 5 years (i.e., to return to the target level of 100%).

The net periodic benefit expense for the year ended 2005 was determined by external local actuaries and based on certain estimates and market-related assumptions as of January 1, 2005 (e.g. discount rates, expected return on plan assets etc.). The current service element was subsequently revised for the effects of curtailments in the UK, Japan and Germany. This process was reviewed by our independent global actuary.

The downward market trends in discount rates and the expected return on assets will result in an increase in the P/L charge in 2006. We anticipate an increase in expenses of approximately 7% for our Defined Benefit Plans (2005 NPBC: € 301 million) and approximately 25% for our Defined Postretirement Schemes (2005 NPPBC: € 16 million) in the U.S. and the UK.

The unrecognized actuarial gains on the plan assets and the losses on the PBO for our funded pension schemes amounted to a total of € 1,058 million as of December 31, 2005. Following the corridor approach we generally amortize, as part of the net periodic benefit cost, the excess of the corridor (10% of the higher of Projected Benefit Obligation (PBO) or the Fair Value of Plan Assets) over the average future service periods (approximately 12 years). The loss amortized for our Defined Benefit Pension Plans was € 40 million for fiscal year 2005 and € 61 million for fiscal year 2004. The losses amortized for the Defined Postretirement Pension Plans were € 1 million for fiscal year 2005 (2004: –). The amortization period for these losses is the average remaining life expectancy of approximately 9 years.

In 2006, we will record expenses of € 69 million for the Defined Benefit Pension Plans and € 3 million for the Defined Benefit Postretirement Plans.

Our goal is to match the maturity profiles of the assets and liabilities and to reduce the future volatility of pension expense and funding status of the plans, reducing the exposure to the equity market. This has been achieved over a period of time with a reduction of the portfolio's equity exposure to 17% in 2004. Our pension plan investment strategy is unchanged since 2004. Due to this strategy, the expected return on assets was based on the following allocation.

	Target allocation	Percentage of plan assets	
	Dec 31, 2006	**Dec 31, 2005**	Dec 31, 2004
Asset category:			
Equity securities	15%	17%	17%
Debt securities	75%	71%	73%
Real Estate and other	10%	12%	10%
Total	**100%**	**100%**	**100%**

The asset allocation of each of our pension plans is reviewed regularly.

Given this strategy, it is expected that the earnings volatility from the assets will be reduced and that earnings variations on the assets will be offset by compensating movements in the obligation. Deviations between the expected return and the actual return are usual and sometimes material (for example, our expected return on plan assets for fiscal year 2005 was € 391 million, whereas the actual return was € 1.3 billion). For fiscal year 2005, this deviation was nearly compensated by the decline in the discount rate. There is no material discretionary funding expected at this point in time because the funded status of our Defined Benefit Schemes is positive.

Our primary investment objective is to have a low volatility of the funded status and downside protection. Within this, the goal is to achieve the highest return consistent with a defined risk tolerance, in order to ensure that pension costs are not a competitive disadvantage.

Off-balance Sheet Arrangements with Unconsolidated Entities

We carry out certain business activities via arrangements with unconsolidated entities. We may provide financial support or otherwise be exposed to risks of loss as a result of these arrangements, typically through guarantees that we provide or subordinated retained interests that we hold. The purposes, risks, and effects of these arrangements are described below. Also, see Note [30] to the consolidated financial statements for disclosure of total outstanding guarantees and lending-related commitments entered into in the normal course of business which give rise to off-balance sheet credit risk.

We provide financial support related to off-balance sheet activities chiefly in connection with asset securitizations, commercial paper programs, commercial real estate leasing vehicles and guaranteed value mutual funds that we manage and that we do not consolidate. With the adoption of FIN 46 and FIN 46(R), some of the vehicles related to these activities have been consolidated and some remain unconsolidated. See Note [2] to the consolidated financial statements for further information regarding the adoption of FIN 46 and FIN 46(R). We are addressing only the unconsolidated portion of these activities in this section. See Note [9] to the consolidated financial statements for financial information regarding both the consolidated and unconsolidated portions of these activities.

We may provide financial support in connection with asset securitizations by retaining a subordinated interest in the assets being securitized. In an asset securitization, we sell financial assets to a securitization vehicle that funds its purchase by issuing debt (asset-backed securities) to investors. We have no control over the securitization vehicle after the sale, and our creditors and we have no claim on the assets that we have sold. Similarly, the investors and the securitization vehicle have no recourse to our other assets if the loans go into default. Asset-backed securities are attractive to investors in what is a deep and liquid market that lowers borrowing costs and increases credit availability to businesses and to consumers.

The securitization vehicles we use in these transactions pose limited liquidity risks since the payments to investors are directly tied to the payments received from the vehicles' assets and are unaffected by changes in our own credit rating or financial situation. A sudden drop in investor demand for asset-backed securities could cause us to restrict our lending thereafter for the types of loans we typically securitize, but we are not dependent on securitizations as a source of funding and such a market shift would not pose any significant additional liquidity risk not already considered in our risk analyses. To the extent we hold senior or subordinated debt issued by a securitization vehicle we have credit risk that is considered as part of our credit risk assessments or market valuations. Note [9] to the consolidated financial statements provides additional information regarding the extent of our retained interests in securitizations and the volume of our asset securitization activities.

Commercial paper programs represent a way for third parties to securitize their financial assets. In commercial paper programs, we do not securitize any of our own financial assets, but act as administrative agent. As administrative agent, we facilitate the sale of loans, other receivables, or securities from various third parties to an unconsolidated special purpose entity. We may also facilitate the transfer of the loans and securities that represent collateral provided by the third parties in return for loans granted by the unconsolidated entity. The entity then issues collateralized commercial paper to the market. In these situations, the commercial paper issuer is restricted from purchasing assets from or making loans to us. Rating agencies typically rate such commercial paper in the highest short-term category because of the collateral and credit support normally provided by a financial institution.

Unlike securitization vehicles, commercial paper programs do pose liquidity risk since the commercial paper issued is short-term whereas the issuer's assets are longer term. We take on this risk whenever we provide a liquidity support facility to the issuer. In 2003, a methodology to incorporate these contingent liabilities in our liquidity risk framework (including stress testing) was developed and approved by the Group Asset and Liability Committee.

We may also guarantee the assets of the issuer as part of the facility, giving us secondary credit risk with the first loss taken by the third parties who sold their assets to the entity.

We sponsor commercial real estate leasing vehicles and closed-end funds where third party investors essentially provide senior financing for the purchase of commercial real estate, which is leased to other third parties. We typically provide subordinated financing, which exposes us to real estate market risk, and we receive fees for our administrative services.

In the case of guaranteed value mutual funds managed by ourselves, the value of the mutual funds units is being guaranteed. These mutual funds are investment vehicles that were established to provide returns to investors in the vehicles.

The extent of the financial support we provide for certain of the arrangements described above is disclosed in Note [9] to the consolidated financial statements in the disclosure of the Group's maximum exposure to loss as a result of its involvement with unconsolidated variable interest entities in which the Group holds a significant variable interest. The risks from these arrangements are included in our overall assessments of credit, liquidity and market risks.

Tabular Disclosure of Contractual Obligations

The table below shows the cash payment requirements from specified contractual obligations outstanding as of December 31, 2005.

Contractual obligations	Payment due by period				
in € m.	**Total**	Less than 1 year	1–3 years	3–5 years	More than 5 years
Long-term debt obligations	113,554	14,877	22,782	27,681	48,214
Capital (finance) lease obligations	964	109	318	93	444
Operating lease obligations	3,125	484	839	618	1,184
Purchase obligations	2,944	548	1,106	769	521
Long-term deposits	28,256	–	8,028	6,156	14,072
Other long-term liabilities	5,869	927	2,025	758	2,159
Total	**154,712**	**16,945**	**35,098**	**36,075**	**66,594**

Operating lease obligations exclude the benefit on noncancelable sublease rentals of € 388 million. Purchase obligations reflect minimum payments due under long-term real-estate-related obligations, and long-term outsourcing agreements. Long-term deposits exclude contracts with a remaining maturity of less than one year. Other long-term liabilities consist primarily of obligations to purchase common shares, and insurance policy reserves which are classified in the "More than 5 years" column since the obligations are long term in nature and actual payment dates cannot be specifically determined. See the following notes to the consolidated financial statements for further information:
Note [11] regarding lease obligations, Note [15] regarding deposits, Note [17] regarding long-term debt and Note [18] regarding obligation to purchase common shares.

Long-Term Credit Ratings

We believe that maintaining our credit quality is a key part of the value we offer to our clients, bondholders and shareholders. Below are our long-term credit ratings.

	Dec 31, 2005	Dec 31, 2004
Moody's Investors Service, New York[1]	Aa3	Aa3
Standard & Poor's, New York[2]	AA–	AA–
Fitch Ratings, New York[3]	AA–	AA–

[1] Moody's defines the Aa3 rating as denoting bonds that are judged to be high quality by all standards. Moody's rates Aa bonds lower than the best bonds (which it rates Aaa) because margins of protection may not be as large as in Aaa securities or fluctuation of protective elements may be of greater amplitude or there may be other elements present which make the long-term risk appear somewhat greater than Aaa securities. The numerical modifier 3 indicates that Moody's ranks the obligation in the lower end of the Aa category.
[2] Standard and Poor's defines its AA rating as denoting an obligor that has a very strong capacity to meet its financial commitments. The AA rating is the second-highest category of Standard and Poor's ratings. Standard and Poor's notes that an AA rated obligor differs from the highest rated obligors only in small degree. The minus sign shows relative standing within the AA rating category.
[3] Fitch Ratings defines its AA rating as very high credit quality. Fitch Ratings uses the AA rating to denote a very low expectation of credit risk. According to Fitch Ratings, AA-ratings indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events. Category AA is Fitch Ratings second-highest rating category.

As of the date of this document, there has been no change in any of the above ratings.

Each rating reflects the view of the rating agency only at the time it gave us the rating, and you should evaluate each rating separately and look to the rating agencies for any explanations of the significance of their ratings. The rating agencies can change their ratings at any time if they believe that the circumstances so warrant. You should not view these long-term credit ratings as recommendations to buy, hold or sell our securities.

Balance Sheet Development

The table below shows information on the balance sheet development.

in € m.	**2005**	2004
Total assets	992,161	840,068
Central Bank funds sold and securities purchased under resale agreements	130,993	123,921
Trading assets	448,393	373,147
Loans, net	151,355	136,344
Deposits	380,787	320,796
Trading liabilities	194,347	169,606
Long-term debt	113,554	106,870
Total shareholders' equity	29,936	25,904
Tier I risk-based capital (BIS)	21,898	18,727
Total risk-based capital (BIS)	33,886	28,612

The Group's total assets at the end of the year were € 992.2 billion, an increase compared to the previous year of € 152.1 billion, or 18% (2004: € 840.1 billion). The development of exchange rates, in particular the U.S. dollar, contributed significantly to the increase in total assets.

The growth in total assets was largely the result of growth in trading assets by € 75.2 billion, to € 448.4 billion, reflecting the expansion of our business with structured high-value products. Securities borrowed increased by € 35.5 billion, to € 101.1 billion, and central bank funds sold and securities purchased under resale agreements grew by € 7.1 billion, to € 131.0 billion. In addition, loans rose by € 15.0 billion, to € 151.4 billion. This increase resulted from the expansion of the profitable consumer finance business in PCAM and higher loans to business and corporate clients in CIB. In other assets, loans held for sale increased by € 17.3 billion, to € 25.5 billion, due mainly to the strong growth of this business in North America, with the claims acquired in the course of our securitization activities or originated in our loan business.

The increase in total liabilities stemmed, to a considerable extent, from the growth of € 60 billion in deposits, which totalled € 380.8 billion at the end of the year. This was primarily caused by a rise of € 54.3 billion in interest-bearing deposits at our non-German offices. Certificates of deposit with remaining maturities of up to one year at our non-German offices increased by € 19.0 billion, other short-term time deposits outside Germany with remaining maturities of up to three months rose by € 20.7 billion. Furthermore, liabilities from central bank funds purchased and securities sold under repurchase agreements grew by € 38.2 billion, to € 143.5 billion. Securities loaned rose by € 11.7 billion, to € 24.6 billion, and trading liabilities increased by € 24.7 billion, to € 194.3 billion. Our long-term debt (including financial instruments at fair value) increased by € 6.7 billion, to € 113.6 billion. Although new long-term bonds and notes (including index certificates) for € 44.6 billion were issued, the resulting rise in our long-term debt was partly offset by early repayments, repurchases and bond repayments totaling € 39.8 billion.

Group shareholders' equity increased in 2005 by € 4.0 billion, or 16%, to € 29.9 billion. The main contributors to this were net income of € 3.5 billion, positive effects of exchange rate changes (especially the U.S. dollar) amounting to € 1.1 billion and higher unrealized gains on securities available for sale (€ 0.7 billion). Furthermore, the increased reserves for share awards (€ 0.6 billion) and the issuance of common shares in connection with employee stock option programs (€ 0.4 billion) had positive effects on shareholders' equity. These factors were partly offset by items reducing shareholders' equity, including share buybacks (€ 1.8 billion), the cash dividend paid for the 2004 financial year (€ 0.9 billion) and the increased obligation to purchase common shares (€ 0.4 billion).

Total regulatory capital in accordance with the recommendations of the Basel Committee on Banking Supervision increased in 2005 by € 5.3 billion, to € 33.9 billion. Of this growth € 3.1 billion is attributable to core capital. Changes included the aforementioned developments in net income, exchange rate changes, share awards, employee stock option programs, share buybacks and obligations to purchase common shares. Other factors on core capital are accrued dividends (deduction of

€ 1.3 billion), an increased goodwill/intangible deduction (€ 0.9 billion), as well as changes, totalling € 1.9 billion, in the regulatory adjustment relating to securities available for sale, in hybrid capital components in the regulatory group of consolidated companies and in other items. Supplementary capital increased primarily due to new issuances of subordinated liabilities.

Employees and Social Responsibility

Employees

As of December 31, 2005, we employed a total of 63,427 staff members as compared to 65,417 as of December 31, 2004. We calculate our employee figures on a full-time equivalent basis, meaning we include proportionate numbers of part-time employees.

The following table shows our numbers of full-time equivalent employees as of December 31, 2005, and 2004.

Employees[1]	**Dec 31, 2005**	Dec 31, 2004
Germany	26,336	27,093
Europe (outside Germany)[2]	18,444	19,538
Asia-Pacific	7,169	6,458
North America[3]	11,134	11,954
South America	345	374
Total employees	**63,427**	**65,417**

[1] Full-time equivalent employees.
[2] Includes a small number of employees in Africa.
[3] Primarily the United States.

The number of our employees decreased by 1,990 to 63,427 during the year. In the course of implementing the global BRP, we completed approximately 5,900 employee departures and notifications as of December 31, 2005 out of the announced 6,400. This reduction was offset by some of our growth initiatives in other parts of our businesses.

The proportion of employees working in Germany as a percentage of our total staff remained essentially the same at 41.5%.

Corporate Citizenship

The assumption of social responsibility is a prerequisite for the generation of value for shareholders. As a good corporate citizen, we are more than glad to accept our responsibility for our society. We are committed to improving educational prospects for young people and are there to provide assistance to victims of natural disasters that often affect entire regions. We consider it our duty to support our employees in various ways in their active social commitment. Boosted by good results, expenditure on Deutsche Bank’s commitment to society and its worldwide foundations was increased from almost € 73 Mio in 2004 to just short of € 90 Mio in 2005.

For more information see our Corporate Social Responsibility Report that can be downloaded at our website http://www.db.com/csr/en/index.html.

Subsequent Events

In 2005, grundbesitz-invest ("Grundbesitz"), an open-end property fund sponsored and managed by a subsidiary of ours, temporarily suspended the issuance and redemption of its share units pending an extraordinary revaluation of its real estate assets. The suspension was deemed necessary to protect unit holders and to ensure equal treatment for current and potential investors. In light of the extraordinary nature of the temporary closure, we are committed to compensate certain unit holders for any loss in value due to the revaluation, including by direct payments to certain unit holders who, taking into account the purchase price of their share units and earnings distributions received, would incur a loss due to the revaluation of the properties, and by other indirect compensation. Grundbesitz re-opened for issuance and redemption on March 3, 2006. We committed to support Grundbesitz's liquidity upon its re-opening by various means, which may include offering to purchase its units from time to time, at prevailing redemption prices. At the end of the first quarter 2006, we will evaluate whether we must consolidate Grundbesitz based on the extent of our exposure to it at that time. For the year ended December 31, 2005, we recorded provisions of € 203 million representing the estimated direct and indirect compensation costs mentioned above.

Significant Accounting Policies and Critical Accounting Estimates

We have prepared our consolidated financial statements in accordance with U.S. GAAP. Our significant accounting policies, as described in Note [1] to the Consolidated Financial Statements, are essential to understanding our reported results of operations and financial condition. Certain of these accounting policies require critical accounting estimates that involve complex and subjective judgments and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change. Such critical accounting estimates could change from period to period and have a material impact on our financial condition, changes in financial condition or results of operations. Critical accounting estimates could also involve estimates where management could have reasonably used another estimate in the current accounting period. Actual results may differ from these estimates if conditions or underlying circumstances were to change.

We review the selection of these policies and the application of these critical accounting estimates with our Audit Committee. We have identified the following significant accounting policies that involve critical accounting estimates:

- Fair value estimates,
- allowance for loan losses,
- impairment of assets other than loans,
- deferred tax assets valuation allowance,
- legal, regulatory and tax contingencies.

For more information on critical accounting estimates, see the respective section of our Form 20-F filed March 23, 2006.

Recent Accounting Developments

FSP FAS 109-2
In December 2004, the FASB issued Staff Position No. 109-2, “Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision within the American Jobs Creation Act of 2004” (“FSP FAS 109-2”). The Act, which was signed into law in the U.S. on October 22, 2004, provides for, among other things, a reduced rate of U.S. tax on dividends received from foreign subsidiaries of U.S. taxpayers. FSP FAS 109-2 provides additional time beyond the financial reporting period of the enactment to evaluate the effects of this provision of the Act for purposes of applying SFAS No. 109, “Accounting for Income Taxes.” We do not intend to repatriate any earnings from foreign subsidiaries in accordance with the provisions of the Act and thus FSP FAS 109-2 did not have an impact on our consolidated financial statements.

SOP 03-3
In December 2003, the American Institute of Certified Public Accountants issued Statement of Position 03-3, “Accounting for Certain Loans or Debt Securities Acquired in a Transfer” (“SOP 03-3”). SOP 03-3 addresses the accounting for differences between contractual and expected cash flows for loans or debt securities acquired in a transfer if those differences are attributable, at least in part, to credit quality. The SOP prohibits the creation of an allowance for loan losses in the initial accounting for all loans within its scope. The SOP also limits the income that can be recognized and specifies the accounting for future changes in expected cash flows on the acquired loans or securities. SOP 03-3 is effective for loans or debt securities acquired in fiscal years beginning after December 15, 2004. The adoption did not have a material impact on our consolidated financial statements.

SFAS 155
In February 2006, the FASB issued SFAS No. 155, “Accounting for Certain Hybrid Financial Instruments” (“SFAS 155”). SFAS 155 allows any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation under SFAS No. 133, “Accounting for Derivative Instruments and Hedging Activities” to be carried at fair value in its entirety, with changes in fair value recognized in earnings. In addition, SFAS 155 requires that beneficial interests in securitized financial assets be analyzed to determine whether they are freestanding derivatives or contain an embedded derivative. SFAS 155 also eliminates a prior restriction on the types of passive derivatives that a qualifying special purpose entity is permitted to hold. SFAS 155 is applicable to new or modified financial instruments in fiscal years beginning after September 15, 2006, though the provisions related to fair value accounting for hybrid financial instruments can also be applied to existing instruments. Early adoption, as of the beginning of an entity’s fiscal year, is also permitted, provided interim financial statements have not yet been issued. We are currently evaluating the potential impact, if any, that the adoption of SFAS 155 will have on our consolidated financial statements.

EITF 05-5
In June 2005, the FASB ratified the consensus reached in EITF Issue No. 05−5, “Accounting for Early Retirement or Postemployment Programs with Specific Features (Such As Terms Specified in Altersteilzeit Early Retirement Arrangements)” (“EITF 05−5”). EITF 05−5 addresses the timing of recognition of salaries, bonuses and additional pension contributions associated with certain early retirement arrangements typical in Germany (as well as similar programs). The EITF also specifies the accounting for government subsidies related to these arrangements. EITF 05−5 is effective in fiscal years beginning after December 15, 2005. The adoption of EITF 05−5 is not expected to have a material impact on our consolidated financial statements.

SFAS 154

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections – A Replacement of APB Opinion No. 20 and FASB Statement No. 3" ("SFAS 154"). SFAS 154 replaces APB Opinion No. 20, "Accounting Changes" ("APB 20") and FASB Statement No. 3, "Reporting Accounting Changes in Interim Financial Statements," and changes the requirements for the accounting for and reporting of a change in accounting principle. APB 20 previously required that most voluntary changes in accounting principle be recognized by including in net income of the period of the change the cumulative effect of changing to the new accounting principle. SFAS 154 requires retrospective application to prior periods' financial statements for voluntary changes in accounting principle and for changes required by new accounting pronouncements that do not include specific transition provisions, unless such application is impracticable. SFAS 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The impact of SFAS 154 will depend on the accounting change, if any, in a future period.

EITF 03-1, FSP EITF 03-1-1 and FSP FAS 115-1 and FAS 124-1

In March 2004, the FASB ratified the consensus reached in EITF Issue No. 03−1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments" ("EITF 03−1"). The decisions established a common approach to evaluating other-than-temporary impairment for equity securities accounted for at cost, and debt and equity securities available for sale. In September 2004, the FASB issued a final FASB Staff Position, No. EITF 03−1−1 ("FSP EITF 03−1−1"), which delayed the effective date for the measurement and recognition guidance included in EITF 03−1. The disclosure requirements under EITF 03−1 were effective beginning December 31, 2004.

In June 2005, the FASB decided not to provide additional guidance on the meaning of other-than-temporary impairment, but directed its staff to issue FSP FAS 115−1 and FAS 124-1. The final FSP FAS 115−1 and FAS 124-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments," was issued in November 2005 and nullified certain provisions of EITF 03-1. FSP FAS 115-1 and FAS 124-1 require reference to existing accounting guidance when assessing whether impairment is other-than-temporary.

FSP EITF 03-1-1, and hence the delay of the effective date for the measurement and recognition guidance included in EITF 03−1, was superseded with the final issuance of FSP FAS 115−1 and FAS 124-1, which is effective for fiscal years beginning after December 15, 2005. The adoption of FSP FAS 115−1 and FAS 124-1 is not expected to have a material impact on our consolidated financial statements.

SFAS 123 (Revised 2004)

In December 2004, the FASB issued SFAS No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123(R)"). SFAS 123(R) replaces SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"), and supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees". The new standard requires companies to recognize compensation cost relating to share-based payment transactions in their financial statements. That cost is to be measured based on the fair value of the equity or liability instruments issued. Starting January 1, 2003, we accounted for our share-based compensation awards under the fair value method prescribed under SFAS 123. The method was applied prospectively for all employee awards granted, modified or settled after January 1, 2003. Currently, we use a Black-Scholes option pricing model to estimate the fair value of stock options granted to employees and expect to continue to use this option valuation model upon the adoption of SFAS 123(R). SFAS 123(R) also includes some changes regarding the timing of expense recognition, the treatment of forfeitures and the re-measurement of liability classified awards at their current fair value. SFAS 123(R) indicates that it is effective for reporting periods beginning after June 15, 2005.

In March 2005, the SEC released Staff Accounting Bulletin No. 107, “Share-Based Payment” (“SAB 107”), which provides interpretive guidance related to the interaction between SFAS 123(R) and certain SEC rules and regulations. It also provides the SEC staff’s views regarding valuation of share-based payment arrangements. In April 2005, the SEC amended the compliance dates for SFAS 123(R), to allow companies to implement the standard at the beginning of their next fiscal year, instead of the next reporting period beginning after June 15, 2005. Accordingly, the Group adopted SFAS 123(R) effective January 1, 2006. For transition purposes, the Group elected the modified prospective application method. Under this application method, FAS 123(R) applies to new awards and to awards modified, repurchased, or cancelled after the required effective date.

Upon adoption in 2006, the Group recognized a gain of € 42 million, net of taxes, as a cumulative effect of a change in accounting principle. This effect relates to an adjustment of accrued compensation costs, which under SFAS 123(R) are required to be based on the estimated number of share-based payment awards to vest, with consideration of expected forfeitures. Under SFAS 123, the Group had accounted for forfeitures on an actual basis, and therefore had reversed compensation expense in the period an award was forfeited. Compensation expense for future awards granted in relation to annual bonuses, but which include a vesting period, will no longer be recognized in the applicable performance year as part of compensation earned for that year.

Prior to the adoption of SFAS 123(R), the Group had recognized compensation cost for all awards granted as a retention incentive over the vesting period. With the adoption of SFAS 123(R), the Group will be accelerating the expense accrual for future grants which, due to early retirement provisions, are determined to include a nominal, but nonsubstantive service period. For existing awards, the accounting remains unchanged.

If compensation expense for such awards had previously been recognized on an accelerated basis, the additional compensation expense recognized for the years ended December 31, 2005, 2004 and 2003 would have been € 101 million, € 177 million and € 130 million, respectively.

On November 10, 2005, the FASB released the final FASB Staff Position No. FAS 123(R)-3, “Transition Election Related to Accounting for the Tax Effects of Share-Based Payment Awards” (“FSP FAS 123(R)-3”), which provides a practical transition election related to the calculation of excess tax benefits available to absorb tax deficiencies recognized subsequent to the adoption of FAS 123(R) (that is, the additional paid-in-capital (APIC) pool). The Group is in the process of evaluating the alternatives made available by the FSP to calculate its APIC pool.

IFRS

Regulations regarding IFRS. In accordance with EU and German regulations, we will adopt International Financial Reporting Standards (IFRS) in our consolidated financial statements filed with the EU and German regulatory authorities for fiscal years starting January 1, 2007 (with 2006 comparative figures).

We will also adopt IFRS as our basis of reporting in SEC filings. Financial statements prepared according to IFRS are accepted in SEC filings provided a reconciliation between U.S. GAAP and IFRS net income and shareholders’ equity is disclosed as supplemental information.

IFRS project. We commenced preparations for the conversion to IFRS in 2004. A dedicated project team was assembled and separate work streams were established to handle the various aspects of the conversion. The objective of the project is to ensure a structured and well-considered approach to implementation. The project involves all business areas and group functions.

The project began with the identification of the differences between U.S. GAAP and IFRS to determine the key financial, business and system impacts. Accounting decisions were made where IFRS offers accounting choices. In addition, technical guidance was provided to business areas and group functions to ensure accurate and consistent application. This is in the process of being documented in an accounting and reporting manual.

In 2005, we made the key changes to required accounting and reporting procedures, and consolidation systems. Other system changes have been identified and will be implemented in 2006 to further automate the IFRS requirements.

The project is designed to ensure readiness for adoption of IFRS by all relevant parties and includes providing the necessary education.

The project is advancing according to plan and is being monitored via normal project controls and change management.

The main risks and uncertainties relate to financial and process impacts due to changing accounting standards. However, developments of both IASB and FASB standards are being closely monitored. In addition, we participate actively in the due process of standards development.

Main differences between IFRS and U.S. GAAP. Although IFRS and U.S. GAAP are similar in many ways and the IASB and FASB are committed to convergence, currently several differences remain for financial institutions, with the major differences relating to financial instrument classification and measurement, financial instruments recognition and derecognition, as well as consolidation assessments. However, future rule changes could have an impact on our opening IFRS balance sheet and thus the difference between U.S. GAAP and IFRS earnings or balance sheet amounts cannot be estimated at this time.

Outlook

The Global Economy

In the last months of 2005 business confidence in the industrialised nations improved strongly, paving the way for a good start to 2006, when the global economy is expected to grow by approximately 4%. However, the U.S. economy may see GDP growth slowing to around 3% in 2006 as higher interest rates dampen the stimulus from mortgage refinancing and fiscal policy turns neutral. In Asia, growth is again expected to be fuelled by strong GDP growth, of over 9%, in the Chinese economy, while in Japan the upswing should continue due to the structural improvements in the corporate sector. In the Eurozone, GDP growth should approach 2%, as healthy corporate balance sheets and rising capacity utilisation drive stronger investment spending and slightly better employment growth supports private consumption. Germany’s GDP should expand by around 1.75% in 2006, with international competitiveness boosted by robust exports and investment, while private consumption should pick up temporarily in anticipation of a rise in VAT in 2007.

The main risks to this global outlook stem from the possibility of further geopolitical tensions. Risk factors include further political instability, the possibility of terrorist activity and rises in energy prices. Moreover, global liquidity has driven prices of financial assets to levels which are only partly justified by the economic fundamentals. A stronger-than-expected tightening of monetary policies could result in a substantial correction, which could cause weaker consumption and investment spending, notably in the U.S. economy. Another risk, albeit difficult to assess, is the potential spread of the avian flu virus.

The Banking Industry

The global economy’s positive start to 2006 created the preconditions for continued strong profitability of the banking industry. However, a normalisation of the interest rate environment and an anticipated slowing of the world economy will make further earnings growth more difficult to sustain during the course of 2006 and beyond, even if the overall environment remains favorable. Growth of net interest income in consumer lending is expected to slow, as continued margin pressure will no longer be compensated for by the strong lending growth, especially in mortgage and consumer loans, witnessed in 2004 and 2005. Corporate lending volumes are expected to pick up, not least in Germany, reflecting increased investment and M&A activity, but margins will be constrained by strong competition. With the upcoming implementation of the Basle II capital framework starting in January 2007, banks may have to maintain higher levels of capital for bank regulatory purposes, which could increase their financing costs.

A favorable capital markets environment will stimulate both corporate activity and demand for investment management services. Consequently, non-interest income is expected to grow slightly faster than interest income, while an upturn in volatility could prove favourable for both commission and trading income. Well-diversified investment banking franchises will benefit most from these developments.

Consolidation in the banking sector appears set to continue in the United States, Europe and Germany. A number of large commercial banks, insurance companies and other broad-based financial services firms have merged with other financial institutions. On the back of their enhanced size and competitive position, these institutions aim to increase their market share and make the most of scale economies, which could result in pricing pressure in some markets and products.

Cost disciplines are likely to be maintained, with banks aiming to hold any increase in costs to levels below the growth rates of earnings. Credit risk may also have a larger impact on bank profitability in 2006-7, notably in sub-investment grade exposure and lending to marginal households, which are most susceptible to interest rate increases. Consequently, banks' provisioning levels are expected to rise modestly, particularly in markets such as the U.S. and the UK, where consumer debt levels are high. The impact of credit risk on the banking industry is likely to be mitigated to some extent now that credit risk is distributed more widely across the financial system by credit derivatives, default swaps and other credit risk transfer instruments. Overall, the impact of the negative factors is predicted to be modest over 2006 as a whole, but may accelerate toward the end of the year. Obviously, adverse external events could accelerate this pattern.

The Deutsche Bank Group

In this environment, Deutsche Bank is well-positioned to continue to deliver profitable growth. With strong positions in our core businesses, we are well-placed to take advantage of growth in specific regions and product areas; our management of cost, risk and capital will continue to be an important element of our success; and our future financial objectives are clearly defined.

Deutsche Bank derives significant proportions of revenues from capital market-related activity, which, by its nature, is liable to fluctuate depending on market conditions. As a result, a planning horizon of 1–3 years, shorter than for some other industries, is appropriate.

Deutsche Bank is strongly positioned in its core businesses: corporate and investment banking, and private clients and asset management. The outlook for these businesses is positive and this is detailed in the sections below. In all core businesses, Deutsche Bank's strong positioning and significant investment in the world's main financial hubs and in key emerging markets, in Asia-Pacific and other regions, provides rich opportunities to take advantage of regional economic growth.

As we grow our core businesses, we consider both organic growth and growth via incremental acquisition. As in most industries, growth by acquisition may involve integration and implementation risks, such as client attrition, loss of key personnel, and failure to meet projected financial benefits. Deutsche Bank rigorously assesses all investments against strict criteria of strategic logic, financial impact, and value to shareholders.

We also expect to sustain our cost discipline, as we see the results of our Business Realignment Program, which was largely completed during 2005, deliver operating cost savings in 2006 and beyond. We will continue to seek ways to improve the cost position and efficiency in all our businesses. Nevertheless, staff numbers are expected to increase gradually as we invest in business growth.

We will continue to pursue tight risk management. In respect of market risk, we continue to exercise tight control of both value at risk and economic capital usage. Risk positions may rise as we take advantage of market conditions or in fulfilling our clients' requirements. In respect of credit risk, we anticipate moderate impact on the corporate side, as we continue our use of loan hedging techniques as part of our ongoing loan exposure management strategy. On the consumer side, we continue our strategy of expanding our consumer finance business which contemplates a measured rise in credit risk.

On the back of increased regulation and supervision in recent years, regulators, counterparties, and others have sought to subject financial services providers to increasing responsibilities and liabilities. As a result, we need to devote additional resources to address these requirements and our exposure to legal risks such as litigation, regulation proceedings has increased, in particular in the U.S. We may settle such proceedings prior to a final judgment or determination pursuant to which our liability is established and quantified. We may do so to avoid continuing cost, management efforts or negative business, regulatory or reputational consequences of continuing to contest liability, even when we believe we have valid defenses to liability. We may also do so when the potential economic, business, regulatory or reputational consequences of failing to prevail would be disproportionate to the cost of settlement. Furthermore, we may, for similar reasons, reimburse counterparties for losses incurred by them even in situations where we do not believe that we are legally compelled to do so. The ongoing financial impact of legal risks might be considerable but is impossible to estimate with confidence.

Sound capital management will continue to play an important role in Deutsche Bank’s future performance. During 2005, Deutsche Bank generated significant capital from improved earnings, and deployed this capital to support growth in business volumes, while simultaneously returning significant capital to shareholders through sustained share buyback programs and by a recommended 47% rise in our dividend to € 2.50 per share. Going forward, we aim to continue to generate, and deploy, capital both to grow core businesses and to reward shareholders in this fashion.

The outlook for Deutsche Bank is reflected in clear financial objectives. In 2005, we achieved our published financial target, of pre-tax return on average active equity of 25%. Going forward, our goal is to sustain, over the economic cycle, similar levels of pre-tax return on average active equity and to achieve double-digit growth in our earnings per share.

Corporate and Investment Bank Group Division

The Corporate and Investment Bank, or CIB, includes Deutsche Bank's sales and trading, origination and advisory, corporate lending and transaction banking activities. CIB has established Deutsche Bank as one of the world's leading investment banks as measured by revenues. CIB is well-placed to leverage this strong platform for continued growth and performance.

Demand for corporate and investment banking products and services is currently robust, reflecting generally favorable conditions in the world's capital markets and the global economy. Powerful growth in the world's emerging economies continues to drive demand for capital goods, commodities and energy which will, in turn, stimulate demand for innovative capital market products. Levels of corporate activity remain high, as corporations leverage strong cash flow and balance sheets for expansion. Institutional demand for investment performance, risk mitigation and asset-liability management appears set to remain strong, driving continued growth momentum in sophisticated, structured sales and trading products, including derivatives, securitizations and structured credit products, as clients seek creative solutions for financing, risk mitigation and balance sheet efficiency. This will to some extent be counterbalanced by margin pressure on standardized or commoditized products, reflecting rapid maturity cycles in a highly innovative and competitive global industry.

In our sales & trading businesses, Deutsche Bank is very strongly positioned to take full advantage of this environment. We enjoy commanding positions in capital market access products, including foreign exchange, bond trading and cash equities, where scale-efficiency and broad global reach give us competitive advantages. Deutsche Bank also possesses a pre-eminent franchise in high-value, sophisticated ‘intellectual capital’ products and solutions, including derivatives and structured credit products, where growth momentum is strong and margins attractive.

In our origination and advisory businesses, Deutsche Bank is also well-placed for continued growth and performance, with a strong position and franchise in Europe, substantial recent investments in our North American platform, and pre-eminent franchises in fast-growing businesses such as Commercial Real Estate, Financial Sponsor advisory and LBO advisory and financing. Both our sales and trading and our origination and advisory businesses are furthermore well-positioned to reap the benefits of local investments, made during 2005, which give us strong platforms in fast-growing, emerging markets in Asia, Russia and Latin America.

We see favorable prospects for growth in CIB's transaction banking business. Trust and Securities Services should benefit from expanding markets for Structured Finance Services and Agency and Custody products and from our expanded European custody offering. In Trade Finance, we aim to increase our cross-selling of risk products. In Cash Management Financial Institutions, we plan to build on our leading position in euro clearing as well as our top five position in U.S. dollar clearing, while in Cash Management Corporates, we will seek to strengthen our position as a global network bank with a focus on European corporate clients.

As our performance in both these business areas is largely dependent on the talents and specialized knowledge of highly-skilled individuals, our continued ability to compete effectively depends on our ability to attract new employees as necessary and to retain and motivate our existing employees.

Private Clients and Asset Management Group Division

Private Clients and Asset Management, or PCAM, contains Deutsche Bank's investment management business, which serves institutions, high net worth individuals and private clients and spans the world's major markets. We expect the global investment management business to be positively impacted by stable, favorable conditions in the global economy, by continued strength in the world's capital markets, by sustained demand for savings and retirement products in industrialized nations and by wealth creation in fast-growing emerging economies. An increasing variety of investment options will drive demand for sophisticated, alternative investments, and for increasingly globalized investment offerings.

PCAM also contains Deutsche Bank's traditional banking services for retail and small corporate customers. This business will be positively impacted by favorable economic conditions, in particular growth in Asian and key emerging markets, and by sustained demand for consumer credit in continental Europe, counterbalanced by ongoing pressure on margins in traditional banking products such as deposits, and by relatively modest economic growth in mature European markets.

Deutsche Bank's Asset Management business is well-positioned to grow in this environment. We have reorganized our mutual fund platform into a single, global business with a consistent global brand, based around our DWS platform, which enjoys a pre-eminent position in German and European retail asset management and which has been expanded into Asian markets. Our institutional business is well-positioned to benefit from strong positions in alternative investments, including an absolute return strategies unit, and the world-leading real estate asset management business, RREEF. In traditional institutional asset management, we aim to leverage our global no. 1 position as asset manager to the insurance sector, as measured by invested assets in 2005.

Our Private Wealth Management (PWM) Business Division is well-positioned to consolidate our position in the top 5 of the Wealth Management industry, as measured by invested assets. We will sustain our hiring of client relationship managers, and continue to leverage Deutsche Bank's wide-ranging product expertise, delivering sophisticated, high-value investment opportunities to our clients by continued collaboration on product development with our colleagues in Asset Management and CIB. Growth in sophisticated investment solutions allows us to raise returns on invested assets, and benefit from recurring reveues through discretionary portfolio mandates. During 2005, we attracted susbsantial inflows of new client money, which will have a direct positive impact on revenues.

Our Private and Business Clients (PBC) Corporate Division provides traditional banking products, including current account, deposit and lending products together with investment management products to over 13 million clients – the majority in Germany, Italy and Spain. In these mature markets, we aim to accelerate revenue growth by reaching new client segments with innovative distribution initiatives, including a new ‘student banking’ package in Germany, and a distribution agreement with Germany’s largest automobile association (ADAC), allowing us to market specially-tailored savings products to ADAC’s 15 million members. We continue to invest in distribution capacity by adding additional sales staff, upgrading our network of Investment and Finance Centers, expanding our mobile sales force, and launching new consumer finance and investment products. In Poland, we are doubling our branch network, while in Asia, we aim to capture regional growth through our newly established branch presence in India and our cooperation agreement with Hua Xia Bank in China.

Overall, we are confident that Deutsche Bank has the right strategy, the right growth dynamics, the right cost and risk discipline as well as the right capital management to achieve these objectives. We enjoy leading franchises in our key businesses areas, and have proven our ability to perform both in favorable and in challenging conditions. Based on our current outlook for the global economy and the world’s capital markets, we are confident of maintaining, in 2006, the good progress of 2005.

Risk Report

Risk Management

The wide variety of our businesses requires us to identify, measure, aggregate and manage our risks effectively, and to allocate our capital among our businesses appropriately. We manage risk through a framework of risk principles, organizational structures and risk measurement and monitoring processes that are closely aligned with the activities of our Group Divisions.

Risk Management Principles

The following key principles underpin our approach to risk management:

- Our Management Board provides overall risk management supervision for our consolidated Group as a whole. Our Supervisory Board regularly monitors our risk profile.
- We manage credit, market, liquidity, operational, business and reputational risks in a coordinated manner at all relevant levels within our organization. This also holds true for complex products which we typically manage within our framework established for trading exposures.
- The structure of our risk management function is closely aligned with the structure of our Group Divisions.
- The risk management function is independent of our Group Divisions.

Risk Management Organization

Our Group Chief Risk Officer, who is a member of our Management Board, is responsible for our credit, market, operational and business risk management activities within our consolidated Group. The Group Chief Risk Officer chairs our Group Risk Committee, which is responsible for planning, management and control of the aforementioned risks across our consolidated Group.

The Group Risk Committee has delegated some of its tasks to sub-committees, the most significant being the Group Credit Policy Committee. Among others it reviews credit policies, industry reports and country risk limit applications throughout the Group.

For each of our Group Divisions, risk management units are established with the mandate to:

- Ensure that the business conducted within each division is consistent with the risk appetite the Group Risk Committee has set;
- Formulate and implement risk policies, procedures and methodologies that are appropriate to the businesses within each division;
- Approve credit risk and market risk limits;
- Conduct periodic portfolio reviews to ensure that the portfolio of risks is within acceptable parameters; and
- Develop and implement risk management infrastructures and systems that are appropriate for each division.

Group Treasury is responsible for the management of liquidity risk. Our liquidity risk status as well as policies relating to the identification, measurement and management of liquidity risk are reviewed on a regular basis by our Group Asset and Liability Committee, which is chaired by the Board Member responsible for Treasury.

The Group Reputational Risk Committee (GRRC) is an official sub-committee of both the Group Risk Committee and the Group Compliance Committee, and is co-chaired by the chairmen of these committees. The GRRC reviews and makes final determinations on all reputational risk issues, where escalation of such issues is deemed necessary by senior business and regional management, or required under other Group policies and procedures.

Our controlling, audit and legal departments support our risk management function. They operate independently both of the Group Divisions and of the risk management function. The role of the controlling department is to quantify the risk we assume and ensure the quality and integrity of our risk-related data. Our audit department reviews the compliance of our internal control procedures with internal and regulatory standards. Our legal department provides legal advice and support on topics including collateral arrangements and netting.

Categories of Risk

The most important risks we assume are specific banking risks and reputational risks, as well as risks arising from the general business environment.

Specific Banking Risks

Our risk management processes distinguish among four kinds of specific banking risks: credit risk, market risk, liquidity risk and operational risk.

- Credit risk arises from all transactions that give rise to actual, contingent or potential claims against any counterparty, obligor or borrower (which we refer to collectively as “counterparties”). This is the largest single risk we face. We distinguish among three kinds of credit risk:
  - *Default risk* is the risk that counterparties fail to meet contractual payment obligations.
  - *Country risk* is the risk that we may suffer a loss, in any given country, due to any of the following reasons: a possible deterioration of economic conditions, political and social upheaval, nationalization and expropriation of assets, government repudiation of indebtedness, exchange controls and disruptive currency depreciation or devaluation. Country Risk includes transfer risk which arises when debtors are unable to meet their obligations owing to an inability to transfer assets to nonresidents due to direct sovereign intervention.
  - *Settlement risk* is the risk that the settlement or clearance of transactions will fail. It arises whenever the exchange of cash, securities and/or other assets is not simultaneous.
- Market risk arises from the uncertainty concerning changes in market prices and rates (including interest rates, equity prices, foreign exchange rates and commodity prices), the correlations among them and their levels of volatility.
- Liquidity risk is the risk arising from our potential inability to meet all payment obligations when they come due.
- Operational risk is the potential for incurring losses in relation to employees, contractual specifications and documentation, technology, infrastructure failure and disasters, projects, external influences and customer relationships. This definition includes legal and regulatory risk, but excludes business risk.

Reputational Risk

Within our risk management processes, we define reputational risk as the threat that publicity concerning a transaction, counterparty or business practice involving a client will negatively impact the public’s trust in our organization.

Business Risk

Business risk describes the risk we assume due to potential changes in general business conditions, such as our market environment, client behavior and technological progress. This can affect our earnings if we fail to adjust quickly to these changing conditions.

Insurance Specific Risk

We are not engaged in any activities that result in insurance specific risk material to the Group.

Risk Management Tools

We use a comprehensive range of quantitative tools and metrics for monitoring and managing risks. Some of these tools are common to a number of risk categories, while others are tailored to the particular features of specific risk categories.

As a matter of policy, we continually assess the appropriateness and the reliability of our quantitative tools and metrics in light of our changing risk environment. The following are the most important quantitative tools and metrics we currently use to measure, manage and report our risk:

Expected Loss

We use expected loss as a measure of the default, transfer, and settlement risk elements of our credit risk. Expected loss is a measurement of the loss we can expect within a one-year period on our credit exposure, based on our historical loss experience. When calculating expected loss, we take into account credit risk ratings, collateral, maturities and statistical averaging procedures to reflect the risk characteristics of our different types of exposures and facilities. All parameter assumptions are based on statistical averages of our internal default and loss history as well as external benchmarks. We use expected loss as a tool of our risk management process and as part of our management reporting systems. We also consider the applicable results of the expected loss calculations when establishing the other inherent loss allowance included in our financial statements. Applicable results in this context are those that are used to estimate losses inherent in loans and contingent liabilities that are not already considered in the specific loss component of our allowance or our allowance for smaller-balance standardized homogeneous loans.

Economic Capital

Economic capital measures the amount of capital we need to absorb very severe unexpected losses arising from our exposures. “Very severe” in this context means that economic capital is set at a level to cover with a probability of 99.98% the aggregated unexpected losses within one year. We calculate economic capital for the default risk, transfer risk and settlement risk elements of credit risk, for market risk, for operational risk and for general business risk. We use economic capital to show an aggregated view of our risk position from individual business lines up to our consolidated Group level. We also use economic capital (as well as goodwill and other nonamortizing intangibles) in order to allocate our book capital among our businesses. This enables us to assess each business unit’s risk-adjusted profitability, which is a key metric in managing our financial resources in order to optimize the value generated for our shareholders. In addition, we consider economic capital, in particular for credit risk, when we measure the risk-adjusted profitability of our client relationships.

Value-at-Risk

We use the value-at-risk approach to derive quantitative measures for our trading book market risks under normal market conditions. Our value-at-risk figures play a role in both internal and external (regulatory) reporting. For a given portfolio, value-at-risk measures the potential future loss (in terms of market value) that, under normal market conditions, will not be exceeded with a defined confidence level in a defined period. The value-at-risk for a total portfolio represents a measure of our diversified market risk (aggregated using pre-determined correlations) in that portfolio.

Stress Testing

We supplement our analysis of market risk with stress testing. We perform stress tests because value-at-risk calculations are based on relatively recent historical data and only purport to estimate risk up to a defined confidence level. Therefore, they only reflect possible losses under relatively normal market conditions. Stress tests help us determine the effects of potentially extreme market developments on the value of our market risk sensitive exposures. We use stress testing to determine the amount of economic capital we need to allocate to cover our market risk exposure under extreme market conditions.

Regulatory Risk Reporting

German banking regulators assess our capacity to assume risk in several ways, which are described in more detail in Note [22] of the consolidated financial statements.

Credit Risk

Credit risk makes up the largest part of our risk exposures. We measure and manage our credit risk following the below principles:

- In all our Group Divisions consistent standards are applied in the respective credit decision processes.
- The approval of credit limits for counterparties and the management of our individual credit exposures must fit within our portfolio guidelines and our credit strategies, and each decision also involves a risk-versus-return analysis.
- Every extension of credit or material change to a credit facility (such as its tenor, collateral structure or major covenants) to any counterparty requires credit approval at the appropriate authority level.
- We assign credit approval authorities to individuals according to their qualifications, experience and training, and we review these periodically.
- We measure and consolidate all our credit exposures to each obligor on a global consolidated basis that applies across our consolidated Group. We define an “obligor” as a group of individual borrowers that are linked to one another by any of a number of criteria we have established, including capital ownership, voting rights, demonstrable control, other indication of group affiliation; or are jointly and severally liable for all or significant portions of the credit we have extended.

Credit Risk Ratings

A primary element of the credit approval process is a detailed risk assessment of every credit exposure associated with an obligor. Our risk assessment procedures consider both the creditworthiness of the counterparty and the risks related to the specific type of credit facility or exposure. This risk assessment not only affects the structuring of the transaction and the outcome of the credit decision, but also influences the level of decision-making authority required to extend or materially change the credit and the monitoring procedures we apply to the ongoing exposure.

We have our own in-house assessment methodologies, scorecards and rating scale for evaluating the creditworthiness of our counterparties. Our granular 26-grade rating scale, which is calibrated on a probability of default measure based upon a statistical analysis of historical defaults in our portfolio, enables us to compare our internal ratings with common market practice and ensures comparability between different sub-portfolios of our institution. While we generally rate all our credit exposures individually, at times we rely on rating averages for measuring risk. When we assign our internal risk ratings, we compare them with external risk ratings assigned to our counterparties by the major international rating agencies, where possible.

Credit Limits

Credit limits set forth maximum credit exposures we are willing to assume over specified periods. They relate to products, conditions of the exposure and other factors. Our credit policies also establish special procedures (including lower approval thresholds and approval from more senior personnel) for exceptional cases when we may assume exposures beyond established limits. These exceptions provide a degree of flexibility for unusual business opportunities, new market trends and other similar factors.

Monitoring Default Risk

We monitor all of our credit exposures on a continuing basis using the risk management tools described above. We also have procedures in place to identify at an early stage credit exposures for which there may be an increased risk of loss. Counterparties, that, on the basis of the application of our risk management tools, demonstrate the likelihood of problems, are identified well in advance so that we can effectively manage the credit exposure and maximize the recovery. The objective of this early warning system is to address potential problems while adequate alternatives for action are still available. This early risk detection is a tenet of our credit culture and is intended to ensure that greater attention is paid to such exposures. In instances where we have identified customers where problems might arise, the respective exposure is placed on a watchlist.

Loan Exposure Management Group

As part of our overall framework of risk management, the Loan Exposure Management Group (LEMG) focuses on managing the credit risk of loans and lending-related commitments within:
- the investment-grade portfolio of our Corporate and Investment Bank Group Division where original maturities are greater than 180 days, and
- the medium-sized German companies' portfolio where original maturities are greater than 360 days, excluding legacy business booked prior to April 2004.

From 2006 onwards, we have expanded the scope of LEMG to include shorter maturities in both categories and the aforementioned legacy business.

Acting as a central pricing reference, LEMG provides the respective Corporate and Investment Bank Group Division businesses with an observed or derived capital market rate for loan applications; however, the decision of whether or not the business can enter into the loan remains with Credit Risk Management.

LEMG is concentrating on two primary initiatives within the credit risk framework to further enhance risk management discipline, improve returns and use capital more efficiently:
- to reduce single-name and industry credit risk concentrations within the credit portfolio, and
- to manage credit exposures actively by utilizing techniques including loan sales, securitization via collateralized loan obligations, and single-name and portfolio credit default swaps.

LEMG's risk reduction activities are of increasing significance as the total notional amount of its hedges increased 35% from € 25.7 billion as of December 31, 2004, to € 34.6 billion as of December 31, 2005.

As of year-end 2005, LEMG held credit derivatives with an underlying notional of € 24.7 billion. This position totaled € 18.5 billion as of December 31, 2004.

The credit derivatives used for our portfolio management activities are accounted for at fair value and do not qualify for hedge accounting under SFAS 133.

LEMG also mitigated the credit risk of € 9.7 billion of loans and lending-related commitments as of December 31, 2005, by synthetic collateralized loan obligations supported by financial guarantees for which the first loss piece has been sold. This position totaled € 7.2 billion as of December 31, 2004. LEMG further mitigated € 0.2 billion of loans and lending-related commitments as of December 31, 2005, by way of credit-linked notes. Credit mitigation by way of credit-linked notes or synthetic collateralized loan obligations supported by financial guarantees is especially important as it not only addresses the credit risk of the underlying positions but also eliminates the accounting asymmetry issue between the lending positions and credit default swaps, and allows us to manage the risk of illiquid positions.

Credit Exposure

We define our credit exposure as all transactions where losses might occur due to the fact that counterparties may not fulfill their contractual payment obligations. We calculate the gross amount of the exposure without taking into account any collateral, other credit enhancement or credit risk mitigating transactions. In the tables below, we show details about our main credit exposures categories, namely loans, contingent liabilities, over-the-counter ("OTC") derivatives and tradable assets:

– "Loans" are net loans as reported on our balance sheet but before deduction of our allowance for loan losses.
– "Contingent Liabilities" consist of financial and performance guarantees, standby letters of credit and indemnity agreements.
– "OTC Derivatives" are our credit exposures from over-the-counter derivative transactions that we have entered into. On our balance sheet, these are included in trading assets or, for derivatives qualifying for hedge accounting, in other assets.
– "Tradable Assets" include bonds, loans and other fixed-income products that are in our trading assets as well as in securities available for sale.

Although we consider them in monitoring our credit exposures, the following are not included in the tables below: cash and due from banks, interest-earnings deposits with banks, and accrued interest receivables, amounting to € 23.5 billion at December 31, 2005 and € 29.5 billion at December 31, 2004; forward committed repurchase and reverse repurchase agreements, of € 119.2 billion at December 31, 2005 and € 99.7 billion at December 31, 2004; and irrevocable lending-related commitments, of € 132.6 billion at December 31, 2005 and € 103.7 billion at December 31, 2004. At December 31, 2005, 86% of our lending-related commitments were extended to counterparties rated at the equivalent of investment-grade debt ratings from the major international rating agencies.

The following table breaks down our main credit exposure categories by geographical region. For this table, we have allocated exposures to regions based on the country of domicile of our counterparties, irrespective of any affiliations the counterparties may have with corporate groups domiciled elsewhere.

Credit risk profile by region in € m.	Loans		Contingent liabilities		OTC derivatives		Tradable assets		Total	
	Dec 31, 2005	Dec 31, 2004	**Dec 31, 2005**	Dec 31, 2004	**Dec 31, 2005**	Dec 31, 2004	**Dec 31, 2005**	Dec 31, 2004	**Dec 31, 2005**	Dec 31, 2004
Eastern Europe	2,242	1,568	548	418	750	607	5,569	3,282	9,109	5,875
Western Europe	119,890	112,139	20,452	18,840	33,799	36,486	110,033	88,450	284,174	255,915
Africa	272	288	172	168	548	300	934	1,000	1,926	1,756
Asia-Pacific	11,328	8,258	4,419	2,656	6,507	6,892	50,328	57,680	72,582	75,486
North America	17,760	14,911	9,344	7,469	20,926	15,820	113,780	87,749	161,810	125,949
Central and South America	1,765	1,522	372	326	818	688	8,020	4,607	10,975	7,143
Other[1]	26	3	2	18	434	874	583	2,258	1,045	3,153
Total	**153,283**	**138,689**	**35,309**	**29,895**	**63,782**	**61,667**	**289,247**	**245,026**	**541,621**	**475,277**

[1] Includes supranational organizations and other exposures that we have not allocated to a single region.

The following table breaks down our main credit exposure categories according to the industry sectors of our counterparties.

Credit risk profile by industry sector in € m.	Loans		Contingent liabilities		OTC derivatives		Tradable assets		Total	
	Dec 31, 2005	Dec 31, 2004	**Dec 31, 2005**	Dec 31, 2004	**Dec 31, 2005**	Dec 31, 2004	**Dec 31, 2005**	Dec 31, 2004	**Dec 31, 2005**	Dec 31, 2004
Banks and insurance	7,676	7,787	6,270	4,921	43,914	44,450	77,176	51,406	135,036	108,564
Manufacturing	15,703	13,270	8,996	8,028	2,366	1,837	16,426	15,919	43,491	39,054
Households	62,457	57,076	1,299	1,372	425	285	–	–	64,181	58,733
Public sector	2,629	3,278	515	1,630	4,582	5,838	151,110	140,614	158,836	151,360
Wholesale and retail trade	12,077	10,288	2,531	2,274	496	684	4,143	3,062	19,247	16,308
Commercial real estate activities	13,259	14,102	2,168	313	619	763	1,449	1,755	17,495	16,933
Other	39,482[1]	32,888[1]	13,530	11,357	11,380	7,810	38,943	32,270	103,335	84,325
Total	**153,283**	**138,689**	**35,309**	**29,895**	**63,782**	**61,667**	**289,247**	**245,026**	**541,621**	**475,277**

[1] Includes lease financing.

We also classify our credit exposure under two broad headings: corporate credit exposure and consumer credit exposure.

- Our corporate credit exposure consists of all exposures not defined as consumer credit exposure.
- Our consumer credit exposure consists of our smaller-balance standardized homogeneous loans, primarily in Germany, Italy and Spain, which include personal loans, residential and nonresidential mortgage loans, overdrafts and loans to self-employed and small business customers of our private and retail business.

Corporate Credit Exposure

The following table breaks down our main corporate credit exposure categories according to the creditworthiness categories of our counterparties.

This table reflects an increase in our corporate loan book, as well as a continued overall improvement in the credit quality of our lending-related credit exposures. The change in the creditworthiness of our corporate loan book in 2005 compared to 2004 is primarily a consequence of our tight credit discipline and the overall benign credit environment. This is evidenced by the portion of our corporate loan book carrying an investment-grade rating increasing, from 60% at December 31, 2004 to 65% at December 31, 2005.

Creditworthiness category in € m.	Loans		Contingent liabilities		OTC derivatives		Tradable assets		**Total**	
	Dec 31, 2005	Dec 31, 2004	**Dec 31, 2005**	Dec 31, 2004	**Dec 31, 2005**	Dec 31, 2004	**Dec 31, 2005**	Dec 31, 2004	**Dec 31, 2005**	Dec 31, 2004
AAA–AA	17,086	12,363	3,152	3,209	25,026	27,885	161,181	133,839	206,445	177,296
A	11,940	10,852	9,336	8,045	19,365	18,194	40,155	32,217	80,796	69,308
BBB	26,183	22,794	13,012	10,242	10,065	10,087	24,143	38,264	73,403	81,387
BB	22,036	21,375	7,088	6,058	7,853	4,675	41,564	28,436	78,541	60,544
B	5,067	4,778	2,060	1,707	1,132	649	16,633	8,830	24,892	15,964
CCC and below	3,123	4,107	661	634	341	177	5,571	3,440	9,696	8,358
Total	**85,435**	**76,269**	**35,309**	**29,895**	**63,782**	**61,667**	**289,247**	**245,026**	**473,773**	**412,857**

Consumer Credit Exposure

The table below presents our total consumer credit exposure, consumer loan delinquencies in terms of loans that are 90 days or more past due, and net credit costs, which are the net provisions charged during the period, after recoveries. Loans 90 days or more past due and net credit costs are both expressed as a percentage of total exposure.

	Total exposure (in € m.)		90 days or more past due as a % of total exposure		Net credit costs as a % of total exposure	
	Dec 31, 2005	Dec 31, 2004	**Dec 31, 2005**	Dec 31, 2004	**Dec 31, 2005**	Dec 31, 2004
Consumer credit exposure Germany:	50,569	47,395	2.04%	2.20%	0.54%	0.42%
Consumer and small business financing	10,955	10,060	2.11%	2.48%	1.38%	1.36%
Mortgage lending	39,614	37,335	2.02%	2.12%	0.31%	0.17%
Consumer credit exposure other Europe	17,279	15,025	1.12%	1.21%	0.37%	0.47%
Total consumer credit exposure	**67,848**	**62,420**	**1.80%**	**1.96%**	**0.50%**	**0.43%**

The volume of our consumer credit exposure rose by € 5.4 billion, or 8.7%, from 2004 to 2005, driven mainly by the volume growth of our portfolio in Germany (up € 3.2 billion) and even stronger relative growth in Italy (up € 1.2 billion) and Spain (up € 0.9 billion). Total net credit costs increased, from 0.43% of our total exposure in 2004 to 0.50% in 2005. The increase primarily reflects lower values realized on real estate collateral supporting distressed loans, especially in Germany. In Germany, loans delinquent by 90 days or more decreased from 2.20% to 2.04% reflecting overall volume growth. The lower percentage of delinquent loans in other Europe is predominantly a reflection of decreased delinquencies in Italian consumer lending.

Credit Exposure from Derivatives

To reduce our derivatives-related credit risk, we regularly seek the execution of master agreements (such as the International Swap Dealers Association contract for swaps) with our clients. A master agreement allows the offsetting of the obligations arising under all of the derivatives contracts that the agreement covers upon the counterparty's default, resulting in one single net claim against the counterparty (called "close-out netting"). We also enter into "payment netting" agreements under which we net nonsimultaneous settlement of cash flows, reducing our principal risk. We frequently enter into these agreements in our foreign exchange business.

For internal credit exposure measurement purposes, we only apply netting when we believe it is legally enforceable for the relevant jurisdiction and counterparty. Also, we enter into collateral support agreements to reduce our derivatives-related credit risk. These collateral arrangements generally provide risk mitigation through periodic (usually daily) margining of the covered portfolio or transactions and termination of the master agreement if the counterparty fails to honor a collateral call. As with netting, when we believe the collateral agreement is enforceable we reflect this in our exposure measurement.

As the replacement values of our portfolios fluctuate with movements in market rates and with changes in the transactions in the portfolios, we also estimate the potential future replacement costs of the portfolios over their lifetimes or, in case of collateralized portfolios, over appropriate unwind periods. We measure our potential future exposure against separate limits, which can be a multiple of the credit limit. We supplement our potential future exposure analysis with stress tests to estimate the immediate impact of extreme market events on our exposures (such as event risk in our Emerging Markets portfolio).

Treatment of Default Situations under Derivatives

Unlike in the case of our standard loan assets, we generally have more options to manage the credit risk in our OTC derivatives when movement in the current replacement costs of the transactions and the behavior of our counterparty indicate that there is the risk that upcoming payment obligations under the transactions might not be honored. In these situations, we are frequently able to obtain additional collateral or terminate the transactions or the related master agreement.

When our decision to terminate transactions or the related master agreement results in a residual net obligation of the counterparty, we restructure the obligation into a nonderivative claim and manage it through our regular workout process. As a consequence, we do not show any nonperforming derivatives.

The following table shows the notional amounts and gross market values of OTC and exchange-traded derivative contracts we held for trading and nontrading purposes as of December 31, 2005.

Dec 31, 2005 in € m.	Notional amount maturity distribution Within one year	 > 1 and ≤ 5 years	 After five years	 Total	Positive market value	Negative market value	Net market value
Interest-rate-related transactions:							
OTC products:							
FRAs	1,529,590	84,743	1,063	1,615,396	626	(690)	(64)
Interest rate swaps (single currency)	5,126,465	6,940,511	5,381,844	17,448,820	219,960	(221,437)	(1,477)
Purchased interest rate options	236,073	529,777	626,269	1,392,119	32,440	–	32,440
Written interest rate options	260,296	637,338	626,619	1,524,253	–	(33,963)	(33,963)
Other interest rate trades	–	–	–	–	–	–	–
Exchange-traded products:							
Interest rate futures	248,395	369,409	499	618,303	–	(1)	(1)
Purchased interest rate options	118,171	906	–	119,077	44	–	44
Written interest rate options	39,168	4,621	–	43,789	–	(34)	(34)
Sub-total	**7,558,158**	**8,567,305**	**6,636,294**	**22,761,757**	**253,070**	**(256,125)**	**(3,055)**
Currency-related transactions:							
OTC products:							
Forward exchange trades	440,786	26,812	3,199	470,797	5,936	(6,086)	(150)
Cross currency swaps	1,305,607	354,412	226,847	1,886,866	31,952	(32,103)	(151)
Purchased foreign currency options	387,766	55,570	9,272	452,608	8,000	–	8,000
Written foreign currency options	380,930	60,038	6,285	447,253	–	(7,911)	(7,911)
Exchange-traded products:							
Foreign currency futures	4,451	136	–	4,587	–	–	–
Purchased foreign currency options	2,202	182	–	2,384	65	–	65
Written foreign currency options	2,381	–	–	2,381	–	(48)	(48)
Sub-total	**2,524,123**	**497,150**	**245,603**	**3,266,876**	**45,953**	**(46,148)**	**(195)**
Equity/index-related transactions:							
OTC products:							
Equity forward	202	10	–	212	4	(11)	(7)
Equity/index swaps	73,797	28,941	10,658	113,396	4,100	(4,989)	(889)
Purchased equity/index options	118,711	91,040	15,057	224,808	26,412	–	26,412
Written equity/index options	126,947	112,664	27,865	267,476	–	(33,479)	(33,479)
Exchange-traded products:							
Equity/index futures	44,392	–	–	44,392	31	–	31
Equity/index purchased options	96,844	42,616	6,150	145,610	10,789	–	10,789
Equity/index written options	89,215	45,285	8,986	143,486	–	(11,517)	(11,517)
Sub-total	**550,108**	**320,556**	**68,716**	**939,380**	**41,336**	**(49,996)**	**(8,660)**
Credit derivatives	**102,560**	**1,380,404**	**520,586**	**2,003,550**	**22,745**	**(22,173)**	**572**
Other transactions:							
OTC products:							
Precious metal trades	29,010	27,578	5,318	61,906	4,011	(2,882)	1,129
Other trades	93,388	119,447	4,449	217,284	22,365	(21,221)	1,144
Exchange-traded products:							
Futures	3,561	3,261	53	6,875	–	–	–
Purchased options	9,692	2,225	301	12,218	1,144	–	1,144
Written options	8,774	1,691	–	10,465	–	(947)	(947)
Sub-total	**144,425**	**154,202**	**10,121**	**308,748**	**27,520**	**(25,050)**	**2,470**
Total OTC business	**10,212,128**	**10,449,285**	**7,465,331**	**28,126,744**	**378,551**	**(386,945)**	**(8,394)**
Total exchange-traded business	**667,246**	**470,332**	**15,989**	**1,153,567**	**12,073**	**(12,547)**	**(474)**
Total	**10,879,374**	**10,919,617**	**7,481,320**	**29,280,311**	**390,624**	**(399,492)**	**(8,868)**
Positive market values after netting agreements					**75,842**		

Country Risk

We manage country risk through a number of risk measures and limits, the most important being:

- *Total Counterparty Exposure.* All credit extended and OTC derivatives exposure to counterparties domiciled in a given country that we view as being at risk due to economic or political events ("country risk event"). It includes nonguaranteed subsidiaries of foreign entities and offshore subsidiaries of local clients.
- *Transfer Risk Exposure.* Credit risk arising where an otherwise solvent and willing debtor is unable to meet its obligations due to the imposition of governmental or regulatory controls restricting its ability either to obtain foreign exchange or to transfer assets to nonresidents (a "transfer risk event"). It includes all of our credit extended and OTC derivatives exposure from one of our offices in one country to a counterparty in a different country.
- *Highly-Stressed Event Risk Scenarios.* We use stress testing to measure potential market risk on our trading positions and view these as market risks.

Country Risk Ratings

Our country risk ratings represent a key tool in our management of country risk. They are established by an independent country risk research function within our Credit Risk Management function and include:

- *Sovereign Rating.* A measure of the probability of the sovereign defaulting on its foreign or local currency obligations, respectively.
- *Transfer Risk Rating.* A measure of the probability of a "transfer risk event"
- *Event Risk Rating.* A measure of the probability of major disruptions in the market risk factors relating to a country.

All sovereign and transfer risk ratings are reviewed, at least annually, by the Group Credit Policy Committee. Our country risk research group also reviews, at least quarterly, our ratings for the major Emerging Markets countries. Ratings for countries that we view as particularly volatile, as well as all event risk ratings, are subject to continuous review.

We also regularly compare our internal risk ratings with the ratings of the major international rating agencies.

Country Risk Limits

We manage our exposure to country risk through a framework of limits. The bank specifically limits and monitors its exposure to Emerging Markets. For this purpose, Emerging Markets are defined as Latin America (including the Caribbean), Asia (excluding Japan), Eastern Europe, the Middle East and Africa. Limits are reviewed at least annually, in conjunction with the review of country risk ratings. Country Risk limits are set by either our Management Board or by our Group Credit Policy Committee, pursuant to delegated authority.

Monitoring Country Risk

We charge our Group Divisions with the responsibility of managing their country risk within the approved limits. The regional units within Credit Risk Management monitor our country risk based on information provided by our controlling function. Our Group Credit Policy Committee also reviews data on transfer risk.

Country Risk Exposure

The following tables show the development of total Emerging Markets net counterparty exposure (net of collateral), and the utilized Emerging Markets net transfer risk exposure (net of collateral) by region.

Emerging Markets Net Counterparty Exposure in € m.	**Dec 31, 2005**	Dec 31, 2004
Total Net Counterparty Exposure	9,516	7,085
Total Net Counterparty Exposure (excluding OTC Derivatives)	6,838	5,089

Excluding irrevocable commitments and exposures to non-Emerging Markets bank branches.

Emerging Markets Net Transfer Risk Exposure in € m.	**Dec 31, 2005**	Dec 31, 2004
Africa	340	336
Asia (excluding Japan)	1,136	998
Eastern Europe	906	598
Latin America	508	790
Middle East	1,244	877
Total Emerging Markets Net Transfer Risk Exposure	**4,134**	**3,599**

Excluding irrevocable commitments and exposures to non-Emerging Markets bank branches.

At December 31, 2005, our net transfer risk exposure to Emerging Markets (excluding irrevocable commitments and exposures to non-Emerging Markets bank branches) amounted to € 4.1 billion, an increase of 15% or € 535 million from December 31, 2004. This increase was a result of selective increases in exposure due to improved credit quality in our Emerging Markets target countries.

Problem Loans

Our problem loans are comprised of nonaccrual loans, loans 90 days or more past due and still accruing and troubled debt restructurings. All loans where known information about possible credit problems of borrowers causes management to have serious doubts as to the ability of such borrowers to comply with the present loan repayment terms are included in our problem loans.

Additionally, as of December 31, 2005, the Group had € 1 million of lease financing transactions that were nonperforming. This amount is not included in our total problem loans.

The following table presents the components of our December 31, 2005 and December 31, 2004 problem loans.

			Dec 31, 2005			Dec 31, 2004
in € m.	Impaired loans[1]	Non-performing homogeneous loans	Total	Impaired loans[1]	Non-performing homogeneous loans	Total
Nonaccrual loans	2,444	1,106	3,550	3,401	1,098	4,499
Loans 90 days or more past due and still accruing	13	189	202	26	221	247
Troubled debt restructurings	119	–	119	89	–	89
Total problem loans	**2,576**	**1,295**	**3,871**	**3,516**	**1,319**	**4,835**

[1] Loans for which we determine that it is probable that we will be unable to collect all principal and interest due according to the contractual terms of the loan agreements.

The € 964 million decrease in our total problem loans in 2005 was due to € 1,018 million of gross charge-offs, a € 101 million increase as a result of exchange rate movements and a € 48 million net reduction of problem loans. Materially all of the reduction in problem loans took place in our impaired loans where gross charge-offs of € 580 million and net reductions of € 461 million were only slightly offset by the € 101 million increase as a result of exchange rate movements. In the homogeneous loan portfolio charge-offs were substantially offset by net increases. Included in the € 1.3 billion nonperforming smaller-balance standardized homogeneous loans, as of December 31, 2005, are € 1.2 billion of loans that are 90 days or more past due as well as € 0.1 billion of loans that are less than 90 days past due but in the judgment of management the accrual of interest should be ceased.

Our commitments to lend additional funds to debtors with problem loans amounted to € 69 million as of December 31, 2005, a decrease of € 132 million or 66% compared to December 31, 2004. Of these commitments € 10 million had been committed to debtors whose loan terms have been modified in a troubled debt restructuring, a reduction of € 5 million or 35% compared to December 31, 2004.

The following table illustrates our total problem loans split between German and non-German counterparties based on the country of domicile of our counterparty for the last two years.

in € m.	**Dec 31, 2005**	Dec 31, 2004
Nonaccrual loans:		
German	2,771	3,146
Non-German	779	1,353
Total nonaccrual loans	**3,550**	**4,499**
Loans 90 days or more past due and still accruing:		
German	198	236
Non-German	4	11
Total loans 90 days or more past due and still accruing	**202**	**247**
Troubled debt restructurings:		
German	48	71
Non-German	71	18
Total troubled debt restructurings	**119**	**89**

Nonaccrual Loans

We place a loan on nonaccrual status if:

- the loan has been in default as to payment of principal or interest for 90 days or more and the loan is neither well secured nor in the process of collection, or
- the accrual of interest should be ceased according to management's judgment as to collectibility of contractual cash flows.

When a loan is placed on nonaccrual status, any accrued but unpaid interest previously recorded is reversed against current period interest revenue. Cash receipts of interest on nonaccrual loans are recorded as either interest revenue or a reduction of principal according to management's judgment as to collectibility of principal.

As of December 31, 2005, our nonaccrual loans totaled € 3.6 billion, a net decrease of € 0.9 billion or 21%, from 2004. The net decrease in nonaccrual loans was mainly driven by charge-offs.

As of December 31, 2004, our nonaccrual loans totaled € 4.5 billion, a net decrease of € 1.5 billion, or 26%, from 2003. The net decrease in nonaccrual loans was mainly driven by charge-offs and net exposure reductions.

Loans Ninety Days or More Past Due and Still Accruing

These are loans in which contractual interest or principal payments are 90 days or more past due but on which we continue to accrue interest. These loans are well secured and in the process of collection.

In 2005, our 90 days or more past due and still accruing interest loans decreased by € 45 million, or 18% to € 202 million. This decrease was due to the fact that loans of this category which had to be placed on nonaccrual status or returned to performing status were substituted to a lesser extent by new loans to be allocated to this category.

In 2004, our 90 days or more past due and still accruing interest loans decreased by € 133 million, or 35% to € 247 million. This decrease was mainly due to the placing of loans on nonaccrual status and charge-offs.

Troubled Debt Restructurings

Troubled debt restructurings are loans that we have restructured due to a deterioration in the borrower's financial position comprising concessions that we would not otherwise consider.

If a borrower performs satisfactorily for one year under a restructured loan, we no longer consider that borrower's loan to be a troubled debt restructuring, unless at the time of restructuring the new interest rate was lower than the market rate for similar credit risks.

In 2005, the volume of troubled debt restructurings increased by € 30 million or 34% to € 119 million as of December 31, 2005. This increase was mainly due to a single restructuring case in Western Europe.

In 2004, the volume of troubled debt restructurings decreased by € 112 million or 56% to € 89 million as of December 31, 2004. This decrease was mainly due to the placing of loans on nonaccrual status and a debt for securities swap.

Credit Loss Experience and Allowance for Loan Losses

We establish an allowance for loan losses that represents our estimate of probable losses in our loan portfolio. The responsibility for determining our allowance for loan losses rests with Credit Risk Management. The components of this allowance are:

Specific Loss Component

The specific loss component relates to all loans deemed to be impaired, following an assessment of the counterparty's ability to repay. A loan is considered to be impaired when we determine that it is probable that we will be unable to collect all interest and principal due in accordance with the terms of the loan agreement. We determine the amount, if any, of the specific provision we should make by taking into account the present value of expected future cash flows, including cash flows that may result from foreclosure less costs for obtaining and selling the collateral, or the market price of the loan.

We regularly re-evaluate all credit exposures that have already been specifically provided for, as well as all credit exposures that appear on our watchlists.

Inherent Loss Component

The inherent loss component relates principally to all other loans we do not consider impaired but which we believe to have incurred some inherent loss on a portfolio basis and is comprised of:

Country Risk Allowance. We establish a country risk allowance for loan exposures in countries where according to management's judgment a "transfer risk event" is probable. We determine the percentage rates for our country risk allowance on the basis of historical loss experience and current market data, such as economic, political and other relevant factors affecting a country's financial condition. In making our decision we focus primarily on the transfer risk ratings that we assign to a country and the amount and type of collateral.

Smaller-Balance Standardized Homogeneous Loan Loss Allowance. Our smaller-balance standardized homogeneous portfolio includes smaller-balance personal loans, residential and nonresidential mortgage loans, overdrafts, loans to self-employed and small business customers of our private and retail business. These loans are evaluated for inherent loss on a collective basis, based on analyses of historical loss experience from each product type according to criteria such as past due status and collateral recovery values. The resulting allowance encompasses the loss inherent both in performing loans, as well as in nonperforming loans within the smaller-balance standardized homogeneous loan portfolio.

Other Inherent Loss Allowance. The other inherent loss allowance represents our estimate of losses inherent in our loan book that have not yet been individually identified, and reflects the imprecisions and uncertainties in estimating our loan loss allowances. This estimate of inherent losses excludes those exposures we have already considered when establishing our allowance for smaller-balance standardized homogeneous loans. It incorporates the expected loss results, which we generate as part of our economic capital calculations, outlined above.

Charge-off Policy

We take charge-offs based on Credit Risk Management's assessment when we determine that the loans are uncollectible. We generally charge off a loan when all economically sensible means of recovery have been exhausted. Our determination considers information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation, or that the proceeds from collateral will not be sufficient to pay the loan. For our smaller-balance standardized homogeneous loans we generally take charge-offs when a product specific past due status has been reached.

Allowance for Loan Losses

The following table illustrates the components of our allowance for loan losses by industry of the borrower, and the percentage of our total loan portfolio accounted for by those industry classifications, on the dates specified. The breakdown between German and non-German borrowers is based on the country of domicile of our borrowers.

in € m. (except percentages)	Dec 31, 2005		Dec 31, 2004	
German:				
Specific loan loss allowance:				
Banks and insurance	–	1%	–	1%
Manufacturing	288	4%	271	5%
Households (excluding mortgages)	46	11%	55	11%
Households – mortgages	14	18%	17	19%
Public sector	–	1%	–	1%
Wholesale and retail trade	137	2%	161	3%
Commercial real estate activities	261	7%	345	8%
Other	229	8%	278	9%
Specific German loan loss allowance total	975		1,127	
Inherent loss allowance	461		417	
German total	**1,436**	**52%**	**1,544**	**57%**
Non-German:				
Specific loan loss allowance	255		527	
Inherent loss allowance	237		273	
Non-German total	**492**	**48%**	**800**	**43%**
Total allowance for loan losses	**1,928**	**100%**	**2,345**	**100%**
Total specific allowance	1,230		1,654	
Total inherent loss allowance	698		691	
Total allowance for loan losses	**1,928**		**2,345**	

Movements in the Allowance for Loan Losses

We record increases to our allowance for loan losses as an expense on our Consolidated Statement of Income. If we determine that we no longer require allowances we have previously established, we decrease our allowance and record the amount as a reduction of the provision on our Consolidated Statement of Income. Charge-offs reduce our allowance while recoveries increase the allowance without affecting the Consolidated Statement of Income.

The following table sets forth a breakdown of the movements in our allowance for loan losses for the periods specified.

in € m. (except percentages)	2005	2004
Allowance at beginning of year	**2,345**	**3,281**
Charge-offs:		
German:		
Banks and insurance	1	3
Manufacturing	61	80
Households (excluding mortgages)	216	185
Households – mortgages	36	39
Public sector	–	–
Wholesale and retail trade	54	78
Commercial real estate activities	112	106
Lease financing	3	–
Other	162	231
German total	645	722
Non-German:		
Excluding lease financing	373	672
Lease financing only	–	–
Non-German total	373	672
Total charge-offs	**1,018**	**1,394**
Recoveries:		
German:		
Banks and insurance	1	1
Manufacturing	11	12
Households (excluding mortgages)	41	37
Households – mortgages	–	–
Public sector	–	–
Wholesale and retail trade	10	12
Commercial real estate activities	4	3
Lease financing	–	–
Other	42	37
German total	109	102
Non-German:		
Excluding lease financing	61	50
Lease financing only	–	–
Non-German total	61	50
Total recoveries	**170**	**152**
Net charge-offs	**848**	**1,242**
Provision for loan losses	374	372
Other changes (currency translation and allowance related to acquisitions/divestitures)	57	(66)
Allowance at end of year	**1,928**	**2,345**
Percentage of total net charge-offs to average loans for the year	0.58%	0.86%

Our allowance for loan losses as of December 31, 2005 was € 1.9 billion, an 18% decrease from the € 2.3 billion reported at the end of 2004. The reduction in our allowance was principally due to charge-offs exceeding our net provisions.

Our gross charge-offs amounted to € 1.0 billion in 2005, a decrease of € 377 million, or 27%, from 2004. Of the charge-offs for 2005, € 580 million were related to our corporate credit exposure, mainly driven by our German and American portfolios, and € 437 million were related to our consumer credit exposure.

Our provision for loan losses in 2005 was € 374 million, nearly unchanged from the prior year (€ 372 million), reflecting tight credit risk management, positive results of workout processes as well as the overall benign credit environment. This amount was composed of both net specific and inherent loan loss provisions. In 2005, our total loan loss provision was principally driven by our smaller-balance standardized homogeneous loan portfolio.

Our specific loan loss allowance was € 1.2 billion as of December 31, 2005, a decrease of € 424 million, or 26% from 2004. The change in our allowance is comprised of net charge-offs of € 518 million and a net specific loan loss provision of € 52 million, which includes a € 72 million net release for non-German clients and a € 42 million increase from currency translation. The provision was 61% lower than in the previous year. Notably, the specific loan loss allowance is the largest component of our total allowance for loan losses.

Our inherent loan loss allowance totaled € 698 million as of December 31, 2005, slightly above the level at the end of 2004 (€ 691 million). Movements in this component include € 365 million net provision being offset by € 330 million net charge-offs for our smaller-balance standardized homogeneous loan portfolio, and a € 23 million net reduction in our other inherent loss allowance.

Our allowance for loan losses as of December 31, 2004 was € 2.3 billion, 29% lower than the € 3.3 billion at the end of 2003. The decrease in our allowance balance was principally due to charge-offs exceeding our net provisions.

Our gross charge-offs amounted to € 1.4 billion in 2004, a decrease of € 500 million, or 26%, from 2003 charge-offs. Of the charge-offs for 2004, € 945 million were related to our corporate credit exposure, mainly driven by our American and German portfolios, and € 449 million were related to our consumer credit exposure.

Our provision for loan losses in 2004 was € 372 million, a decrease of € 741 million or 67% from the prior year, reflecting the improved credit environment witnessed throughout the year, supported by some significant releases, and a continuation of our strict credit discipline. This amount was composed of both net specific and inherent loan loss provisions. In 2004, 73% of our provision related to our smaller-balance standardized homogeneous loan portfolio.

Our specific loan loss allowance was € 1.7 billion as of December 31, 2004, a decrease of € 817 million, or a 33% reduction from 2003. The change in our allowance includes a net specific loan loss provision of € 134 million, which includes a € 18 million net release for non-German clients. The provision was 85% lower than the previous year and was more than offset by net charge-offs of € 889 million. Notably, the specific loan loss allowance is the largest component of our total allowance for loan losses.

Our inherent loan loss allowance totaled € 691 million as of December 31, 2004, a decrease of € 119 million, or 15%, from the level at the end of 2003. A major driver of the net reduction was € 353 million net charge-offs in our smaller-balance standardized homogeneous loan portfolio, offset by € 270 million net provision. Furthermore, in 2004 we recorded a net reduction of € 35 million in our other inherent loss allowance.

Non-German Component of the Allowance for Loan Losses

The following table presents an analysis of the changes in the non-German component of the allowance for loan losses. As of December 31, 2005, 26% of our total allowance was attributable to international clients.

in € m.	2005	2004
Allowance at beginning of year	**800**	**1,466**
Charge-offs	373	672
Recoveries	61	50
Net charge-offs	312	622
Provision for loan losses	(53)	25
Other changes (currency translation and allowance related to acquisitions/divestitures)	57	(69)
Allowance at end of year	**492**	**800**

Allowance for off-balance sheet positions

The following table shows the activity in the Group's allowance for off-balance sheet positions, which comprises contingent liabilities and lending-related commitments.

in € m.	2005	2004
Allowance at beginning of year	**345**	**416**
Provision for off-balance sheet positions	(24)	(65)
Other changes (currency translation and allowance related to acquisitions/divestitures)	8	(6)
Allowance at end of year	**329**	**345**

Settlement Risk

Our trading activities may give rise to risk at the time of settlement of those trades. Settlement risk is the risk of loss due to the failure of a counterparty to honor its obligations to deliver cash, securities or other assets as contractually agreed.

For many types of transactions, we mitigate settlement risk by closing the transaction through a clearing agent, which effectively acts as a stakeholder for both parties, only settling the trade once both parties have fulfilled their sides of the bargain.

Where no such settlement system exists, as is commonly the case with foreign exchange trades, the simultaneous commencement of the payment and the delivery parts of the transaction is common practice between trading partners (free settlement). In these cases, we may seek to mitigate our settlement risk through the execution of bilateral payment netting agreements. We are also an active participant in industry initiatives to reduce settlement risks. Acceptance of settlement risk on free settlement trades requires approval from our credit risk personnel, either in the form of pre-approved settlement risk limits, or through transaction-specific approvals. We do not aggregate settlement risk limits with other credit exposures for credit approval purposes, but we take the aggregate exposure into account when we consider whether a given settlement risk would be acceptable.

Market Risk

Substantially all of our businesses are subject to the risk that market prices and rates will move and result in profits or losses for us. We distinguish among four types of market risk:
- Interest rate risk;
- Equity price risk;
- Foreign exchange risk; and
- Commodity price risk.

The interest rate and equity price risks consist of two components each. The general risk describes value changes due to general market movements, while the specific risk has issuer-related causes.

Market Risk Management Framework

We assume market risk in both our trading and our nontrading activities. We assume risk by making markets and taking positions in debt, equity, foreign exchange, other securities and commodities as well as in equivalent derivatives.

We use a combination of risk sensitivities, value-at-risk, stress testing and economic capital metrics to manage market risks and establish limits. Economic capital is the metric we use to describe and aggregate all our market risks, both in trading and nontrading portfolios. Value-at-risk is a common metric we use in the management of our trading market risks.

Our Management Board and Group Risk Committee, supported by Group Market Risk Management, which is part of our independent risk management function, set a Group-wide value-at-risk limit for the market risks in the trading book. Group Market Risk Management sub-allocates this overall limit to our Group Divisions. Below that, limits are allocated to specific business lines and trading portfolio groups and geographical regions.

Our value-at-risk disclosure for the trading businesses is based on our own internal value-at-risk model. In October 1998, the German Banking Supervisory Authority (now the BaFin) approved our internal value-at-risk model for calculating the market risk capital for our general and specific market risks. Since then the model has been periodically reviewed and approval has been maintained.

Our value-at-risk disclosure is intended to ensure consistency of market risk reporting for internal risk management, for external disclosure and for regulatory purposes. The overall value-at-risk limit for our Corporate and Investment Bank Group Division was € 90 million throughout the year 2005 and the overall value-at-risk limit for our consolidated Group trading positions was € 92 million (with a 99% confidence level, as described below, and a one-day holding period).

Specifics of Market Risk Reporting under German Banking Regulations

German banking regulations stipulate specific rules for market risk reporting, which concern in particular the consolidation of entities, the calculation of the overall market risk position, as well as the determination of which assets are trading assets and which are nontrading assets:

Consolidation. For German regulatory purposes we do not consolidate entities other than banking institutions, financial services institutions, financial enterprises, bank service enterprises and, since 2005, certain fund management companies. However, we do consolidate a number of these companies under U.S. GAAP. These companies mainly include variable interest entities.

Overall Market Risk Position. We do not include in our market risk disclosure the foreign exchange risk arising from currency positions that German banking regulations permit us to exclude from market risk reporting. These are currency positions which are fully deducted from, or covered by, equity capital recognized for regulatory reporting as well as participating interests, including shares in affiliated companies that we record in foreign currency and value at historical cost (structural currency positions). Our largest structural currency positions arise from our investments in entities located in the United States.

Definition of Trading Assets and Nontrading Assets. The regulatory definition of trading book and banking book assets generally parallels the definition of trading and nontrading assets under U.S. GAAP. However, due to specific differences between the regulatory and accounting framework, certain assets are classified as trading book for market risk reporting purposes even though they are nontrading assets under U.S. GAAP. Conversely, we also have assets that are assigned to the banking book even though they are trading assets under U.S. GAAP.

Value-at-Risk Analysis

The value-at-risk approach derives a quantitative measure for our trading book market risks under normal market conditions, estimating the potential future loss (in terms of market value) that will not be exceeded in a defined period of time and with a defined confidence level. The value-at-risk measure enables us to apply a constant and uniform measure across all of our trading businesses and products. It also facilitates comparisons of our market risk estimates both over time and against our daily trading results.

We calculate value-at-risk for both internal and regulatory reporting using a 99% confidence level, in accordance with BIS rules. For internal reporting, we use a holding period of one day. For regulatory reporting, the holding period is ten days.

We believe that our value-at-risk model takes into account all material risk factors assuming normal market conditions. Examples of these factors are interest rates, equity prices, foreign exchange rates and commodity prices, as well as their implied volatilities. The model incorporates both linear and, especially for derivatives, nonlinear effects of the risk factors on the portfolio value. The statistical parameters required for the value-at-risk calculation are based on a 261 trading day history (corresponding to at least one calendar year of trading days) with equal weighting being given to each observation. We generally calculate value-at-risk using the Monte Carlo simulation technique and assuming that changes in risk factors follow a normal or logarithmic normal distribution. However, we still utilize a variance-covariance approach to calculate specific interest rate risk for some portfolios, such as in our credit trading and securitization businesses.

To determine our aggregated value-at-risk, we use historically observed correlations between the different general market risk factors. However, when aggregating general and specific market risks, we assume that there is zero correlation between them.

Back-Testing

We use back-testing in our trading units to verify the predictive power of the value-at-risk calculations. In back-testing, we compare actual income as well as hypothetical daily profits and losses under the buy-and-hold assumption (in accordance with German regulatory requirements) with the estimates from our value-at-risk model.

A committee consisting of risk managers, risk controllers and business area controllers meets on a quarterly basis to discuss back-testing results of the Group as a whole and of individual businesses. The committee analyzes performance fluctuations and assesses the predictive power of our value-at-risk model, which in turn allows us to improve the risk estimation process.

Stress Testing and Economic Capital

While value-at-risk, calculated on a daily basis, supplies forecasts for potential large losses under normal market conditions, we also perform stress tests in which we value our trading portfolios under extreme market scenarios not covered by the confidence interval of our value-at-risk model.

The quantification of market risk under extreme stress scenarios forms the basis of our assessment of the economic capital that we estimate is needed to cover the market risk in all of our positions. Underlying risk factors applicable to the different products are stressed, meaning that we assume a sudden change, according to pre-defined scenarios. We derive the stress scenarios from historic worst case scenarios adjusted for structural changes in current markets.

For example, we calculate country-specific event risk scenarios for all Emerging Markets and assess these event risk results daily. A specialist committee reviews the country risk ratings and scenario loss limits monthly. Ad hoc reviews take place as required.

In addition to the country-specific event risk scenarios for Emerging Markets, we also run regular market stress scenarios on the positions of every major portfolio. This is done weekly for the trading portfolios and monthly for the nontrading portfolios.

Our stress test scenarios include:

- Price and volatility risks for interest rates, equity prices, foreign exchange and commodity prices for industrialized countries. This covers both trading and nontrading securities and investments, as well as trading book derivatives portfolios and includes many basis risks.
- Emerging Markets’ risks, including equity price declines, increases in interest rates and currency devaluations.
- Credit spread risks for bonds, credit derivatives and traded loans of both industrialized and Emerging Markets countries.
- Underwriting risks in debt and equity capital markets for industrialized countries.

We calculate economic capital by aggregating losses from those stress scenarios using correlations that reflect stressed market conditions (rather than the normal market correlations used in the value-at-risk model).

Our economic capital usage for market risk arising from the trading units totaled € 1.6 billion at both year-end 2005 and 2004.

Limitations of Our Proprietary Risk Models

Although we believe that our proprietary market risk models are of a high standard, we are committed to their ongoing development and allocate substantial resources to reviewing and improving them.

Our stress testing results and economic capital estimations are necessarily limited by the number of stress tests executed and that not all downside scenarios can be predicted and simulated. While the risk managers have used their best judgment to define worst case scenarios based upon the knowledge of past extreme market moves, it is possible for our market risk positions to lose more value than even our economic capital estimates.

Our value-at-risk analyses should also be viewed in the context of the limitations of the methodology we use and are therefore not maximum amounts that we can lose on our market risk positions. The limitations of the value-at-risk methodology include the following:

- The use of historical data as a proxy for estimating future events may not capture all potential events, particularly those that are extreme in nature.
- The assumption that changes in risk factors follow a normal or logarithmic normal distribution. This may not be the case in reality and may lead to an underestimation of the probability of extreme market movements.
- The use of a holding period of one day (or ten days for regulatory value-at-risk calculations) assumes that all positions can be liquidated or hedged in that period of time. This assumption does not fully capture the market risk arising during periods of illiquidity, when liquidation or hedging in that period of time may not be possible. This is particularly the case for the use of a one-day holding period.
- The use of a 99% confidence level does not take account of, nor makes any statement about, any losses that might occur beyond this level of confidence.

- We calculate value-at-risk at the close of business on each trading day. We do not subject intra-day exposures to intra-day value-at-risk calculations.
- Value-at-risk does not capture all of the complex effects of the risk factors on the value of positions and portfolios and could, therefore, underestimate potential losses. For example, the way sensitivities are represented in our value-at-risk model may only be exact for small changes in market parameters.

The aggregate value-at-risk estimates for our trading market risk are conservative risk estimates when measured against our back-testing procedures (as shown by the number of hypothetical buy-and-hold portfolio losses against the predicted value-at-risk). However, we acknowledge the limitations in the value-at-risk methodology by supplementing the value-at-risk limits with other position and sensitivity limit structures, as well as with stress testing, both on individual portfolios and on a consolidated basis.

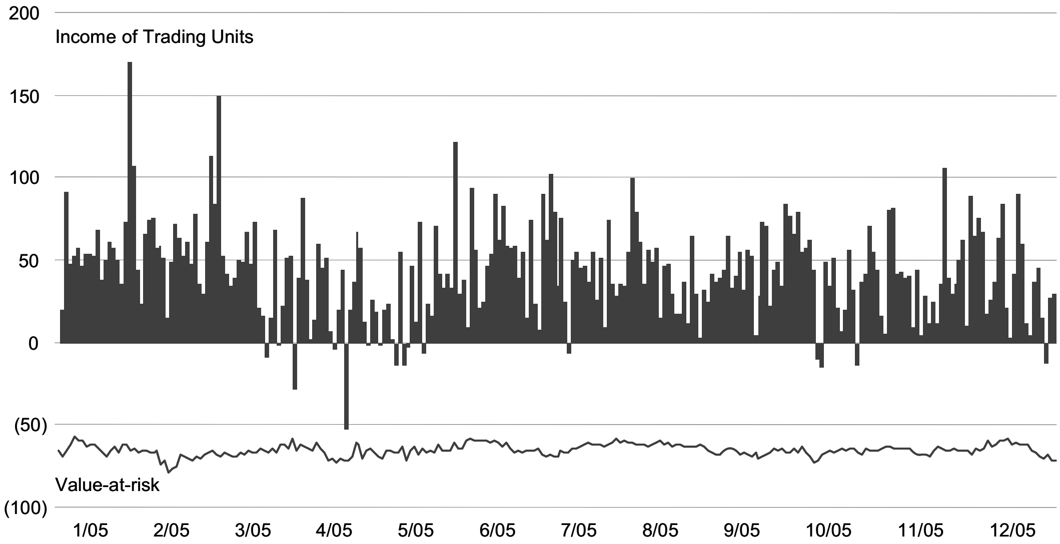
Value-at-Risk of the Trading Units of Our Corporate and Investment Bank Group Division

The following table shows the value-at-risk (with a 99% confidence level and a one-day holding period) of the trading units of our Corporate and Investment Bank Group Division. Our trading market risk outside of these units is immaterial. "Diversification effect" reflects the fact that the total value-at-risk on a given day will be lower than the sum of the values-at-risk relating to the individual risk classes. Simply adding the value-at-risk figures of the individual risk classes to arrive at an aggregate value-at-risk would imply the assumption that the losses in all risk categories occur simultaneously.

Value-at-risk of Trading Units	**Total**		Diversification effect		Interest rate risk		Equity price risk		Foreign exchange risk		Commodity price risk	
in € m.	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
Average	65.8	71.6	(37.5)	(38.4)	52.8	61.7	33.3	30.8	10.3	10.6	7.0	7.0
Maximum	79.2	97.9	(47.4)	(61.5)	61.6	91.1	43.1	45.1	18.2	25.9	11.3	10.8
Minimum	57.8	54.5	(29.4)	(28.1)	41.9	39.7	22.9	19.9	5.5	2.9	3.5	3.8
Year-end	69.8	66.3	(40.9)	(39.8)	55.3	41.1	32.8	42.6	12.9	17.2	9.6	5.1

The following graph shows the daily aggregate value-at-risk of our trading units in 2005, including diversification effects, and actual income of the trading units throughout the year.

Income of Trading Units and Value-at-Risk in 2005
in € m.

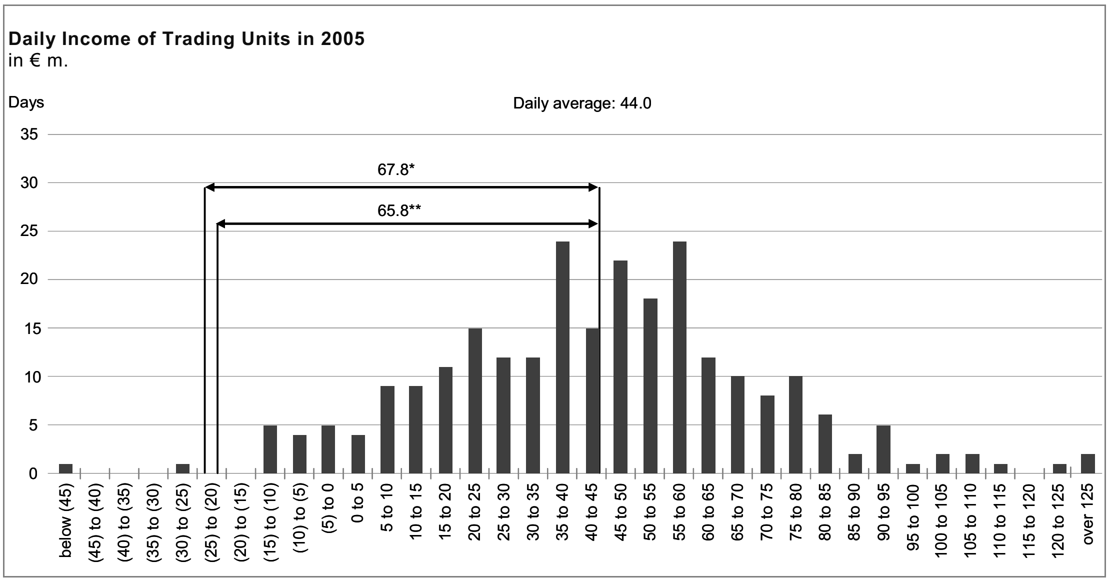


While we have taken selective trading opportunities and risks throughout the year, our value-at-risk for the trading units remained within a relatively narrow band between € 57.8 million and € 79.2 million. The higher value-at-risk levels were mainly driven by above-average interest rate risk exposures and/or above-average equity positions. The average value-at-risk in 2005 was € 65.8 million, which is 8% below the 2004 average of € 71.6 million.

Our trading units achieved a positive actual income for over 93% of the trading days in both 2005 and 2004. On no trading day in either year did they incur an actual loss that exceeded the value-at-risk estimate for that day.

In our regulatory back-testing in 2005 we observed one outlier, that is, a hypothetical buy-and-hold loss that exceeded our value-at-risk estimate for the trading units as a whole. This is below the two to three outliers a year that are statistically expected when using a 99% confidence level value-at-risk model. The outlier occurred in April, when the actual daily loss was € 52 million driven by exceptionally high levels of volatility both in corporate bond and equity markets.

The following histogram illustrates the distribution of actual daily income of our trading units in 2005. The histogram displays the number of trading days on which we reached each level of trading income shown on the horizontal axis in millions of euro.



* 99th percentile of actual daily income distribution.
**Average value-at-risk (confidence level 99%; one-day holding period).

In addition to our back-testing, the comparison of the distribution of actual daily income with the average value-at-risk also enables us to ascertain the reasonableness of our value-at-risk estimate. The histogram shows that the distribution of our trading units' actual daily income produces a 99th percentile of € 67.8 million around the average daily income level of € 44.0 million, which is close to the average value-at-risk estimate of € 65.8 million.

Market Risk in Our Nontrading Portfolios

The market risk in our nontrading portfolios, as measured by economic capital (€ 1.4 billion at year end 2005), has significantly decreased in 2005 and is now, unlike in previous years, less than the market risk in our trading portfolios.

Management of Our Nontrading Portfolios

To ensure a coordinated investment strategy, a consistent risk management process and appropriate portfolio diversification, our Group Corporate Investments/Alternative Assets Governance Committee supervises all of our nontrading asset portfolio. Our Global Head of Group Market Risk Management is also the Chief Risk Officer for Corporate Investments and alternative assets and is a member of the committee. The committee defines investment strategies, determines risk-adjusted return requirements, sets limits and allocates economic capital among the alternative assets classes. It approves policies, procedures and methodologies for managing alternative assets risk and receives monthly portfolio reports showing performance, estimated market values, economic capital estimates and risk profiles of the portfolios. The committee also oversees the portfolio of industrial holdings and other corporate investments held in our Corporate Investments Group Division.

Assessment of Market Risk in Our Nontrading Portfolios

Unlike for our trading portfolios we do not use value-at-risk as the primary metric to assess the market risk in our nontrading portfolios due to the nature of these positions as well as the lack of transparency of some of the pricing. Rather we assess the market risk in our nontrading portfolios through the use of stress testing procedures that are particular to each risk class and which consider, among other factors, large historically observed market moves as well as the liquidity of each asset class. This assessment forms the basis of our economic capital estimates which enable us to actively monitor and manage the nontrading market risk positions using a methodology which is consistent with that used for the trading market risk positions. As an example, for our industrial holdings we apply individual price shocks between 24% and 37%, which are based on historically observed market moves. In addition, we consider value reductions between 10% and 15% to reflect liquidity constraints. For private equity exposures, all our positions are stressed using our standard credit risk economic capital model as well as market price shocks up to 100%, depending on the individual asset. See also section “Risk Management Tools – Economic Capital” and “Market Risk – Stress Testing and Economic Capital”.

Nontrading Market Risk by Risk Class

The biggest market risks in our nontrading portfolios are equity and real estate price risks. The vast majority of the interest rate and foreign exchange risks arising from our nontrading asset and liability positions has been transferred through internal hedges to our Global Markets Business Division within our Corporate and Investment Bank Group Division and is thus managed on the basis of value-at-risk as reflected in our trading value-at-risk numbers.

Nontrading Market Risk by Group Division

There is nontrading market risk held and managed in each of our Group Divisions. The nontrading market risk in our Corporate Investments Group Division remains the biggest in the Group and is incurred through private equity investments, industrial holdings and other corporate investments. Our Private Clients and Asset Management Group Division primarily assumes nontrading market risk through its proprietary investments in real estate and mutual funds, which support the client asset management businesses. In our Corporate and Investment Bank Group Division, which has the smallest amount of nontrading market risk, the most significant part arises from a few strategic investments.

Carrying Value and Economic Capital Usage for Our Nontrading Portfolios

The table below shows the carrying values and economic capital usages separately for our major industrial holdings, other corporate investments and alternative assets.

Nontrading Portfolios	Carrying Value		Economic Capital Usage	
in € bn.	**Dec 31, 2005**	Dec 31, 2004	**Dec 31, 2005**	Dec 31, 2004
Major Industrial Holdings	4.1	5.5	0.3	1.2
Other Corporate Investments	4.2	5.2	0.5	1.8
Alternative Assets:	2.5	2.6	0.7	0.9
Private Equity	1.1	1.1	0.4	0.6
Real Estate	1.1	1.3	0.2	0.2
Hedge Funds	0.4	0.2	0.0[1]	0.1
Total	**10.9**	**13.3**	**1.4**	**3.9**

[1] There is a small economic capital usage of € 39 million.

Our economic capital usage for these nontrading asset portfolios totaled € 1.4 billion at year-end 2005, which is € 2.4 billion, or 63%, below our economic capital usage at year-end 2004. This decrease primarily reflects the continued decrease of our industrial holdings portfolio as well as the reduced risk from other corporate investments.

Major Industrial Holdings. The decrease in economic capital usage for our major industrial holdings was primarily driven by the reduction of our shareholding in DaimlerChrysler AG from 10.4% at year-end 2004 to 4.4% at year-end 2005. Our economic capital usage of € 0.3 billion at year-end 2005 was mainly due to the residual shareholding in DaimlerChrysler AG, while the economic capital usage for our other industrial holdings was comparatively small due to our unrealized gains associated with these holdings.

Other Corporate Investments. The decrease in the economic capital usage for our other corporate investments was largely due to the sale of a 9.73% shareholding in EUROHYPO AG to Commerzbank AG in 2005 and the agreement with Commerzbank AG to also purchase our residual shareholding of 27.99% in 2006. The economic capital usage of € 0.5 billion for our other corporate investments at year-end 2005 was driven by our mutual fund investments, our holding in Atradius N.V., which has lower risk than last year because of the committed partial sale that was agreed in December 2005, and a few other corporate investments.

Alternative Assets. Our alternative assets include direct investments in private equity (including venture capital, mezzanine debt and leveraged buy-out funds), real estate principal investments (including mezzanine debt), and hedge funds. The portfolio is well diversified and continues to be dominated by private equity and real estate investments. The decrease in our economic capital usage for alternative assets was mainly due to the lower risks incurred through our private equity investments.

In our total economic capital figures no diversification benefits between the different asset categories (e.g., between industrial holdings, private equity, real estate, etc.) are taken into account.

Major Industrial Holdings

The following table shows the total shares of capital and market values of our major industrial holdings which were directly and/or indirectly attributable to us at year-end 2005, and the corresponding holdings at year-end 2004. Our Corporate Investments Group Division currently plans to continue selling most of its publicly listed holdings over the next few years, subject to the legal environment and market conditions.

Major industrial holdings		Share of capital (in %)		Market value (in € m.)	
Name	Country of domicile	**Dec 31, 2005**	Dec 31, 2004	**Dec 31, 2005**	Dec 31,2004
DaimlerChrysler AG	Germany	4.4	10.4	1,930	3,706
Allianz AG	Germany	2.4	2.5	1,234	935
Linde AG	Germany	10.0	10.0	785	544
Fiat S.p.A.	Italy	0.8	1.0	73	59
Other	N/M	N/M	N/M	122	246
Total				**4,144**	**5,490**

N/M – Not meaningful

Liquidity Risk

Liquidity Risk Management safeguards the ability of the bank to meet all payment obligations when they come due. Our liquidity risk management framework has been instrumental in maintaining adequate liquidity and a healthy funding profile during the year 2005.

Liquidity Risk Management Framework

Group Treasury is responsible for the management of liquidity risk. Our liquidity risk management framework is designed to identify, measure and manage the liquidity risk position. The underlying policies are reviewed on a regular basis by the Group Asset and Liability Committee and finally approved by the Board Member responsible for Group Treasury. The policies define the methodology which is applied to the Group.

Our liquidity risk management approach starts at the intraday level (operational liquidity) managing the daily payment queue, forecasting cash flows and our access to Central Banks. It then covers tactical liquidity risk management dealing with the access to unsecured funding sources and the liquidity characteristics of our asset inventory (Asset Liquidity). Finally, the strategic perspective comprises the maturity profile of all assets and liabilities (Funding Matrix) on our balance sheet and our Issuance Strategy.

We have developed a cash flow based reporting tool (Lima System) which provides daily liquidity risk information to global and regional management.

Our liquidity position is subject to stress testing and scenario analysis to evaluate the impact of sudden stress events. The scenarios are either based on historic events, case studies of liquidity crises or models using hypothetical events.

Short-term Liquidity

Our reporting tool tracks cash flows on a daily basis over an eighteen months horizon. This scheme allows management to assess our short-term liquidity position in any location, region and globally on a by-currency, by-product, and by-division basis. The system captures all of our cash flows from transactions on our balance sheet, as well as liquidity risks resulting from off-balance sheet transactions. We model products that have no specific contractual maturities using statistical methods to capture the actual behavior of their cash flows. Liquidity outflow limits (MCO Limits), which have been set to limit cumulative global and regional net cash outflows, are monitored on a daily basis and ensure our access to liquidity.

Unsecured Funding

Unsecured funding is a finite resource. Total unsecured funding represents the amount of external liabilities, which we take from the market irrespective of instrument, currency or tenor. Unsecured funding is measured on a regional basis by currency and aggregated to a global utilization report. The Group Asset and Liability Committee has set limits by business divisions to protect our access to unsecured funding at attractive levels.

Asset Liquidity

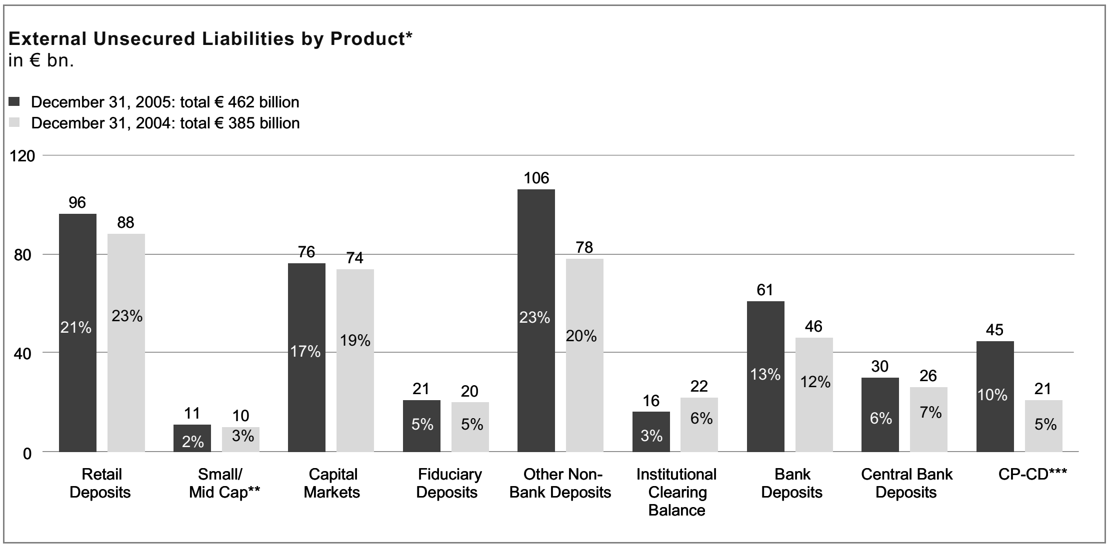
The Asset Liquidity component tracks the volume and booking location within our consolidated inventory of unencumbered, liquid assets which we can use to raise funds either in the repurchase agreement markets or by selling the assets. Securities inventories include a wide variety of different securities. In a first step, we segregate illiquid and liquid securities in each inventory. Subsequently we assign liquidity values to different classes of liquid securities.

The liquidity of these assets is an important element in protecting us against short-term liquidity squeezes. In addition, we continue to keep a portfolio of highly liquid securities in major currencies around the world to supply collateral for cash needs associated with clearing activities in euro, U.S. dollar and other major currencies. As a result of various efficiency initiatives in security settlement systems, we were able to reduce this dedicated portfolio to € 20.2 billion.

Funding Diversification

Diversification of our funding profile in terms of investor types, regions, products and instruments is an important element of our liquidity risk management framework. Our core funding resources, such as retail, small/mid-cap and fiduciary deposits as well as long-term capital markets funding, form the cornerstone of our liability profile. Customer deposits, funds from institutional investors and interbank funding are additional sources of funding. We use interbank deposits primarily to fund liquid assets.

The following chart shows the composition of our external unsecured liabilities as of December 31, 2005 and December 31, 2004, both in euro billion and as a percentage of our total unsecured liabilities. Total external unsecured liabilities were € 462 billion at December 31, 2005. The increase of € 77 billion reflects the overall positive market environment in 2005 resulting in higher liquidity in the market, which we were able to tap.



* In 2005, we have refined our allocation of liabilities to funding sources to better reflect our funding profile. For comparison purposes, we have adjusted our 2004 figures accordingly.
** Refers to deposits by small and medium-sized German corporates.
*** Commercial Paper/Certificates of Deposit.

Funding Matrix

We have mapped all funding relevant assets and liabilities into time buckets corresponding to their maturities to compile a maturity profile (Funding Matrix). Given that trading assets are typically more liquid than their contractual maturities suggest, we have divided them into liquid assets (assigned to the time bucket one year) and illiquid assets (assigned to time buckets two to five years). We have taken assets and liabilities from the retail bank that show a behavior of being renewed or prolonged regardless of capital market conditions (mortgage loans and retail deposits) and assigned them to time buckets reflecting the expected prolongation. Wholesale banking products are included with their contractual maturities.

The Funding Matrix identifies the excess or shortfall of assets over liabilities in each time bucket and thus allows us to identify and manage open liquidity exposures. The Funding Matrix is a key input parameter for our annual capital market issuance plan, which upon approval of the Group Asset and Liability Committee establishes issuing targets for securities by tenor, volume and instrument.

The Funding Matrix indicates that at year-end 2005 we were structurally long funded.

Stress Testing and Scenario Analysis

We employ stress testing and scenario analysis to evaluate the impact of sudden stress events on our liquidity position. The scenarios are either based on historic events (such as the stock market crash of 1987, the U.S. liquidity crunch of 1990 and the terrorist attacks of September 11, 2001) or modeled using hypothetical events. The latter include internal scenarios such as operational risk events, a rating downgrade of the bank by 1 and 3 notches respectively as well as external scenarios such as a market risk event, Emerging Markets crises and systemic shock. Under each of these scenarios we assume that all maturing loans to customers will need to be rolled over and require funding whereas rollover of liabilities will be partially impaired resulting in a funding gap. We then model the steps we would take to counterbalance the resulting net shortfall in funding needs. Action steps would include selling assets, switching from unsecured to secured funding and adjusting the price we would pay for liabilities (gap closure).

This analysis is fully integrated within the existing liquidity risk management framework. We track contractual cash flows per currency and product over an eight-week horizon (the most critical time span in a liquidity crisis) and apply the relevant stress case to each product. Asset Liquidity complements the analysis.

Our stress testing analysis provides guidance as to our ability to generate sufficient liquidity under critical conditions and is a valuable input parameter when defining our target liquidity risk position. The analysis is performed monthly. The following report is illustrative for our stress testing results as of December 31, 2005. For each scenario, the table shows what our maximum funding gap would be over an eight-week horizon after occurrence of the triggering event. We analyze whether the risk to our liquidity would be immediate and whether it would improve or worsen over time. We determine how much liquidity we believe we would have been able to generate at the time to close the gap.

Scenario	Funding gap[1] (in € bn.)	Liquidity impact	Gap closure[2] (in € bn.)
Market risk	4.0	Gradually increasing	131.9
Emerging markets	22.3	Gradually increasing	131.9
Systemic shock	15.4	Immediate, duration 2 weeks	86.7
DB downgrade to A1/P1 (short term) and A1/A+ (long term)	23.1	Gradually increasing	131.9
Operational risk	14.5	Immediate, duration 2 weeks	131.9
DB downgrade to A2/P2 (short term) and A3/A- (long term)	100.0	Gradually increasing	131.9

[1] Funding gap after assumed partially impaired rollover of liabilities.
[2] Maximum liquidity generation based on counterbalancing and asset liquidity opportunities.

With the increasing importance of liquidity management in the financial industry, we consider it important to contribute to financial stability by regularly addressing central banks, supervisors, rating agencies, and market participants on liquidity risk-related topics. We participate in a number of working groups regarding liquidity and participate in efforts to create industry-wide standards that are appropriate to evaluate and manage liquidity risk at financial institutions.

In addition to our internal liquidity management systems, the liquidity exposure of German banks is regulated by the German Banking Act and regulations issued by the BaFin. We are in compliance with all applicable liquidity regulations.

Operational Risk

EU institutions (Commissions, Parliament and Council) have approved changes to two directives to incorporate the new capital adequacy framework broadly known as “Basel II”. The EU member states are currently transforming the re-cast EU directives into national regulation. Discussions between the banking industry and the regulators are continuing with regard to specific issues as well as interpretation of Basel II, the EU directives and national regulation. On the basis of this discussion we define operational risk as the potential for incurring losses in relation to employees, contractual specifications and documentation, technology, infrastructure failure and disasters, projects, external influences and customer relationships. This definition includes legal and regulatory risk, but excludes business risk.

Organizational Set-up

Operational Risk Management is an independent risk management function within Deutsche Bank. The Chief Risk Officer for Credit and Operational Risk with Group-wide responsibility reports directly to the Group Chief Risk Officer. The Global Head of Operational Risk Management reports to the Chief Risk Officer for Credit and Operational Risk and both are represented on the Group Risk Committee. The Operational Risk Management Committee is a permanent sub-committee of the Group Risk Committee and is composed of the Operational Risk Management team. It is our main decision making committee for all operational risk management matters and approves group standards for identification, measurement, assessment, reporting and monitoring of operational risk.

Operational Risk Management is responsible for defining the operational risk framework and related policies while the responsibility for implementing the framework as well as the day-to-day operational risk management lies with our Business Divisions. Based on this business partnership model we ensure a close monitoring and high awareness for operational risk. Operational Risk Management is structured into regional and functional teams. The regional teams ensure consistent implementation of the overall operational risk management framework and pro-active management of operational risks and the functional teams focus on the development and implementation of the operational risk management toolset and reporting, the Advanced Measurement Approach (AMA) methodology under Basel II, monitoring regulatory requirements, value-added analysis and the setting of loss thresholds.

Managing Our Operational Risk

We manage operational risk based on a Group-wide consistent framework that enables us to determine our operational risk profile in comparison to the risk appetite of the bank and to define risk mitigating measures and priorities.

In order to efficiently manage the operational risk we use four different approaches:

- We perform bottom-up operational risk “self-assessments” resulting in a specific operational risk profile for the business lines highlighting the areas with high risk potential.
- We collect losses arising from operational risk events in our “db-Incident Reporting System” database.
- We capture and monitor operational risk indicators in our tool “db-Score” returning early warning signals.
- We capture action points resulting from “self-assessments” or risk indicators in “db-Track”. Within “db-Track” we monitor the progress of the operational risk action points on an ongoing basis.

In 2005, we implemented an enhanced methodology for calculating economic capital for operational risk as part of our Basel II preparation for the Advanced Measurement Approach (AMA). We use this model for internal economic capital calculation and allocation.

Based on the organizational set-up, the systems in place to identify and manage the operational risk and the support of control functions responsible for specific operational risk types (e.g., Compliance, Business Continuity Management) we seek to optimize operational risk. Future operational risks – identified through forward-looking analysis – are managed via mitigation strategies such as the development of back-up systems and emergency plans. Where appropriate, we purchase insurance against operational risks.

Overall Risk Position

The table below shows the overall risk position of the Group at year-end 2005 and 2004 as measured by the economic capital calculated for credit, market, business and operational risk; it does not include liquidity risk.

Economic capital usage in € m.	**Dec 31, 2005**	Dec 31, 2004
Credit risk	7,125	5,971
Market risk:	3,042	5,476
Trading market risk	1,595	1,581
Nontrading market risk	1,447	3,895
Diversification benefit across credit and market risk	(563)	(870)
Sub-total credit and market risk	9,604	10,577
Business risk	411	381
Operational risk	2,270	2,243
Total economic capital usage	**12,285**	**13,201**

To determine our overall (nonregulatory) risk position, we generally add the individual economic capital estimates for the various types of risk. However, when aggregating credit and market risk, we consider the diversification benefit across these risk types, which we estimate as € 563 million as of December 31, 2005 and € 870 million as of December 31, 2004. The diversification benefit across all risk types has not yet been calculated.

On December 31, 2005, our economic capital usage totaled € 12.3 billion, which is € 0.9 billion or 7% below the € 13.2 billion economic capital usage as of December 31, 2004.

The reduction in total market risk economic capital was caused by the decrease in nontrading market risk, which was primarily driven by the reduction of our shareholding in DaimlerChrysler AG from 10.4% at year-end 2004 to 4.4% at year-end 2005, as well as the reduced risk from other corporate investments. The reduction in risk from other corporate investments was mainly due to the sale of a 9.73% shareholding in EUROHYPO AG to Commerzbank AG in 2005 and the agreement with Commerzbank AG to also buy our residual shareholding of 27.99% in 2006.

The increase in credit risk economic capital is a reflection of volume growth in our lending book, principally in our Private & Business Clients and Corporate Banking & Securities Corporate Divisions, as well as higher credit risk relating to our trading inventory. In 2005, we implemented an enhanced methodology for name-specific risk for a significant portion of our trading inventory, which contributed € 0.3 billion to the increase. Furthermore, foreign exchange effects also contributed to the overall increase in credit risk economic capital.

The allocation of economic capital may change from time to time to reflect refinements in our risk measurement methodology.

Consolidated Statement of Income

in € m., except per share data	[Notes]	2005	2004	2003
Net interest revenues:				
Interest revenues	[23]	41,708	28,023	27,583
Interest expense	[23]	35,707	22,841	21,736
Net interest revenues		**6,001**	**5,182**	**5,847**
Provision for loan losses	[7], [8]	374	372	1,113
Net interest revenues after provision for loan losses		**5,627**	**4,810**	**4,734**
Noninterest revenues:				
Commissions and fees from fiduciary activities		3,556	3,211	3,273
Commissions, broker's fees, markups on securities underwriting and other securities activities		4,057	3,711	3,564
Fees for other customer services		2,476	2,584	2,495
Trading revenues, net	[30]	7,429	6,186	5,611
Net gains on securities available for sale	[5]	1,055	235	20
Net income (loss) from equity method investments	[6]	418	388	(422)
Other revenues	[6], [13], [30]	648	421	880
Total noninterest revenues		**19,639**	**16,736**	**15,421**
Noninterest expenses:				
Compensation and benefits	[20], [24], [30]	10,993	10,222	10,495
Net occupancy expense of premises		1,014	1,258	1,251
Furniture and equipment		169	178	193
IT costs		1,539	1,726	1,913
Agency and other professional service fees		895	824	836
Communication and data services		599	599	626
Other expenses		3,178	2,291	2,000
Goodwill impairment/impairment of intangibles	[12]	–	19	114
Restructuring activities	[28]	767	400	(29)
Total noninterest expenses		**19,154**	**17,517**	**17,399**
Income before income tax expense and cumulative effect of accounting changes		**6,112**	**4,029**	**2,756**
Income tax expense	[25]	2,039	1,437	1,327
Reversal of 1999/2000 credits for tax rate changes	[25]	544	120	215
Income before cumulative effect of accounting changes, net of tax		**3,529**	**2,472**	**1,214**
Cumulative effect of accounting changes, net of tax	[2]	–	–	151
Net income		**3,529**	**2,472**	**1,365**
Earnings per common share (in €):	[2], [26]			
Basic:				
Income before cumulative effect of accounting changes, net of tax		7.62	5.02	2.17
Cumulative effect of accounting changes, net of tax		–	–	0.27
Net income		**7.62**	**5.02**	**2.44**
Diluted:				
Income before cumulative effect of accounting changes, net of tax		6.95	4.53	2.06
Cumulative effect of accounting changes, net of tax		–	–	0.25
Net income		**6.95**	**4.53**	**2.31**
Cash dividends declared per common share		**1.70**	**1.50**	**1.30**

The accompanying notes are an integral part of the Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income

in € m.	2005	2004	2003
Net income	**3,529**	**2,472**	**1,365**
Other comprehensive income:			
Reversal of 1999/2000 credits for tax rate changes	544	120	215
Unrealized gains (losses) on securities available for sale:			
Unrealized net gains arising during the year, net of tax and other[1]	1,742	12	1,619
Net reclassification adjustment for realized net (gains) losses, net of applicable tax and other[2]	(1,004)	(189)	162
Unrealized net gains (losses) on derivatives hedging variability of cash flows, net of tax[3]	(28)	40	(4)
Minimum pension liability, net of tax[4]	(7)	(1)	8
Foreign currency translation:			
Unrealized net gains (losses) arising during the year, net of tax[5]	1,054	(719)	(936)
Net reclassification adjustment for realized net gains, net of tax[6]	(1)	–	(54)
Total other comprehensive income (loss)	**2,300**	**(737)**	**1,010**
Comprehensive income	**5,829**	**1,735**	**2,375**

[1] Amounts are net of income tax expense of € 80 million, € 131 million and € 38 million for the years ended December 31, 2005, 2004 and 2003, respectively, and adjustments to insurance policyholder liabilities and deferred acquisition costs of € 16 million, € 19 million and € 4 million for the years ended December 31, 2005, 2004 and 2003, respectively.
[2] Amounts are net of applicable income tax expense of € 70 million, € 40 million and € 41 million for the years ended December 31, 2005, 2004 and 2003, respectively, and adjustments to insurance policyholder liabilities and deferred acquisition costs of € 12 million, € 6 million and € (10) million for the years ended December 31, 2005, 2004 and 2003, respectively.
[3] Amounts are net of an income tax expense (benefit) of € (19) million and € 7 million for the years ended December 31, 2005 and 2004, respectively, and an income tax benefit of less than € 1 million for the year ended December 31, 2003.
[4] Amounts are net of income tax expense (benefit) of € (5) million, € (1) million and € 3 million for the years ended December 31, 2005, 2004 and 2003, respectively.
[5] Amounts are net of an income tax expense (benefit) of € (36) million, € 53 million and € 70 million for the years ended December 31, 2005, 2004 and 2003, respectively.
[6] Amounts are net of an income tax expense of less than € 1 million for the year ended December 31, 2005 and an income tax expense (benefit) of € 4 million and € (5) million for the years ended December 31, 2004 and 2003, respectively.

The accompanying notes are an integral part of the Consolidated Financial Statements.

Consolidated Balance Sheet

in € m. (except nominal value)	[Notes]	**Dec 31, 2005**	Dec 31, 2004
Assets:			
Cash and due from banks		6,571	7,579
Interest-earning deposits with banks	[32]	11,963	18,089
Central bank funds sold and securities purchased under resale agreements	[32]	130,993	123,921
Securities borrowed	[32]	101,125	65,630
Trading assets of which € 84 billion and € 77 billion were pledged to creditors and can be sold or repledged at December 31, 2005 and 2004, respectively	[4], [10], [32]	448,393	373,147
Securities available for sale of which € 21 million and € 18 million were pledged to creditors and can be sold or repledged at December 31, 2005 and 2004, respectively	[5], [10], [32]	21,675	20,335
Other investments	[6], [32]	7,382	7,936
Loans, net	[7], [8], [9], [10], [31], [32]	151,355	136,344
Premises and equipment, net	[10], [11]	5,079	5,225
Goodwill	[12]	7,045	6,378
Other intangible assets, net	[12]	1,198	1,069
Other assets	[14], [25]	99,382	74,415
Total assets		**992,161**	**840,068**
Liabilities:			
Deposits	[15], [32]	380,787	320,796
Trading liabilities	[4], [32]	194,347	169,606
Central bank funds purchased and securities sold under repurchase agreements	[10], [32]	143,524	105,292
Securities loaned	[10], [32]	24,581	12,881
Other short-term borrowings	[16], [19], [32]	20,549	20,118
Other liabilities	[14], [19], [24], [25], [28]	81,377	75,543
Long-term debt	[17], [19], [32]	113,554	106,870
Obligation to purchase common shares	[18]	3,506	3,058
Total liabilities		**962,225**	**814,164**
Shareholders' equity:			
Common shares, no par value, nominal value of € 2.56 Issued: 2005, 554.5 million shares; 2004, 543.9 million shares	[20]	1,420	1,392
Additional paid-in capital		11,672	11,147
Retained earnings		22,628	19,814
Common shares in treasury, at cost: 2005, 49.0 million shares; 2004, 26.6 million shares		(3,368)	(1,573)
Equity classified as obligation to purchase common shares	[18]	(3,506)	(3,058)
Share awards		2,121	1,513
Accumulated other comprehensive income (loss):			
Deferred tax on unrealized net gains on securities available for sale relating to 1999 and 2000 tax rate changes in Germany		(2,164)	(2,708)
Unrealized net gains on securities available for sale, net of applicable tax and other		2,498	1,760
Unrealized net gains on derivatives hedging variability of cash flows, net of tax		9	37
Minimum pension liability, net of tax		(8)	(1)
Foreign currency translation, net of tax		(1,366)	(2,419)
Total accumulated other comprehensive loss		(1,031)	(3,331)
Total shareholders' equity	[20], [22]	**29,936**	**25,904**
Total liabilities and shareholders' equity		**992,161**	**840,068**
Commitments and contingent liabilities (Notes [11], [30], [33])			

The accompanying notes are an integral part of the Consolidated Financial Statements.

Consolidated Statement of Changes in Shareholders' Equity

in € m.	2005	2004	2003
Common shares:			
Balance, beginning of year	1,392	1,490	1,592
Common shares issued under employee benefit plans	28	–	–
Retirement of common shares	–	(98)	(102)
Balance, end of year	1,420	1,392	1,490
Additional paid-in capital:			
Balance, beginning of year	11,147	11,147	11,199
Common shares issued under employee benefit plans	411	–	–
Net losses on treasury shares sold	–	–	(36)
Tax benefits related to employee benefit plans	110	–	–
Other	4	–	(16)
Balance, end of year	11,672	11,147	11,147
Retained earnings:			
Balance, beginning of year	19,814	20,486	22,087
Net income	3,529	2,472	1,365
Cash dividends declared and paid	(868)	(828)	(756)
Dividend related to equity classified as obligation to purchase common shares	117	96	–
Net gains (losses) on treasury shares sold	46	66	(386)
Retirement of common shares	–	(2,472)	(1,801)
Other	(10)	(6)	(23)
Balance, end of year	22,628	19,814	20,486
Common shares in treasury, at cost:			
Balance, beginning of year	(1,573)	(971)	(1,960)
Purchases of shares	(43,803)	(34,471)	(25,464)
Sale of shares	41,598	30,798	23,903
Retirement of shares	–	2,570	1,903
Treasury shares distributed under employee benefit plans	410	501	647
Balance, end of year	(3,368)	(1,573)	(971)
Equity classified as obligation to purchase common shares:			
Balance, beginning of year	(3,058)	(2,310)	(278)
Additions	(814)	(1,241)	(2,911)
Deductions	366	493	879
Balance, end of year	(3,506)	(3,058)	(2,310)
Share awards – common shares issuable:			
Balance, beginning of year	2,965	2,196	1,955
Deferred share awards granted, net	901	1,270	888
Deferred shares distributed	(410)	(501)	(647)
Balance, end of year	3,456	2,965	2,196
Share awards – deferred compensation:			
Balance, beginning of year	(1,452)	(1,242)	(1,000)
Deferred share awards granted, net	(901)	(1,270)	(888)
Amortization of deferred compensation, net	1,018	1,060	646
Balance, end of year	(1,335)	(1,452)	(1,242)
Accumulated other comprehensive income (loss):			
Balance, beginning of year	(3,331)	(2,594)	(3,604)
Reversal of 1999/2000 credits for tax rate changes	544	120	215
Change in unrealized net gains on securities available for sale, net of applicable tax and other	738	(177)	1,781
Change in unrealized net gains/losses on derivatives hedging variability of cash flows, net of tax	(28)	40	(4)
Change in minimum pension liability, net of tax	(7)	(1)	8
Foreign currency translation, net of tax	1,053	(719)	(990)
Balance, end of year	(1,031)	(3,331)	(2,594)
Total shareholders' equity, end of year	**29,936**	**25,904**	**28,202**

The accompanying notes are an integral part of the Consolidated Financial Statements.

Consolidated Statement of Cash Flows

in € m.	2005	2004	2003
Cash flows from operating activities:			
Net income	**3,529**	**2,472**	**1,365**
Adjustments to reconcile net income to net cash used in operating activities:			
Provision for loan losses	374	372	1,113
Restructuring activities	145	230	(29)
Gain on sale of securities available for sale, other investments, loans and other	(1,494)	(476)	(201)
Deferred income taxes, net	964	838	269
Impairment, depreciation and other amortization and accretion	1,474	1,776	3,072
Cumulative effect of accounting changes, net of tax	–	–	(151)
Share of net income from equity method investments	(333)	(282)	(42)
Net change in:			
Trading assets	(75,606)	(42,461)	(37,624)
Other assets	(26,908)	(15,566)	(7,452)
Trading liabilities	24,740	16,380	22,719
Other liabilities	10,699	7,538	10,830
Other, net	(1,544)	1,082	47
Net cash used in operating activities	**(63,960)**	**(28,097)**	**(6,084)**
Cash flows from investing activities:			
Net change in:			
Interest-earning deposits with banks	5,885	(4,573)	11,305
Central bank funds sold and securities purchased under resale agreements	(7,072)	(11,679)	5,378
Securities borrowed	(35,495)	7,166	(35,226)
Loans	(18,068)	2,908	22,610
Proceeds from:			
Sale of securities available for sale	11,673	21,145	13,620
Maturities of securities available for sale	2,815	3,560	7,511
Sale of other investments	1,868	2,081	2,068
Sale of loans	10,440	10,463	6,882
Sale of premises and equipment	274	451	2,628
Purchase of:			
Securities available for sale	(13,981)	(25,201)	(19,942)
Other investments	(1,602)	(1,200)	(2,141)
Loans	(5,985)	(4,950)	(9,030)
Premises and equipment	(701)	(792)	(991)
Net cash received (paid) for business combinations/divestitures	211	(223)	2,469
Other, net	99	116	327
Net cash (used in) provided by investing activities	**(49,639)**	**(728)**	**7,468**
Cash flows from financing activities:			
Net change in:			
Deposits	60,040	21,493	(24,158)
Securities loaned and central bank funds purchased and securities sold under repurchase agreements	49,932	923	17,751
Other short-term borrowings	452	3,399	(4,303)
Issuances of long-term debt	44,574	34,463	43,191
Repayments and extinguishments of long-term debt	(39,817)	(25,773)	(32,366)
Common shares issued under employee benefit plans	439	–	–
Purchases of treasury shares	(43,803)	(34,471)	(25,464)
Sale of treasury shares	41,640	30,850	23,389
Cash dividends paid	(868)	(828)	(756)
Other, net	(485)	12	(37)
Net cash provided by (used in) financing activities	**112,104**	**30,068**	**(2,753)**
Net effect of exchange rate changes on cash and due from banks	487	(300)	(974)
Net increase (decrease) in cash and due from banks	(1,008)	943	(2,343)
Cash and due from banks, beginning of the year	7,579	6,636	8,979
Cash and due from banks, end of the year	6,571	7,579	6,636
Interest paid	35,246	22,411	22,612
Income taxes paid, net	962	199	911

The accompanying notes are an integral part of the Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

Notes to the Consolidated Financial Statements

[1] Significant Accounting Policies

Deutsche Bank Aktiengesellschaft ("Deutsche Bank" or the "Parent") is a stock corporation organized under the laws of the Federal Republic of Germany. Deutsche Bank together with all entities in which Deutsche Bank has a controlling financial interest (the "Group") is a global provider of a full range of corporate and investment banking, private clients and asset management products and services. For a discussion of the Group's business segment information, see Note [27].

The accompanying consolidated financial statements are stated in euros and have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions regarding the fair valuation of certain financial assets and liabilities, the allowance for loan losses, the impairment of assets other than loans, the valuation allowance for deferred tax assets, legal, regulatory and tax contingencies, as well as other matters. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's estimates.

Certain reclassifications and adjustments have been made to the prior year financial statements. These include the reclassification of certain brokerage margin accounts from deposits to other liabilities, and adjustments to previously disclosed amounts of pledged trading assets that can be sold or re-pledged and to certain derivatives that are disclosed as financial guarantees. These reclassifications and adjustments did not result in a change in previously reported net income, shareholders' equity or total assets.

The following is a description of the significant accounting policies of the Group.

Principles of Consolidation

The consolidated financial statements include Deutsche Bank together with all entities in which Deutsche Bank has a controlling financial interest. The Group consolidates entities in which it has a majority voting interest when the entity is controlled through substantive voting equity interests and the equity investors bear the residual economic risks of the entity. The Group also consolidates those entities that do not meet these criteria when the Group absorbs a majority of the entity's expected losses, or if no party absorbs a majority of the expected losses, when the Group receives a majority of the entity's expected residual returns.

Notwithstanding the above, certain securitization vehicles (commonly known as qualifying special purpose entities) are not consolidated if they are distinct from and not controlled by the entities that transferred the assets into the vehicle, and their activities are legally prescribed, significantly limited from inception, and meet certain restrictions regarding the assets they can hold and the circumstances in which those assets can be sold.

For consolidated guaranteed value mutual funds, in which the Group has only minor equity interests, the obligation to pass the net revenues of these funds to the investors is reported in other liabilities, with a corresponding charge to other revenues.

All material intercompany transactions and balances have been eliminated. Issuances of a subsidiary's stock to third parties are treated as capital transactions.

Revenue Recognition

Revenue is recognized when it is realized or realizable, and earned. This concept is applied to the key revenue generating activities of the Group as follows:

Net interest revenues – Interest from interest-bearing assets and liabilities is recognized on an accrual basis over the life of the asset or liability based on the constant effective yield reflected in the terms of the contract and any related net deferred fees, premiums, discounts or debt issuance costs. See the “Loans” section of this footnote for more specific information regarding interest from loans.

Valuation of assets and liabilities – Certain assets and liabilities are required to be revalued each period end and the offset to the change in the carrying amount is recognized as revenue. These include assets and liabilities held for trading purposes, certain derivatives held for nontrading purposes, loans held for sale, and investments accounted for under the equity method. In addition, assets are revalued to recognize impairment losses within revenues when certain criteria are met. See the discussions in the “Trading Assets and Liabilities, and Securities Available for Sale”, “Derivatives”, “Other Investments”, “Allowances for Credit Losses”, “Loans Held for Sale”, and “Impairment” sections of this footnote for more detailed explanations of the valuation methods used and the methods for determining impairment losses for the various types of assets involved.

Fees and commissions – Revenue from the various services the Group performs are recognized when the following criteria are met: persuasive evidence of an arrangement exists, the services have been rendered, the fee or commission is fixed or determinable, and collectibility is reasonably assured. Incentive fee revenues from investment advisory services are recognized at the end of the contract period when the incentive contingencies have been resolved.

Sales of assets – Gains and losses from sales of assets result primarily from sales of financial assets in monetary exchanges, which include sales of trading assets, securities available for sale, other investments, and loans. In addition, the Group records revenue from sales of nonfinancial assets such as real estate, subsidiaries and other assets.

To the extent assets are exchanged for beneficial or ownership interests in those same assets, the exchange is not considered a sale and no gain or loss is recorded. Otherwise, gains and losses on exchanges of financial assets that are held at fair value, and gains on financial assets not held at fair value, are recorded when the Group has surrendered control of those financial assets. Gains on exchanges of nonfinancial assets are recorded once the sale has been closed or consummated, except when the Group maintains certain types of continuing involvement with the asset sold, in which case the gains are deferred. Losses from pending sales of nonfinancial assets and financial assets not held at fair value are recognized once the asset is deemed held for sale.

Gains and losses from monetary exchanges are calculated as the difference between the book value of the assets given up and the fair value of the proceeds received and liabilities incurred. Gains or losses from nonmonetary exchanges are calculated as the difference between the book value of the assets given up and the fair value of the assets given up and liabilities incurred as part of the transaction, except that the fair value of the assets received is used if it is more readily determinable.

Multiple-deliverable arrangements – In circumstances where the Group contracts to provide multiple products, services or rights to a counterparty, an evaluation is made as to whether separate revenue recognition events have occurred. This evaluation considers the stand-alone value of items already delivered, the verifiability of the fair value of items not yet delivered and, if there is a right of return on delivered items, the probability of delivery of remaining undelivered items.

If it is determined that separation is appropriate, the consideration received is allocated based on the relative fair value of each item, unless there is no objective and reliable evidence of the fair value of the delivered item or an individual item is required to be recognized at fair value according to other U.S. GAAP requirements, in which case the residual method is used.

Foreign Currency Translation

Assets and liabilities denominated in currencies other than an entity's functional currency are translated into its functional currency using the period-end exchange rates, and the resulting transaction gains and losses are reported in trading revenues. Foreign currency revenues, expenses, gains, and losses are recorded at the exchange rate at the dates recognized.

Gains and losses resulting from translating the financial statements of net investments in foreign operations into the reporting currency of the parent entity are reported, net of any hedge and tax effects, in accumulated other comprehensive income within shareholders' equity. Revenues, expenses, gains and losses are translated at the exchange rates at the dates on which those elements are recognized, either individually or by using an appropriately weighted average exchange rate for the period. Assets and liabilities are translated at the period end rate.

Reverse Repurchase and Repurchase Agreements

Securities purchased under resale agreements ("reverse repurchase agreements") and securities sold under agreements to repurchase ("repurchase agreements") are treated as collateralized financings and are carried at the amount of cash disbursed and received, respectively. The party disbursing the cash takes possession of the securities serving as collateral for the financing and having a market value equal to or in excess of the principal amount loaned. Securities purchased under resale agreements consist primarily of OECD country sovereign bonds or sovereign guaranteed bonds. Securities owned and pledged as collateral under repurchase agreements in which the counterparty has the right by contract or custom to sell or repledge the collateral are disclosed on the Consolidated Balance Sheet.

The Group monitors the fair value of the securities received or delivered. For securities purchased under resale agreements, the Group requests additional securities or the return of a portion of the cash disbursed when appropriate in response to a decline in the market value of the securities received. Similarly, the return of excess securities or additional cash is requested when appropriate in response to an increase in the market value of securities sold under repurchase agreements. The Group offsets reverse repurchase and repurchase agreements with the same counterparty under master netting agreements when they have the same maturity date and meet certain other criteria regarding settlement and transfer mechanisms. Interest earned on reverse repurchase agreements and interest incurred on repurchase agreements are reported as interest revenues and interest expense, respectively.

Securities Borrowed and Securities Loaned

Securities borrowed and securities loaned are recorded at the amount of cash advanced or received. Securities borrowed transactions generally require the Group to deposit cash with the securities lender. In a securities loaned transaction, the Group generally receives either cash collateral, in an amount equal to or in excess of the market value of securities loaned, or securities. If the securities received may be sold or repledged, they are accounted for as trading assets and a corresponding liability to return the security is recorded. The Group monitors the fair value of securities borrowed and securities loaned and additional collateral is obtained, if necessary. Fees received or paid are reported in interest revenues and interest expense, respectively. Securities owned and pledged as collateral under securities lending agreements in which the counterparty has the right by contract or custom to sell or repledge the collateral are disclosed on the Consolidated Balance Sheet.

Trading Assets and Liabilities, and Securities Available for Sale

The Group designates debt and marketable equity securities as either held for trading purposes or available for sale at the date of acquisition.

Trading assets and trading liabilities are carried at their fair values and related realized and unrealized gains and losses are included in trading revenues.

Securities available for sale are carried at fair value with the changes in fair value reported in accumulated other comprehensive income within shareholders’ equity unless the security is subject to a fair value hedge, in which case changes in fair value resulting from the risk being hedged are recorded in other revenues. The amounts reported in other comprehensive income are net of deferred income taxes and adjustments to insurance policyholder liabilities and deferred acquisition costs.

Declines in fair value of securities available for sale below their amortized cost that are deemed to be other than temporary and realized gains and losses are reported in the Consolidated Statement of Income in net gains on securities available for sale. The amortization of premiums and accretion of discounts are recorded in net interest revenues. Generally, the weighted-average cost method is used to determine the cost of securities sold.

Fair value is based on quoted market prices, price quotes from brokers or dealers, or estimates based upon discounted expected cash flows.

Derivatives

All freestanding contracts that are considered derivatives for accounting purposes are carried at fair value in the balance sheet regardless of whether they are held for trading or nontrading purposes. Derivative features embedded in other contracts that meet certain criteria are also measured at fair value. Fair values for derivatives are based on quoted market prices, discounted cash flow analysis, comparison to similar observable market transactions, or pricing models that take into account current market and contractual prices of the underlying instruments as well as time value and yield curve or volatility factors underlying the positions. Fair values also take into account expected market risks, modeling risks, administrative costs and credit considerations. Derivative assets and liabilities arising from contracts with the same counterparty that are covered by qualifying and legally enforceable master netting agreements are reported on a net basis.

The Group enters into various contracts for trading purposes, including swaps, futures contracts, forward commitments, options and other similar types of contracts and commitments based on interest and foreign exchange rates, equity and commodity prices, and credit risk. The Group also makes commitments to originate mortgage loans that will be held for sale. Such positions are considered derivatives and are carried at their fair values as either trading assets or trading liabilities, and related gains and losses are included in trading revenues. At the inception of a derivative transaction, trading profit or loss is recognized if the fair value of the derivative is obtained from a quoted market price, supported by comparison to observable prices of other current market transactions or supported by other observable data used in the valuation technique. When the fair value of a derivative is not based upon observable market data, the Group defers any trade date profit or loss. This deferral is recognized when the transaction becomes observable, the Group enters into an offsetting transaction that substantially eliminates the derivative's risk, or using a rational method such as over the life of the transaction.

Derivative features embedded in other nontrading contracts are measured separately at fair value when they are not clearly and closely related to the host contract and meet the definition of a derivative. Unless designated as a hedge, changes in the fair value of such an embedded derivative are reported in trading revenues. The carrying amount is reported on the Consolidated Balance Sheet with the host contract.

Certain derivatives entered into for nontrading purposes, which do not qualify for hedge accounting, that are otherwise effective in offsetting the effect of transactions on noninterest revenues and expenses are recorded in other assets or other liabilities with changes in fair value recorded in the same noninterest revenues and expense captions affected by the transaction being offset. The changes in fair value of all other derivatives not qualifying for hedge accounting are recorded in trading revenues.

For accounting purposes there are three possible types of hedges, each of which is accounted for differently: (1) hedges of the changes in fair value of assets, liabilities or firm commitments (fair value hedges), (2) hedges of the variability of future cash flows from forecasted transactions and floating rate assets and liabilities (cash flow hedges), and (3) hedges of the translation adjustments resulting from translating the financial statements of net investments in foreign operations into the reporting currency of the parent. Hedge accounting, as described in the following paragraphs, is applied for each of these types of hedges, if the hedge is properly documented at inception and the hedge is highly effective in offsetting changes in fair value, variability of cash flows, or the translation effects of net investments in foreign operations. Hedge effectiveness is assessed at inception and throughout the term of each hedging relationship, and it is not the Group's policy to assume no ineffectiveness for hedges, regardless of the existence of matching terms for the derivative and hedged item.

For hedges of changes in fair value, the changes in the fair value of the hedged asset or liability due to the risk being hedged are recognized in earnings along with changes in the entire fair value of the derivative. When hedging interest rate risk, for both the derivative and the hedged item any interest accrued or paid is reported in interest revenue or expense and the unrealized gains and losses from the fair value adjustments are reported in other revenues. When hedging the foreign exchange risk in an available-for-sale security, the fair value adjustments related to the foreign exchange exposures are also recorded in other revenues. Hedge ineffectiveness is reported in other revenues and is measured as the net effect of the fair value adjustments made to the derivative and the hedged item arising from changes in the market rate or price related to the risk being hedged.

If a hedge of changes in fair value is canceled because the derivative is terminated or dedesignated, any remaining interest rate-related fair value adjustment made to the carrying amount of a hedged debt instrument is amortized to interest revenue or expense over the remaining life of the hedged item. For other types of fair value adjustments and whenever a hedged asset or liability is sold or terminated, any basis adjustments are included in the calculation of the gain or loss on sale or termination.

For hedges of the variability of cash flows, there is no special accounting for the hedged item and the derivative is carried at fair value with changes in value reported initially in other comprehensive income to the extent the hedge is effective. These amounts initially recorded in other comprehensive income are subsequently reclassified into earnings in the same periods during which the forecasted transaction affects earnings. Thus, for hedges of interest rate risk the amounts are amortized into interest revenues or expense along with the interest accruals on the hedged transaction. When hedging the foreign exchange risk in an available-for-sale security, the amounts resulting from foreign exchange risk are included in the calculation of the gain or loss on sale once the hedged security is sold. Hedge ineffectiveness is recorded in other revenues and is usually measured as the difference between the changes in fair value of the actual hedging derivative and a hypothetically perfect hedge.

When hedges of the variability of cash flows due to interest rate risk are canceled, amounts remaining in accumulated other comprehensive income are amortized to interest revenues or expense over the original life of the hedge. For cancellations of other types of hedges of the variability of cash flows, the related amounts accumulated in other comprehensive income are reclassified into earnings either in the same income statement caption and period as the forecasted transaction, or in other revenues when it is no longer probable that the forecasted transaction will occur.

For hedges of the translation adjustments resulting from translating the financial statements of net investments in foreign operations into the reporting currency of the parent, the portion of the change in fair value of the derivative due to changes in the spot foreign exchange rate is recorded as a foreign currency translation adjustment in other comprehensive income to the extent the hedge is effective; and the remainder is recorded as other revenues.

Hedging derivatives are reported as other assets and other liabilities and any derivative dedesignated as a hedging derivative is transferred to trading assets and liabilities and marked to market with changes in fair value recognized in trading revenues. For any hedging derivative that is terminated, the difference between the derivative’s carrying amount and the cash paid or received is recognized as other revenues.

Other Investments

Other investments include investments accounted for under the equity method, holdings of designated consolidated investment companies, and other nonmarketable equity interests and investments in venture capital companies.

The equity method of accounting is applied to investments when the Group does not have a controlling financial interest, but has the ability to significantly influence operating and financial policies of the investee. Generally, this is when the Group has an investment between 20% and 50% of the voting stock or in-substance common stock of a corporation or 3% or more of limited partnership or limited liability corporation interests. Other factors that are considered in determining whether the Group has significant influence include representation on the board of directors (supervisory board in the case of German stock corporations) and material intercompany transactions. The existence of these factors could require the application of the equity method of accounting for a particular investment even though the investment is less than 20% of the voting stock.

Under equity method accounting, the pro-rata share of the investee's net income or loss, on a U.S. GAAP basis, as well as disposition gains and losses and charges for other-than-temporary impairments, are included in net income from equity method investments. Equity method losses in excess of the Group's carrying amount of the investment in the enterprise are charged against other assets held by the Group related to the investee. If those other assets are written down to zero, a determination is made whether to report additional losses based on the Group's obligation to fund such losses. The difference between the Group's cost and its proportional underlying equity in net assets of the investee at the date of investment ("equity method goodwill") is subject to impairment reviews in conjunction with the reviews of the overall investment.

Investments held by designated investment companies that are consolidated are included in other investments, as they are primarily nonmarketable equity securities, and are carried at fair value with changes in fair value recorded in other revenues.

Other nonmarketable equity investments and investments in venture capital companies, in which the Group does not have a controlling financial interest or significant influence, are included in other investments and carried at historical cost, net of declines in fair value below cost that are deemed to be other than temporary. Gains and losses upon sale or impairment are included in other revenues.

Loans

Loans are presented on the balance sheet at their outstanding unpaid principal balances net of charge-offs, unamortized premiums or discounts, net deferred fees or costs on originated loans and the allowance for loan losses. Interest revenues are accrued on the unpaid principal balance. Net deferred fees or costs and premiums or discounts are recorded as an adjustment of the yield (interest revenues) over the contractual lives of the related loans. Loan commitment fees related to those commitments that are not accounted for as derivatives are recognized in fees for other customer services over the life of the commitment. Loan commitments that are accounted for as derivatives are carried at fair value.

Loans are placed on nonaccrual status if either the loan has been in default as to payment of principal or interest for 90 days or more and the loan is neither well secured nor in the process of collection; or the loan is not yet 90 days past due, but in the judgment of management the accrual of interest should be ceased before 90 days because it is probable that all contractual payments of interest and principal will not be collected. When a loan is placed on nonaccrual status, any accrued but unpaid interest previously recorded is reversed against current period interest revenues. Cash receipts of interest on nonaccrual loans are recorded as either interest revenues or a reduction of principal according to management's judgment as to the collectibility of principal. Accrual of interest is resumed only once the loan is current as to all contractual payments due and the loan is not impaired.

Leasing Transactions

Lease financing transactions, which include direct financing and leveraged leases, in which a Group entity is the lessor are classified as loans. Unearned income is amortized to interest revenues over the lease term using the interest method. Capital leases in which a Group entity is the lessee are capitalized as assets and reported in premises and equipment.

Allowances for Credit Losses

The allowances for credit losses represent management's estimate of probable losses that have occurred in the loan portfolio and off-balance sheet positions which comprises contingent liabilities and lending-related commitments as of the date of the consolidated financial statements. The allowance for loan losses is reported as a reduction of loans and the allowance for off-balance sheet positions is reported in other liabilities.

To allow management to determine the appropriate level of the allowance for loan losses, all significant counterparty relationships are reviewed periodically, as are loans under special supervision, such as impaired loans. Smaller-balance standardized homogeneous loans are collectively evaluated for impairment. This review encompasses current information and events related to the counterparty, such as past due status and collateral recovery values, as well as industry, geographic, economic, political, and other environmental factors. This process results in an allowance for loan losses which consists of a specific loss component and an inherent loss component.

The specific loss component represents the allowance for impaired loans. Impaired loans represent loans for which, based on current information and events, management believes it is probable that the Group will not be able to collect all principal and interest amounts due in accordance with the contractual terms of the loan agreement. The specific loss component of the allowance is measured by the excess of the recorded investment in the loan, including accrued interest, over either the present value of expected future cash flows, including cash flows that may result from foreclosure less costs for obtaining and selling the collateral, or the market price of the loan. Impaired loans are generally placed on nonaccrual status.

The inherent loss component is principally for all other loans not deemed to be impaired, but that, on a portfolio basis, are believed to have some inherent loss which is probable of having occurred and is reasonably estimable. The inherent loss component consists of a country risk allowance for transfer and currency convertibility risks for loan exposures in countries where there are serious doubts about the ability of counterparties to comply with the repayment terms due to the economic or political situation prevailing in the respective country of domicile; a smaller-balance standardized homogeneous loan loss allowance for loans to individuals and small business customers of the private and retail business, and an other inherent loss allowance. The other inherent loss allowance represents an estimate of losses inherent in the portfolio that have not yet been individually identified and reflects the imprecisions and uncertainties in estimating the loan loss allowance. This estimate of inherent losses excludes those exposures that have already been considered when establishing the allowance for smaller-balance standardized homogeneous loans.

Amounts determined to be uncollectible are charged to the allowance. Subsequent recoveries, if any, are credited to the allowance. The provision for loan losses, which is charged to income, is the amount necessary to adjust the allowance to the level determined through the process described above.

The allowance for off-balance sheet positions, which is established through charges to other expenses, is determined using the same measurement techniques as the allowance for loan losses.

Loans Held for Sale

Loans held for sale are accounted for at the lower of cost or market on an individual basis and are reported as other assets. Origination fees and direct costs are deferred until the related loans are sold and are included in the determination of the gains or losses upon sale, which are reported in other revenues. Valuation adjustments related to loans held for sale are reported in other assets and other revenues, and are not included in the allowance for loan losses nor the provision for loan losses.

Asset Securitizations

When the Group transfers financial assets to securitization vehicles, it may retain one or more subordinated tranches, cash reserve accounts, or in some cases, servicing rights or interest-only strips, all of which are retained interests in the securitized assets. The amount of the gain or loss on transfers accounted for as sales depends in part on the previous carrying amounts of the financial assets involved in the transfer, allocated between the assets sold and the retained interests based on their relative fair values at the date of transfer. Retained interests other than servicing rights are classified as trading assets, securities available for sale or other assets depending on the nature of the retained interest and management intent. Servicing rights are classified in intangible assets, carried at the lower of the allocated basis or current fair value and amortized in proportion to and over the period of net servicing revenue.

To obtain fair values, quoted market prices are used if available. However, for securities representing retained interests from securitizations of financial assets, quotes are often not available, so the Group generally estimates fair value based on the present value of future expected cash flows using management's best estimates of the key assumptions (loan losses, prepayment speeds, forward yield curves, and discount rates) commensurate with the risks involved. Interest revenues on retained interests are recognized using the effective yield method.

Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation. Depreciation is generally computed using the straight-line method over the estimated useful lives of the assets. The range of estimated useful lives is 25 to 50 years for premises and 3 to 10 years for furniture and equipment. Leasehold improvements are depreciated on a straight-line basis over the shorter of the term of the lease or the estimated useful life of the improvement, which generally ranges from 3 to 15 years. Depreciation of premises is included in net occupancy expense of premises, while depreciation of equipment is included in furniture and equipment expense and IT costs, as applicable. Maintenance and repairs are charged to expense and improvements are capitalized. Gains and losses on dispositions are reflected in other revenues.

Leased properties meeting certain criteria are capitalized as assets in premises and equipment and depreciated over the terms of the leases. For properties subject to operating leases, rental expense and rental income are recognized on a straight-line basis over the lease term, which commences when the lessee controls the physical use of the property. Lease incentives are treated as a reduction of rental expense and are also recognized over the lease term on a straight-line basis.

Eligible costs related to software developed or obtained for internal use are capitalized and depreciated using the straight-line method over a period of 3 to 5 years. Eligible costs include external direct costs for materials and services, as well as payroll and payroll-related costs for employees directly associated with an internal-use software project. Overhead, as well as costs incurred during planning or after the software are ready for use, is expensed as incurred.

Goodwill and Other Intangible Assets

Goodwill, which represents the excess of the cost of an acquired entity over the fair value of net assets acquired at the date of acquisition, is tested for impairment annually, or more frequently if events or changes in circumstances, such as an adverse change in business climate, indicate that the goodwill may be impaired. Mortgage and other loan servicing rights are carried at the lower of cost or current fair value and amortized in proportion to and over the estimated period of net servicing revenue. Other intangible assets that have a finite useful life are amortized over a period of 3 to 15 years; other intangible assets that have an indefinite useful life, primarily investment management agreements related to retail mutual funds, are not amortized. These assets are tested for impairment and their useful lives are reaffirmed at least annually.

Obligation to Purchase Common Shares

Forward purchases of equity shares of a consolidated Group company are reported as obligation to purchase common shares if the number of shares is fixed and physical settlement is required. At inception the obligation is recorded at the fair value of the shares, which is equal to the present value of the settlement amount of the forward. For forward purchases of Deutsche Bank shares, a corresponding charge is made to shareholders' equity and reported as equity classified as obligation to purchase common shares. For forward purchases of minority interest shares, a corresponding reduction to other liabilities is made.

The liability is accounted for on an accrual basis if the purchase price for the shares is fixed, and interest costs on the liability are reported as interest expense. Deutsche Bank common shares subject to such contracts are not considered to be outstanding for purposes of earnings per share calculations. Upon settlement of such forward purchases the liability is extinguished whereas the charge to equity remains but is reclassified to common shares in treasury.

Prior to July 1, 2003, written put options on equity shares of a consolidated Group company that met certain settlement criteria were also reported as obligation to purchase common shares. Beginning July 1, 2003, such written put options are reported as derivatives.

Impairment

Securities available for sale, equity method and direct investments (including investments in venture capital companies and nonmarketable equity securities), and unguaranteed lease residuals are subject to impairment reviews. An impairment charge is recorded if a decline in fair value below the asset's amortized cost or carrying value, depending on the nature of the asset, is deemed to be other than temporary.

Other intangible assets with finite useful lives and premises and equipment are also subject to impairment reviews if a change in circumstances indicates that the carrying amount of an asset may not be recoverable. If estimated undiscounted cash flows relating to an asset held and used are less than its carrying amount, an impairment charge is recorded to the extent the fair value of the asset is less than its carrying amount. For an asset to be disposed of by sale, a loss is recorded based on the lower of the asset's carrying value or fair value less cost to sell. An asset to be disposed of other than by sale is considered held and used and accounted for as such until it is disposed of.

Goodwill and other intangible assets which are not amortized are tested for impairment at least annually and an impairment charge is recorded to the extent the fair market value of the asset is less than its carrying amount.

Expense Recognition

Direct and incremental costs related to underwriting and advisory services and origination of loans are deferred and recognized together with the related revenue. Loan origination costs are netted against loan origination fees and are amortized to interest revenue over the contractual life of the related loans. Other operating costs, including advertising costs, are recognized as incurred.

Income Taxes

The Group recognizes the current and deferred tax consequences of all transactions that have been recognized in the consolidated financial statements using the provisions of the appropriate jurisdictions' tax laws. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, net operating loss carry-forwards and tax credits. The amount of deferred tax assets is reduced by a valuation allowance, if necessary, to the amount that, based on available evidence, management believes will more likely than not be realized.

Deferred tax liabilities and assets are adjusted for the effect of changes in tax laws and rates in the period that includes the enactment date.

Share-Based Compensation

Effective as of January 1, 2003, the Group adopted the fair-value-based method prospectively for all employee awards granted, modified or settled after January 1, 2003. Under the fair-value-based method, compensation cost is measured at the grant date based on the fair value of the share-based award. The fair values of stock option awards are estimated using a Black-Scholes option pricing model. For share awards, the fair value is the quoted market price of the share reduced by the present value of the expected dividends that will not be received by the employee and adjusted for the effect, if any, of restrictions beyond the vesting date. Prior to January 1, 2003, the Group accounted for its share awards under the intrinsic-value-based method of accounting. Under this method, compensation expense is the excess, if any, of the quoted market price of the shares at grant date or other measurement date over the amount an employee must pay, if any, to acquire the shares.

The following table illustrates what the effect on net income and earnings per common share would have been if the Group had applied the fair value method to all share-based awards.

in € m.	**2005**	2004	2003
Net income, as reported	3,529	2,472	1,365
Add: Share-based compensation expense included in reported net income, net of related tax effects	595	696	433
Deduct: Share-based compensation expense determined under fair value method for all awards, net of related tax effects	(589)	(698)	(346)
Pro forma net income	**3,535**	**2,470**	**1,452**
Earnings per share:			
Basic – as reported	€ 7.62	€ 5.02	€ 2.44
Basic – pro forma	€ 7.63	€ 5.02	€ 2.60
Diluted – as reported	€ 6.95	€ 4.53	€ 2.31
Diluted – pro forma	€ 6.96	€ 4.53	€ 2.46

The Group records its obligations under outstanding deferred share awards and stock option awards in shareholders' equity as share awards – common shares issuable. The related deferred compensation is also included in shareholders' equity. These items are classified in shareholders' equity based on the Group's intent to settle these awards with its common shares. Compensation expense is recorded on a straight-line basis over the period in which employees perform services to which the awards relate. Compensation expense is reversed in the period an award is forfeited. Compensation expense for share-based awards payable in cash is remeasured based on the underlying share price changes and the related obligations are included in other liabilities until paid.

See Note [20] for additional information on specific award provisions and the fair values and significant assumptions used to estimate the fair values of options.

Comprehensive Income

Comprehensive income is defined as the change in equity of an entity excluding transactions with shareholders such as the issuance of common or preferred shares, payment of dividends and purchase of treasury shares. Comprehensive income has two major components: net income, as reported in the Consolidated Statement of Income, and other comprehensive income as reported in the Consolidated Statement of Comprehensive Income. Other comprehensive income includes such items as unrealized gains and losses from translating net investments in foreign operations net of related hedge effects, unrealized gains and losses from changes in fair value of securities available for sale, net of deferred income taxes and the related adjustments to insurance policyholder liabilities and deferred acquisition costs, minimum pension liability, and the effective portions of realized and unrealized gains and losses from derivatives used as cash flow hedges, less amounts reclassified to earnings in combination with the hedged items. Comprehensive income does not include changes in the fair value of nonmarketable equity securities, traditional credit products and other assets generally carried at cost.

Statement of Cash Flows

For purposes of the Consolidated Statement of Cash Flows, the Group’s cash and cash equivalents are cash and due from banks.

[2] Cumulative Effect of Accounting Changes

SFAS 150

Effective July 1, 2003, the Group adopted SFAS No. 150, “Accounting for Certain Instruments with Characteristics of Both Liabilities and Equity” (“SFAS 150”). SFAS 150 requires that an entity classify as liabilities (or assets in some circumstances) certain financial instruments with characteristics of both liabilities and equity. SFAS 150 applies to certain freestanding financial instruments that embody an obligation for the entity and that may require the entity to issue shares, or redeem or repurchase its shares.

SFAS 150 changed the accounting for outstanding forward purchases of approximately 52 million Deutsche Bank common shares with a weighted-average strike price of € 56.17 which were entered into to satisfy obligations under employee share-based compensation awards. The Group recognized an after-tax gain of € 11 million, net of € 5 million tax expense, as a cumulative effect of a change in accounting principle as these contracts were adjusted to fair value upon adoption of SFAS 150. The contracts were then amended effective July 1, 2003, to allow for physical settlement only. This resulted in a charge to shareholders’ equity of € 2.9 billion and the establishment of a corresponding liability classified as obligation to purchase common shares. Settlements of the forward contracts during 2003 reduced the obligation to purchase common shares to € 2.3 billion at December 31, 2003. Since July 1, 2003, the costs of these contracts have been recorded as interest expense instead of as a direct reduction of shareholders’ equity.

The accounting for physically settled forward contracts reduces shareholders’ equity, which effectively results in the shares being accounted for as if retired or in treasury even though the shares are still outstanding. As such, SFAS 150 also requires that the number of outstanding shares associated with physically settled forward purchase contracts be removed from the denominator in computing basic and diluted earnings per share (EPS). The number of weighted average shares deemed no longer outstanding for EPS purposes for the year ended December 31, 2003, related to the forward purchase contracts described above was 23 million shares.

FIN 46 and FIN 46(R) (Revised December 2003)

FASB Interpretation No. 46, "Consolidation of Variable Interest Entities" ("FIN 46") was issued in January 2003. FIN 46 requires a company to consolidate entities as the primary beneficiary if the equity investment at risk is not sufficient for the entity to finance its activities without additional subordinated financial support from other parties or if the equity investors lack essential characteristics of a controlling financial interest. Securitization vehicles that are qualifying special purpose entities are excluded from the new rule and remain unconsolidated.

The Interpretation was effective immediately for entities established after January 31, 2003, and for interests obtained in variable interest entities after that date. For variable interest entities created before February 1, 2003, FIN 46 was originally effective for the Group on July 1, 2003. In October 2003, the FASB deferred the effective date so that, for the Group, application could be deferred for some or all such variable interest entities until December 31, 2003, pending resolution of various matters and the issuance of clarifying guidance. At July 1, 2003, the Group elected not to apply FIN 46 to a limited number of variable interest entities created before February 1, 2003, which it believed might not require consolidation at December 31, 2003. The Group applied FIN 46 to substantially all other variable interest entities as of July 1, 2003. Consequently, the Group recorded a € 140 million gain as a cumulative effect of a change in accounting principle and total assets increased by € 18 billion. Effective December 31, 2003, the Group fully adopted FIN 46. There was no significant effect from the application of FIN 46 to those variable interest entities for which adoption occurred after July 1, 2003.

Certain entities were deconsolidated as a result of applying FIN 46, primarily investment vehicles and trusts associated with trust preferred securities that the Group sponsors where the investors bear the economic risks. The gain from the application of FIN 46 primarily represents the reversal of the impact on earnings of securities held by the investment vehicles that were deconsolidated.

Effective March 31, 2004, the Group adopted the revised version of FIN 46, "Consolidation of Variable Interest Entities, an interpretation of ARB No. 51" ("FIN 46(R)"). The FASB modified FIN 46 to address certain technical corrections and implementation issues that had arisen. As a result of the adoption, total assets decreased by € 12.5 billion due to the deconsolidation of certain guaranteed value mutual funds. The adoption did not result in a cumulative effect of a change in accounting principle, however certain offsetting revenues and charges, chiefly trading revenues, net interest revenues and charges against other revenues, are no longer reported in the consolidated statement of income beginning April 1, 2004 due to the deconsolidations.

[3] Acquisitions and Dispositions

For the years ended December 31, 2005, 2004 and 2003, the Group recorded net gains on dispositions (excluding results from businesses/subsidiaries held for sale) of € 108 million, € 95 million and € 513 million, respectively. The acquisitions and disposals that occurred in these years had no significant impact on the Group's total assets.

For a discussion of the Group's most significant acquisitions and dispositions for the years ended December 31, 2005 and 2004 see Note [27] Business Segments and Related Information.

[4] Trading Assets and Trading Liabilities

The components of these accounts are as follows.

in € m.	**Dec 31, 2005**	Dec 31, 2004
Trading assets:		
Bonds and other fixed-income securities	260,469	224,536
Equity shares and other variable-yield securities	99,479	73,176
Positive market values from derivative financial instruments[1]	75,354	67,173
Other trading assets	13,091	8,262
Total trading assets	**448,393**	**373,147**
Trading liabilities:		
Bonds and other fixed-income securities	81,294	77,080
Equity shares and other variable-yield securities	28,473	20,567
Negative market values from derivative financial instruments[1]	84,580	71,959
Total trading liabilities	**194,347**	**169,606**

[1] Derivatives under master netting agreements are shown net.

[5] Securities Available for Sale

The fair value, amortized cost and gross unrealized holding gains and losses for the Group's securities available for sale follow.

				Dec 31, 2005
	Fair value	**Gross unrealized holding**		**Amortized cost**
in € m.		**gains**	**losses**	
Debt securities:				
German government	3,251	19	(18)	3,250
U.S. Treasury and U.S. government agencies	1,721	1	(19)	1,739
U.S. local (municipal) governments	1	–	–	1
Other foreign governments	3,024	37	(11)	2,998
Corporates	7,127	177	(8)	6,958
Other asset-backed securities	2	–	–	2
Mortgage backed securities, including obligations of U.S. federal agencies	97	2	–	95
Other debt securities	1,073	–	–	1,073
Total debt securities	**16,296**	**236**	**(56)**	**16,116**
Equity securities:				
Equity shares	4,894	2,303	(2)	2,593
Investment certificates and mutual funds	403	33	(4)	374
Other equity securities	82	46	–	36
Total equity securities	**5,379**	**2,382**	**(6)**	**3,003**
Total securities available for sale	**21,675**	**2,618**	**(62)**	**19,119**

in € m.	Fair value	Gross unrealized holding gains	Gross unrealized holding losses	Amortized cost
				Dec 31, 2004
Debt securities:				
German government	3,128	66	(16)	3,078
U.S. Treasury and U.S. government agencies	1,460	–	(2)	1,462
U.S. local (municipal) governments	1	–	–	1
Other foreign governments	3,297	41	(100)	3,356
Corporates	4,993	176	(9)	4,826
Other asset-backed securities	6	–	–	6
Mortgage backed securities, including obligations of U.S. federal agencies	41	2	–	39
Other debt securities	770	1	–	769
Total debt securities	**13,696**	**286**	**(127)**	**13,537**
Equity securities:				
Equity shares	6,010	1,579	(1)	4,432
Investment certificates and mutual funds	549	23	(6)	532
Other equity securities	80	29	–	51
Total equity securities	**6,639**	**1,631**	**(7)**	**5,015**
Total securities available for sale	**20,335**	**1,917**	**(134)**	**18,552**

in € m.	Fair value	Gross unrealized holding gains	Gross unrealized holding losses	Amortized cost
				Dec 31, 2003
Debt securities:				
German government	2,802	52	(23)	2,773
U.S. Treasury and U.S. government agencies	150	–	(1)	151
U.S. local (municipal) governments	2	–	–	2
Other foreign governments	3,294	26	(105)	3,373
Corporates	5,646	173	(45)	5,518
Other asset-backed securities	1,679	–	–	1,679
Mortgage backed securities, including obligations of U.S. federal agencies	2,708	1	–	2,707
Other debt securities	532	–	–	532
Total debt securities	**16,813**	**252**	**(174)**	**16,735**
Equity securities:				
Equity shares	6,866	1,868	(8)	5,006
Investment certificates and mutual funds	951	29	(10)	932
Other equity securities	1	–	–	1
Total equity securities	**7,818**	**1,897**	**(18)**	**5,939**
Total securities available for sale	**24,631**	**2,149**	**(192)**	**22,674**

At December 31, 2005, there were no securities of an individual issuer that exceeded 10% of the Group’s total shareholders’ equity.

The components of net gains on securities available for sale as reported in the Consolidated Statement of Income follow.

in € m.	2005	2004	2003
Debt securities – gross realized gains	120	58	106
Debt securities – gross realized losses[1]	(14)	(61)	(35)
Equity securities – gross realized gains	957	244	488
Equity securities – gross realized losses[2]	(8)	(6)	(539)
Total net gains on securities available for sale	**1,055**	**235**	**20**

[1] Includes € 1 million, € 20 million and € 7 million of write-downs for other-than-temporary impairment for the years ended December 31, 2005, 2004 and 2003, respectively.
[2] Includes € 1 million, € 2 million and € 479 million of write-downs for other-than-temporary impairment for the years ended December 31, 2005, 2004 and 2003, respectively.

The following table shows the fair value, remaining maturities, approximate weighted-average yields (based on amortized cost) and total amortized cost by maturity distribution of the debt security components of the Group’s securities available for sale at December 31, 2005.

	Up to one year		More than one year and up to five years		More than five years and up to ten years		More than ten years		**Total**	
in € m.	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	**Amount**	**Yield**
German government	93	2.91%	93	3.06%	383	3.21%	2,682	6.00%	3,251	5.51%
U.S. Treasury and U.S. government agencies	1,695	1.12%	–	–	–	–	26	1.91%	1,721	1.13%
U.S. local (municipal) governments	1	5.38%	–	–	–	–	–	–	1	5.38%
Other foreign governments	525	6.51%	548	3.83%	855	5.75%	1,096	5.29%	3,024	5.36%
Corporates	2,297	3.46%	882	4.22%	953	3.32%	2,995	6.05%	7,127	4.61%
Other asset-backed securities	–	–	2	1.76%	–	–	–	–	2	1.76%
Mortgage-backed securities, principally obligations of U.S. federal agencies	13	3.15%	4	0.02%	–	–	80	8.30%	97	7.29%
Other debt securities	51	2.39%	997	5.92%	16	6.73%	9	2.40%	1,073	5.73%
Total fair value	**4,675**	**2.92%**	**2,526**	**4.76%**	**2,207**	**4.28%**	**6,888**	**5.91%**	**16,296**	**4.65%**
Total amortized cost	**4,691**		**2,508**		**2,143**		**6,775**		**16,116**	

The following tables show the Group's gross unrealized losses on securities available for sale and the fair value of the related securities, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at December 31, 2005 and 2004, respectively:

December 31, 2005	Less than 12 months		12 months or longer		**Total**	
in € m.	Fair value	Unrealized losses	Fair value	Unrealized losses	**Fair value**	**Unrealized losses**
Debt securities:						
German government	732	(4)	1,974	(14)	2,706	(18)
U.S. Treasury and U.S. government agencies	1,336	(19)	–	–	1,336	(19)
Other foreign governments	647	(3)	974	(8)	1,621	(11)
Corporates	579	(8)	–	–	579	(8)
Mortgage-backed securities	–	–	7	–	7	–
Total debt securities	**3,294**	**(34)**	**2,955**	**(22)**	**6,249**	**(56)**
Equity securities:						
Equity shares	21	(2)	–	–	21	(2)
Investment certificates and mutual funds	37	(3)	19	(1)	56	(4)
Total equity securities	**58**	**(5)**	19	(1)	77	(6)
Total temporarily impaired securities	**3,352**	**(39)**	**2,974**	**(23)**	**6,326**	**(62)**

December 31, 2004	Less than 12 months		12 months or longer		**Total**	
in € m.	Fair value	Unrealized losses	Fair value	Unrealized losses	**Fair value**	**Unrealized losses**
Debt securities:						
German government	–	–	1,798	(16)	1,798	(16)
U.S. Treasury and U.S. government agencies	83	(1)	–	(1)	83	(2)
Other foreign governments	625	(1)	846	(99)	1,471	(100)
Corporates	292	(3)	32	(6)	324	(9)
Total debt securities	**1,000**	**(5)**	**2,676**	**(122)**	**3,676**	**(127)**
Equity securities:						
Equity shares	14	(1)	–	–	14	(1)
Investment certificates and mutual funds	26	(2)	45	(4)	71	(6)
Total equity securities	**40**	**(3)**	**45**	**(4)**	**85**	**(7)**
Total temporarily impaired securities	**1,040**	**(8)**	**2,721**	**(126)**	**3,761**	**(134)**

The unrealized losses on investments in debt securities were primarily interest rate related. Since the Group has the intent and ability to hold these investments until a market price recovery or maturity, they are not considered other-than-temporarily impaired. The unrealized losses on investments in equity securities are attributable primarily to general market fluctuations rather than to specific adverse conditions. Based on this and our intent and ability to hold the securities until the market price recovers, these investments are not considered other-than-temporarily impaired.

[6] Other Investments

The following table summarizes the composition of other investments.

in € m.	Dec 31, 2005	Dec 31, 2004
Equity method investments	5,006	5,462
Investments held by designated investment companies	160	213
Other equity interests	2,216	2,261
Total other investments	**7,382**	**7,936**

Equity Method Investments

The Group's pro-rata share of the investees' income or loss determined on a U.S. GAAP basis were profits of € 333 million, € 282 million and € 42 million for the years ended December 31, 2005, 2004 and 2003, respectively. In addition, write-offs for other-than-temporary impairments of € 1 million, € 16 million and € 617 million for the years ended December 31, 2005, 2004 and 2003, respectively, were included in net income (loss) from equity method investments.

Loans to equity method investees, trading assets related to these investees as well as debt securities available for sale issued by these investees amounted to € 2.8 billion and € 3.7 billion at December 31, 2005 and 2004, respectively. At December 31, 2005, loans totaling € 23 million to three equity method investees were on nonaccrual status. At December 31, 2004, loans totaling € 26 million to three equity method investees were on nonaccrual status. The Group issued a financial guarantee to EUROHYPO AG protecting it against losses on loans contributed by the Group when EUROHYPO AG was created in 2002. By the end of 2005, EUROHYPO had made claims in respect of the full amount of the financial guarantee, which had an initial maximum amount of € 283 million, but we are currently engaged in discussions with EUROHYPO as to whether the preconditions for drawing had been satisfied with respect to almost all of these claims. If such preconditions were not satisfied, the portion of the guarantee relating to such claims would be reinstated and available for drawing until December 31, 2006.

At December 31, 2005, the following investees were significant, representing 75% of the carrying value of equity method investments.

Significant Equity Method Investments

Investment	Ownership
Atradius N.V., Amsterdam[1]	33.89%
Deutsche Interhotel Holding GmbH & Co. KG, Berlin	45.51%
DWS Euro-Bonds (Long), Luxembourg	21.97%
EUROHYPO AG, Eschborn	27.99%
Fondo Piramide Globale, Milan	42.45%
RREEF America REIT III, Inc., Chicago	17.61%
Santorini Investments Limited Partnership, Edinburgh[2]	51.00%
Silver Creek Long/Short Limited, George Town	26.80%
Silver Creek Low Vol. Strategies Ltd., George Town	31.97%
Spark Infrastructure Group, Sydney	9.49%
SphinX Limited, George Town	47.98%
The Topiary Select Trust I, George Town	21.76%
UFG Limited, Douglas	40.00%

[1] Formerly, Gerling NCM Credit and Finance AG, Köln.
[2] The Group does not have a controlling financial interest in this investee.

In 2005, part of the Group's investment in EUROHYPO AG was sold, resulting in a gain of € 44 million and a reduction in our stake from 37.72% to 27.99%. The remaining tranche is expected to be sold in the first quarter of 2006. Furthermore, the Group's investment in Atradius N.V. is expected to be partially sold in the first quarter of 2006, reducing our stake from 33.89% to 12.73%.

Investments Held by Designated Investment Companies

The underlying investment holdings of the Group's designated investment companies are carried at fair value, and totaled € 160 million and € 213 million at December 31, 2005 and 2004, respectively.

Other Equity Interests

Other equity interests totaling € 2.2 billion and € 2.3 billion at December 31, 2005 and 2004, respectively, include investments in which the Group does not have significant influence, including certain venture capital companies and nonmarketable equity securities. The write-offs for other-than-temporary impairments of these investments amounted to € 10 million, € 58 million and € 214 million for the years ended December 31, 2005, 2004 and 2003, respectively.

At December 31, 2005, the aggregate carrying amount for all equity securities accounted for under the cost method of accounting was € 1.6 billion. There were no unrealized loss positions at December 31, 2005.

[7] Loans

The following table summarizes the composition of loans.

in € m.	**Dec 31, 2005**	Dec 31, 2004
German:		
Banks and insurance	1,769	2,047
Manufacturing	6,620	7,364
Households (excluding mortgages)	16,157	14,761
Households – mortgages	27,039	26,175
Public sector	1,462	1,474
Wholesale and retail trade	3,394	3,742
Commercial real estate activities	10,625	11,100
Lease financing	1,001	820
Other	11,508	11,586
Total German	**79,575**	**79,069**
Non-German:		
Banks and insurance	5,907	5,740
Manufacturing	9,083	5,906
Households (excluding mortgages)	10,245	7,023
Households – mortgages	9,016	9,117
Public sector	1,167	1,804
Wholesale and retail trade	8,683	6,546
Commercial real estate activities	2,634	3,004
Lease financing	1,810	1,726
Other	25,143	18,830
Total Non-German	**73,688**	**59,696**
Gross loans	**153,263**	**138,765**
(Deferred expense)/unearned income	(20)	76
Loans less (deferred expense)/unearned income	**153,283**	**138,689**
Less: Allowance for loan losses	1,928	2,345
Total loans, net	**151,355**	**136,344**

The "other" category included no single industry group with aggregate borrowings from the Group in excess of 10 percent of the total loan portfolio at December 31, 2005.

The aggregate amount of gains on sales of loans amounted to € 63 million at December 31, 2005 and € 10 million at December 31, 2004 respectively.

Certain related third parties have obtained loans from the Group on various occasions. All such loans have been made in the ordinary course of business and on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties. There were € 2,470 million and € 2,954 million of loans to related parties (including loans to equity method investees) outstanding at December 31, 2005 and 2004, respectively.

Nonaccrual loans as of December 31, 2005 and 2004 were € 3.6 billion and € 4.5 billion, respectively. Loans 90 days or more past due and still accruing interest totaled € 202 million and € 247 million as of December 31, 2005 and 2004, respectively.

Additionally, as of December 31, 2005, the Group had € 1 million of lease financing transactions that were nonperforming.

Impaired Loans

This table sets forth information about the Group's impaired loans.

in € m.	**Dec 31, 2005**	Dec 31, 2004	Dec 31, 2003
Total impaired loans[1]	2,576	3,516	5,255
Allowance for impaired loans under SFAS 114[2]	1,230	1,654	2,471
Average balance of impaired loans during the year	3,189	4,474	6,712
Interest income recognized on impaired loans during the year	57	65	70

[1] Included in these amounts are € 2.0 billion, € 2.8 billion and € 4.1 billion as of December 31, 2005, 2004 and 2003, respectively, that require an allowance. The remaining impaired loans do not require an allowance because the present value of expected future cash flows, the fair value of the underlying collateral or the market price of the loan exceeds the recorded investment in these loans.

[2] The allowance for impaired loans under SFAS 114 is included in the Group's allowance for loan losses.

Loans or Debt Securities Acquired in a Transfer

In accordance with the new requirements of Statement of Position 03-3, "Accounting for Certain Loans or Debt Securities Acquired in a Transfer" ("SOP 03-3"), the following table sets forth information about the Group's loans acquired by completion of a transfer for which it is probable, at acquisition, that we will be unable to collect all contractually required payments receivable.

in € m.	**Loans**
Loans acquired during the year:	
Contractually required payments receivable at acquisition	1,932
Cash flows expected to be collected at acquisition	554
Fair value of loans at acquisition	526
Accretable yield for loans acquired:	
Balance at beginning of year	–
Additions	27
Accretion	(6)
Disposals	–
Reclassifications from (to) nonaccretable difference	–
Balance at end of year	21
Loans acquired during the year:	
Outstanding balance, beginning of year	–
Outstanding balance, end of year	776
Carrying amount, beginning of year	–
Carrying amount, end of year	233

None of the loans in the above table were considered nonaccrual or required allowances. Furthermore, there were no debt securities acquired in 2005 relevant to the SOP 03-3 disclosure requirements.

[8] Allowances for Credit Losses

The allowances for credit losses consist of an allowance for loan losses and an allowance for off-balance sheet positions.

The following table shows the activity in the Group's allowance for loan losses.

in € m.	2005	2004	2003
Allowance at beginning of year	**2,345**	**3,281**	**4,317**
Provision for loan losses	374	372	1,113
Net charge-offs:			
Charge-offs	(1,018)	(1,394)	(1,894)
Recoveries	170	152	167
Total net charge-offs	(848)	(1,242)	(1,727)
Allowance related to acquisitions/divestitures	–	3	(105)
Foreign currency translation	57	(69)	(317)
Allowance at end of year	**1,928**	**2,345**	**3,281**

The following table shows the activity in the Group's allowance for off-balance sheet positions, which comprises contingent liabilities and lending-related commitments.

in € m.	2005	2004	2003
Allowance at beginning of year	**345**	**416**	**485**
Provision for off-balance sheet positions	(24)	(65)	(50)
Allowance related to acquisitions/divestitures	–	–	1
Foreign currency translation	8	(6)	(20)
Allowance at end of year	**329**	**345**	**416**

[9] Asset Securitizations and Variable Interest Entities

Asset Securitizations

The Group accounts for transfers of financial assets to securitization vehicles as sales when certain criteria are met; otherwise they are accounted for as secured borrowings. Beneficial interests in the securitization vehicles, primarily in the form of debt instruments, are sold to investors and the proceeds are used to pay the Group for the assets transferred. The cash flows collected from the financial assets transferred to the securitization vehicles are then used to repay the beneficial interests. The third party investors and the securitization vehicles generally have no recourse to the Group's other assets in cases where the issuers of the financial assets fail to perform under the original terms of those assets. The Group may retain interests in the assets created in the securitization vehicles.

For the years ended December 31, 2005, 2004 and 2003, the Group recognized € 177 million, € 219 million and € 146 million, respectively, of gains on securitizations primarily related to residential and commercial mortgage loans.

The following table summarizes certain cash flows received from and paid to securitization vehicles during 2005, 2004 and 2003.

	Residential mortgage loans			Commercial mortgage loans			Commercial loans, excluding mortgages		
in € m.	**2005**	2004	2003	**2005**	2004	2003	**2005**	2004	2003
Proceeds from new securitizations	11,765	10,709	2,284	11,044	5,113	3,130	–	–	–
Proceeds from collections reinvested in new securitization receivables	–	–	–	–	–	–	–	439	1,157
Servicing fees received	4	4	5	–	–	–	–	–	1
Cash flows received on retained interests	4	67	51	–	5	31	–	6	13
Other cash flows received from (paid to) securitization vehicles	–	–	–	–	–	–	–	–	–

Prior to the year ended December 31, 2003, the Group had securitization activities related to marine and recreational vehicle loans. During 2002 and 2003, these commercial and consumer finance businesses were sold.

At December 31, 2005, the weighted-average key assumptions used in determining the fair value of retained interests, including servicing rights, and the impact of adverse changes in those assumptions on carrying amount/fair value are as follows.

in € m. (except percentages)	Residential mortgage loans	Commercial mortgage loans	Commercial loans, excluding mortgages
Carrying amount/fair value of retained interests	**415**	**512**	**–**
Prepayment speed (current assumed)	**37.07%**	**0.00%**	**–**
Impact on fair value of 10% adverse change	(12)	–	–
Impact on fair value of 20% adverse change	(23)	–	–
Default rate (current assumed)	**3.16%**	**2.00%**	**–**
Impact on fair value of 10% adverse change	(18)	(7)	–
Impact on fair value of 20% adverse change	(35)	(8)	–
Discount factor (current assumed)	**10.77%**	**4.30%**	**–**
Impact on fair value of 10% adverse change	(14)	(11)	–
Impact on fair value of 20% adverse change	(24)	(21)	–

These sensitivities are hypothetical and should be viewed with caution. As the figures indicate, changes in fair value based on a 10 percent variation in assumptions generally should not be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, in this table, the effect of a variation in a particular assumption on the fair value of the retained interest is calculated without changing any other assumptions; in reality, changes in one factor may result in changes in another (for example, increases in market interest rates may result in lower prepayments and increased credit losses), which might affect the sensitivities. The key assumptions used in measuring the initial retained interests resulting from securitizations completed in 2005 were not significantly different from the current assumptions in the above table.

The key assumptions used in measuring the initial retained interests resulting from securitizations completed in 2004 and 2003 were not significantly different from the key assumptions used in determining the fair value of retained interests, including servicing rights, at December 31, 2004 and 2003, respectively. The weighted-average assumptions used at December 31, 2004 and 2003 were as follows.

	Residential mortgage loans		Commercial mortgage loans		Commercial loans, excluding mortgages	
in %	2004	2003	2004	2003	2004	2003
Prepayment speed	28.11	22.56	0.00	0.00	1.37	1.81
Default rate	4.72	6.97	1.77	1.57	0.26	0.30
Discount factor	13.46	15.63	5.20	0.78	7.51	8.35

The following table presents information about securitized loans, including delinquencies (loans which are 90 days or more past due) and credit losses, net of recoveries, for the years ended December 31, 2005 and 2004.

	Residential mortgage loans		Commercial mortgage loans		Commercial loans, excluding mortgages	
in € m.	**2005**	2004	**2005**	2004	**2005**	2004
Total principal amount of loans	10,362	6,656	2,455	950	–	750
Principal amount of loans 90 days or more past due	422	128	–	–	–	15
Net credit losses	36	20	–	–	–	1

The table excludes securitized loans that the Group continues to service but otherwise has no continuing involvement.

In July 2003, the Group sold U.S. and European-domiciled private equity investments with a carrying value of € 361 million as well as € 80 million in liquid investments to a securitization vehicle that was a qualifying special purpose entity. The securitization vehicle issued € 174 million of debt to unaffiliated third parties and the Group received cash proceeds of € 102 million and retained debt and equity interests initially valued at € 306 million. The Group recognized a € 7 million loss on the sale of assets to the securitization vehicle. The Group received cash flows from retained interests of € 1 million each during 2005 and 2004 and € 2 million during 2003.

The valuation of the Group’s retained interests at December 31, 2005 and December 31, 2004 were based on the fair values of the underlying investments in the securitization vehicle. These fair values were determined by the servicer of the securitization vehicle. The servicer is a Group-related entity. In determining fair value, the servicer utilizes the valuations of the underlying investments as provided by the general partners of those respective investments. The value of securities and other financial instruments are provided by these general partners on a fair value basis of accounting. The servicer may rely upon any valuations provided to it by the general partners of the investments, but is not bound by such valuations. At December 31, 2005 and 2004, respectively, the Group’s retained interests were valued at € 354 million and € 267 million.

The private equity investments held by the securitization vehicles are subject to € 39 million funding commitments under their limited partnership agreements. These commitments are automatically funded by the securitization vehicle via the liquid investments.

To hedge its interest rate and currency risk, the securitization vehicle entered into a total rate of return swap with the Group. The Group also provided a liquidity facility to meet € 178 million of servicing, administration, and interest expenses and € 9 million to meet any funding commitments.

Variable Interest Entities

In the normal course of business, the Group becomes involved with variable interest entities primarily through the following types of transactions: asset securitizations, structured finance, commercial paper programs, mutual funds, and commercial real estate leasing and closed-end funds. The Group's involvement includes transferring assets to the entities, entering into derivative contracts with them, providing credit enhancement and liquidity facilities, providing investment management and administrative services, and holding ownership or other investment interests in the entities.

The table below shows the aggregated assets (before consolidating eliminations) of variable interest entities consolidated by type of asset and entity as of December 31, 2005 and December 31, 2004.

	Commercial paper programs		Guaranteed value mutual funds		Asset securitization	
in € m.	**2005**	2004	**2005**	2004	**2005**	2004
Interest-earning deposits with banks	147	238	117	96	404	404
Trading assets	1	–	469	491	12,832	9,424
Securities	–	–	–	–	–	–
Loans, net	749	1,060	–	–	–	–
Other	–	–	6	35	3	3
Total assets	**897**	**1,298**	**592**	**622**	**13,239**	**9,831**

	Structured finance and other		Commercial real estate leasing vehicles and closed-end funds	
in € m.	**2005**	2004	**2005**	2004
Interest-earning deposits with banks	5,646	546	34	57
Trading assets	3,180	1,476	–	–
Securities	1,429	39	–	–
Loans, net	2,289	6,689	204	255
Other	1,529	5,495	542	736
Total assets	**14,073**	**14,245**	**780**	**1,048**

Substantially all of the consolidated assets of the variable interest entities act as collateral for related consolidated liabilities. The holders of these liabilities have no recourse to the Group, except to the extent the Group guarantees the value of the mutual fund units that investors purchase. The fair value of these guarantees was not significant as of December 31, 2005 and 2004. The mutual funds that the Group manages are investment vehicles that were established to provide returns to investors in the vehicles.

The commercial paper programs give clients access to liquidity in the commercial paper market. As an administrative agent for the commercial paper programs, the Group facilitates the sale of loans, other receivables, or securities from various third parties to a commercial paper entity, which then issues collateralized commercial paper to the market. The Group provides liquidity facilities to the commercial paper vehicles, but these facilities create only limited credit exposure since the Group is not required to provide funding if the assets of the vehicle are in default. In 2004, conduits with total assets of € 5.8 billion were restructured and accordingly deconsolidated.

For asset securitization, the Group may retain a subordinated interest in the assets the Group securitizes or may purchase interest in the assets securitized by independent third parties. For structured finance and other products, the Group structures VIEs to meet various needs of our clients. For the commercial real estate leasing vehicles and closed-end funds, third party investors essentially provide financing for the purchase of commercial real estate or other assets which are leased to other third parties.

The Group formed fifteen statutory business trusts of which the Group owns all of the common securities. These trusts exist for the sole purpose of issuing cumulative and noncumulative trust preferred securities and investing the proceeds thereof in an equivalent amount of various subordinated debentures issued by the Group. Effective July 1, 2003, the Group deconsolidated these trusts as a result of the application of FIN 46. Subsequent to the application of FIN 46, the subordinated debentures amounting to € 4.8 billion are included in the long term debt.

As of December 31, 2005 and December 31, 2004 the aggregated total assets of significant variable interest entities where the Group holds a significant variable interest, but does not consolidate, and the Group's maximum exposure to loss as a result of its involvement with these entities are as follows.

	Aggregated total assets		Maximum exposure to loss	
in € m.	**2005**	2004	**2005**	2004
Commercial paper programs	24,666	17,296	26,082	20,305
Commercial real estate leasing vehicles and real estate investment entities	812	1,004	62	92
Structured finance and other	6,363	3,807	1,227	582
Guaranteed value mutual funds	7,664	5,856	7,572	5,856

The Group provides liquidity facilities and, to a lesser extent, guarantees to the commercial paper programs that it has a significant interest in. The Group's maximum exposure to loss from these programs is equivalent to the contract amount of its liquidity facilities since the Group cannot be obligated to fund the liquidity facilities and guarantees at the same time. The liquidity facilities create only limited credit exposure since the Group is not required to provide funding if the assets of the vehicle are in default.

For the commercial real estate leasing vehicles and real estate investment entities, the Group's maximum exposure to loss results primarily from investments held in these vehicles. For structured finance and other vehicles, the Group's maximum exposure to loss results primarily from the risk associated with the Group's purchased and retained interests in the vehicles. The maximum exposure to loss related to the significant non-consolidated guaranteed value mutual funds results from the above mentioned guarantees.

[10] Assets Pledged and Received as Collateral

The carrying value of the Group's assets pledged (primarily for borrowings, deposits, and securities loaned) as collateral where the secured party does not have the right by contract or custom to sell or repledge the Group's assets are as follows.

in € m.	**Dec 31, 2005**	Dec 31, 2004
Trading assets	31,135	26,557
Securities available for sale	10	8
Loans	11,532	10,433
Premises and equipment	632	636
Total	**43,309**	**37,634**

At December 31, 2005 and 2004, the Group has received collateral with a fair value of € 407 billion and € 298 billion, respectively, arising from securities purchased under reverse repurchase agreements, securities borrowed, derivatives transactions, customer margin loans and other transactions, which the Group as the secured party has the right to sell or repledge. At December 31, 2005 and 2004, € 316 billion and € 218 billion, respectively, related to collateral that the Group has received and sold or repledged primarily to cover short sales, securities loaned and securities sold under repurchase agreements. These amounts exclude the impact of netting.

[11] Premises and Equipment, Net

An analysis of premises and equipment, including assets under capital leases, follows.

in € m.	**Dec 31, 2005**	Dec 31, 2004
Land	980	1,036
Buildings	3,389	3,576
Leasehold improvements	1,339	1,211
Furniture and equipment	2,404	2,344
Purchased software	326	347
Self-developed software	369	331
Construction-in-progress	96	144
Total	**8,903**	**8,989**
Less: Accumulated depreciation	3,824	3,764
Premises and equipment, net[1]	**5,079**	**5,225**

[1] Amounts at December 31, 2005 and 2004 included € 1.7 billion and € 1.8 billion, respectively, of net book value of premises and equipment held for investment purposes.

The Group is lessee under lease agreements covering real property and equipment. The future minimum lease payments, excluding executory costs, required under the Group's capital leases at December 31, 2005, were as follows.

in € m.	
2006	109
2007	120
2008	198
2009	46
2010	47
2011 and later	444
Total future minimum lease payments	**964**
Less: Amount representing interest	339
Present value of minimum lease payments	**625**

At December 31, 2005, the total minimum sublease rentals to be received in the future under subleases are € 459 million. Contingent rental income incurred during the year ended December 31, 2005, was € 2 million.

The future minimum lease payments, excluding executory costs, required under the Group's operating leases at December 31, 2005, were as follows.

in € m.	
2006	484
2007	429
2008	410
2009	330
2010	288
2011 and later	1,184
Total future minimum lease payments	**3,125**
Less: Minimum sublease rentals	388
Net minimum lease payments	**2,737**

The following shows the net rental expense for all operating leases.

in € m.	**2005**	2004	2003
Gross rental expense	620	857	760
Less: Sublease rental income	37	116	61
Net rental expense	**583**	**741**	**699**

[12] Goodwill and Other Intangible Assets, Net

Goodwill impairment exists if the net book value of a reporting unit exceeds its estimated fair value. The Group's reporting units are generally consistent with the Group's business segment level, or one level below. The Group performs its annual impairment review during the fourth quarter of each year. There was no goodwill impairment in 2005, 2004 and 2003 resulting from the annual impairment review.

In 2005 no impairment loss was recorded. In 2004, an impairment loss of € 19 million relating to other intangible assets (investment management agreements) was recorded in the Asset and Wealth Management Corporate Division following the termination of such agreements. The impairment loss was determined based on a discounted cash flow model and is included in the line item Goodwill impairment/impairment of intangibles on the Consolidated Statement of Income.

In 2003, a goodwill impairment loss of € 114 million related to the Private Equity reporting unit was recorded following decisions relating to the private equity fee-based business including the transfer of certain businesses to the Group's Asset and Wealth Management Corporate Division. The fair value of the business remaining in the Private Equity reporting unit was calculated using the discounted cash flow model.

Other Intangible Assets

An analysis of acquired other intangible assets follows.

in € m.	Dec 31, 2005 Gross carrying amount	Dec 31, 2005 Accumulated amortization	Dec 31, 2005 Net carrying amount	Dec 31, 2004 Gross carrying amount	Dec 31, 2004 Accumulated amortization	Dec 31, 2004 Net carrying amount
Amortized intangible assets:						
Customer contracts	68	17	51	59	11	48
Investment management agreements	27	6	21	41	19	22
Mortgage servicing rights	93	25	68	68	3	65
Other customer-related	118	54	64	79	21	58
Other	19	11	8	17	9	8
Total amortized intangible assets	**325**	**113**	**212**	**264**	**63**	**201**
Unamortized intangible assets:						
Retail investment management agreements			978			848
Other			8			–
Loan servicing rights			–			20
Total other intangible assets			**1,198**			**1,069**

For the years ended December 31, 2005 and 2004, the aggregate amortization expense for other intangible assets was € 46 million and € 24 million, respectively. The estimated aggregate amortization expense for each of the succeeding five fiscal years is as follows.

in € m.	
2006	33
2007	30
2008	28
2009	26
2010	24

For the year ended December 31, 2005, the Group acquired the following other intangible assets.

in € m.	Additions in current year	Weighted-average amortization period
Amortized intangible assets:		
Mortgage servicing rights	16	10 years
Other customer-related	16	5 years
Investment management agreements	1	3 years
Total amortized intangible assets	**33**	**7 years**
Other unamortized intangible assets	8	Indefinite
Total other intangible assets	**41**	

Goodwill

The changes in the carrying amount of goodwill by business segment for the years ended December 31, 2005 and 2004 are as follows.

in € m.	Corporate Banking & Securities	Global Transaction Banking	Asset and Wealth Management	Private & Business Clients	Corporate Investments	Total
Balance as of January 1, 2004	**3,161**	**428**	**2,823**	**234**	**89**	**6,735**
Purchase accounting adjustments	–	–	(20)	–	–	(20)
Transfers	6	–	(6)	–	–	–
Goodwill acquired during the year	27	36	60	4	–	127
Impairment losses	–	–	–	–	–	–
Goodwill related to dispositions	–	–	(11)	–	–	(11)
Effects from exchange rate fluctuations	(243)	(28)	(178)	(4)	–	(453)
Balance as of December 31, 2004	**2,951**	**436**	**2,668**	**234**	**89**	**6,378**
Purchase accounting adjustments	–	–	–	–	–	–
Transfers	–	–	–	–	–	–
Goodwill acquired during the year	20	–	4	–	–	24
Impairment losses	–	–	–	–	–	–
Goodwill related to dispositions	–	–	(110)	–	–	(110)
Effects from exchange rate fluctuations and other	412	49	275[1]	6	11	753
Balance as of December 31, 2005	**3,383**	**485**	**2,837**	**240**	**100**	**7,045**

[1] Includes € 27 million of reduction in goodwill related to a prior year's acquisition.

In 2005, the main addition to goodwill is related to Bender Menkul Degerler A.S., which contributed € 20 million to goodwill. Dispositions in 2005 primarily related to the sale of a substantial part of our UK- and Philadelphia-based Asset Management business.

The additions to goodwill of € 127 million for the year ended December 31, 2004 are mainly due to the acquisitions of the remaining 1.5% third party holding in DWS Holding & Service GmbH, Dresdner Bank's German domestic custody business and Berkshire Mortgage Finance L.P.'s origination and servicing business, which contributed € 57 million, € 36 million and € 26 million, respectively.

[13] Assets Held for Sale

At December 31, 2005, the Group held one subsidiary for sale in the Corporate Investments segment. The net assets were written down to the lower of their carrying value or fair value less cost to sell resulting in a loss of € 7 million.

In 2004, the Group signed several contracts to sell real estate in the Asset and Wealth Management and the Corporate Investments segments. The net assets were written down to the lower of their carrying value or fair value less cost to sell resulting in a loss of € 29 million.

During 2003, the Group decided to sell subsidiaries and investments in the Corporate Investments, Global Transaction Banking, Private & Business Clients and Asset and Wealth Management segments. The net assets for these subsidiaries and investments were written down to the lower of their carrying value or fair value less cost to sell resulting in a loss of € 32 million.

[14] Other Assets and Other Liabilities

The following are the components of other assets and other liabilities.

in € m.	**Dec 31, 2005**	Dec 31, 2004
Other assets:		
Brokerage and securities related receivables		
Cash/margin receivables	23,157	17,287
Receivables from prime brokerage	15,282	12,575
Pending securities transactions past settlement date	10,619	8,984
Security spot transactions[1]	117	–
Total brokerage and securities related receivables	49,175	38,846
Loans held for sale, net	25,453	8,194
Other assets related to insurance business	1,149	6,733
Due from customers on acceptances	93	74
Accrued interest receivable	5,000	3,854
Tax assets	5,903	6,003
Other	12,609	10,711
Total other assets	**99,382**	**74,415**

in € m.	**Dec 31, 2005**	Dec 31, 2004
Other liabilities:		
Brokerage and securities related payables		
Cash/margin payables	16,259	11,919
Payables from prime brokerage	16,898	14,062
Pending securities transactions past settlement date	9,371	9,562
Security spot transactions[1]	–	1,813
Total brokerage and securities related payables	42,528	37,356
Insurance policy claims and reserves	1,940	7,935
Acceptances outstanding	93	74
Accrued interest payable	4,684	4,223
Accrued expenses	9,584	7,204
Tax liabilities	7,215	6,677
Other	15,333	12,074
Total other liabilities	**81,377**	**75,543**

[1] Receivables and payables from security spot transactions are shown net.

[15] Deposits

The components of deposits are as follows.

in € m.	**Dec 31, 2005**	Dec 31, 2004
German offices:		
Noninterest-bearing demand deposits	22,642	20,851
Interest-bearing deposits		
Demand deposits	29,482	31,252
Certificates of deposit	266	247
Savings deposits	23,870	22,572
Other time deposits	37,894	34,505
Total interest-bearing deposits	91,512	88,576
Total deposits in German offices	**114,154**	**109,427**
Non-German offices:		
Noninterest-bearing demand deposits	7,363	6,423
Interest-bearing deposits		
Demand deposits	74,575	64,957
Certificates of deposit	39,069	19,056
Savings deposits	9,124	6,314
Other time deposits	136,502	114,619
Total interest-bearing deposits	259,270	204,946
Total deposits in non-German offices	**266,633**	**211,369**
Total deposits	**380,787**	**320,796**

Related party deposits amounted to € 1.0 billion and € 1.9 billion at December 31, 2005 and 2004, respectively.

The following table summarizes the maturities of time deposits with a remaining term of more than one year as of December 31, 2005.

By remaining maturities in € m.	Due in 2007	Due in 2008	Due in 2009	Due in 2010	Due after 2010
Certificates of deposits	1,555	283	953	136	1,175
Other time deposits	2,118	2,632	2,624	1,586	10,473

[16] Other Short-term Borrowings

Short-term borrowings are borrowed funds generally with an original maturity of one year or less. Components of other short-term borrowings include.

in € m.	**Dec 31, 2005**	Dec 31, 2004
Commercial paper	13,398	9,980
Other	7,151	10,138
Total	**20,549**	**20,118**

[17] Long-term Debt

The Group issues fixed and floating rate long-term debt denominated in various currencies, approximately half of which is denominated in euros.

The following table is a summary of the Group's long-term debt.

By remaining maturities in € m.	Due in 2006	Due in 2007	Due in 2008	Due in 2009	Due in 2010	Due after 2010	**Dec 31, 2005 total**	Dec 31, 2004 total
Senior debt:								
Bonds and notes:								
Fixed rate	7,149	5,635	4,607	9,033	5,586	22,888	54,898	53,834
Floating rate	6,659	5,470	5,573	4,930	4,510	14,643	41,785	39,463
Subordinated debt:								
Bonds and notes:								
Fixed rate	1,069	683	320	1,364	–	6,394	9,830	9,505
Floating rate	–	401	93	1,678	580	4,289	7,041	4,068
Total	**14,877**	**12,189**	**10,593**	**17,005**	**10,676**	**48,214**	**113,554**	**106,870**

Based solely on the contractual terms of the debt issues, the following table represents the range of interest rates payable on this debt for the periods specified.

	Dec 31, 2005	Dec 31, 2004
Senior debt:		
Bonds and notes:		
Fixed rate[1]	0.00% – 31.72%	0.00% – 50.00%
Floating rate[1]	0.00% – 29.99%	0.00% – 18.83%
Subordinated debt:		
Bonds and notes:		
Fixed rate	0.81% – 10.50%	0.81% – 10.50%
Floating rate	0.91% – 7.65%	0.74% – 8.00%

[1] The lower and higher end of the range of interest rates relate to some transactions where the contractual rates are shown excluding the effect of embedded derivatives.

Fixed rate debt outstanding at December 31, 2005 matures at various dates through 2050. The weighted-average interest rates on fixed rate debt at December 31, 2005 and 2004 were 4.70% and 5.57%, respectively. Floating rate debt outstanding at December 31, 2005 matures at various dates through 2055 excluding € 2.1 billion with undefined maturities. The weighted-average interest rates on floating rate debt at December 31, 2005 and 2004 were 3.93% and 2.84%, respectively. The weighted-average interest rates for total long-term debt were 4.38% and 4.36% at December 31, 2005 and 2004, respectively. Interest rates of pure certificates on various indices issued by Deutsche Bank are mainly zero and are excluded from the calculation of the weighted-average rates in order to reflect the rates on traditional long-term products. Interest rates on related derivatives are not included in the calculation of the weighted-average interest rates.

The Group enters into various transactions related to the debt it issues. This debt may be traded for market-making purposes or held for a period of time. Purchases of the debt are accounted for as extinguishments; however, the resulting net gains (losses) during 2005 and 2004 were insignificant.

[18] Obligation to Purchase Common Shares

As of December 31, 2005 and 2004, the obligation to purchase common shares amounted to € 3.5 billion and € 3.1 billion, respectively. The obligation represented forward purchase contracts covering approximately 62.4 million (2004: 56.1 million) Deutsche Bank common shares with a weighted-average strike price of € 56.23 (2004: € 54.52) entered into to satisfy obligations under employee share-based compensation awards. Contracts covering 10.2 million shares (2004: 0.4 million) mature in less than one year. The remaining contracts covering 52.2 million shares (2004: 55.7 million) have maturities between one and five years.

[19] Mandatorily Redeemable Shares and Minority Interests in Limited Life Entities

Other liabilities included € 84 million and € 93 million, representing the settlement amount as of December 31, 2005 and 2004, respectively, for minority interests in limited life subsidiaries and mutual funds. These entities have termination dates between 2102 and 2105.

Included in long-term debt and short-term borrowings were € 3,537 million and € 3,545 million related to mandatorily redeemable shares at December 31, 2005 and 2004, respectively. The amount to be paid if settlement was at December 31, 2005 and 2004 was € 3,539 million and € 3,548 million, respectively. These mandatorily redeemable shares (excluding € 1.8 billion with undefined maturities) are due between 2012 and 2033. The majority of interest paid on the redeemable shares is at fixed rates between 3.46% – 6.24% with the remainder paid at variable rates, which are based on LIBOR or the tax-adjusted U.S. dollar swap rate.

[20] Common Shares and Share-Based Compensation Plans

Deutsche Bank's share capital consists of common shares issued in registered form without par value. Under German law, they represent equal stakes in the subscribed capital. Thus, a "nominal" value can be derived from the total amount of share capital divided by the number of shares. Therefore, the shares have a nominal value of € 2.56.

Common share activity was as follows.

Number of shares	2005	2004	2003
Common shares outstanding, beginning of year	**517,269,673**	**565,077,163**	**585,446,954**
Shares issued under employee benefit plans	10,681,024	–	–
Shares retired	–	(38,000,000)	(40,000,000)
Shares purchased for treasury	(623,689,715)	(536,383,830)	(464,939,509)
Shares sold or distributed from treasury	601,296,694	526,576,340	484,569,718
Common shares outstanding, end of year	**505,557,676**	**517,269,673**	**565,077,163**

Shares purchased for treasury consist of shares held for a period of time by the Group as well as any shares purchased with the intention of being resold in the short term. In addition, beginning in 2002, the Group launched share buy-back programs. Shares acquired under these programs are deemed to be retired or used for share-based compensation. The 2002 program was completed in April 2003 resulting in the retirement of 40 million shares. The second program was completed in June 2004 and resulted in the retirement of 38 million shares. The third buy-back was completed in April 2005. In July 2005, the fourth program was started. On January 24, 2006, the Management Board decided to cancel 40 million of the shares held in treasury, which became legally effective on February 15, 2006. All such transactions were recorded in shareholders' equity and no revenues and expenses were recorded in connection with these activities.

Authorized and Conditional Capital

Deutsche Bank's share capital may be increased by issuing new shares for cash and in some circumstances for noncash consideration. At December 31, 2005, Deutsche Bank had authorized but unissued capital of € 554,000,000 which may be issued at various dates through April 30, 2009 as follows.

Authorized capital	Expiration date
€ 128,000,000[1]	April 30, 2006
€ 100,000,000	April 30, 2007
€ 128,000,000[1]	April 30, 2008
€ 198,000,000	April 30, 2009

[1] Capital increase may be affected for noncash contributions with the intent of acquiring a company or holdings in companies.

Deutsche Bank also had conditional capital of € 197,654,915. Conditional capital includes various instruments that may potentially be converted into common shares.

The Annual General Meeting on June 2, 2004 authorized the Management Board to issue once or more than once, bearer or registered participatory notes with bearer warrants and/or convertible participatory notes, bonds with warrants, and/or convertible bonds on or before April 30, 2009. For this purpose share capital was increased conditionally by up to € 150,000,000.

Under the DB Global Partnership Plan, € 51,200,000 of conditional capital was available for option rights available for grant until May 10, 2003 and € 64,000,000 for option rights available for grant until May 20, 2005. 16,105,126 option rights were granted and not exercised at December 31, 2005. Therefore, capital can still be increased by € 41,229,123 under this plan. Also, the Management Board was authorized at the Annual General Meeting on May 17, 2001 to issue, with the consent of the Supervisory Board, up to 12,000,000 option rights on Deutsche Bank shares on or before December 31, 2003, of which 2,510,075 option rights were granted and not exercised at December 31, 2005. Therefore, capital still can be increased by € 6,425,792 under the DB Global Share Plan. For this purpose there was a conditional capital of € 10,000,000. These plans are described below.

Share-Based Compensation

Effective January 1, 2003, the Group adopted the fair-value-based method under SFAS 123 prospectively for all employee awards granted, modified or settled after January 1, 2003, excluding those related to the 2002 performance year. Prior to this the Group applied the intrinsic-value-based provisions of APB 25. Compensation expense for share-based awards is included in compensation and benefits on the Consolidated Statement of Income. See Note [1] for a discussion on the Group's accounting for share-based compensation.

In accordance with the requirements of SFAS 123, the pro forma disclosures relating to net income and earnings per common share as if the Group had always applied the fair-value-based method are provided in Note [1].

The Group's share-based compensation plans currently used for granting new awards are summarized in the table below. These plans, and those plans no longer used for granting new awards, are described in more detail in the text that follows.

Plan name	Eligibility	Vesting period*	Expense treatment	Equity or Equity Units	Performance Options/ Partnership Appreciation Rights
Share-based compensation plans					
Restricted Equity Units Plan	Select executives	4.5 years	[3]	X	
DB Global Partnership Plan					
DB Equity Units					
as bonus grants	Select executives	2 years	[2]	X	
as retention grants	Select executives	3.5 years	[3]	X	
Performance Options	Select executives[1]	4 years	[2]		X
Partnership Appreciation Rights	Select executives[1]	4 years	[2]		X
DB Share Scheme					
as bonus grants	Select employees	3 years	[2]	X	
as retention grants	Select employees	3 years	[3]	X	
DB Key Employee Equity Plan (DB KEEP)	Select executives	5 years	[3]	X	
DB Global Share Plan (since 2004)	All employees[4]	1 year	[3]	X	

* Approximate period after which all portions of the award are no longer subject to the plan specific forfeiture provisions.
1 Performance options and partnership appreciation rights are granted as a unit.
2 The value is recognized during the applicable performance year as part of compensation expense (until performance year 2004, since 2005 performance year is to be amortized over the requisite service period in accordance with SFAS 123(R)).
3 The value is recognized on a straight-line basis over the vesting period as part of compensation expense.
4 A participant must have been working for the Group for at least one year and have had an active employment contract in order to participate.

Share-Based Compensation Plans Currently Used for Granting New Awards

Restricted Equity Units Plan

Under the Restricted Equity Units Plan, the Group grants various employees deferred share awards as retention incentive which provides the right to receive common shares of the Group at specified future dates. The expense related to Restricted Equity Units awarded is recognized on a straight-line basis over the vesting period, which is generally four to five years.

The Group also grants to the same group of employees exceptional awards as a component of the Restricted Equity Units as an additional retention incentive that is forfeited if the participant terminates employment prior to the end of the vesting period. Compensation expense for these awards is recognized on a straight-line basis over the vesting period.

DB Global Partnership Plan

DB Equity Units. DB Equity Units are deferred share awards, each of which entitles the holder to one of the Group's common shares approximately three and a half years from the date of the grant. For award years up to and including 2005, the Group awarded initial awards of DB Equity Units in relation to annual bonuses that were forfeited if a participant terminates employment under certain circumstances within the first two years following the grant. Compensation expense for these awards was recognized in the applicable performance year as part of compensation expense for that year.

From 2006, all initial awards of DB Equity Units granted are amortized over the requisite service period in accordance with the requirements of SFAS 123(R). Recipients of these DB Equity Units are also granted exceptional awards of DB Equity Units as retention incentive that is forfeited if the participant terminates employment prior to the end of the vesting period. Compensation expense for these awards is recognized on a straight-line basis over the vesting period, which is approximately three and a half years.

Performance Options. Performance options are rights to purchase the Group's common shares. Performance Options were granted with an exercise price equal to 120% of the reference price. The reference price is set at the higher of the fair market value of the Group's common shares on the date of grant or an average of the fair market value of the Group's common shares for the ten trading days on the Frankfurt Stock Exchange up to and including the date of the grant.

Performance Options are subject to a minimum vesting period of two years. In general, one-third of the options become exercisable at each of the second, third and fourth anniversaries of the grant date. However, if the Group's common shares trade at more than 130% of the reference price for

35 consecutive trading days, the Performance Options become exercisable on the later of the end of the 35-day trading period or the second anniversary of the award date. This condition was fulfilled for the Performance Options granted in February 2003 and therefore, all these options became exercisable in February 2005 rather than in three equal tranches.

Under certain circumstances, if a participant terminates employment prior to the vesting date, Performance Option awards will be forfeited. All options not previously exercised or forfeited expire on the sixth anniversary of the grant date.

There were no options awarded for either the 2005 or 2004 performance year. Compensation expense for options awarded for the 2003 performance year was recognized in 2003 in accordance with the fair-value-based method.

Partnership Appreciation Rights. Partnership Appreciation Rights ("PARs") are rights to receive a cash award in an amount equal to 20% of the reference price for Performance Options described above. The vesting of PARs will occur at the same time and to the same extent as the vesting of Performance Options. PARs are automatically exercised at the same time and in the same proportion as the exercise of the Performance Options.

There were no PARs awarded for either the 2005 or 2004 performance year. No compensation expense was recognized for the year ended December 31, 2003 as the PARs represent a right to a cash award only with the exercise of Performance Options. This effectively reduces the exercise price of any Performance Option exercised to the reference price described above and is factored into the calculation of the fair value of the option.

DB Share Scheme

Under the DB Share Scheme, the Group grants various employees deferred share awards which provide the right to receive common shares of the Group at a specified future date. Compensation expense for awards granted in relation to annual bonuses was recognized in the applicable performance year as part of compensation earned for that year until performance year 2004. From performance years 2005 and onwards, DB Share Scheme bonus awards are amortised over the requisite service period in accordance with the requirements of SFAS 123(R). Awards granted as retention incentive continue to be expensed on a straight-line basis over the vesting period, which is generally three years.

DB Key Employee Equity Plan

Under the DB Key Employee Equity Plan ("DB KEEP"), the Group grants selected executives deferred share awards which provide the right to receive common shares of the Group at a specified future date. The awards are granted as retention incentive to various employees and are expensed on a straight-line basis over the vesting period as compensation expense. The vesting period is generally five years.

DB Global Share Plan (Since 2004)

The DB Global Share Plan is an all employee program which awards eligible employees ten shares of the Group's common shares as part of their annual compensation. A participant must have been working for the Group for at least one year and have had an active employment contract in order to participate. The number of shares granted to part-time employees and those in various categories of extended leave was on a pro rata basis. Compensation expense related to the DB Global Share Plan is recognized on a straight line basis over the vesting period of one year from the date of grant. Awards vest on November 1 of the year following grant and are forfeited if the participant terminates employment prior to vesting. As of December 31, 2005, the DB Global Share Plan granted in 2004 had fully vested.

Share-Based Compensation Plans No Longer Used for Granting New Awards

DB Global Share Plan (2003 & 2002)

Share Purchases. In 2003 and 2002, eligible employees could purchase up to 20 shares and eligible retirees could purchase up to 10 shares of the Group's common shares. German employees and retirees were eligible to purchase these shares at discount. The participant was fully vested and received all dividend rights for the shares purchased. At the date of purchase, the Group recognized as compensation expense the difference between the quoted market price of a common share at that date and the price paid by the participant.

Performance Options. In 2003 and 2002, employee participants received for each common share purchased five options. Each option entitled the participant to purchase one of the Group's common shares. Options vest approximately two years after the date of grant and expire after six years. Options may be exercised at a strike price equal to 120% of the reference price. The reference price was set at the higher of the fair market value of the Group's common shares on the date of grant or an average of the fair market value of the Group's common shares for the ten trading days on the Frankfurt Stock Exchange up to and including the date of grant.

Generally, a participant must have been working for the Group for at least one year and have had an active employment contract in order to participate. Options are forfeited upon termination of employment. Participants who retire or become permanently disabled prior to vesting may still exercise their rights during the exercise period.

Compensation expense for options awarded for the 2003 performance year is recognized over the vesting period in accordance with the fair-value-based method.

Global Equity Plan

During 1998, 1999 and 2000, certain key employees of the Group participated in the Global Equity Plan ("GEP") and were eligible to purchase convertible bonds in 1,000 DM denominations at par. On October 16, 2001, the Management Board gave approval to buy out the outstanding awards at a fixed price.

Compensation expense was recorded using variable plan accounting over the vesting period for awards to participants who did not accept the buy-out offer in 2001. In June 2003, the remaining bonds were redeemed at their nominal value since specific performance criteria for conversion were not met. The Group released € 3 million to earnings related to amounts previously accrued for the GEP.

In addition, in connection with the buy-out offer in 2001, the Board authorized a special payment to 93 participants in 2003. These participants could not take part in the buy-out offer due to the conditions of the authorization in 2001. The cash payments, which totaled € 9 million in connection with these bonds, were not included in share-based compensation expense.

Stock Appreciation Rights Plans

The Group has granted stock appreciation rights plans ("SARs") which provide eligible employees of the Group the right to receive cash equal to the appreciation of the Group's common shares over an established strike price. The stock appreciation rights granted can be exercised approximately three years from the date of grant. Stock appreciation rights expire approximately six years from the date of grant.

Compensation expense on SARs, calculated as the excess of the current market price of the Group's common shares over the strike price, is recorded using variable plan accounting. The expense related to a portion of the awards was recognized in the performance year if it relates to annual bonuses earned as part of compensation, while remaining awards were expensed over the vesting periods.

db Share Plan
Prior to the adoption of the DB Global Share Plan, certain employees were eligible to purchase up to 60 shares of the Group's common shares at a discount under the db Share Plan. In addition, for each share purchased, employee participants received one option which entitled them to purchase one share. Options vested over a period of approximately three years beginning on the date of grant. Following the vesting period, options could be exercised if specific performance criteria were met. The exercise price was determined by applying a performance dependent discount to the average quoted price of a common share on the Frankfurt Stock Exchange on the five trading days before the exercise period started.

At the date of purchase of the common shares, the Group recognized as compensation expense the difference between the quoted market price of a common share at that date and the price paid by the participant. Compensation expense for the options was recognized using variable plan accounting over the vesting period, and based upon an estimated exercise price for the applicable three-year period and the current market price of the Group's common shares.

All remaining db Share Plan options expired unexercised in 2003 because the specific performance criteria were not met. In 2003, the Group released € 20 million to earnings related to amounts previously accrued for the options.

Other Plans
The Group has other local share-based compensation plans, none of which, individually or in the aggregate are material to the consolidated financial statements.

Compensation Expense

The Group recognized compensation expense related to its significant share-based compensation plans, described above, as follows.

in € m.	**2005**	2004	2003
DB Global Partnership Plan[1]	3	11	8
DB Global Share Plan[2]	40	15	3
DB Share Scheme/Restricted Equity Units Plan/DB KEEP	875	997	773
Global Equity Plan	–	–	(3)
Stock Appreciation Rights Plans[3]	31	81	(13)
db Share Plan	–	–	(20)
Total	**949**	**1,104**	**748**

[1] Compensation expense for the years ended December 31, 2004 and 2003 included € 6.6 million and € 5.9 million, respectively, related to DB Equity Units granted in February 2005 and February 2004, respectively. No amounts were expensed in 2005 in relation to DB Equity units granted in February 2006.
[2] Compensation expense for the years ended December 31, 2005 and 2004 included € 7.8 million and € 6.6 million, respectively, in relation to the DB Global Share Plan 2005 and DB Global Share Plan 2004.
[3] For the years ended December 31, 2005, 2004 and 2003, net (gains) losses of € (138) million, € 81 million and € (13) million, respectively, from non-trading equity derivatives, used to offset fluctuations in employee share-based compensation expense, were included.

The following is a summary of the activity in the Group's current compensation plans involving share and option awards for the years ended December 31, 2005, 2004 and 2003 (amounts in thousands of shares, except exercise prices).

	DB Global Partnership Plan		
	DB Equity Units[1]	Performance Options[2]	Weighted-average exercise price
Balance at December 31, 2002	**408**	**11,764**	**€ 89.96**
Granted	122	14,615	€ 47.53
Issued	–	–	–
Forfeited	(3)	(490)	€ 58.58
Balance at December 31, 2003	**527**	**25,889**	**€ 66.60**
Granted	127	115	€ 76.61
Issued	(324)	–	–
Forfeited	–	(152)	€ 89.96
Balance at December 31, 2004	**330**	**25,852**	**€ 66.51**
Granted	139	–	€ 66.51
Issued	(179)	–	–
Exercised	–	(9,679)	€ 47.53
Forfeited	–	(68)	€ 89.96
Balance at December 31, 2005	**290**	**16,105**	**€ 77.82**
Weighted-average remaining contractual life at:			
December 31, 2005		2 years 4 months	
December 31, 2004		3 years 7 months	

[1] The weighted-average grant-date fair value per share of deferred share awards granted in 2005, 2004 and 2003 was € 59.68, € 58.11, and € 38.62 respectively.
[2] The weighted-average grant-date fair value per option, including the PAR, granted during 2004 and 2003 was € 13.02 and € 11.97 respectively. Performance Options and PARs granted in 2004 and 2003 related to the 2003 and 2002 performance year, respectively.

Each Global Partnership Plan option was accompanied by a Partnership Appreciation Right entitling the holder to 20% of the reference price upon exercise of the related option. Approximately 14.1 million options under the DB Global Partnership Plan, which have an exercise price of € 47.53 per share, became exercisable in early 2005. As of December 31, 2005, approximately 9.7 million of these Global Partnership Plan options and PARs had been exercised.

In addition, a further 11.4 million options became exercisable in February 2006 as the price of the Group's common shares exceeded the exercise price of € 89.96.

In February 2006, approximately 80,000 DB Equity Units as initial awards and 20,000 units as exceptional awards were granted at a weighted-average grant date fair value per DB Equity Unit of € 74.99.

There were no Performance Options or PARs awarded in relation to the 2005 and 2004 performance year.

The following table details the distribution of options outstanding for the DB Global Partnership Plan and for the DB Global Share Plan (2003 & 2002) (reported under plans no longer used for granting new awards) as of year ended 2005.

Range of exercise prices	Options outstanding			Options exercisable	
	Options outstanding (in thousands)	Weighted-average exercise price[1]	Weighted-average remaining contractual life (in years)	Options exercisable (in thousands)	Weighted-average exercise price[1]
€ 40.00 – 59.99	5,364	€ 48.69	2.9	5,364	€ 48.69
€ 60.00 – 79.99	1,670	€ 75.33	3.0	1,555	€ 75.24
€ 80.00 – 99.99	11,581	€ 89.93	2.1	–	N/A

N/A – Not applicable
[1] The weighted-average exercise price does not include the effect of the PARs for the DB Global Partnership Plan.

The following is a summary of the activity in the Group's compensation plans involving share awards (DB Share Scheme, DB Key Employee Equity Plan, Restricted Equity Units Plan and DB Global Share Plan (Since 2004)) for the years ended December 31, 2005, 2004 and 2003 broken into three categories. Expense for bonus awards was recognized in the applicable performance year (until 2004 performance year). Expense for retention awards and DB Global Share Plan (Since 2004) is recognized over the vesting period.

in thousands of shares	Bonus awards[1]	Retention awards[2]	Global Share Plan (Since 2004)[3]	Total
Balance at December 31, 2002	**6,089**	**19,599**	**–**	**25,688**
Granted	1,036	26,823	–	27,859
Issued	(4,439)	(3,210)	–	(7,649)
Forfeited	(228)	(1,749)	–	(1,977)
Balance at December 31, 2003	**2,458**	**41,463**	**–**	**43,921**
Granted	2,169	21,848	594	24,611
Issued	(2,832)	(4,938)	–	(7,770)
Forfeited	(231)	(3,091)	–	(3,322)
Balance at December 31, 2004	**1,564**	**55,282**	**594**	**57,440**
Granted	1,559	15,983	534	18,076
Issued	(1,345)	(4,614)	(551)	(6,510)
Forfeited	(126)	(3,351)	(43)	(3,520)
Balance at December 31, 2005	**1,652**	**63,300**	**534**	**65,486**

[1] The weighted-average grant-date fair values per share of deferred share awards granted during 2005, 2004 and 2003 were € 61.44, € 61.11 and € 39.61, respectively.
[2] The weighted-average grant-date fair values per share of deferred share awards granted during 2005, 2004 and 2003 were € 59.68, € 57.71 and € 34.62, respectively. For the outstanding balance at year-end 2005, the weighted-average grant-date fair value per share was € 51.74 and approximately € 1.98 billion were expensed by year-end 2005.
[3] The weighted-average grant-date fair value per share of deferred share awards granted during 2005 was € 75.93. For the outstanding balance at year-end 2005, the weighted-average grant-date fair value per share was € 75.93 and approximately € 7.8 million were expensed by year-end 2005.

In addition to the amounts shown in the table above, the Group granted the following equity awards in February 2006:

(a) Approximately 0.8 million shares under the DB Share Scheme with a fair value of € 77.28 per share were awarded.

(b) Approximately 10.0 million shares under the Restricted Equity Units Plan with an average fair value of € 72.79 were awarded as retention awards.

The following is a summary of the Group's share-based compensation plans (for which there will be no future awards) for the years ended December 31, 2005, 2004 and 2003.

	Global Equity Plan	Stock Appreciation Rights Plans	db Share Plan		DB Global Share Plan (2003 & 2002)		
in thousands of equivalent shares	Convertible bonds[1]	SARs[2]	Shares	Options	Shares	Performance Options[3]	Weighted-average exercise price
Balance at December 31, 2002	**272**	**16,346**	**N/A**	**1,853**	**N/A**	**2,235**	**€ 57.90**
Granted	–	–	–	–	–	1,691	€ 75.24
Issued	–	–	–	–	396	–	–
Convertible bonds redeemed	(269)	–	–	–	–	–	–
Forfeited	(3)	(175)	–	(14)	–	(81)	€ 57.00
Expired	–	–	–	(1,839)	–	–	–
Balance at December 31, 2003	**–**	**16,171**	**N/A**	**–**	**N/A**	**3,845**	**€ 65.54**
Granted	–	–	–	–	–	–	–
Issued	–	–	–	–	–	–	–
Exercised	–	(387)	–	–	–	–	–
Forfeited	–	–	–	–	–	(260)	€ 64.02
Expired	–	(451)	–	–	–	–	–
Balance at December 31, 2004	**–**	**15,333**	**N/A**	**–**	**N/A**	**3,585**	**€ 65.64**
Granted	–	–	–	–	–	–	–
Issued	–	–	–	–	–	–	–
Exercised	–	(7,911)	–	–	–	(1,002)	€ 55.39
Forfeited	–	(7)	–	–	–	(73)	€ 64.13
Expired	–	(308)	–	–	–	–	–
Balance at December 31, 2005	**–**	**7,107**	**N/A**	**–**	**N/A**	**2,510**	**€ 69.77**
Weighted-average remaining contractual life at:							
December 31, 2005							3 years 6 months
December 31, 2004							4 years 4 months

N/A – Not applicable. Participant was fully vested for shares purchased under the db Share Plan.
[1] Convertible bonds were included in long-term debt on the Consolidated Balance Sheet.
[2] SARs were granted at various strike prices. In October 2001, 16,223,276 SARs with a strike price of € 98 vesting in 2004 and expiring in 2007 were replaced by 10,328,417 rights at a strike price of € 67. The weighted-average strike price of the outstanding SARs at December 31, 2005 is € 69.79 with an average remaining life of 1 year.
[3] The weighted-average grant-date fair value per option granted during 2003 was € 9.71.

Fair Value of Share Options Assumptions

No options were granted in 2005 and 2004.

The fair value of share options granted in 2003 was estimated at the grant date using a Black-Scholes option pricing model. The information for 2003 is used in accounting for share options under the fair-value-based method which the Group adopted prospectively effective January 1, 2003.

The weighted-average fair value per option and the significant assumptions used to estimate the fair values of options were.

	Dec 31, 2005[1]	Dec 31, 2004[1]	Dec 31, 2003
Weighted-average fair value per option	N/A	N/A	€ 9.92
Risk free interest rate	N/A	N/A	3.52%
Expected lives (in years)	N/A	N/A	4.0
Dividend yield	N/A	N/A	1.97%
Volatility	N/A	N/A	26.65%

N/A – Not applicable
[1] No options were granted in 2005 and 2004.

[21] Asset Restrictions and Dividends

The European Central Bank sets minimum reserve requirements for institutions that engage in the customer deposit and lending business. These minimum reserves must equal a certain percentage of the institutions' liabilities resulting from certain deposits, and the issuance of bonds. Liabilities to European Monetary Union national central banks and to other European Monetary Union banking institutions that are themselves subject to the minimum reserve requirements are not included in this calculation. Since January 1, 1999, the European Central Bank has set the minimum reserve rate at 2%. For deposits with a term to maturity or a notice period of more than two years, bonds with a term to maturity of more than two years and repurchase transactions, the minimum reserve rate has been set at 0%. Each institution is required to deposit its minimum reserve with the national central bank of its home country.

Cash and due from banks includes reserve balances that the Group is required to maintain with certain central banks. These required reserves were € 442 million and € 424 million at December 31, 2005 and 2004, respectively.

Under German law, dividends are based on the results of Deutsche Bank AG as prepared in accordance with German accounting rules. The Management Board, which prepares the annual financial statements of Deutsche Bank AG on an unconsolidated basis, and the Supervisory Board, which reviews them, first allocate part of Deutsche Bank's annual surplus (if any) to the statutory reserves and to any losses carried forward, as it is legally required to do. For own shares (i.e., treasury shares) a reserve in the amount of their value recorded on the asset side must be set up from the annual surplus or from other revenue reserves. Then they allocate the remainder between other revenue reserves (or retained earnings) and balance sheet profit (or distributable profit). They may allocate up to one-half of this remainder to other revenue reserves, and must allocate at least one-half to balance sheet profit. The Group then distributes the amount of the balance sheet profit of Deutsche Bank AG if the Annual General Meeting resolves so.

Certain other subsidiaries are subject to various regulatory and other restrictions that may limit cash dividends and certain advances to Deutsche Bank.

[22] Regulatory Capital

The regulatory capital adequacy guidelines applicable to the Group are set forth by the Basel Committee on Banking Supervision, the secretariat of which is provided by the Bank for International Settlements ("BIS") and by European Council directives, as implemented into German law. The German Federal Financial Supervisory Authority *(Bundesanstalt für Finanzdienstleistungsaufsicht, referred to as BaFin)* in cooperation with the Deutsche Bundesbank supervises our compliance with such guidelines. Effective December 31, 2001 the BaFin permitted the Group to calculate its BIS capital adequacy ratios on the basis of the consolidated financial statements prepared in accordance with U.S. GAAP.

The BIS capital ratio is the principal measure of capital adequacy for internationally active banks. This ratio compares a bank's regulatory capital with its counterparty risks and market price risks (which the Group refers to collectively as the "risk position"). Counterparty risk is measured for asset and off-balance sheet exposures according to broad categories of relative credit risk. The Group's market risk component is a multiple of its value-at-risk figure, which is calculated for regulatory purposes based on the Group's internal models. These models were approved by the BaFin for use in determining the Group's market risk equivalent component of its risk position. A bank's regulatory capital is divided into three tiers (core or Tier I capital, supplementary or Tier II capital, and Tier III capital). Core or Tier I capital consists primarily of share capital (except for cumulative preference shares), additional paid-in capital, retained earnings and hybrid capital components, such as noncumulative trust preferred securities and equity contributed on silent partnership interests *(stille Beteiligungen)*, less intangible assets (principally goodwill) and the impact from the tax law changes (as described below). Supplementary or Tier II capital consists primarily of cumulative preference shares, profit participation rights *(Genussrechte)*, cumulative trust preferred securities, long-term subordinated debt, unrealized gains on listed securities and other inherent loss allowance. Tier III capital consists mainly of certain short-term subordinated liabilities and it may only cover market price risk. Banks may also use Tier I and Tier II capital that is in excess of the minimum required to cover counterparty risk (excess Tier I and Tier II capital) in order to cover market price risk. The minimum BIS total capital ratio (Tier I + Tier II + Tier III) is 8% of the risk position. The minimum BIS core capital ratio (Tier I) is 4% of the risk-weighted positions and 2.29% of the market risk equivalent. The minimum core capital ratio for the total risk position therefore depends on the weighted-average of risk-weighted positions and market risk equivalent. Under BIS guidelines, the amount of subordinated debt that may be included as Tier II capital is limited to 50% of Tier I capital. Total Tier II capital is limited to 100% of Tier I capital. Tier III capital is limited to 250% of the Tier I capital not required to cover counterparty risk.

The effect of the 1999/ 2000 German Tax Reform Legislation on securities available for sale is treated differently for the regulatory capital calculation and financial accounting. For financial accounting purposes, deferred tax provisions for unrealized gains on securities available for sale are recorded directly to other comprehensive income whereas the adjustment to the related deferred tax liabilities for a change in expected effective income tax rates is recorded as an adjustment of income tax expense in current period earnings. The positive impact from the above on retained earnings of the Group from the two important German tax law changes in 1999 and 2000 amounts to approximately € 2.2 billion and € 2.7 billion as of December 31, 2005 and 2004, respectively. For the purpose of calculating the regulatory capital, unrealized gains on securities available for sale (including the aforementioned positive impacts from the tax law changes on retained earnings) are excluded from Tier I capital.

The following table presents the Group’s capital adequacy.

in € m. (except percentages)	**Dec 31, 2005**	Dec 31, 2004
Risk-weighted positions	240,696	206,718
Market risk equivalent[1]	10,506	10,069
Risk position	**251,202**	**216,787**
Core capital (Tier I)	21,898	18,727
Supplementary capital (Tier II)	11,988	9,885
Available Tier III capital	–	–
Total regulatory capital	**33,886**	**28,612**
Core capital ratio (Tier I)	8.7%	8.6%
Capital ratio (Tier I + II + III)	13.5%	13.2%

[1] A multiple of the Group’s value-at-risk, calculated with a probability level of 99% and a ten-day holding period.

In 2005, the Group’s risk position increased by € 34.4 billion to € 251.2 billion on December 31, 2005.

BIS rules and the German Banking Act require the Group to cover its market price risk as of December 31, 2005, with € 840 million of regulatory capital (Tier I + II + III). The Group met this requirement entirely with Tier I and Tier II capital.

The Group’s U.S. GAAP-based total regulatory capital was € 33.9 billion on December 31, 2005, and core capital (Tier I) was € 21.9 billion, compared to € 28.6 billion and € 18.7 billion on December 31, 2004. The Group’s supplementary capital (Tier II) of € 12.0 billion on December 31, 2005, amounted to 55% of core capital.

The Group’s capital ratio was 13.5% on December 31, 2005, significantly higher than the 8% minimum required by the BIS guidelines. The core capital ratio was 8.7% in relation to the total risk position (including market risk equivalent).

Failure to meet minimum capital requirements can initiate certain mandates, and possibly additional discretionary actions by the BaFin and other regulators that, if undertaken, could have a direct material effect on the consolidated financial statements of the Group.

The components of core and supplementary capital for the Group of companies consolidated for regulatory purposes are as follows at December 31, 2005, according to BIS.

Core capital (in € m.)	**Dec 31, 2005**
Common shares	1,420
Additional paid-in capital	11,672
Retained earnings, common shares in treasury, equity classified as obligation to purchase common shares, share awards, foreign currency translation	16,508
Minority interests	622
Noncumulative trust preferred securities	3,587
Other (equity contributed on silent partnership interests)	–
Items deducted (principally goodwill and tax effect of available for sale securities)	(11,911)
Total core capital	**21,898**

Supplementary capital (in € m.)	**Dec 31, 2005**
Unrealized gains on listed securities (45% eligible)	1,182
Other inherent loss allowance	435
Cumulative preferred securities	1,178
Subordinated liabilities, if eligible according to BIS	9,193
Total supplementary capital	**11,988**

The group of companies consolidated for regulatory purposes includes all subsidiaries in the meaning of the German Banking Act that are classified as credit institutions, financial services institutions and financial enterprises or bank services enterprises. It does not include insurance companies or companies outside the finance sector.

[23] Interest Revenues and Interest Expense

The following are the components of interest revenues and interest expense.

in € m.	**2005**	2004	2003
Interest revenues:			
Interest-earning deposits with banks	987	797	902
Central bank funds sold and securities purchased under resale agreements	9,884	4,647	4,857
Securities borrowed	4,442	1,668	1,429
Interest income on securities available for sale and other investments	602	509	588
Dividend income on securities available for sale and other investments	264	300	386
Loans	6,909	6,896	7,649
Trading assets	17,048	12,596	11,286
Other	1,572	610	486
Total interest revenues	**41,708**	**28,023**	**27,583**
Interest expense:			
Interest-bearing deposits			
Domestic	1,994	1,953	1,918
Foreign	8,268	5,174	4,662
Trading liabilities	8,179	6,866	5,667
Central bank funds purchased and securities sold under repurchase agreements	11,785	4,627	4,595
Securities loaned	929	556	430
Other short-term borrowings	1,023	467	598
Long-term debt	3,529	3,198	3,766
Trust preferred securities	–	–	100
Total interest expense	**35,707**	**22,841**	**21,736**
Net interest revenues	**6,001**	**5,182**	**5,847**

[24] Pension and Other Employee Benefit Plans

The Group provides retirement arrangements covering the majority of its subsidiaries and employees. The majority of beneficiaries of the retirement arrangements are located in Germany. The value of a participant's accrued pension benefit is based primarily on each employee's remuneration and length of service.

Our plans are generally funded.

The following amounts were contributed to the defined benefit pension plans.

	Contributions to pension plans	
in € m.	**2005**	2004
Germany/Luxembourg	200	159
United Kingdom	202	126
United States	97	1
Others	22	24
Total	**521**	**310**

Thereof, the Group made extraordinary contributions as initial or discretionary funding.

	Initial/discretionary contributions to pension plans	
in € m.	**2005**	2004
Germany/Luxembourg	200	101
United Kingdom	98	8
United States	97	1
Others	5	15
Total	**400**	**125**

The Group also sponsors a number of defined contribution plans covering employees of certain subsidiaries. The assets of all the Group's defined contribution plans are held in independently administered funds. Contributions are generally determined as a percentage of salary.

In addition, the Group's affiliates maintain unfunded contributory defined benefit postretirement health care plans to a number of retired employees who are located in the United States and the United Kingdom. These plans pay stated percentages of eligible medical and dental expenses of retirees after a stated deductible has been met. The Group funds these plans on a cash basis as benefits are due.

In 2005, the Group has adopted a December 31 measurement date for all plans, whereas for 2004 the plans in the UK and U.S. used an early measurement date of September 30. The change in measurement date did not have a material impact on the 2005 consolidated results.

All plans are valued using the projected unit credit method. The recognition of actuarial gains and losses is applied by using the 10% "corridor" approach.

The following table provides a reconciliation of the changes in the Group's plans' benefit obligation and fair value of assets over the two-year period ended December 31, 2005 and a statement of the funded status as of December 31 for each year.

	Pension benefits		Postretirement benefits	
in € m.	**2005**	2004	**2005**	2004
Change in benefit obligation:				
Benefit obligation at beginning of year	7,592	6,920	138	148
Service cost	265	244	6	7
Interest cost	391	384	9	9
Plan amendments	(54)	–	–	–
Acquisitions/divestitures	–	(103)	–	–
Actuarial loss (gain)	1,148	499	28	(1)
Benefits paid	(355)	(320)	(11)	(12)
Curtailment/settlement/other[1]	60	50	–	–
Foreign currency exchange rate changes	174	(82)	21	(13)
Benefit obligation at end of year	**9,221**	**7,592**	**191**	**138**
Change in plan assets:				
Fair value of plan assets at beginning of year	7,643	6,801	–	–
Actual return on plan assets	1,319	768	–	–
Employer contributions	521	310	11	12
Benefits paid	(334)	(119)	(11)	(12)
Curtailment/settlement/other[1]	2	(35)	–	–
Foreign currency exchange rate changes	172	(82)	–	–
Fair value of plan assets at end of year	**9,323**	**7,643**	**–**	**–**
Funded status:	**102**	**51**	**(191)**	**(138)**
Unrecognized net actuarial loss (gain)	1,058	870	40	10
Unrecognized prior service cost (benefit)	(60)	(8)	6	7
Net amount recognized at end of year	**1,100**	**913**	**(145)**	**(121)**

[1] Includes beginning balance of first time application of smaller schemes.

The following amounts were recognized in the Consolidated Balance Sheet.

	Pension benefits		Postretirement benefits	
in € m.	**2005**	2004	**2005**	2004
Prepaid pension costs	1,365	1,094	–	–
Accrued benefit costs	(265)	(181)	(145)	(121)
Net amount recognized at end of year	**1,100**	913	**(145)**	**(121)**
Additional minimum liability	13	1	–	–
Intangible asset	–	–	–	–
Accumulated other comprehensive income	(13)	(1)	–	–

The accumulated benefit obligation for all defined benefit pension plans was € 8.6 billion and € 7.1 billion at December 31, 2005 and 2004, respectively.

The following table shows the information for funded defined benefit pension plans with an accumulated benefit obligation in excess of the fair value of plan assets.

in € m.	Dec 31, 2005	Dec 31, 2004
Projected benefit obligation	122	70
Accumulated benefit obligation	106	57
Fair value of plan assets	68	30

The information for funded defined benefit pension plans with a projected benefit obligation in excess of the fair value of plan assets is shown in the following table.

in € m.	Dec 31, 2005	Dec 31, 2004
Projected benefit obligation	339	239
Accumulated benefit obligation	292	203
Fair value of plan assets	267	185

The accumulated postretirement benefit obligation exceeds plan assets for all of the company's postretirement benefit plans as they are unfunded.

The Group's pension plan weighted-average asset allocations at December 31, 2005 and 2004, by asset category are as follows.

	Target allocation	Percentage of plan assets	
	Dec 31, 2006	**Dec 31, 2005**	Dec 31, 2004
Asset category:			
Equity securities	15%	17%	17%
Debt securities	75%	71%	73%
Real Estate and other	10%	12%	10%
Total	**100%**	**100%**	**100%**

The Group's pension plan investment strategy is to match the maturity profiles of the assets and liabilities in order to reduce the future volatility of pension expense and funding status of the plans. This has involved the rebalancing of the investment portfolios to reduce the exposure to equity securities as well as increase the amount and duration of the fixed income portfolio. During 2005 the shares of the main asset classes remained broadly unchanged. During 2004, a reduction of the average equity share of the portfolios to 17% was achieved. The asset allocation of each of the Group's funded pension plans is reviewed regularly.

Plan Assets include derivatives totaling to € 315 million. In addition there are € 3 million of securities issued by the Group included in the plan assets.

The Group expects to contribute approximately € 300 million to its defined benefit pension plans in 2006, representing expected service costs in 2006.

The table below reflects the total benefits expected to be paid from both the plan assets and from the Company's assets, including both the Company's share of the benefit cost and the participants' share of the cost, which is funded by participant contributions to the plan.

Expected benefits to be paid from the plan assets and direct payments from the company to participants total.

in € m.	Pension benefits	Postretirement benefits[1]
2006	315	10
2007	328	11
2008	341	12
2009	358	12
2010	374	13
2011 – 2015	2,207	62

[1] Net of expected reimbursements from Medicare for prescription drug benefits of approximately € 2 million each year.

Benefits expense recognized in the consolidated statement of income for the years ended December 31, 2005, 2004 and 2003, included the following components.

	Pension benefits			Postretirement benefits		
in € m.	**2005**	2004	2003	**2005**	2004	2003
Service cost	265	244	279	6	7	8
Interest cost	391	384	375	9	9	9
Expected return on plan assets	(391)	(388)	(409)	–	–	–
Actuarial loss (gain) recognized	40	61	66	1	–	–
Settlement/curtailment	(4)	5	(7)	–	–	–
Amortization of unrecognized transition obligation (asset)	–	17	(9)	–	–	–
Total defined benefit plans	**301**	**323**	**295**	**16**	**16**	**17**
Defined contribution plans	138	151	167	–	–	–
Net periodic benefit expense	**439**	**474**	**462**	**16**	**16**	**17**

SFAS No. 88, “Employers’ Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination of Benefits” events occurred in the United States, United Kingdom, Germany and Japan during 2005 resulting in a net credit of € 4 million.

The following actuarial assumptions were calculated on a weighted-average basis and reflect the local economic conditions for each country’s respective defined benefit and postretirement benefit plans.

	Pension benefits			Postretirement benefits		
	2005	2004	2003	**2005**	2004	2003
Discount rate in determining expense	5.0%	5.5%	5.4%	5.7%	5.9%	6.0%
Discount rate in determining benefit obligations at year-end	4.3%	5.0%	5.5%	5.4%	5.7%	5.9%
Rate of increase in future compensation levels for determining expense	3.3%	3.3%	3.5%	N/A	N/A	N/A
Rate of increase in future compensation levels for determining benefit obligations at year-end	3.3%	3.3%	3.3%	N/A	N/A	N/A
Expected long-term rate of return on assets	5.0%	5.6%	5.6%	N/A	N/A	N/A

N/A – Not applicable

The expected return on the Group's defined benefit pension plans' assets is calculated by applying a risk premium which reflects the inherent risks associated with each relevant asset category over a risk-free return. Using this so-called "building block" approach globally ensures that the Group has a consistent framework in place. In addition, it allows sufficient flexibility to allow for changes that need to be built in to reflect local specific conditions. The determination of the expected return on plan assets for 2006 was based on the actual asset allocation as of the measurement date. The ten-year government fixed interest bond yield for the country in which each plan is located was used as the basis for the risk-free return taking into account the duration of the bonds held compared to the ten-year benchmark. The additional return for debt securities was calculated by reference to the mix of debt securities in each plan. For cash, the Group estimated the expected return to be equivalent to the market yield on three-month treasury instruments for the applicable country.

The discount rate was set based on yields to maturity on AA-rated corporate bond indices of the same currency and similar duration to the liability, and representing sufficient depth of market to be a reliable indicator. Benchmark government bonds were used for countries where sufficient depth of AA corporate bond markets is not available. In cases of significant difference between the published bond duration and the calculated duration of the obligation, an adjustment was made equal to this difference multiplied by the slope of the yield curve. No such adjustment was required in the Eurozone, the UK or in the U.S. The resulting discount rate was rounded to the nearest multiple of 10 basis points.

In determining postretirement benefits expense, an annual weighted-average rate of increase of 10.8% in the per capita cost of covered health care benefits was assumed for 2006. The rate is assumed to decrease gradually to 5.0% by 2011 and remain at that level thereafter.

Assumed health care cost trend rates have an effect on the amounts reported for the retiree health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects on the Group's retiree health care plans.

	One-percentage point increase		One-percentage point decrease	
in € m.	**2005**	2004	**2005**	2004
Effect on total of service and interest cost components	2	2	(2)	(2)
Effect on accumulated postretirement benefit obligation	29	22	(25)	(19)

In May 2004, the FASB issued Staff Position 106-2, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003" ("FSP 106-2"), which superseded FSP 106-1 issued in January 2004. The Act, signed into law in the U.S. on December 8, 2003, introduces a prescription drug benefit as well as a subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to benefits provided under the Act. FSP 106-2, which is effective for the reporting period beginning after June 15, 2004, provides authoritative guidance on the accounting for the effects of the Act and disclosure guidance related to the federal subsidy provided by the Act.

In 2004, the Group determined that the effects of the Act were not a significant event requiring an interim remeasurement under SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." Consequently, as permitted by FSP 106-2, net periodic postretirement benefit cost for 2004 does not reflect the effects of the Act. The effect of the Act on the accumulated postretirement benefit obligation ("APBO") for the postretirement benefit plan was measured at the year-end measurement date (September 30, 2004). This resulted in a reduction of the APBO of approximately € 36 million.

In 2005, the measurement of the effect of the Act on the APBO and net periodic postretirement benefit cost (NPPBC) resulted in an additional reduction of € 2 million in respect to the APBO and in a reduction of the NPPBC of € 5 million, respectively.

[25] Income Taxes

The components of income taxes (benefits) follow.

in € m.	2005	2004	2003
Domestic	425	(201)	305
Foreign	1,194	920	968
Current taxes	**1,619**	**719**	**1,273**
Domestic	502	572	37
Foreign	462	266	232
Deferred taxes	**964**	**838**	**269**
Total	**2,583**	**1,557**	**1,542**

The following is an analysis of the difference between the amount that would result from applying the German statutory income tax rate to income before tax and the Group's actual income tax expense.

in € m.	2005	2004	2003
Expected tax expense at German statutory income tax rate of 39.2% (39.2% for 2004 and 40.5% for 2003)	**2,396**	**1,579**	**1,116**
Reversal of 1999/2000 credits for tax rate changes	544	120	215
Effect of changes of German tax law	–	–	154
Domestic tax rate differential on dividend distribution	–	14	1
Tax-exempt gains on securities and other income	(627)	(330)	(637)
Foreign tax-rate differential	(288)	(126)	(298)
Change in valuation allowance	(9)	(7)	99
Nondeductible expenses	566	312	647
Goodwill impairment	–	–	46
Tax credit related to domestic dividend received	–	–	(1)
Tax rate differential on (income) loss on equity method investments	(99)	(80)	171
Other	100	75	29
Actual income tax expense	**2,583**	**1,557**	**1,542**

The domestic tax rate including corporate tax, solidarity surcharge, and trade tax used for calculating deferred tax assets and liabilities as of December 31, 2005, 2004 and 2003 was 39.2%. For the year 2003 only, the corporate income tax rate was temporarily increased by 1.5% to 26.5% which increased the statutory income tax rate to 40.5%. The applicable statutory income tax rate for temporary differences that reversed after 2003 reverted to 39.2%.

For the years ended December 31, 2005, 2004 and 2003, due to actual sales of equity securities on which there was accumulated deferred tax provision in other comprehensive income, it was necessary to reverse those provisions as income tax expense. This treatment led to income tax expense of € 544 million, € 120 million and € 215 million, respectively. This adjustment does not result in actual tax payments and has no net effect on shareholders' equity.

The remaining accumulated deferred tax amounts recorded within other comprehensive income will be reversed as income tax expense in the periods that the related securities are sold. At December 31, 2005 and 2004, the amount of these deferred taxes accumulated within other comprehensive income that will reverse in a future period as tax expense when the securities are sold is approximately € 2.1 billion and € 2.7 billion, respectively.

The enactment of the German Act for the reduction of Tax Allowances and Exemptions (StVergAbG) in May 2003 provided a minimum taxation for trade tax purposes which resulted in a catch-up tax expense of € 107 million. In December 2003, the German Federal Government modified the taxation of capital gains and dividends with the 2004 Tax Reform Act by treating 5% of any tax-exempt dividend and tax-exempt capital gains as non-tax deductible for corporation tax purposes. The new rules applicable from 2004 resulted in an additional deferred tax expense of € 47 million in 2003.

The tax effects of each type of temporary difference and carry-forward that give rise to significant portions of deferred income tax assets and liabilities are the following.

in € m.	**Dec 31, 2005**	Dec 31, 2004[1]
Deferred income tax assets:		
Trading activities	9,512	16,497
Net operating loss carry-forwards and tax credits	1,608	1,940
Property and equipment, net	207	402
Other assets	1,136	463
Allowance for loan losses	66	106
Other provisions	459	698
Total deferred income tax assets	**12,988**	**20,106**
Valuation allowance	(955)	(888)
Deferred tax assets after valuation allowance	**12,033**	**19,218**
Deferred income tax liabilities:		
Trading activities	10,132	17,198
Property and equipment, net	125	412
Securities valuation	105	140
Other liabilities	68	–
Total deferred income tax liabilities	**10,430**	**17,750**
Net deferred income tax assets	**1,603**	**1,468**

[1] Prior year amounts have been restated to conform to current year presentation.

Included in other assets and other liabilities at December 31, 2005 and 2004 are deferred tax assets of € 4.2 billion and € 3.7 billion and deferred tax liabilities of € 2.6 billion and € 2.2 billion, respectively.

Certain foreign branches and companies in the Group have deferred tax assets related to net operating loss carry-forwards and tax credits available to reduce future tax expense. The net operating loss carry-forwards at December 31, 2005 were € 4.1 billion of which € 2.4 billion have no expiration date and € 1.7 billion expire at various dates extending to 2025. Tax credits were € 203 million of which € 0.3 million will expire in 2006 and € 202 million have other expiration dates. The Group has established a valuation allowance where it is more likely than not that the deferred tax assets relating to these losses and credits will not be realized.

The Group is under continuous examinations by the tax authorities in various countries. In 2005 a tax audit in the UK covering fiscal years until 2002 was settled without material impact on the Group's income tax expenses. Tax reserves have been established, which we believe to be adequate in relation to the potential for additional assessments.

The Group did not provide income taxes or foreign withholding taxes on € 8.7 billion of cumulative earnings of foreign subsidiaries as of December 31, 2005 because these earnings are intended to be indefinitely reinvested in those operations. It is not practicable to estimate the amount of unrecognized deferred tax liabilities for these undistributed earnings. The American Jobs Creation Act of 2004 was signed into law by the President of the United States on October 22, 2004 and provides, in part a reduced rate of U.S. tax on certain dividends received from foreign subsidiaries of U.S. taxpayers. The

Group does not intend to repatriate any earnings from foreign subsidiaries in accordance with the provisions of the Act and thus the Act will not have an impact on our consolidated financial statements.

[26] Earnings Per Common Share

Basic earnings per common share amounts are computed by dividing net income by the average number of common shares outstanding during the year. The average number of common shares outstanding is defined as the average number of common shares issued, reduced by the average number of shares in treasury and by the average number of shares that will be acquired under physically settled forward purchase contracts and increased by undistributed vested shares awarded under deferred share plans.

Diluted earnings per share assumes the conversion into common shares of outstanding securities or other contracts to issue common stock, such as share options, convertible debt, unvested deferred share awards and certain forward contracts.

The following table sets forth the computation of basic and diluted earnings per share.

in € m.	**2005**	2004	2003
Income before cumulative effect of accounting changes, net of tax	3,529	2,472	1,214
Cumulative effect of accounting changes, net of tax	–	–	151
Numerator for basic earnings per share – net income	**3,529**	**2,472**	**1,365**
Effect of dilutive securities:			
Forwards	–	(65)	–
Convertible debt	6	4	–
Numerator for diluted earnings per share – net income applicable to common shareholders after assumed conversions	3,535	2,411	1,365
Number of shares in m.			
Denominator for basic earnings per share – weighted-average shares outstanding	462.9	492.6	559.3
Effect of dilutive securities:			
Forwards	12.9	9.3	10.4
Employee stock compensation options	2.9	4.9	0.7
Convertible debt	2.1	1.9	–
Deferred shares	27.8	23.0	19.1
Other (including trading options)	–	–	0.2
Dilutive potential common shares	45.7	39.1	30.4
Denominator for diluted earnings per share – adjusted weighted-average shares after assumed conversions	**508.6**	**531.7**	**589.7**

The diluted EPS computations do not include the anti-dilutive effect of the following potential common shares.

Number of shares in m.	2005	2004	2003
Forward purchase contracts	71.7	10.0	–
Forward sale contracts	–	–	3.1
Put options sold	–	1.5	–
Call options sold	–	–	1.3
Stock compensation awards	11.6	13.6	15.5
Convertible debt	–	0.2	–

in €	2005	2004	2003
Basic earnings per share:			
Income before cumulative effect of accounting changes, net of tax	7.62	5.02	2.17
Cumulative effect of accounting changes, net of tax	–	–	0.27
Net income	**7.62**	**5.02**	**2.44**
Diluted earnings per share:			
Income before cumulative effect of accounting changes, net of tax	6.95	4.53	2.06
Cumulative effect of accounting changes, net of tax	–	–	0.25
Net income	**6.95**	**4.53**	**2.31**

[27] Business Segments and Related Information

The Group's segment reporting follows the organizational structure as reflected in its internal management reporting systems, which are the basis for assessing the financial performance of the business segments and for allocating resources to the business segments.

Organizational Structure

In order to best serve the Group's clients and manage its investments, Deutsche Bank is organized into three Group Divisions, which are further sub-divided into corporate divisions. In the first quarter 2005, the Group implemented structural changes associated with the Business Realignment Program. Most of the revisions related to organizational changes below the corporate division level. Since January 1, 2005, the business support areas formerly reported as part of CIB, PCAM and CI were centralized into one infrastructure group (which also covers the Corporate Center functions). As a group-internal service provider, the infrastructure group acts on a non-profit basis and allocates its total noninterest expenses to the recipients of the services (i.e. the corporate divisions) as part of their noncompensation expenses. The Group also created a regional management function that covers regional responsibilities worldwide. As of December 31, 2005, the Group Divisions were:

The Corporate and Investment Bank (CIB), which combines the Group's corporate banking and securities activities (including sales and trading and corporate finance activities), with the Group's transaction banking activities. CIB serves corporate and institutional clients, ranging from medium-sized enterprises to multinational corporations, banks and sovereign organizations.

Private Clients and Asset Management (PCAM), which combines the Group's asset management, private wealth management and private and business client activities. Within PCAM, we manage these activities in two global corporate divisions: Asset and Wealth Management (AWM) and Private & Business Clients (PBC).

– AWM is comprised of the two business divisions Asset Management (AM), which focuses on managing assets on behalf of institutional clients and providing mutual funds and other retail investment vehicles, and Private Wealth Management (PWM), which focuses on the specific needs of demanding high net worth clients, their families and selected institutions.

- PBC serves retail and affluent clients as well as small corporate customers with the full range of retail banking products.

Corporate Investments (CI), which manages the majority of the bank's alternative assets portfolio and certain other debt and equity positions.

Prior periods have been restated to conform to the current year's presentation.

Impact of Acquisitions and Divestitures During 2005 and 2004

The effects of significant acquisitions and divestitures on segmental results are described below:

- In December 2005, the Group completed the sale of a substantial part of its UK- and Philadelphia-based Asset Management business, which had been managed under the Private Clients and Asset Management Group Division, to Aberdeen Asset Management PLC. Excluded from the sale was the Philadelphia-based High Yield business, which remains an integral part of Asset and Wealth Management's global platform.
- In November 2005, the Group and Commerzbank AG entered into a sale and purchase agreement for the Group's 37.72% stake in EUROHYPO AG, which was included in Corporate Investments. In December 2005, the first part of this transaction was completed, reducing the Group's stake to 27.99%.
- In September 2005, the Group sold its Private Banking business in the Netherlands to Theodoor Gilissen Bankiers N.V., which had been included in the corporate division Private & Business Clients.
- In May 2005, the Group increased its ownership of the Turkish mid-size brokerage firm Bender Menkul Degerler Anonim Sirketi ("Bender Securities") from 40% to 100%. This business was included in the corporate division Corporate Banking & Securities.
- In January 2005, the Group acquired asset manager Wilhelm von Finck AG as it continues to expand its Private Wealth Management franchises in Germany. Wilhelm von Finck AG continues to operate under its own name and offers specific investment solutions for large scale private and family wealth portfolios.
- In December 2004, the Group completed the integration of Dresdner Bank's former institutional custody business in Germany. This business was included in the corporate division Global Transaction Banking.
- In November 2004, the Group signed an agreement with Legg Mason for the sale of a selected portion of PWMs private client unit of Scudder, Scudder Private Investment Counsel (PIC). Under this agreement, Legg Mason will assume all investment advisory agreements and retain the staff from New York, Philadelphia, Chicago and Cincinnati Scudder PIC offices. This transaction closed December 31, 2004.
- In November 2004, the Group completed the acquisition of the remaining minority interests in DWS Holding & Service GmbH.
- In October 2004, the Group completed the acquisition of substantially all of the origination and servicing assets of Berkshire Mortgage Finance L.P., a U.S. commercial mortgage bank specializing in financing for multifamily properties. This business was included in the corporate division Corporate Banking & Securities.
- In September 2004, the Group merged three Australian trusts – Deutsche Diversified Trust, Deutsche Office Trust and Deutsche Industrial Trust – into a new trust, DB RREEF Trust. The merger created Australia's fourth largest listed property trust. In connection with this transaction the Group transferred its Australian fiduciary real estate trust management and property management business into a subsidiary, renamed DB RREEF Holdings. The Group subsequently sold a 50% interest in DB RREEF Holdings and recognized a net gain of € 18 million within the Group's Asset and Wealth Management Corporate Division.
- Effective July 2004, the Group sold its wholly-owned subsidiary DB Payment Projektgesellschaft to the Betriebscenter fuer Banken Deutschland GmbH & Co. KG (BCB), a 100% subsidiary of Deutsche Postbank AG. Since then BCB provides payment transaction services to the Group for its German domestic and parts of its foreign payment transactions. Prior to the sale, DB Payment Projektgesellschaft had been managed within the infrastructure groups of the Private Client and

Asset Management Group Division. The loss on sale was partly recognized within the Private & Business Clients Division and partly within Global Transaction Banking.
- In June 2004, the Group's wholly-owned subsidiary european transaction bank ag (etb), which had been managed within the infrastructure groups of the Private Clients and Asset Management Group Division, was deconsolidated in the course of entering into a securities processing partnership with Xchanging Holdings, which assumes operational management of securities, funds and derivatives processing. The etb was transferred to Xchanging etb GmbH (formerly Zweite Xchanging GmbH), an equity method investment under the infrastructure service group.
- In the first quarter of 2004, the Group completed the sale of its interest in the operations of maxblue Americas, which had been included in Corporate Investments, to Banco do Brazil.
- In January, 2004 the Group completed the purchase of a 40% stake in United Financial Group (UFG). Deutsche Bank and Moscow-based UFG cooperate on research, sales and trading of Russian equities and Russian corporate finance business. This business was included in the corporate division Corporate Banking & Securities.

Definitions of Financial Measures Used in the Format of Segment Disclosure
In the segmental results of operations, the following terms with the following meanings are used with respect to each segment:
- Operating cost base: Noninterest expenses less provision for off-balance sheet positions (reclassified to provision for credit losses), policyholder benefits and claims, minority interest, restructuring activities, goodwill impairment/impairment of intangibles and provisions related to grundbesitz-invest in 2005.
- Underlying pre-tax profit: Income before income taxes less restructuring activities, goodwill impairment/impairment of intangibles, provisions related to grundbesitz-invest in 2005 and specific revenue items as referred to in the table for such segment.
- Underlying cost/income ratio in %: Operating cost base as a percentage of total net revenues excluding the revenue items excluded from the corresponding underlying pre-tax profit figure, net of policyholder benefits and claims. Cost/income ratio in %, which is defined as total noninterest expenses less provision for off-balance sheet positions, as a percentage of total net revenues, is also provided.
- Average active equity: The portion of adjusted average total shareholders' equity that has been allocated to a segment pursuant to the capital allocation framework. The overriding objective of this framework is to allocate adjusted average total shareholders' equity based on the respective goodwill and other intangible assets with indefinite lifetimes as well as the economic capital of each segment. In 2005, the measurement of operational risk has been further refined as part of the bank's Basel II preparation for the Advanced Measurement Approach. This refinement resulted in no material change in the operational risk economic capital for the Group but a higher allocation of operational risk economic capital to CB&S and reductions in other segments. In determining the total amount of average active equity to be allocated, average total shareholders' equity is adjusted to exclude average unrealized net gains on securities available for sale, net of applicable tax effects, and the effect of the expected dividend payments to our shareholders.
- Underlying return on average active equity in %: Underlying pre-tax profit as a percentage of average active equity. Return on average active equity in %, which is defined as income before income taxes as a percentage of average active equity, is also provided. These returns, which are based on average active equity, should not be compared to those of other companies without considering the differences in the calculation of such ratios.

Management uses these measures as part of its internal reporting system because it believes that such measures provide it with a more useful indication of the financial performance of the business segments. The Group discloses such measures to provide investors and analysts with further insight into how management operates the Group's businesses and to enable them to better understand the Group's results. The Group has excluded the following items in deriving the above measures for the following reasons.

- Net gains (losses) from businesses sold/held for sale: Gains or losses are excluded from the calculations of underlying results because they do not represent results of the Group's continuing businesses.
- Net gains (losses) on securities available for sale/industrial holdings (including hedging): Net gains or losses related to several financial holdings investments and to the Group's portfolio of shareholdings in publicly-listed industrial companies, most of which the Group has held for over 20 years and which the Group is reducing over time. Because these investments do not relate to the Group's customer-driven businesses, the Group excludes all revenues (positive and negative) related to these investments from its underlying results, except for dividend income from the investments, which the Group does not exclude as funding costs associated with the investments are also not excluded.
- Significant equity pick-ups/net gains and losses from investments: This item includes significant net gains/ losses from equity method investments and other significant investments. They are excluded in the calculation of underlying results since they reflect results that are not related to the Group's customer-driven businesses.
- Net gains (losses) on the sale of premises: This item includes net gains or losses on the sale of premises used for banking purposes. Net losses in 2003 related to the divestiture of non-core activities pursuant to the Group's transformation strategy.
- Policyholder benefits and claims: For internal steering purposes, policyholder benefits and claims are reclassified from noninterest expenses to noninterest revenues so as to consider them together with insurance revenues, to which they are related. The reclassification does not affect the calculation of underlying pre-tax profits.
- Provision for off-balance sheet positions: Provision for off-balance sheet positions is reclassified from noninterest expenses to provision for credit losses because provision for off-balance sheet positions and provision for loan losses are managed together. This reclassification does not affect the calculation of underlying pre-tax profit.
- Restructuring activities, Goodwill/intangible impairment and provisions related to grundbesitz-invest in 2005 are excluded from the calculation of operating cost base and thus underlying pre-tax profit because these items are not considered part of the day-to-day business operations and therefore not indicative of trends.
- Minority interest: Minority interest represents the net share of minority shareholders in revenues, provision for loan losses, noninterest expenses and income tax expenses. This net component is reported as a noninterest expense item. This item is not considered to be an operating expense, but as a minority shareholder's portion of net income. Accordingly, such item is excluded in the determination of the operating cost base. Minority interest is reflected in the calculation of underlying pre-tax profit as a separate item.
- Adjustments to calculate average active equity: The items excluded from average total shareholders' equity to calculate average active equity result primarily from the portfolio of shareholdings in publicly-listed industrial companies. The Group has held most of its larger participations for over 20 years, and is reducing these holdings over time. Gains and losses on these securities are realized only when the Group sells them. Accordingly, the adjustments the Group makes to average total shareholders' equity to derive the average active equity are to exclude unrealized net gains or losses on securities available for sale, net of applicable tax effects. In addition, the Group adjusts its average total shareholders' equity for the effect of the expected dividend payments to our shareholders.

Framework of the Group's Management Reporting Systems

Business segment results are determined based on the Group's internal management reporting process, which reflects the way management views its businesses, and are not necessarily prepared in accordance with the Group's U.S. GAAP consolidated financial statements. This internal management reporting process may be different than the processes used by other financial institutions and therefore should be considered in making any comparisons with those institutions. Since the Group's business activities are diverse in nature and its operations are integrated, certain estimates and judgments have been made to apportion revenue and expense items among the business segments.

The management reporting systems follow the "matched transfer pricing concept" in which the Group's external net interest revenues are allocated to the business segments based on the assumption that all positions are funded or invested via the money and capital markets. Therefore, to create comparability with competitors who have legally independent units with their own equity funding, the Group allocates among the business segments the notional interest credit on its consolidated capital resulting from a method for allocating funding costs. This credit is allocated in proportion to each business segment's allocated average active equity, and is included in the segment's net interest revenues.

The Group's average active equity is allocated to the business segments and to Consolidation & Adjustments in proportion to their economic risk exposures, which comprise economic capital, goodwill and other unamortized intangible assets. The total amount to be allocated is the higher of the Group's overall economic risk exposure or regulatory capital demand. This demand for regulatory capital is derived by assuming a BIS tier 1 ratio of 8.5%, which represents the mid-point of the Group's tier 1 target range. If the Group's average active equity exceeds the higher of the overall economic risk exposure or the regulatory capital demand, this surplus is assigned to Consolidation & Adjustments.

Revenues from transactions between the business segments are allocated on a mutually agreed basis. Internal service providers (including the Corporate Center), which operate on a nonprofit basis, allocate their noninterest expenses to the recipient of the service. The allocation criteria are generally contractually agreed and are either determined based upon "price per unit" (for areas with countable services) or "fixed price" or "agreed percentages" (for all areas without countable services).

Segmental Results of Operations

The following tables present the results of the business segments for the years ended December 31, 2005, 2004 and 2003.

2005	Corporate and Investment Bank			Private Clients and Asset Management			Corporate Invest-ments	Total Manage-ment Reporting
in € m. (except percentages)	Corporate Banking & Securities	Global Trans-action Banking	Total	Asset and Wealth Manage-ment	Private & Business Clients	Total		
Net revenues[1]	**13,947**	**1,971**	**15,918**	**3,881**	**4,713**	**8,594**	**1,229**	**25,741**
Provision for loan losses	25	7	32	–	342	342	–	374
Provision for off-balance sheet positions	3	(25)	(22)	–	(2)	(2)	–	(24)
Total provision for credit losses	**28**	**(18)**	**10**	**–**	**340**	**340**	**(1)**	**350**
Operating cost base[2]	9,675	1,445	11,120	2,984	3,358	6,342	181	17,642
Policyholder benefits and claims	–	–	–	49	–	49	–	49
Minority interest	37	–	37	30	–	30	(2)	66
Restructuring activities	331	87	418	220	127	347	2	767
Goodwill impairment/impairment of intangibles	–	–	–	–	–	–	–	–
Total noninterest expenses[4]	**10,043**	**1,532**	**11,575**	**3,284**	**3,485**	**6,768**	**181**	**18,524**
Income before income taxes[5]	**3,877**	**457**	**4,333**	**597**	**888**	**1,485**	**1,049**	**6,867**
Add (deduct):								
Net (gains) from businesses sold/held for sale	–	–	–	(81)	(9)	(90)	–	(90)
Significant equity pick-ups/net (gains) from investments	–	–	–	–	–	–	(156)	(156)
Net (gains) on securities available for sale/industrial holdings including hedging	–	–	–	–	–	–	(801)	(801)
Net (gains) on the sale of premises	–	–	–	–	–	–	(57)	(57)
Restructuring activities	331	87	418	220	127	347	2	767
Goodwill impairment/ impairment of intangibles	–	–	–	–	–	–	–	–
Underlying pre-tax profit	**4,207**	**544**	**4,751**	**736**	**1,006**	**1,742**	**37**	**6,531**
Cost/income ratio in %	72	78	73	85	74	79	15	72
Underlying cost/income ratio in %	69	73	70	80	71	75	84	72
Assets[3, 6]	871,941	17,966	881,643	37,269	86,554	123,785	15,025	984,318
Expenditures for additions to long-lived assets	289	5	295	71	86	157	2	454
Risk-weighted positions (BIS risk positions)	155,467	12,275	167,742	13,811	60,263	74,074	7,448	249,264
Average active equity[7]	13,070	1,315	14,385	4,993	1,707	6,700	3,047	24,132
Return on average active equity in %	30	35	30	12	52	22	34	28
Underlying return on average active equity in %	32	41	33	15	59	26	1	27

[1] Includes:								
Net interest revenues	2,537	725	3,262	118	2,517	2,635	69	5,966
Net revenues from external customers	14,129	1,931	16,060	4,096	4,335	8,431	1,175	25,666
Net intersegment revenues	(182)	40	(142)	(215)	378	163	54	75
Net income from equity method investments	171	1	171	43	3	46	199	417
[2] Includes:								
Depreciation, depletion and amortization	58	22	80	39	74	113	11	204
Severance payments	18	(1)	17	4	17	22	–	38
[3] Includes:								
Equity method investments	1,765	38	1,803	483	40	523	2,577	4,903

[4] Excludes provision for off-balance sheet positions (reclassified to provision for credit losses).
[5] Before cumulative effect of accounting changes.
[6] The sum of corporate divisions does not necessarily equal the total of the corresponding group division because of consolidation items between corporate divisions, which are to be eliminated on group division level. The same approach holds true for the sum of group divisions compared to Total Management Reporting.
[7] For management reporting purposes goodwill and other intangible assets with indefinite lives are explicitly assigned to the respective divisions. Average active equity is first allocated to divisions according to goodwill and intangible assets, remaining average active equity is allocated to the divisions in proportion to the economic capital calculated for them.

2004 in € m. (except percentages)	Corporate and Investment Bank Corporate Banking & Securities	 Global Trans-action Banking	 Total	Private Clients and Asset Management Asset and Wealth Manage-ment	 Private & Business Clients	 Total	Corporate Invest-ments	Total Manage-ment Reporting
Net revenues[1]	**11,520**	**1,894**	**13,414**	**3,488**	**4,534**	**8,023**	**621**	**22,058**
Provision for loan losses	79	9	89	(6)	270	264	19	372
Provision for off-balance sheet positions	(66)	1	(65)	–	(1)	(1)	–	(65)
Total provision for credit losses	**14**	**11**	**24**	**(6)**	**269**	**263**	**19**	**307**
Operating cost base[2]	8,752	1,576	10,327	2,923	3,283	6,206	414	16,948
Policyholder benefits and claims	–	–	–	50	–	50	–	50
Minority interest	5	–	5	1	–	1	(1)	4
Restructuring activities	272	28	299	88	10	98	3	400
Goodwill impairment	–	–	–	19	–	19	–	19
Total noninterest expenses[4]	**9,028**	**1,603**	**10,631**	**3,080**	**3,293**	**6,373**	**416**	**17,420**
Income before income taxes[5]	**2,478**	**280**	**2,759**	**414**	**972**	**1,386**	**186**	**4,331**
Add (deduct):								
Net (gains) losses from businesses sold/held for sale	–	(31)	(31)	(32)	24	(8)	(38)	(76)
Significant equity pick-ups/net (gains) from investments	–	–	–	–	–	–	(148)	(148)
Net (gains) on securities available for sale/industrial holdings including hedging	–	–	–	–	–	–	(176)	(176)
Net (gains) on the sale of premises	–	–	–	–	–	–	(20)	(20)
Restructuring activities	272	28	299	88	10	98	3	400
Goodwill impairment/ impairment of intangibles	–	–	–	19	–	19	–	19
Underlying pre-tax profit (loss)	**2,750**	**277**	**3,027**	**489**	**1,006**	**1,496**	**(194)**	**4,329**
Cost/income ratio in %	78	85	79	88	73	79	67	79
Underlying cost/income ratio in %	76	85	77	86	72	78	174	79
Assets[3, 6]	720,557	16,636	729,872	34,945	78,930	113,818	16,442	832,933
Expenditures for additions to long-lived assets	62	65	127	17	70	87	2	216
Risk-weighted positions (BIS risk positions)	128,066	11,058	139,124	11,424	54,253	65,677	10,242	215,044
Average active equity[7]	11,479	1,381	12,860	5,034	1,681	6,715	3,933	23,507
Return on average active equity in %	22	20	21	8	58	21	5	18
Underlying return on average active equity in %	24	20	24	10	60	22	(5)	18

[1] Includes:								
Net interest revenues	1,902	628	2,529	216	2,416	2,632	105	5,267
Net revenues from external customers	11,516	1,981	13,497	3,733	4,201	7,934	527	21,958
Net intersegment revenues	4	(87)	(83)	(245)	334	89	94	100
Net income (loss) from equity method investments	156	1	157	65	3	68	160	386
[2] Includes:								
Depreciation, depletion and amortization	81	24	105	44	90	135	30	269
Severance payments	154	16	170	51	50	101	1	272
[3] Includes:								
Equity method investments	1,546	38	1,584	434	33	466	3,298	5,348

[4] Excludes provision for off-balance sheet positions (reclassified to provision for credit losses).
[5] Before cumulative effect of accounting changes.
[6] The sum of corporate divisions does not necessarily equal the total of the corresponding group division because of consolidation items between corporate divisions, which are to be eliminated on group division level. The same approach holds true for the sum of group divisions compared to Total Management Reporting.
[7] For management reporting purposes goodwill and other intangible assets with indefinite lives are explicitly assigned to the respective divisions. Average active equity is first allocated to divisions according to goodwill and intangible assets, remaining average active equity is allocated to the divisions in proportion to the economic capital calculated for them.

2003 in € m. (except percentages)	Corporate and Investment Bank: Corporate Banking & Securities	Corporate and Investment Bank: Global Trans-action Banking	Corporate and Investment Bank: Total	Private Clients and Asset Management: Asset and Wealth Manage-ment	Private Clients and Asset Management: Private & Business Clients	Private Clients and Asset Management: Total	Corporate Invest-ments	Total Manage-ment Reporting
Net revenues[1]	**11,796**	**2,498**	**14,294**	**3,825**	**4,374**	**8,199**	**(920)**	**21,572**
Provision for loan losses	751	2	752	2	322	324	36	1,113
Provision for off-balance sheet positions	8	(53)	(45)	(3)	(1)	(3)	(2)	(50)
Total provision for credit losses	**759**	**(51)**	**708**	**(1)**	**322**	**321**	**35**	**1,063**
Operating cost base[2]	8,317	1,744	10,060	3,090	3,593	6,683	681	17,424
Policyholder benefits and claims	–	–	–	21	–	21	–	21
Minority interest	13	–	13	13	2	15	(31)	(3)
Restructuring activities	(23)	(6)	(29)	–	(1)	(1)	–	(29)
Goodwill impairment	–	–	–	–	–	–	114	114
Total noninterest expenses[4]	**8,307**	**1,738**	**10,045**	**3,124**	**3,594**	**6,718**	**764**	**17,526**
Income (loss) before income taxes[5]	**2,730**	**811**	**3,541**	**702**	**458**	**1,160**	**(1,719)**	**2,983**
Add (deduct):								
Net (gains) from businesses sold/held for sale	–	(583)	(583)	(55)	4	(51)	141	(494)
Significant equity pick-ups/net losses from investments	–	–	–	–	–	–	938	938
Net losses on securities available for sale/industrial holdings including hedging	–	–	–	–	–	–	184	184
Net losses on the sale of premises	–	–	–	–	–	–	107	107
Restructuring activities	(23)	(6)	(29)	–	(1)	(1)	–	(29)
Goodwill impairment/ impairment of intangibles	–	–	–	–	–	–	114	114
Underlying pre-tax profit (loss)	**2,707**	**222**	**2,929**	**647**	**461**	**1,108**	**(236)**	**3,801**
Cost/income ratio in %	70	70	70	82	82	82	N/M	81
Underlying cost/income ratio in %	71	91	73	82	82	82	152	78
Assets[3, 6]	693,794	16,329	681,722	48,138	78,477	124,606	18,987	795,818
Expenditures for additions to long-lived assets	79	9	88	25	35	60	141	289
Risk-weighted positions (BIS risk positions)	127,807	9,808	137,615	12,170	51,244	63,414	13,019	214,048
Average active equity[7]	12,785	1,401	14,186	5,694	1,531	7,225	4,900	26,311
Return on average active equity in %	21	58	25	12	30	16	(35)	11
Underlying return on average active equity in %	21	16	21	11	30	15	(5)	14

N/M – Not meaningful

[1] Includes:

Net interest revenues	2,586	663	3,249	277	2,378	2,656	138	6,043
Net revenues from external customers	11,686	2,630	14,316	4,037	4,081	8,117	(967)	21,466
Net intersegment revenues	110	(133)	(23)	(212)	294	82	47	106
Net income (loss) from equity method investments	163	(1)	163	166	–	166	(757)	(428)

[2] Includes:

Depreciation, depletion and amortization	107	23	130	51	94	144	65	340
Severance payments	194	66	260	78	317	395	20	675

[3] Includes:

Equity method investments	1,889	37	1,927	380	30	410	3,511	5,848

[4] Excludes provision for off-balance sheet positions (reclassified to provision for credit losses).
[5] Before cumulative effect of accounting changes.
[6] The sum of corporate divisions does not necessarily equal the total of the corresponding group division because of consolidation items between corporate divisions, which are to be eliminated on group division level. The same approach holds true for the sum of group divisions compared to Total Management Reporting.
[7] For management reporting purposes goodwill and other intangible assets with indefinite lives are explicitly assigned to the respective divisions. Average active equity is first allocated to divisions according to goodwill and intangible assets, remaining average active equity is allocated to the divisions in proportion to the economic capital calculated for them.

The following tables present the net revenue components of the Corporate and Investment Bank Group Division and the Private Clients and Asset Management Group Division for the years ended December 31, 2005, 2004 and 2003, respectively.

	Corporate and Investment Bank		
in € m.	**2005**	2004	2003
Sales & Trading (equity)	3,312	2,489	3,119
Sales & Trading (debt and other products)	7,336	6,299	6,081
Total Sales & Trading	**10,648**	**8,787**	**9,200**
Origination (equity)	647	499	485
Origination (debt)	1,017	916	806
Total Origination	**1,664**	**1,414**	**1,291**
Advisory	604	488	465
Loan products	1,256	1,139	1,187
Transaction services	1,971	1,863	1,915
Other	(225)	(277)	236
Total	**15,918**	**13,414**	**14,294**

	Private Clients and Asset Management		
in € m.	**2005**	2004	2003
Portfolio/fund management	2,718	2,526	2,615
Brokerage	1,847	1,657	1,588
Loan/deposit products	2,415	2,359	2,330
Payments, account & remaining financial services	857	915	823
Other	757	565	843
Total	**8,594**	**8,023**	**8,199**

Reconciliation of Segmental Results of Operations to Consolidated Results of Operations According to U.S. GAAP

The following table provides a reconciliation of the total results of operations and total assets of the Group's business segments under management reporting systems to the consolidated financial statements prepared in accordance with U.S. GAAP for the years ended December 31, 2005, 2004 and 2003.

	2005			2004			2003		
in € m.	Total Management Reporting	Consolidation & Adjustments	Total Consolidated	Total Management Reporting	Consolidation & Adjustments	Total Consolidated	Total Management Reporting	Consolidation & Adjustments	Total Consolidated
Net revenues[1]	25,741	(102)	25,640	22,058	(140)	21,918	21,572	(305)	21,268
Provision for loan losses	374	–	374	372	–	372	1,113	–	1,113
Provision for off-balance sheet positions	(24)	–	(24)	(65)	–	(65)	(50)	–	(50)
Total provision for credit losses	350			307			1,063		
Noninterest expenses[2]	18,524	654	19,178	17,420	162	17,582	17,526	(78)	17,449
Income (loss) before income taxes[3]	**6,867**	**(756)**	**6,112**	**4,331**	**(302)**	**4,029**	**2,983**	**(226)**	**2,756**
Assets	984,318	7,843	992,161	832,933	7,135	840,068	795,818	7,796	803,614
Risk-weighted positions (BIS risk positions)	249,264	1,938	251,202	215,044	1,742	216,787	214,048	1,625	215,672
Average active equity	24,132	998	25,130	23,507	1,271	24,778	26,311	1,063	27,374

[1] Net interest revenues and noninterest revenues.
[2] Excludes provision for off-balance sheet positions.
[3] Before cumulative effect of accounting changes.

The two primary components recorded in Consolidation & Adjustments are differences in accounting methods used for management reporting versus U.S. GAAP as well as results and balances from activities outside the management responsibility of the business segments.

Loss before income taxes was € 756 million in 2005, € 302 million in 2004 and € 226 million in 2003.

Net revenues included the following items:

- Adjustments related to positions which are marked to market for management reporting purposes and accounted for on an accrual basis under U.S. GAAP were approximately € (100) million in 2005, € (150) million in 2004 and € (200) million in 2003.
- Trading results from the Group's own shares are reflected in the Corporate Banking & Securities Corporate Division. The elimination of such results under U.S. GAAP resulted in credits of approximately € 15 million in 2005, € 45 million in 2004 and € 200 million in 2003 within Consolidation & Adjustments.
- Debits related to the elimination of Group-internal rental income were € (41) million in 2005, € (101) million in 2004 and € (106) million in 2003.
- Insurance premiums attributable to the Group's reinsurance subsidiary were not material in 2005 with a corresponding decline in policyholder benefits and claims (see noninterest expenses). Such insurance premiums amounted to € 91 million in 2004 and to € 79 million in 2003.
- Interest income on tax refunds from ongoing audits of prior period tax returns was € 38 million in 2005 and € 131 million in 2004.
- The remainder of net revenues in each year was due to other corporate items outside the management responsibility of the business segments, such as net funding expenses for non-divisionalized assets/liabilities and results from hedging capital of certain foreign subsidiaries.

Provisions for loan losses and provision for off-balance sheet positions included no material items in each of the reported years.

Noninterest expenses reflected the following items:

- 2005 included net additions of approximately € 500 million to provisions for legal exposures related to legacy events and provisions of € 203 million related to grundbesitz-invest, an open-end property fund sponsored and managed by a German subsidiary of the Group.
- Credits related to the elimination of Group-internal rental expenses were € 41 million in 2005, € 101 million in 2004 and € 106 million in 2003.
- Policyholder benefits and claims were not material in 2005, € 210 million in 2004, and € 89 million in 2003. The decrease in 2005 was in part corresponding to the lower insurance premiums described above and also reflected charges in 2004 associated with the settlement agreement of the WorldCom litigation. The increase in 2004 compared to 2003 was due to newly established provisions, including charges associated with the settlement agreement of the WorldCom litigation partly offset by releases for certain other self-insured risks.
- The remainder of noninterest expenses in each year was attributable to other corporate items outside the management responsibility of the business segments.

Assets and risk-weighted positions reflect corporate assets outside of the management responsibility of the business segments such as deferred tax assets and central clearing accounts.

Average active equity assigned to Consolidation & Adjustments reflects the residual amount of equity that is not allocated to the segments as described under "Framework of the Group's Management Reporting Systems" within this Footnote.

Total Net Revenues (before Provision for Loan Losses) by Geographical Location
The following table presents total net revenues (before provision for loan losses) by geographical location.

in € m.	2005	2004[1]	2003[1]
Germany:			
CIB	2,437	2,363	2,558
PCAM	4,606	4,393	4,309
Total Germany	**7,043**	**6,756**	**6,867**
Rest of Europe:			
CIB	6,145	4,514	5,019
PCAM	2,539	2,171	2,169
Total Rest of Europe[2]	**8,684**	**6,685**	**7,188**
North America (primarily U.S.):			
CIB	4,996	4,437	4,669
PCAM	1,182	1,196	1,468
Total North America	**6,177**	**5,634**	**6,136**
South America:			
CIB	233	70	139
PCAM	–	1	1
Total South America	**233**	**71**	**141**
Asia-Pacific:			
CIB	2,107	2,029	1,908
PCAM	267	262	253
Total Asia-Pacific[3]	**2,374**	**2,291**	**2,161**
Corporate Investments	1,229	621	(920)
Consolidation & Adjustments	(102)	(140)	(305)
Consolidated net revenues[4]	**25,640**	**21,918**	**21,268**

[1] Restated to conform to the 2005 management structure.
[2] The United Kingdom accounted for over one-half of these revenues in 2005, 2004 and 2003. Rest of Europe also includes the Group's African operations.
[3] Asia-Pacific also includes the Middle East.
[4] Consolidated total net revenues comprise interest revenues, interest expenses and total noninterest revenues (including net commission and fee revenues). Revenues are attributed to countries based on the location in which the Group's booking office is located. The location of a transaction on our books is sometimes different from the location of the headquarters or other offices of a customer and different from the location of our personnel who entered into or facilitated the transaction. Where we record a transaction involving our staff and customers and other third parties in different locations frequently depends on other considerations, such as the nature of the transaction, regulatory considerations and transaction processing considerations.

[28] Restructuring Activities

Restructuring plans are recorded in conjunction with acquisitions as well as business realignments. Severance includes employee termination benefits related to the involuntary termination of employees. Such costs include obligations resulting from severance agreements, termination of employment contracts and early-retirement agreements. Other costs primarily include amounts for lease terminations and related costs.

The following table presents the activity in the Group's restructuring programs for the years ended December 31, 2005, 2004, and 2003.

	2004/2005 plans		2002 plans						Total
	Business Realignment Program		Group restructuring		Scudder restructuring		CIB restructuring		
in € m.	Severance	Other	Severance	Other	Severance	Other	Severance	Other	
Balance at Dec 31, 2002	**–**	**–**	**30**	**12**	**14**	**3**	**128**	**19**	**206**
Utilization	–	–	30	11	9	3	99	9	161
Releases	–	–	–	–	4	–	21	8	33[1]
Effects from exchange rate fluctuations	–	–	–	(1)	(1)	–	(8)	(2)	(12)
Balance at Dec 31, 2003	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Additions	400	–	–	–	–	–	–	–	400
Utilization	170	–	–	–	–	–	–	–	170
Effects from exchange rate fluctuations	–	–	–	–	–	–	–	–	–
Balance at Dec 31, 2004	**230**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**230**
Additions	799	29	–	–	–	–	–	–	828
Utilization	800	25	–	–	–	–	–	–	825
Releases	61	–	–	–	–	–	–	–	61
Effects from exchange rate fluctuations	12	–	–	–	–	–	–	–	12
Balance at Dec 31, 2005	**180**	**4**	**–**	**–**	**–**	**–**	**–**	**–**	**184**

[1] Scudder restructuring reserve releases of € 4 million were recorded against goodwill. € 29 million related to the CIB restructuring was released against net income.

2004/2005 Plans

Business Realignment Program ("BRP")

The BRP covers a series of initiatives aimed at revenue growth and cost efficiency. The BRP program as announced in 2004 (together with additional measures in the fourth quarter 2004) was aimed at a reduction of approximately 6,400 full-time equivalent headcount (FTE). In 2004, these measures affected 1,600 staff, of which 1,200 related to restructuring measures and 400 to additional measures in the fourth quarter 2004. The BRP measures affected approximately 4,300 staff in 2005. A majority of the reduction occurred in the infrastructure units and a further significant portion of this reduction arose in the CIB and PCAM Group Divisions as we integrated coverage and product units. The transfer of jobs to more cost-effective locations will result in additional headcount of approximately 1,200. This results in an expected net reduction in our headcount from original BRP measures of approximately 5,200 FTE. Additional BRP-related initiatives identified during 2005, especially with regard to the sale of our UK- and Philadelphia-based Asset Management business, resulted in further headcount reduction.

The Group recorded net restructuring expenses of € 767 million in 2005 and € 400 million in 2004. The 2005 restructuring expenses consisted of € 668 million related to severance payments, € 131 million related to stock compensation awards, and € 29 million related to excess office space and other measures, which were partly offset by the release of € 61 million of unutilized 2005 and 2004 reserves. The 2005 expenses were attributable to CIB (€ 418 million), PCAM (€ 347 million) and CI (€ 2 million). Approximately € 190 million of the 2005 restructuring expenses were recorded for the aforementioned additional BRP-related initiatives.

All actions contemplated in the plan recorded in 2005 are expected to be completed by the end of the first quarter 2006. In addition, it is expected that expenses will be recorded in 2006 as further BRP-related actions are taken, both for originally planned and newly identified initiatives.

2002 Plans

Group Restructuring

The Group recorded a pre-tax charge of € 340 million in the first quarter of 2002 related to restructuring activities affecting PCAM (€ 246 million), CIB (€ 93 million) and CI (€ 1 million). These restructuring plans affected approximately 2,100 staff and included a broad range of measures primarily to stream-line the Group's branch network in Germany, as well as its infrastructure. The plan was completed during the year ended December 31, 2003.

Scudder Restructuring

During 2002, the Group recorded a restructuring liability of € 86 million related to restructuring activities in connection with the acquisition of Zurich Scudder Investments, Inc. Of this amount, approximately € 83 million of severance and other termination-related costs and € 3 million for other costs, primarily related to lease terminations, were recognized as a liability assumed as of the acquisition date and charged directly to goodwill. This restructuring plan affected approximately 1,000 Scudder staff. Reserves of € 4 million were released against goodwill in 2003. The plan was completed during the year ended December 31, 2003.

CIB Restructuring

In the second quarter of 2002, the Group recorded a restructuring liability of € 265 million related to the CIB Group Division. The plan affected approximately 2,000 staff, across all levels of the Group. The restructuring resulted from detailed business reviews and reflected the Group's outlook for the markets in which it operates. It related to banking coverage, execution and relationship management processes; custody; trade finance and other transaction banking activities; and the related technology, settlement, real estate and other support functions. Due primarily to lower than planned affected head-count, the restructuring program was completed at lower than anticipated costs. Therefore, € 21 million of staff-related reserves and € 8 million of infrastructure-related reserves were released during 2003. The plan was completed during the year ended December 31, 2003.

[29] International Operations

The following table presents asset and income statement information by major geographic area. The information presented has been classified based primarily on the location of the Group's office in which the assets and transactions are recorded. However, due to the highly integrated nature of the Group's operations, estimates and assumptions have been made to allocate items, especially consolidation items, between regions.

2005 in € m.	Total assets	Total gross revenues[1]	Total gross expenses[1]	Income before taxes	Net income
International operations:					
Europe (excluding Germany)[2]	428,819	22,426	19,631	2,795	1,867
North America (primarily U.S.)	283,431	21,193	20,308	885	413
South America	3,153	474	303	171	129
Asia-Pacific[3]	68,095	4,408	3,967	441	228
Total international	**783,498**	**48,501**	**44,209**	**4,292**	**2,637**
Domestic operations (Germany)	**208,663**	**12,846**	**11,026**	**1,820**	**892**
Total	**992,161**	**61,347**	**55,235**	**6,112**	**3,529**
International as a percentage of total above	79%	79%	80%	70%	75%

[1] Total gross revenues comprise interest revenues and total noninterest revenues (including net commissions and fee revenues). Total gross expenses comprise interest expense, provision for loan losses and total noninterest expenses.
[2] Includes balance sheet and income statement data from Africa, which were not material in 2005.
[3] Asia-Pacific also includes the Middle East.

2004 in € m.	Total assets	Total gross revenues[1]	Total gross expenses[1]	Income before taxes	Net income
International operations:					
Europe (excluding Germany)[2]	346,273	16,430	15,424	1,006	511
North America (primarily U.S.)	212,945	12,547	11,570	977	627
South America	2,867	532	440	92	87
Asia-Pacific[3]	71,928	4,016	3,418	598	262
Total international	**634,013**	**33,525**	**30,852**	**2,673**	**1,487**
Domestic operations (Germany)	**206,055**	**11,234**	**9,878**	**1,356**	**985**
Total	**840,068**	**44,759**	**40,730**	**4,029**	**2,472**
International as a percentage of total above	75%	75%	76%	66%	60%

[1] Total gross revenues comprise interest revenues and total noninterest revenues (including net commissions and fee revenues). Total gross expenses comprise interest expense, provision for loan losses and total noninterest expenses.
[2] Includes balance sheet and income statement data from Africa, which were not material in 2004.
[3] Asia-Pacific also includes the Middle East.

2003 in € m.	Total assets	Total gross revenues[1]	Total gross expenses[1]	Income before taxes[2]	Net income
International operations:					
Europe (excluding Germany)[3]	327,835	17,674	15,954	1,720	837
North America (primarily U.S.)	221,048	10,156	9,853	303	233
South America	1,277	575	575	–	–
Asia-Pacific[4]	60,101	3,389	2,877	512	357
Total international	**610,261**	**31,794**	**29,259**	**2,535**	**1,427**
Domestic operations (Germany)	**193,353**	**11,210**	**10,989**	**221**	**(62)**
Total	**803,614**	**43,004**	**40,248**	**2,756**	**1,365**
International as a percentage of total above	76%	74%	73%	92%	105%

[1] Total gross revenues comprise interest revenues and total noninterest revenues (including net commissions and fee revenues). Total gross expenses comprise interest expense, provision for loan losses and total noninterest expenses.
[2] Before cumulative effect of accounting changes.
[3] Includes balance sheet and income statement data from Africa, which were not material in 2003.
[4] Asia-Pacific also includes the Middle East.

[30] Derivative Financial Instruments and Financial Instruments with Off-Balance Sheet Risk

In the normal course of business, the Group enters into a variety of derivative transactions for both trading and nontrading purposes. The Group's objectives in using derivative instruments are to meet customers' needs, to manage the Group's exposure to risks and to generate revenues through trading activities. Derivative contracts used by the Group in both trading and nontrading activities include swaps, futures, forwards, options and other similar types of contracts based on interest rates, foreign exchange rates, credit risk and the prices of equities and commodities (or related indices).

Derivatives Held or Issued for Trading Purposes

The Group trades derivative instruments on behalf of customers and for its own positions. The Group transacts derivative contracts to address customer demands both as a market maker in the wholesale markets and in structuring tailored derivatives for customers. The Group also takes proprietary positions for its own accounts. Trading derivative products include swaps, options, forwards and futures and a variety of structured derivatives which are based on interest rates, equities, credit, foreign exchange and commodities.

Derivatives Held or Issued for Nontrading Purposes

Derivatives held or issued for nontrading purposes primarily consist of interest rate swaps used to manage interest rate risk. Through the use of these derivatives, the Group is able to modify the volatility and interest rate characteristics of its nontrading interest-earning assets and interest-bearing liabilities. The Group is subject to risk from interest rate fluctuations to the extent that there is a gap between the amount of interest-earning assets and the amount of interest-bearing liabilities that mature or reprice in specified periods. The Group actively manages this interest rate risk through, among other things, the use of derivative contracts. Utilization of derivative financial instruments is modified from time to time within prescribed limits in response to changing market conditions, as well as changes in the characteristics and mix of the related assets and liabilities.

The Group also uses cross-currency interest rate swaps to hedge both foreign currency and interest rate risks from securities available for sale.

For these hedges, the Group applies either fair value or cash flow hedge accounting when cost beneficial. When hedging only interest rate risk, fair value hedge accounting is applied for hedges of assets or liabilities with fixed interest rates, and cash flow hedge accounting is applied for hedges of floating interest rates. When hedging both foreign currency and interest rate risks, cash flow hedge accounting is applied when all functional-currency-equivalent cash flows have been fixed; otherwise fair value hedge accounting is applied.

For the years ended December 31, 2005, 2004 and 2003, net hedge ineffectiveness from fair value hedges, which is based on changes in fair value resulting from changes in the market price or rate related to the risk being hedged, and amounts excluded from the assessment of hedge effectiveness resulted in a loss of € 61 million, a loss of € 100 million and a loss of € 82 million, respectively. As of December 31, 2005, the longest term cash flow hedge outstanding, excluding hedges of existing variable rate instruments, matures in 2015.

Derivatives entered into for nontrading purposes that do not qualify for hedge accounting are also classified as trading assets and liabilities. These include interest rate swaps, credit derivatives, foreign exchange forwards and cross currency interest rate swaps used to economically hedge interest, credit and foreign exchange risk, but for which it is not cost beneficial to apply hedge accounting.

Net (gains) losses of € (138) million, € 81 million and € (13) million from nontrading equity derivatives used to offset fluctuations in employee share-based compensation expense were included in compensation and benefits for the years ended December 31, 2005, 2004 and 2003, respectively.

Derivative Financial Instruments Indexed to Our Own Shares

The Group enters into contracts indexed to Deutsche Bank common shares to acquire shares to satisfy employee share-based compensation awards, and for trading purposes.

At December 31, 2005, the Group had outstanding call options to purchase approximately 2.0 million shares at a weighted-average strike price of € 67.00 per share related to employee share-based compensation awards. The options must be net-cash settled and they mature in less than five years. The fair value of these options amounted to € 33.0 million at December 31, 2005. A € 1 decrease in the price of Deutsche Bank common shares would have reduced the fair value of these options by € 2.3 million.

Related to trading activities, the following derivative contracts that are indexed to Deutsche Bank common shares are outstanding at December 31, 2005.

Type of contract	Settlement alternative	Maturity	Number of issuer's shares to which contracts are indexed	Weighted-average strike price (in €)	Effect of decrease of share price by € 1 (€ in thousands)	Fair value of contract asset (liability) (€ in thousands)
Purchased options	Net-cash	Up to 3 months	12,890,858	83.93	(1,853)	12,565
		> 3 months – 1 year	19,701,915	45.20	(609)	81,972
		> 1 year – 5 years	18,702,559	39.96	(357)	63,876
Sold options	Net-cash	Up to 3 months	12,502,524	83.75	(8,859)	(41,273)
		> 3 months – 1 year	14,412,456	61.04	770	(95,852)
		> 1 year – 5 years	7,954,714	67.24	1,923	(93,319)
Forward purchases	Net-cash	Up to 3 months	1,200,000	84.82	(1,200)	(3,600)
		> 3 months – 1 year	1,000,428	82.83	(1,000)	6,650
	Deutsche Bank choice Net-cash/ physical[1]	Up to 3 months	44,000,000	81.00	(44,000)	(56,673)
		> 3 months – 1 year	27,687,500	73.90	(27,688)	211,513
Forward sales	Net-cash	Up to 3 months	80,532	81.90	81	(5,835)
		> 3 months – 1 year	1,959,360	81.90	1,959	251
	Counterparty choice Net-cash/ physical[1]	> 3 months – 1 year	10,215,286	70.82	10,215	(85,696)
		> 1 year – 5 years	52,142,600	53.37	52,143	(1,222,495)

[1] Fair values do not differ significantly relating to settlement alternatives.

The above contracts related to trading activities are accounted for as trading assets and liabilities and are thus carried at fair value with changes in fair value recorded in earnings.

Financial Instruments with Off-Balance Sheet Risk

The Group utilizes various lending-related commitments in order to meet the financing needs of its customers. The contractual amount of these commitments is the maximum amount at risk for the Group if the customer fails to meet its obligations. The Group may require collateral to mitigate the credit risk of these commitments. The type and terms of such collateral are determined on an individual basis. Off-balance sheet credit risk amounts are determined without consideration of the value of any related collateral and reflect the total potential loss on undrawn commitments. The table below summarizes the Group's lending-related commitments.

in € m.	Dec 31, 2005	Dec 31, 2004
Irrevocable commitments to extend credit		
For book claims and bills of exchange	130,492	101,982
For guarantees and letters of credit	1,209	1,064
Placement and underwriting commitments	896	643
Total irrevocable commitments to extend credit	132,597	103,689
Revocable commitments to extend credit	22,344	20,640
Total commitments to extend credit	**154,941**	**124,329**
Commitments to enter into reverse repurchase agreements	85,660	58,585
Commitments to enter into repurchase agreements	33,563	41,125

As of December 31, 2005 and 2004, the Group had commitments to contribute capital to equity method and other investments totaling € 279 million and € 324 million, respectively.

The Group also enters regularly into various guarantee and indemnification agreements in the normal course of business. Probable losses under these agreements are provided for as part of other liabilities. The principal guarantees and indemnifications that the Group enters into are the following:

- Financial guarantees, standby letters of credit and performance guarantees, including indemnification for the effect of income taxes that may have to be paid by counterparties on certain transactions entered into with the Group, with a carrying amount of € 573 million and € 592 million and with maximum potential payments of € 31.6 billion and € 26.9 billion as of December 31, 2005 and 2004, respectively, generally require the Group to make payments to the guaranteed party based on another's failure to meet its obligations or to perform under an obligating agreement. Most of these guarantees (€ 20.5 billion) mature within five years, for € 2.8 billion the duration is more than five years and € 8.3 billion have revolving terms. These guarantees are collateralized with cash, securities and other collateral of € 9.4 billion and € 11.8 billion as of December 31, 2005 and 2004, respectively.
- The Group offers clients a certain investment fund product with a market value guarantee feature. Such market value guarantees represent assurances under which, for example, initial investment values or, in the case of subsequent higher fund net asset values, those higher values, are guaranteed at levels as defined under the relevant agreements. As of December 31, 2005 and 2004, the maximum potential amount of future payments of the market value guarantees was € 14.7 billion and € 13.8 billion, respectively, which represents the total value guaranteed under the respective agreements. The value of those investment fund products as of December 31, 2005 and December 31, 2004 was € 15.0 billion and € 14.0 billion, respectively.
- Certain written put options require the Group to purchase specified assets at an agreed price at the election of the holder of the option. Put options which permit cash settlement and do not require the holder of the option to own the underlying asset are not considered guarantees as described in FIN 45. The carrying amount and maximum potential payments of written puts that are considered guarantees, as of December 31, 2005 was € 2.5 billion and € 20.8 billion, respectively. The carrying amount and maximum potential payments of such written puts as of December 31, 2004 was € 1.4 billion and € 14.5 billion, respectively. Of the December 31, 2005 maximum potential payments, € 6.6 billion mature within one year, € 12.2 billion mature in more than one up to five years and € 2.0 billion mature in more than five years.
- As of December 31, 2005, credit derivatives that are considered to be guarantees under FIN 45 had a carrying and maximum potential payment amount of € 300 million and € 1.5 billion, respectively. All of them mature in more than one and up to five years. Typically the Group does not receive collateral for these contracts. As of December 31, 2004, the carrying amount and maximum potential payments of credit derivatives with positive market values was € 486 million and € 2.2 billion, respectively. As of December 31, 2005 and 2004, the Group had no guarantees of this type with negative market values. Certain credit derivatives which permit cash settlement and do not require the buyer of credit protection to own the reference asset are not considered to be guarantees as described in FIN 45.

[31] Concentrations of Credit Risk

The Group is exposed to credit risk arising from all transactions that give rise to actual, contingent or potential claims against a counterparty. Significant concentrations of credit risk exist where we have material exposures to a number of counterparties with similar economic characteristics, or who are engaged in comparable activities, where these similarities may cause their ability to meet contractual obligations to be affected in the same manner by changes in economic or industry conditions. A concentration of credit risk may also exist at an individual counterparty level.

In order to monitor and manage credit risks, we use a comprehensive range of quantitative tools and metrics. Credit limits relating to counterparties, countries, products and other factors set the maximum credit exposures we are willing to assume over specified periods. Our credit policies also establish procedures (including lower approval thresholds and approval from more senior personnel) for exceptional cases when we may assume exposures beyond established limits.

Our largest concentrations of credit risk are in Western Europe and North America, with a significant share in tradable assets of the public sector. For loans, we have significant concentration in Western Europe, principally in our home market Germany, which includes most of our mortgage lending business. There is further industry concentration in Banking and Insurance, mainly from tradable assets and investment-grade OTC derivatives.

[32] Fair Value of Financial Instruments

SFAS No. 107, “Disclosures about Fair Value of Financial Instruments” (“SFAS 107”) requires the disclosure of fair value information about financial instruments, whether or not recognized in the balance sheet, for which it is practicable to estimate that value. Quoted market prices, when available, are used as the measure of fair value. In cases where quoted market prices are not available, fair values are based on present value estimates or other valuation techniques. These derived fair values are significantly affected by assumptions used, principally the timing of future cash flows and the discount rate. Because assumptions are inherently subjective in nature, the estimated fair values cannot be substantiated by comparison to independent market quotes and, in many cases, the estimated fair values would not necessarily be realized in an immediate sale or settlement of the instrument. The disclosure requirements of SFAS 107 exclude certain financial instruments and all nonfinancial instruments (e.g., franchise value of businesses). Accordingly, the aggregate fair value amounts presented do not represent management’s estimation of the underlying value of the Group.

The following are the estimated fair values of the Group's financial instruments recognized on the Consolidated Balance Sheet, followed by a general description of the methods and assumptions used to estimate such fair values.

	Carrying amount		Fair value	
in € m.	**Dec 31, 2005**	Dec 31, 2004	**Dec 31, 2005**	Dec 31, 2004
Financial assets:				
Cash and due from banks	6,571	7,579	6,571	7,579
Interest-earning deposits with banks	11,963	18,089	11,968	18,100
Central bank funds sold and securities purchased under resale agreements and securities borrowed	232,118	189,551	232,094	189,610
Trading assets	448,393	373,147	448,393	373,147
Securities available for sale	21,675	20,335	21,675	20,335
Other investments	2,329	2,358	2,408	2,364
Loans (excluding leases), net	148,549	133,801	150,904	136,311
Other financial assets	86,493	67,830	86,707	67,992
Financial liabilities:				
Noninterest-bearing deposits	30,005	27,274	30,005	27,274
Interest-bearing deposits	350,782	293,522	350,746	293,367
Trading liabilities	194,347	169,606	194,347	169,606
Central bank funds purchased and securities sold under repurchase agreements and securities loaned	168,105	118,173	168,078	118,178
Other short-term borrowings	20,549	20,118	20,538	20,115
Other financial liabilities	67,670	69,271	67,537	69,223
Long-term debt	113,554	106,870	113,803	106,602

Methods and Assumptions

For short-term financial instruments, defined as those with remaining maturities of 90 days or less, the carrying amounts were considered to be a reasonable estimate of fair value. The following instruments were predominantly short-term.

Assets	Liabilities
Cash and due from banks	Interest-bearing deposits
Central bank funds sold and securities purchased under resale agreements and securities borrowed	Central bank funds purchased and securities sold under repurchase agreements and securities loaned
Interest-earning deposits with banks	Other short-term borrowings
Other financial assets	Other financial liabilities

For those components of the above-listed financial instruments with remaining maturities greater than 90 days, fair value was determined by discounting contractual cash flows using rates which could be earned for assets with similar remaining maturities and, in the case of liabilities, rates at which the liabilities with similar remaining maturities could be issued as of the balance sheet date.

Trading assets (including derivatives), trading liabilities and securities available for sale are carried at their fair values.

For short-term loans and variable rate loans which reprice within 90 days, the carrying value was considered to be a reasonable estimate of fair value. For those loans for which quoted market prices were available, fair value was based on such prices. For other types of loans, fair value was estimated by discounting future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities. In addition, the specific loss component of the allowance for loan losses, including recoverable amounts of collateral, was considered in the fair value determination of loans. Other investments consist primarily of investments in equity instruments (excluding, in accordance with SFAS 107, investments accounted for under the equity method).

Other financial assets consisted primarily of cash/margin receivables, receivables from prime brokerage, pending securities transactions past settlement date and loans held for sale, net.

Noninterest-bearing deposits do not have defined maturities. Fair value represents the amount payable on demand as of the balance sheet date.

Other financial liabilities consisted primarily of cash/margin payables, payables from prime brokerage, pending securities transactions past settlement date and accrued expenses.

The fair value of long-term debt was estimated by using market quotes, as well as discounting the remaining contractual cash flows using a rate at which the Group could issue debt with a similar remaining maturity as of the balance sheet date.

The fair value of commitments to extend credit was estimated by using market quotes. On this basis, at December 31, 2005, the fair value of commitments to extend credit approximated the allowance for these commitments of € 135 million.

[33] Litigation

Enron Litigation. Deutsche Bank AG and certain of its affiliates are collectively involved in more than 20 lawsuits arising out of their banking relationship with Enron Corp., its subsidiaries and certain Enron-related entities (“Enron”). These lawsuits include a series of purported class actions brought on behalf of shareholders of Enron, including the lead action captioned *Newby v. Enron Corp.* The consolidated complaint filed in Newby named as defendants, among others, Deutsche Bank AG, several other investment banking firms, a number of law firms, Enron’s former accountants and affiliated entities and individuals and other individual defendants, including present and former officers and directors of Enron, and it purported to allege claims against Deutsche Bank AG under federal securities laws. On December 20, 2002, the Court dismissed all of the claims alleged in the *Newby* action against Deutsche Bank AG. Plaintiffs in *Newby* filed a first amended consolidated complaint on May 14, 2003 and reasserted claims against Deutsche Bank AG under federal securities laws and also added similar claims against its subsidiaries Deutsche Bank Securities Inc. (“DBSI”) and Deutsche Bank Trust Company Americas (“DBTCA”). On March 29, 2004, the Court dismissed in part the claims alleged in the *Newby* action against the Deutsche Bank entities. Specifically, the Court dismissed the fraud claims, but did not dismiss the non-fraud claims. On July 26, 2005, the Court granted plaintiffs’ motion for reconsideration of the partial dismissal of claims against the Deutsche Bank entities, and reinstated the fraud claims against the Deutsche Bank entities that had been dismissed on March 29, 2004. Plaintiffs’ motion to certify a class of shareholders in *Newby* is being briefed.

Also, an adversary proceeding has been brought by Enron in the bankruptcy court against, among others, Deutsche Bank AG and certain of its affiliates. In this adversary proceeding, Enron seeks damages from the Deutsche Bank entities, as well as the other defendants, for alleged aiding and abetting breaches of fiduciary duty by Enron insiders, aiding and abetting fraud and unlawful civil conspiracy, and also seeks return of alleged fraudulent conveyances and preferences and equitable subordination of their claims in the Enron bankruptcy. The Deutsche Bank entities’ motion to partially dismiss the adversary complaint is pending.

In addition to *Newby* and the adversary proceeding described above, there are third-party actions brought by Arthur Andersen in Enron-related cases asserting contribution claims against Deutsche Bank AG, DBSI and many other defendants, and individual and putative class actions brought in various courts by Enron investors and creditors alleging federal and state law claims against the same entities named by Arthur Andersen, as well as DBTCA.

Tax-Related Products. Deutsche Bank AG, along with certain affiliates and employees (collectively referred to as "Deutsche Bank"), have collectively been named as defendants in more than 75 legal proceedings brought by investors in various tax-oriented transactions. Deutsche Bank provided financial products and services to these investors, who were advised by various accounting, legal and financial advisory professionals. The investors claimed tax benefits as a result of these transactions, and the United States Internal Revenue Service has rejected those claims. In these legal proceedings, the investors allege that, together with Deutsche Bank, the professional advisors improperly misled the investors into believing that the claimed tax benefits would be upheld by the Internal Revenue Service. The legal proceedings are pending in numerous state and federal courts and in arbitration, and claims against Deutsche Bank are alleged under both U.S. state and federal law. Many of the claims against Deutsche Bank are asserted by individual investors, while others are asserted on behalf of a putative investor class. No litigation class has been certified as against Deutsche Bank. The legal proceedings are currently at various pre-trial stages, including discovery.

The United States Department of Justice ("DOJ") is also conducting a criminal investigation of tax-oriented transactions that were executed from approximately 1997 through 2001. In connection with that investigation, DOJ has sought various documents and other information from Deutsche Bank and has been investigating the actions of various individuals and entities, including Deutsche Bank, in such transactions. In the latter half of 2005, DOJ brought criminal charges against numerous individuals based on their participation in certain tax-oriented transactions while employed by entities other than Deutsche Bank. In the latter half of 2005, DOJ also entered into a Deferred Prosecution Agreement with an accounting firm (the "Accounting Firm"), pursuant to which DOJ agreed to defer prosecution of a criminal charge against the Accounting Firm based on its participation in certain tax-oriented transactions provided that the Accounting Firm satisfied the terms of the Deferred Prosecution Agreement. On February 14, 2006, DOJ announced that it had entered into a Deferred Prosecution Agreement with a financial institution (the "Financial Institution"), pursuant to which DOJ agreed to defer prosecution of a criminal charge against the Financial Institution based on its role in providing financial products and services in connection with certain tax-oriented transactions provided that the Financial Institution satisfied the terms of the Deferred Prosecution Agreement. Deutsche Bank provided similar financial products and services in certain tax-oriented transactions that are the same or similar to the tax-oriented transactions that are the subject of the above-referenced criminal charges. Deutsche Bank also provided financial products and services in additional tax-oriented transactions as well. DOJ's criminal investigation is on-going.

Philipp Holzmann AG. Philipp Holzmann AG ("Holzmann") is a major German construction firm which filed for insolvency in March 2002. Deutsche Bank had been a major creditor bank and holder of an equity interest of Holzmann for many decades, and, from April 1997 until April 2000, a former member of Deutsche Bank AG's Management Board was the Chairman of its Supervisory Board. When Holzmann had become insolvent at the end of 1999, a consortium of banks led by Deutsche Bank participated in late 1999 and early 2000 in a restructuring of Holzmann that included the banks' extension of a credit facility, participation in a capital increase and exchange of debt into convertible bonds. In March 2002, Holzmann and several of its subsidiaries, including in particular imbau Industrielles Bauen GmbH ("imbau"), filed for insolvency. As a result of this insolvency, the administrators for Holzmann and for imbau and a group of bondholders have informed Deutsche Bank they are asserting claims against it because of its role as lender to the Holzmann group prior to and after the restructuring and as leader of the consortium of banks which supported the restructuring. The purported claims include claims that amounts repaid to the banks constituted voidable preferences that should be returned to the insolvent entities and claims of lender liability resulting from the banks' support for an allegedly infeasible restructuring. Although Deutsche Bank is in ongoing discussions, it cannot exclude that some of the parties may file lawsuits against it. To date, the administrator for imbau filed a lawsuit against Deutsche Bank in August 2004 alleging that payments received by Deutsche Bank in respect of a loan made to imbau in 1997 and 1998 and in connection with a real estate transaction that was part of the restructuring constituted voidable preferences that should be returned to the insolvent entity. Several bondholders filed a lawsuit against Deutsche Bank in December 2005 seeking damages because of its allegedly unlawful support of Holzmann's 1999/2000 restructuring. Additionally, Gebema N.V. filed a lawsuit in 2000 seeking damages against Deutsche Bank alleging deficiencies in the offering documents based on which Gebema N.V. had invested in equity and convertible bonds of Holzmann in 1998.

General. Due to the nature of its business, the Group is involved in litigation, arbitration and regulatory proceedings in Germany and in a number of jurisdictions outside Germany, including the United States, arising in the ordinary course of business. Such matters are subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. Although the final resolution of any such matters could have a material effect on the Group's consolidated operating results for a particular reporting period, the Group believes that it should not materially affect its consolidated financial position.

[34] Terrorist Attacks in the United States

As a result of the terrorist attacks in the United States on September 11, 2001, several of the Group's office buildings as well as a leased property were severely damaged or destroyed. Costs incurred by the Group as a result of the terrorist attacks include, but are not limited to, write-offs of fixed assets, expenses incurred to replace fixed assets that were damaged, relocation expenses, and expenses incurred to secure and maintain the damaged properties. The Group made claims for these costs through its insurance policies.

During 2003, the Group reached a settlement with two of its four insurers. As of December 31, 2005, the Group has partially settled with the other two insurers, including a tri-party agreement in which the Lower Manhattan Development Corporation (LMDC) purchased the land at 130 Liberty Street in 2004 for U.S.$ 90 million and will pay for the demolition of the building on the property, subject to a demolition cap agreement that establishes an amount above which costs will be borne by the two insurers. The remaining claims with these two insurers were directed to a binding arbitration process for resolution. Certain aspects of those claims have been determined by the arbitration panel, and are the subject of pending appeals to the New York State Supreme Court. The remaining aspects are still before the arbitration panel for decision.

As of December 31, 2005, the Group received payments from the four insurers and the LMDC totaling U.S.$ 893 million. These proceeds for the settled portions of its claims exceeded the total amount of the net receivable on the balance sheet for asset write-offs, environmental, consulting, and other costs. The net insurance reimbursements and proceeds of the sale of the property at 130 Liberty Street resulted in a benefit of € 39 million and € 51 million for the years ended December 31, 2005 and 2004, respectively. No losses were recorded by the Group for the year ended December 31, 2003.

[35] Supplementary Information to the Consolidated Financial Statements According to § 292a HGB

As a condition for the exemption under Section 292a German Commercial Code (HGB) in the version effective until December 9, 2004 in connection with Article 57 para. 1 of the Accounting Law Reform Act (Bilanzrechtsreformgesetz –BilReG), group accounts following U.S. GAAP must be prepared in conformity with the disclosure requirements of the European Union. The Consolidated Financial Statements of Deutsche Bank are in accordance with the Directives 83/349/EWG and 86/635/EWG with regard to the following information. These supplementary comments and disclosures do not refer definitely to items of our p&l or balance sheet formats according to U.S. GAAP. E.g. the item “Loans and advances to customers” is composed inter alia of partial amounts of loans, net, securities borrowed, securities purchased under resale agreements, and other assets.

Treasury Bills and Other Bills Eligible for Refinancing with Central Banks

in € m.	**Dec 31, 2005**	Dec 31, 2004
Treasury bills and similar securities	56,122	56,211
Other bills eligible for refinancing with central banks	310	326
Total	**56,432**	**56,537**

Loans and Advances to Credit Institutions and Customers

in € m.	**Dec 31, 2005**	Dec 31, 2004
Loans and advances to credit institutions	**123,652**	**103,785**
Repayable on demand	58,433	46,928
Remaining maturity of		
up to three months	51,723	41,528
more than three months and up to one year	6,775	6,944
more than one year and up to five years	4,119	5,010
more than five years	2,602	3,375
Loans and advances to customers	**369,451**	**301,475**
Remaining maturity of		
up to three months	248,732	198,392
more than three months and up to one year	21,640	19,691
more than one year and up to five years	40,509	34,615
more than five years	58,570	48,777

Debt Securities and Other Fixed-income Securities

in € m.	**Dec 31, 2005**	Dec 31, 2004
Issued by public-sector issuers	56,336	58,696
Issued by other issuers	164,308	123,326
Total	**220,644**	**182,022**

Structure and Development of Other Investments

in € m.	Equity method investments	Other equity investments	Total
Acquisition cost			
as of Jan 1, 2005	5,509	2,474	7,983
impairment	(1)	(10)	(11)
change in the group of consolidated companies	(208)	(99)	(307)
effects of exchange rate changes	83	132	215
additions	1,607	517	2,124
transfers	134	(145)	(11)
disposals	(2,066)	(493)	(2,559)
as of Dec 31, 2005	5,058	2,376	7,434
Amortization			
as of Jan 1, 2005	47	–	47
change in the group of consolidated companies	(16)	–	(16)
effects of exchange rate changes	19	–	19
additions	–	–	–
transfers	2	–	2
disposals	–	–	–
as of Dec 31, 2005	52	–	52
Book values			
as of Dec 31, 2005	5,006	2,376	7,382

Shareholdings in banks held at equity amounted to € 1,932 million (2004: € 2,503 million). Other equity investments included participating interests in the amount of € 818 million (2004: € 1,062 million), of which € 1 million (2004: € 11 million) related to investments in banks.

The list of shareholdings is deposited with the Commercial Register in Frankfurt am Main, but can also be ordered free of charge.

Loans from and Advances and Liabilities to Participating Interests and Investments Held at Equity

Loans from and advances to participating interests and investments held at equity, trading assets related to these investees as well as debt securities available for sale issued by these investees amounted to € 4,564 million (2004: € 4,541 million).

Liabilities to participating interests and investments held at equity as well as trading liabilities related to these investees were € 5,011 million (2004: € 3,234 million).

Intangible Assets and Premises and Equipment

Land and buildings with a book value totaling € 1,956 million (2004: € 1,923 million) were used within the scope of our own activities.

in € m.	Goodwill	Other intangible assets	Premises and equipment	**Total**
Cost of acquisition/manufacture				
as of Jan 1, 2005	8,551	1,132	8,989	18,672
impairment	–	–	(6)	(6)
change in the group of consolidated companies	(116)	3	(330)	(443)
effects of exchange rate changes and other	915	178	362	1,455
additions	–	38	701	739
transfers	–	(15)	(28)	(43)
disposals	–	(25)	(785)	(810)
as of Dec 31, 2005	9,350	1,311	8,903	19,564
Amortization/depreciation				
as of Jan 1, 2005	2,173	63	3,764	6,000
change in the group of consolidated companies	(30)	–	(28)	(58)
effects of exchange rate changes and other	162	23	155	340
additions	–	46	508	554
transfers	–	–	4	4
disposals	–	(19)	(579)	(598)
as of Dec 31, 2005	2,305	113	3,824	6,242
Book value				
as of Dec 31, 2005	7,045	1,198	5,079	13,322

Subordinated Assets

The total amount of subordinated assets was € 4,539 million (2004: € 3,141 million).

Liabilities to Credit Institutions and Customers

in € m.	Dec 31, 2005	Dec 31, 2004
Amounts owed to credit institutions	**339,226**	**272,676**
Repayable on demand	210,504	175,034
With agreed maturity date or period of notice		
up to three months	106,843	72,602
more than three months and up to one year	8,241	10,800
more than one year and up to five years	6,198	7,150
more than five years	7,440	7,090
Savings deposits	**29,127**	**25,374**
With agreed period of notice		
up to three months	23,485	18,633
more than three months and up to one year	4,215	4,927
more than one year and up to five years	1,402	1,788
more than five years	25	26
Other liabilities to customers	**319,704**	**283,882**
Repayable on demand	162,457	140,301
With agreed maturity date or period of notice		
up to three months	128,772	114,624
more than three months and up to one year	7,911	9,670
more than one year and up to five years	8,503	11,355
more than five years	12,061	7,932
Debt securities issued	**85,232**	**79,818**
Other liabilities evidenced by paper	**58,321**	**35,587**
Remaining maturity of		
up to three months	26,484	14,743
more than three months and up to one year	27,736	17,743
more than one year and up to five years	2,927	2,288
more than five years	1,174	813

Provisions

in € m.	Dec 31, 2005	Dec 31, 2004
Provisions for pensions and similar obligations	266	181
Provisions for taxes	7,215	6,677
Provisions in insurance business	1,752	7,617
Other provisions	9,319	7.024
Total	**18,552**	**21,499**

Subordinated Liabilities

The following table shows the significant subordinated liabilities.

Currency	Amount	Issuer/type	Interest rate	Maturity
EUR	750,000,000.–	Deutsche Bank AG, callable note of 2002	5.38%	Mar 27, 2012
EUR	1,100,000,000.–	Deutsche Bank AG, bond of 2003	5.13%	Jan 31, 2013
EUR	1,000,000,000.–	Deutsche Bank AG, bond of 2004	var. 3.88%	Jan 16, 2014
EUR	750.000.000,–	Deutsche Bank AG, bond of 2005	var. 2.69%	Sep 22, 2015
EUR	1,000,000,000.–	Deutsche Bank AG, bond of 2003	5.33%	Sep 19, 2023
EUR	900.000.000,–	Deutsche Bank AG, bond of 2005	6.00%	Jan 28, 2035
U.S.$	1,100,000,000.–	Deutsche Bank Financial Inc., Dover/USA, "Yankee"-bond of 1996	6.70%	Dec 13, 2006
U.S.$	650,000,000.–	DB Capital Funding LLC I, Wilmington/USA, issue proceeds passed on to Deutsche Bank AG	7.87%	Jun 30, 2009
U.S.$	800,000,000.–	Deutsche Bank Financial Inc., Dover/USA, "Yankee"-bond of 2003	5.38%	Mar 2, 2015

For the above subordinated liabilities there is no premature redemption obligation on the part of the issuers. In case of liquidation or insolvency, the claims and interest claims resulting from these liabilities are subordinate to those claims of all creditors of the issuers that are not also subordinated. These conditions also apply to the subordinated borrowings not specified individually.

Foreign Currency

The table shows the effects of exchange rate changes on the balance sheet.

in € m.	**Dec 31, 2005**	Dec 31, 2004
Foreign currency assets	663,500	543,900
thereof U.S.$	436,800	316,100
Foreign currency liabilities (excluding capital and reserves)	580,700	467,100
thereof U.S.$	350,000	285,100
Change in total assets owing to parity changes for foreign currencies[1]	97,400	(47,100)
thereof due to U.S.$	67,900	(31,800)

[1] Based on the asset side.

Trust Activities

Trust assets

in € m.	Dec 31, 2005	Dec 31, 2004
Interest-earning deposits with banks	904	1,008
Securities available for sale	65	6,461
Loans	8,402	6,676
Others	1,458	3,618
Total	**10,829**	**17,763**

Trust liabilities

in € m.	Dec 31, 2005	Dec 31, 2004
Deposits	5,950	13,914
Short-term borrowings	–	1,468
Long-term debt	3,309	851
Others	1,570	1,530
Total	**10,829**	**17,763**

Interest Revenues

Interest revenues include interest income from debt securities available for sale and other investments in the amount of € 602 million (2004: € 509 million).

Dividend Income from Securities Available for Sale and Other Investments

Dividend income from securities available for sale and other investments amounted to € 264 million (2004: € 300 million). Included in this figure is dividend income on equity securities available for sale in the amount of € 223 million (2004: € 238 million).

Commission Income

Commissions receivable amounted to € 12,406 million (2004: € 12,171 million) and commissions payable to € 2,317 million (2004: € 2,665 million), especially in securities business and for asset management.

The following administration and agency services were provided for third parties: custodian, asset management, administration of trust assets, referral of mortgages, insurance policies and property finance agreements, as well as mergers & acquisitions.

Staff Costs

in € m.	2005	2004
Wages and salaries	9,315	8,512
Social security costs	1,678	1,710
thereof: those relating to pensions	450	496
Total	**10,993**	**10,222**

Other Operating Income and Expenses

Other income from ordinary activities consisted above all of net income from real estate, net income from investment companies as well as income from derivatives used as hedges.

Other current expenses from ordinary activities consisted, among other things, of additions to provisions not relating to lending or securities business, expenses for residential property maintenance of Deutsche Wohnen AG, Eschborn, and other taxes.

Result from Financial Investments

in € m.	2005	2004
Result from securities available for sale	1,055	235
Result from other investments[1]	186	21
Total	**1,241**	**256**

[1] Excluding investments held at equity and investments held by designated investment companies.

Extraordinary Items
There are no extraordinary items to be reported for 2005 and 2004.

Board of Managing Directors and Supervisory Board
In 2005, the total compensation of the Management Board was € 28,716,908.69 (2004: € 25,101,614), thereof € 24,560,000 (2004: € 20,901,900) for variable components.

Former members of the Management Board of Deutsche Bank AG or their surviving dependents received € 17,318,338.74 (2004: € 17,918,080). In addition to a fixed payment of € 1,124,620 (2004: € 1,124,620) (including value-added tax), the Supervisory Board received dividend-related emoluments totaling € 1,485,670 (2004: € 979,910).

Provisions for pension obligations to former members of the Management Board and their surviving dependents totaled € 191,854,101 (2004: € 171,093,311).

At the end of 2005, loans and advances granted and contingent liabilities assumed for members of the Management Board amounted to € 885,200 (2004: € 5,100) and for members of the Supervisory Board of Deutsche Bank AG to € 427,300 (2004: € 400,900).

Staff
The average number of effective staff employed in 2005 was 64,036 (2004: 66,115) of whom 27,004 (2004: 27,981) were women. Part-time staff is included in these figures proportionately. An average of 37,253 (2004: 37,913) staff members worked abroad.

Other Publications
The list of mandates gives details of mandates in Germany and abroad. It can be obtained free of charge.

Reconciliation Comments
Differences in accounting and measurement methods in the Consolidated Financial Statements: U.S. GAAP compared to German Commercial Code (HGB).

Trading Assets. Trading assets include securities held for trading purposes and positive market values from outstanding derivative financial instruments.

Trading Liabilities. Trading liabilities comprise short positions and negative market values from derivative financial instruments.

Trading activities in the Annual Financial Statements according to HGB. In accordance with recent statements by the Banking Committee of the Institute of Auditors in Germany (IDW Institut der Wirtschaftsprüfer in Deutschland e.V.) and common practice, it is permissible to account for financial instruments at market values under certain conditions. In this context, the financial instruments are combined as valuation units in portfolios and reported at market values subject to value compensation and a markdown for risk (value-at-risk).

Financial instruments are included in the corresponding balance sheet items. As a result, positive market values from derivative financial instruments are reported under sundry assets and negative market values from derivative financial instruments under sundry liabilities.

Netting in trading activities. Trading assets and trading liabilities are netted if there is an enforceable master netting agreement. Similarly, positive and negative market values from derivative financial instruments with the same counterparty are netted under existing master netting agreements. Furthermore, long and short positions in a marketable security are also reported net (so-called “CUSIP/ISIN netting”).

In the Annual Financial Statements according to HGB, netting of trading activities is basically not allowed. This applies in particular to the netting of positive and negative market values on the basis of master netting agreements. An exception to this is the so-called CUSIP/ISIN netting.

Securities Available for Sale. Financial assets classified as securities available for sale are carried at fair value, whereby, unrealized gains and losses are reported within “shareholders’ equity” and realized gains and losses are recorded in earnings. Under the German Commercial Code these holdings are carried at lower-of-cost-or-market on the balance sheet.

Goodwill. Under U.S. GAAP, goodwill is not amortized but tested for impairment on an ongoing basis. Under the German Commercial Code and German Accounting Standards, goodwill is amortized over a period of up to 20 years.

Premises and Equipment

Tax bases. Premises and equipment are not reported based on the tax value in the U.S. GAAP financial statements. As a result, premises and equipment are usually carried at a higher value compared with statements prepared under the German Commercial Code.

Software costs. Certain costs for self-developed software are capitalized if the specific conditions of U.S. GAAP are fulfilled. Under the German Commercial Code, all construction costs related to self-developed software are expensed as incurred if not subject to the exceptions issued by the Bundesministerium der Finanzen (German Ministry of Finance).

Provisions

for pension plans and similar obligations. Forecasted salary growth is taken into account in the actuarial calculation of pension provisions. Effects of plan amendments on the pension liability are deferred and not fully recognized in P&L immediately. Also, market interest rates are utilized.

In case of pension trusts whose designated trust assets serve solely to secure the long-term pension commitments made by the bank and therefore are segregated from the bank’s other operating assets, the pension liabilities are offset with the designated plan assets for reporting purposes. The corresponding profit components are also offset. The German Commercial Code does not allow such offsetting for balance sheet and P&L reporting purposes.

Deferred Taxes. Deferred taxes are recorded in accordance with the balance sheet-related temporary differences concept whereby the carrying amounts of individual assets and liabilities in the balance sheet are compared with the values for tax purposes. Temporary differences between these values result in deferred tax assets or deferred tax liabilities. On the other hand, tax deferrals according to the German Commercial Code are only admissible as timing differences between commercial-law results and the profit to be calculated in accordance with tax regulations.

Own Bonds/Own Shares. Repurchased own bonds are extinguished. Differences between cost and issuing value are recognized in the statement of income.

Own shares (treasury shares) are deducted from shareholders’ equity with their acquisition cost.

Gains and losses are directly attributed to additional paid-in capital/retained earnings.

Minority Interests. Minority interests are reported as other liabilities.

Trust Business. In accordance with its economic content, trust business which the bank transacts in its own name, but for third-party account, is not reported on the face of the balance sheet.

[36] Corporate Governance

Deutsche Bank AG and its only German listed consolidated subsidiary, Deutsche Wohnen AG, have approved the Declaration of Conformity in accordance with § 161 of the German Corporation Act (AktG) and made it accessible to shareholders.

[37] Principal Accounting Fees and Services

The table below gives a breakdown of the fees charged by our auditors for the 2005 financial year:

Fee category in € m.	**2005**
Audit fees	42
thereof to KPMG Germany	22
Audit-related fees	9
thereof to KPMG Germany	4
Tax fees	8
thereof to KPMG Germany	2
Total fees	**59**

For further information please refer to our Corporate Governance Report.

[38] Management Board in the Reporting Year

Josef Ackermann
Chairman (Spokesman until January 31, 2006)

Clemens Börsig

Tessen von Heydebreck

Hermann-Josef Lamberti

Statement by the Management Board

The Management Board of Deutsche Bank AG is responsible for the Consolidated Financial Statements. They have been prepared in accordance with accounting principles generally accepted in the United States of America and thus fulfil the conditions of § 292a German Commercial Code in the version effective until December 9, 2004 for exemption from preparation of consolidated financial statements in accordance with German commercial law. In addition, the disclosure requirements of the European Union have been met.

The responsibility for correct accounting requires an efficient internal management and control system and a functioning audit apparatus. Deutsche Bank's internal control system is based on written communication of policies and procedures governing structural and procedural organization, enlarged risk controlling for default and market risks as well as the segregation of duties. It covers all business transactions, assets and records. Deutsche Bank's audit is carried out in accordance with the extensive audit plans covering all divisions of the Group and also including compliance with the organizational terms of reference.

KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft audited the Consolidated Financial Statements in accordance with German auditing regulations, and in supplementary compliance with auditing standards generally accepted in the United States of America and issued an unqualified opinion. KPMG Deutsche Treuhand-Gesellschaft and the Audit Department of Deutsche Bank had free access to all documents needed in the course of their audits for an evaluation of the Consolidated Financial Statements and for an assessment of the appropriateness of the internal control system.

Josef Ackermann

Clemens Börsig

Tessen von Heydebreck

Hermann-Josef Lamberti

Independent Auditors' Report

We have audited the consolidated financial statements, comprising the balance sheet, the income statement, the statement of comprehensive income and the statements of changes in shareholders' equity and cash flows as well as the notes to the financial statements prepared by Deutsche Bank AG for the business year from January 1, 2005 to December 31, 2005. The preparation and the content of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America 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 (German Institute of Auditors), and in supplementary compliance with the 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. 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, based on the results of our audit, 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 accounting principles generally accepted in the United States of America.

Our audit, which also extends to the structured presentation of additional disclosures with regard to the Group's position required by Article 36 of the 7th EU Directive prepared by the Company's management for the business year from January 1, 2005 to December 31, 2005, has not led to any reservations. In our opinion on the whole the structured presentation, together with the other disclosures in the consolidated financial statements, provides a suitable understanding of the and suitably presents the opportunities and risks of future development. In addition, we confirm that the consolidated financial statements and the structured presentation of additional disclosures with regard to the Group's position for the business year from January 1, 2005 to December 31, 2005 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 am Main, March 9, 2006
KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Nonnenmacher	Becker
Wirtschaftsprüfer	Wirtschaftsprüfer

Report of the Supervisory Board

At the four meetings of the Supervisory Board last year, we were comprehensively informed of economic and financial developments, of important business developments and the bank's corporate strategy and planning. We advised the Management Board and monitored its management of business. The Management Board informed us regularly, without delay and comprehensively, and presented to us all matters that required the Supervisory Board's decision. Between the meetings, the Management Board kept us informed in writing of important events. In addition, resolutions were passed, where necessary, by circulation procedure. At the meetings of the Supervisory Board, members of the Group Executive Committee reported on the developments in their business divisions.

The Management Board reported regularly on business policies and other fundamental issues relating to management and corporate planning, strategy, the bank's financial development and earnings situation, the bank's risk management as well as transactions and events that were of significant importance to the bank. Moreover, important topics and upcoming decisions were also dealt with in regular discussions between the Spokesman, respectively the Chairman of the Management Board and the Chairman of the Supervisory Board. We obtained regular reports on the trial proceedings in the Mannesmann case, on the status of the proceedings of Dr. Kirch against the bank and Dr. Breuer, as well as on the actions for rescission and to obtain information filed in connection with the General Meetings 2003, 2004 and 2005. In a telephone conference on December 21, 2005, Dr. Ackermann's defence council gave us its view of the ruling of the German Supreme Court on the Mannesmann case. We subsequently issued a press statement in which we expressed our unrestricted trust in Dr. Ackermann.

After achieving the goals the bank set itself in 2002 and after exceeding our RoE target in 2005 by maintaining strict cost, capital and risk discipline, we want to sustain profitable growth in all businesses and regions. In our Corporate and Investment Bank Group Division we want to expand our leading position in Europe, and reach top positions in the U.S. and the Asia-Pacific region. In our global asset management business, we will continue to focus on our goal of becoming one of the best asset managers in the world. In our Corporate Division Private & Business Clients, we aim to further strengthen our position in our home market, Germany, and expand our business in Europe and Asia.

Meetings of the Supervisory Board

At the first meeting of the year on February 2, 2005, we discussed the development of business in 2004, the key figures of the Annual Financial Statements for 2004, the dividend proposal and the corporate planning for the years 2005 to 2007.

On March 18, 2005, we approved the Annual Financial Statements for 2004, which were thus established. Furthermore, discussions were held on the Corporate Governance Report and the Compliance Report, the resolution proposals for the agenda of the General Meeting 2005 were approved, and we discussed the Group's risk management. Due to certain changes, substitute members were elected to the committees of the Supervisory Board. The changes are listed on page 192 of the Financial Report.

At our meeting on July 28, 2005, we arranged to receive information on the development of business in the first half of 2005 and discussed the implementation of a new appraisal of the efficiency of the Supervisory Board. We also discussed and approved the sale of the institutional asset management business in the U.K. and the associated business units.

At the Supervisory Board's last meeting of the year on October 27, 2005, discussions focused on the development of business in the first nine months and, in particular, on the bank's further strategic development. In addition, Mr. Fitschen explained the objectives and structure of the regional management. The bank's Human Resources Report on staff development and succession planning was discussed, and the purchase of the remaining shares of United Financial Group (UFG), Moscow was resolved.

All members of the Supervisory Board participated in at least half of the Supervisory Board meetings during their period of office in the year 2005.

Corporate Governance

We discussed the implementation of the requirements of the German Corporate Governance Code and the U.S. Sarbanes-Oxley Act at several of the Supervisory Board, Chairman's Committee and Audit Committee meetings. In July the Supervisory Board decided to implement a new appraisal of the efficiency of the Supervisory Board. For this purpose, a questionnaire reflecting the specific circumstances of Deutsche Bank was sent to all members of the Supervisory Board and the Management Board. In the meeting on February 1, 2006, the answers were presented and suggestions for improvement discussed. Initial proposals for providing the Supervisory Board with information and on the structure of the Supervisory Board meeting have already been implemented. Further suggestions for improvement will be discussed in the next meetings. The Audit and the Chairman's Committee also conducted appraisals of efficiency and discussed suggestions for improvement.

All of the terms of reference for the Supervisory Board and its committees as well as for the Management Board are published on Deutsche Bank's website (www.deutsche-bank.com) under the heading Investor Relations/Corporate Governance. Two meetings were "executive meetings" of the Supervisory Board, i.e. they took place without the Management Board, as suggested in No. 3.6 of the German Corporate Governance Code. The Declaration of Conformity pursuant to § 161 German Stock Corporation Act (AktG), last issued by the Supervisory Board and Management Board in October 2004, was renewed in October 2005.

A comprehensive presentation of the bank's corporate governance, including the text of the Declaration of Conformity issued on October 27, 2005, can be found on page 190 and on our website on the Internet at www.deutsche-bank.com/corporate-governance.

The Committees of the Supervisory Board

The Supervisory Board received regular reports on the work of its committees.

The Chairman's Committee met four times during the reporting period. At its meetings, the Committee handled issues relating to the Management Board, in particular the determination of the variable compensation components for the Management Board in 2004, succession planning for the Management Board, and the process of selecting new Supervisory Board members. Moreover, it discussed the proposal to conduct a new appraisal of the efficiency of the Supervisory Board based on a questionnaire reflecting the specific circumstances of the Supervisory Board of Deutsche Bank.

At its six meetings, the Risk Committee discussed exposures subject to mandatory approval under German law and the Articles of Association as well as all major loans and loans entailing increased risks. Where necessary, the Risk Committee gave its approval. Apart from credit, liquidity, country and market risks, the Committee also discussed operational, legal and reputational risks extensively. Furthermore, global industry portfolios were presented according to a specified plan and discussed at length.

The Audit Committee met five times in 2005. Representatives of the bank's auditor also attended its meetings. Subjects covered were the audit and approval of the Annual Financial Statements and Consolidated Financial Statements, the Form 20-F for the SEC, the quarterly financial statements, relations with the auditor, the proposal for the election of the auditor for the business year 2005, the auditor's remuneration and the audit mandate, including certain focal points for the audit as well as the control of the auditor's independence. The Audit Committee is convinced that there are no conflicts of interest on the part of the bank's auditor. As in the preceding years, the Committee extensively discussed the provisions of the U.S. Sarbanes-Oxley Act on the Audit Committee's working procedures and, when necessary, passed resolutions or recommended resolutions for the Supervisory Board. The Audit Committee had reports submitted to it regularly on the work of Internal Audit as well as on legal and reputational risks.

Meetings of the Mediation Committee, established pursuant to the provisions of the Co-Determination Act, were not necessary in 2005.

Conflicts of Interest and their Handling

The Risk Committee dealt with the loan approvals required pursuant to § 15 of the German Banking Act. Supervisory Board members who were also board members of the respective borrowing company when the resolutions were taken did not participate in this.

The Supervisory Board was kept informed regularly on Dr. Kirch's lawsuits against Deutsche Bank and Dr. Breuer, and discussed further courses of action. In its meetings on February 1, 2006 and March 17, 2006, the Supervisory Board analyzed, without Dr. Breuer's participation, the consequences of the German Supreme Court ruling of January 24, 2006 and discussed future courses of action. This discussion concluded that, at present, there are no material conflicts of interest or those which are not merely of a temporary nature as per No. 5.5.3 of the German Corporate Goverance Code.

Annual Financial Statements

Representatives of the bank's auditor attended the Financial Statements Meeting of the Supervisory Board on March 17, 2006 and commented on questions raised.

KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, the auditor of the Annual Financial Statements elected at last year's General Meeting, has audited the accounting, the Annual Financial Statements and the Management Report for 2005 as well as the Consolidated Financial Statements with the related Notes and Management Report for 2005. The audits led in each case to an unqualified opinion. After inspecting the reports of the auditor of the Annual Financial Statements, we agreed with the results of these audits.

Today, we established the Annual Financial Statements prepared by the Management Board and approved the Consolidated Financial Statements. We agree with the proposal for the appropriation of profits and with the payment of a dividend of € 2.50 per no par value share entitled to dividend payment.

Personnel Issues

There were no personnel changes on the Management Board during the reporting period.

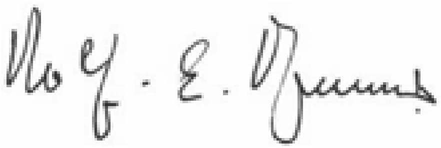
Effective February 1, 2006, Dr. Ackermann was appointed Chairman of the Management Board. Deutsche Bank is thus confirming to national and international practice in the appointment of its Management Board.

Dr. rer.oec. Karl-Hermann Baumann retired from the Supervisory Board on May 18, 2005 following the General Meeting. For the remaining period of office, i.e. to the end of the General Meeting in 2008, Prof. Dr. jur. Dr.-Ing. E. h. Heinrich von Pierer was elected a new member of the Supervisory Board.

We thank Dr. Bauman for his commitment as a member of the Supervisory Board and, as Chairman of our Audit Committee, for his constructive assistance to the company and the Management Board during the past years.

The Supervisory Board thanks the Management Board and the bank’s employees for their great personal dedication.

Frankfurt am Main, March 17, 2006
The Supervisory Board



Dr. Rolf-E. Breuer
Chairman

Corporate Governance Report

Management Board and Supervisory Board

Management Board

The Management Board is responsible for managing the company. Its members are jointly accountable for the management of the company. The duties, responsibilities and procedures of our Management Board and the committees installed by the Board are specified in its Terms of Reference, which are available on our Internet website (www.deutsche-bank.com/corporate-governance).

The following paragraphs show information on the current members of the Management Board. The information includes their ages as of December 31, 2005, the year in which they were appointed and the year in which their term expires, their current positions or area of responsibility and their principal business activities outside our company.

To assist us in avoiding conflicts of interest, the members of our Management Board have generally undertaken not to assume chairmanships of supervisory boards of companies outside our consolidated group.

Dr. Josef Ackermann
Age: 57
First Appointed: 1996
Term Expires: 2010
Dr. Josef Ackermann joined Deutsche Bank as a member of the Management Board in 1996. On May 22, 2002, Dr. Ackermann was appointed Spokesman of the Management Board and Chairman of our Group Executive Committee. On February 1, 2006, he was appointed Chairman of the Management Board.

Dr. Ackermann engages in the following principal business activities outside our company: He is a member of the supervisory boards of Bayer AG, Deutsche Lufthansa AG, Linde AG and Siemens AG (second deputy chairman).

In February 2003, the Düsseldorf Public Prosecutor filed charges against Dr. Ackermann and other former members of the Supervisory Board and of the Board of Managing Directors of Mannesmann AG with the Düsseldorf District Court. The complaint contained allegations of a breach of trust in connection with payments to former members of the Board of Managing Directors and other managers of Mannesmann following the takeover of Mannesmann by Vodafone in spring 2000. The trial took place in the first half of 2004 and ended with the acquittal of Dr. Ackermann and all the other defendants. The Düsseldorf Public Prosecutor filed notice of appeal with the Federal Supreme Court (*Bundesgerichtshof*). On December 21, 2005, the Federal Supreme Court ordered a retrial with the District Court in Düsseldorf. When the new trial will begin is not yet known. Our Supervisory Board repeatedly has declared that it supports Dr. Ackermann in his defense. On February 1, 2006, it expressed once again its unrestricted trust in Dr. Ackermann.

Dr. Clemens Börsig
Age: 57
First Appointed: 2001
Term Expires: 2010
Dr. Clemens Börsig joined our Management Board in January 2001. He has worked with us since 1999, when he joined us as our Chief Financial Officer. He is also our Chief Risk Officer and responsible for our corporate governance.

Dr. Börsig engages in the following principal business activities outside our company: He is a supervisory board member at Heidelberger Druckmaschinen AG and also holds a nonexecutive directorship at Foreign & Colonial Eurotrust Plc. He was deputy chairman of the supervisory board of EUROHYPO AG until May 2005.

Dr. Tessen von Heydebreck
Age: 60
First Appointed: 1994
Term Expires: 2007
Dr. Tessen von Heydebreck joined our Management Board in 1994. From 1994 to 1996, he was a deputy member of the Management Board. Dr. von Heydebreck is our Chief Administrative Officer.

Dr. von Heydebreck engages in the following principal business activities outside our company: He is a supervisory board member at BASF AG, Dürr AG and BVV Versicherungsverein des Bankgewerbes a.G.

Hermann-Josef Lamberti
Age: 49
First Appointed: 1999
Term Expires: 2009
Hermann-Josef Lamberti joined our Management Board in 1999. He joined us in 1998 as an executive vice president. Mr. Lamberti is our Chief Operating Officer.

Mr. Lamberti engages in the following principal business activities outside our company: He is a member of the supervisory board or similar bodies of Schering AG, Deutsche Börse AG (since October 2005), Fiat S.p.A. and Carl Zeiss AG.

Group Executive Committee

The Group Executive Committee, established in 2002, is a body that is not required by the Stock Corporation Act. It comprises the members of the Management Board, the Business Heads of our Group Divisions, CIB and PCAM, and the head of the management of our regions. The Group Executive Committee serves as a tool to coordinate our businesses and regions through the following activities:

- Provision of ongoing information to the Management Board on business developments and particular transactions;
- Regular review of our business segments;
- Consultation with and furnishing advice to the Management Board on strategic decisions; and
- Preparation of decisions to be made by the Management Board.

Supervisory Board

The Supervisory Board appoints, supervises and advices the Management Board and is directly involved in decisions of fundamental importance to the bank. The Chairman of the Supervisory Board coordinates work within the Supervisory Board. The duties, procedures and committees of our Supervisory Board are specified in its Terms of Reference, which are available on our Internet website (www.deutsche-bank.com/corporate-governance).

The members representing our shareholders were elected at the Annual Shareholders' Meeting on June 10, 2003, and the members representing our employees were elected on May 8, 2003. The following table shows information on the current members of our Supervisory Board. The information includes their ages as of December 31, 2005, the years in which they were first elected or appointed, the years when their terms expire, their principal occupations and their membership on other companies' supervisory boards, other nonexecutive boards and other positions.

Member	Principal occupation	Supervisory board memberships and other directorships
Dr. Rolf-E. Breuer Age: 68 First elected: 2002 Term expires: 2008	Chairman of the Supervisory Board	**Supervisory board memberships:** Bertelsmann AG (until May 2005); Deutsche Börse AG (chairman, until October 2005); E.ON AG; Compagnie de Saint-Gobain S.A.(until June 2005); Kreditanstalt für Wiederaufbau (until April 2005); Landwirtschaftliche Rentenbank **Other experience:** President of the Association of German Banks (until March 2005); Member of the Administrative Council of the German Financial Supervisory Authority (until March 2005)
Dr. Karl-Gerhard Eick Age: 51 Appointed by the court: 2004 Term expires: 2008	Deputy Chairman of the board of managing directors of Deutsche Telekom AG, Bonn	**Supervisory board memberships:** DeTe Immobilien Deutsche Telekom Immobilien und Service GmbH; T-Mobile International AG; T-Online International AG; T-Systems Enterprise Services GmbH; T-Systems Business Services GmbH (since December 2005); GMG Generalmietgesellschaft mbH (chairman); Sireo Real Estate Asset Management GmbH (chairman); FC Bayern München AG
Heidrun Förster* Age: 58 First elected: 1993 Term expires: 2008	Deputy Chairperson of the Supervisory Board; Chairperson of the staff council of Deutsche Bank Privat- und Geschäftskunden AG, Berlin	
Ulrich Hartmann Age: 67 First elected: 2003 Term expires: 2008	Chairman of the supervisory board of E.ON AG, Düsseldorf	**Supervisory board memberships:** Deutsche Lufthansa AG; Hochtief AG; IKB Deutsche Industriebank AG (chairman); Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft **Other nonexecutive directorships:** ARCELOR; Henkel KGaA (member of the shareholders' committee)
Sabine Horn* Age: 44 First elected: 1998 Term expires: 2008	Deutsche Bank AG Assistant Vice President	
Rolf Hunck* Age: 60 First elected: 2003 Term expires: 2008	Deutsche Bank AG	**Supervisory board memberships:** Deutsche Bank Trust AG; Fibula Finanz AG; HCI Capital AG (since January 2005) **Other nonexecutive directorships:** Kühne-Stiftung, Switzerland
Sir Peter Job Age: 64 Appointed by the court: 2001 Term expires: 2008		**Supervisory board memberships:** Bertelsmann AG (until May 2005) **Other nonexecutive directorships:** Schroders Plc; Tibco Software Inc.; Instinet Inc. (until December 2005); Shell Transport and Trading Plc (until July 2005); Royal Dutch Shell (since July 2005)
Prof. Dr. Henning Kagermann Age: 58 First elected: 2000 Term expires: 2008	Chairman and CEO of SAP AG, Walldorf	**Supervisory board memberships:** DaimlerChrysler Services AG; Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft
Ulrich Kaufmann* Age: 59 First elected: 1988 Term expires: 2008	Chairman of the staff council of Deutsche Bank AG, Düsseldorf	
Peter Kazmierczak* Age: 47 First elected: 2002 Term expires: 2008	Chairperson of the staff council of Deutsche Bank AG, Essen	
Prof. Dr. Paul Kirchhof Age: 62 Appointed by the court: 2004 Term expires: 2008	Professor, Ruprecht-Karls-University, Heidelberg	**Supervisory board memberships:** Allianz Lebensversicherungs-AG

Member	Principal occupation	Supervisory board memberships and other directorships
Henriette Mark* Age: 48 First elected: 2003 Term expires: 2008	Chairperson of the staff council of Deutsche Bank AG, Munich and Southern Bavaria	
Margret Mönig-Raane* Age: 57 First elected: 1996 Term expires: 2008	Vice President of the Unified Services Union, Berlin	**Supervisory board memberships:** KarstadtQuelle-AG (since 2005) **Other nonexecutive directorships:** BHW Holding AG (member of the advisory board); Kreditanstalt für Wiederaufbau (KfW) (administrative council)
Prof. Dr. jur. Dr.-Ing. E. h. Heinrich von Pierer Age: 64 First elected: 2005 Term expires: 2008	Chairman of the supervisory board of Siemens AG, Munich	**Supervisory board memberships:** Hochtief AG; Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft; ThyssenKrupp AG; Volkswagen AG; Bayer AG (until April 2005)
Gabriele Platscher* Age: 48 First elected: 2003 Term expires: 2008	Deutsche Bank Privat- und Geschäftskunden AG	**Supervisory board memberships:** Deutsche Bank Privat- und Geschäftskunden Aktiengesellschaft, BVV Versicherungsverein des Bankgewerbes a.G.
Karin Ruck* Age: 40 First elected: 2003 Term expires: 2008	Deutsche Bank AG	**Supervisory board memberships:** Deutsche Bank Privat- und Geschäftskunden AG
Tilman Todenhöfer Age: 62 Appointed by the court: 2001 Term expires: 2008	Managing Partner of Robert Bosch Industrietreuhand KG, Stuttgart	**Supervisory board memberships:** Robert Bosch GmbH; Robert Bosch Int. Beteiligungen AG (president of the board of administration); Carl Zeiss AG (chairman); Schott AG (chairman)
Dipl.-Ing. Dr.-Ing. E. h. Jürgen Weber Age: 64 First elected: 2003 Term expires: 2008	Chairman of the supervisory board of Deutsche Lufthansa AG, Cologne	**Supervisory board memberships:** Allianz Lebensversicherungs-AG; Bayer AG; Deutsche Post AG; Thomas Cook AG (chairman, until October 2005); Voith AG; LP Holding GmbH (chairman); Tetra Laval Group
Dipl.-Ing. Albrecht Woeste Age: 70 First elected: 1993 Term expires: 2008	Chairman of the Shareholders' Committee of Henkel KGaA Düsseldorf	**Supervisory board memberships:** Henkel KGaA (chairman); Allianz Lebensversicherungs-AG **Other nonexecutive directorships:** IKB Deutsche Industriebank (member of the advisory board, until September 2005); R. Woeste & Co. GmbH & Co. KG (chairman of the advisory board)
Leo Wunderlich* Age: 56 First elected: 2003 Term expires: 2008	Chairman of the staff council of Deutsche Bank	

* Employee-elected member of the Supervisory Board.

Dr. rer. oec. Karl-Hermann Baumann was a member of the Supervisory Board until May 18, 2005. Prof. Dr. jur. Dr.-Ing. E. h. Heinrich von Pierer was elected to the Supervisory Board for the remainder of the term of office. Klaus Funk was a member of the Supervisory Board until February 1, 2006. Peter Kazmierczak, who was first elected in 2002 and resigned in 2003, followed him as his substitute for the remainder of the term of office.

Our Supervisory Board has determined that a sufficient number of Supervisory Board members are independent according to No. 5.4.2 German Corporate Governance Code.

Standing Committees

The Supervisory Board has established the following four standing committees. The Report of the Supervisory Board provides information on the concrete work to the committees over the preceding year.

Committee	Meetings in 2005	Responsibilities	Members
Chairman's Committee	4	Prepares decisions by the Supervisory Board on the appointment and dismissal of members of the Management Board, including long-term succession planning for the Management Board; responsible for deciding the terms of the service contracts and other contractual arrangements between us and members of our Management Board; for the approval of ancillary activities of members of the Management Board; and for the statutorily required approval of certain contracts between us and members of the Supervisory Board and Management Board; prepares Supervisory Board decisions with respect to corporate governance	Dr. Rolf-E. Breuer – Chairperson Heidrun Förster Ulrich Hartmann Ulrich Kaufmann
Audit Committee	5	Mandates the independent auditors that the annual shareholders' meeting elects; sets the compensation of the independent auditor and may determine priorities for the audits; monitors the auditor's independence; reviews our interim reports and financial statements and discusses the audit report with the auditor; prepares the Supervisory Board's decision on the approval of the annual financial statements and the consolidated financial statements; discusses changes of accounting or auditing practices; arranges to be informed regularly about the work done by the internal audit; responsible for handling of complaints regarding accounting, internal accounting controls and auditing matters; approval of the engagement of non-audit services to our auditor	Dr. Karl-Gerhard Eick – Chairperson Dr. Rolf-E. Breuer Heidrun Förster Sabine Horn Rolf Hunck Sir Peter Job
Risk Committee	6	Responsible for the treatment of loans which, pursuant to law or our Articles of Association, require a resolution of the supervisory board; approves investments in other companies of between 2% and 3% of our regulatory banking capital; the Management Board provides this committee with information on legal, operational and reputational risks, credit exposures and related circumstances which are of special importance due to the risks or liabilities attached to them or for any other reason	Dr. Rolf-E. Breuer – Chairperson Sir Peter Job Prof. Henning Kagermann Prof. Dr. jur. Dr.-Ing E. h. Heinrich von Pierer – deputy member Tilman Todenhöfer – deputy member
Mediation Committee	0	Responsible for making proposals to the Supervisory Board on the appointment or dismissal of members of the Management Board in those cases where the Supervisory Board is unable to reach a two-thirds majority decision with respect to the appointment or dismissal	Dr. Rolf-E. Breuer – Chairperson Heidrun Förster Ulrich Hartmann Henriette Mark

The duties, responsibilities and processes of the Chairman's Committee, the Risk Committee, and the Audit Committee are set out in separate terms of reference, which are available on our Internet website (www.deutsche-bank.com/corporate-governance).

Performance-related Compensation

Management Board

The Chairman's Committee of the Supervisory Board has functional responsibility for determining the structure and size of the compensation of the members of the Management Board. In particular, the Chairman's Committee determines salaries and other compensation elements for the Management Board.

We have entered into service agreements with members of our Management Board. These agreements established the following principal elements of compensation:

Salary. The members of the Management Board receive a salary which is disbursed in monthly installments. It is determined on the basis of an analysis of salaries paid to executive directors at a selected group of comparable international companies.

Cash Bonus. As part of the variable compensation we pay annual cash bonuses to members of our Management Board primarily based on achievement of the planned return on equity of the Group.

Mid-Term-Incentive ("MTI"). As further part of the variable compensation we grant a performance-based mid-term-incentive which reflects, for a rolling two year period, the ratio between our total shareholder return and the corresponding average figure for a peer group. The mid-term-incentive payment consists of a cash component (1/3) and equity-based awards (2/3) which contain long-term risk elements under the DB Global Partnership Plan.

The aggregate remuneration, including performance-based compensation, earned by the members of our Management Board for the year ended December 31, 2005 was € 28,716,909. This aggregate remuneration was comprised of the following:

in €	**2005**
Salary	3,550,000
Bonuses, mid-term-incentive (cash and equity-based)	24,560,000
Other remuneration[1]	606,909
Total remuneration	**28,716,909**

[1] Insurance premiums, payments in kind and taxes.

The members of our Management Board received as part of the mid-term-incentive share-based awards, the ultimate value of which to the members of the Management Board will depend on the price of Deutsche Bank shares. The units of each portion of this share-based compensation are described below.

DB Equity Units. In February 2006, we awarded an aggregate of 93,290 deferred share awards to members of our Management Board. These shares are scheduled to be delivered on August 1, 2009.

For further information on the terms of our DB Global Partnership Plan, pursuant to which DB Equity Units are issued, see Note [20] to the consolidated financial statements.

Pursuant to the service contracts concluded with each member of our Management Board, the board members are entitled to receive certain transitional payments when they leave the Management Board. Such payments are based on the total compensation previously earned (salary, bonuses, and MTI's) and the remaining term of the contract, where applicable. If the member of the Management Board leaves in connection with a change of control and the remaining term is less than three years, a term of three years will be assumed. The amounts will generally be paid as a lump sum.

Our board members as of December 31, 2005 received the following remuneration for the year 2005:

Members of the Management Board in €	Annual cash compensation		Equity-based MTI	**Total compensation**
	Salary	Cash bonus/cash MTI	Value of share-based awards[1]	
Dr. Josef Ackermann	1,150,000	7,233,750	3,516,250	11,900,000
Dr. Clemens Börsig	800,000	3,273,750	1,576,250	5,650,000
Dr. Tessen v. Heydebreck	800,000	2,903,750	1,576,250	5,280,000
Hermann-Josef Lamberti	800,000	2,903,750	1,576,250	5,280,000

[1] The number of DB Equity Units granted to each member was determined by dividing such euro amounts by € 88.38, the closing price of our shares on January 31, 2006. The number of DB Equity Units granted to each member was as follows: Dr. Josef Ackermann 39,786, Dr. Clemens Börsig 17,835, Dr. Tessen v. Heydebreck 17,835, and Hermann-Josef Lamberti 17,835.

In addition to the above amounts that we paid to members of the Management Board in 2005, we paid former members of the Management Board or their surviving dependents an aggregate of € 17,318,339 in 2005. During 2005 we set aside € 1,369,417 for pension, retirement or similar benefits for our Management Board.

Supervisory Board

The compensation of Supervisory Board members is set forth in our Articles of Association, which our shareholders amend from time to time at their annual meetings. Such compensation provisions were last amended at our Annual General Meeting on June 10, 2003.

For 2005, the following compensation policies apply. The compensation generally consists of a fixed remuneration of € 30,000 per year (plus value-added tax (*Umsatzsteuer*)) and a dividend-based bonus of € 1,000 per year for every full or fractional € 0.05 increment by which the dividend we distribute to our shareholders exceeds € 0.15 per share. We increase both the fixed remuneration and the dividend-based bonus of each Supervisory Board member by 25% for each committee on which the Supervisory Board member sits, except that for the chair of a committee the rate of increment is 50% and if the committee chairman is not identical with the Supervisory Board chairperson the rate of increment is 75%. These amounts are based on the premise that the respective committee has met during the financial year. We pay the chairperson three times the total compensation of a regular member, and we pay the deputy chairperson one and a half times the total compensation of a regular member. The members of the Supervisory Board also receive an annual remuneration linked to our long-term success; this remuneration varies in size depending on how the ratio between the total return on our shares – based on share price development, dividend and capital actions – and the average total return of shares of a group of peer companies currently consisting of Citigroup Inc., Credit Suisse Group, J. P. Morgan Chase & Co., Merrill Lynch & Co. Inc. and UBS AG, has developed in the three financial years immediately preceding the year for which the remuneration is paid. If the ratio lies between –10% and +10% each member receives an amount of € 15,000; if our shares outperform the peer group by 10% to 20%, the payment increases to € 25,000; and in case of a more than 20% higher performance it rises to € 40,000. The members of the Supervisory Board receive a meeting fee of € 1,000 for each meeting of the Supervisory Board and its committees in which they take part. In addition, in our interest, the members of the Supervisory Board will be included in any financial liability insurance policy held in an appropriate amount by us, with the corresponding premiums being paid by us.

We also reimburse members of the Supervisory Board for all cash expenses and any value-added tax *(Umsatzsteuer)* they incur in connection with their roles as members of the Supervisory Board. Employee-elected members of the Supervisory Board also continue to receive their employee benefits. For Supervisory Board members who served on the board for only part of the year, we pay a fraction of their total compensation based on the number of months they served, rounding up or down to whole months.

We compensate our Supervisory Board members after the end of each fiscal year. In January 2006, we paid each Supervisory Board member the fixed portion of their remuneration for their services in 2005 and their meeting fees. The remuneration linked to our long-term success was defined to be zero. In addition, we will pay each of them for their services in 2005 a dividend-based bonus after the Annual General Meeting in June 2006. The following table shows the individual remuneration of the members of the Supervisory Board for their services in 2005 (excluding value-added tax), assuming that the Annual General Meeting in June 2006 approves the envisaged dividend of € 2.50 per share.

Members of the Supervisory Board	Compensation for fiscal year 2005			
in €	Fixed	Variable	Meeting fee	Total
Dr. Rolf-E. Breuer	127,500	199,750	19,000	346,250
Heidrun Förster	60,000	94,000	13,000	167,000
Dr. Karl-Hermann Baumann[1]	25,000	39,167	6,000	70,167
Dr. Karl-Gerhard Eick	46,250	72,458	8,000	126,708
Klaus Funk[2]	30,000	47,000	4,000	81,000
Ulrich Hartmann	40,625	63,646	9,000	113,271
Sabine Horn	37,500	58,750	9,000	105,250
Rolf Hunck	37,500	58,750	9,000	105,250
Sir Peter Job	41,875	65,604	13,000	120,479
Prof. Dr. Henning Kagermann	37,500	58,750	8,000	104,250
Ulrich Kaufmann	37,500	58,750	8,000	104,250
Prof. Dr. Paul Kirchhof	30,000	47,000	4,000	81,000
Henriette Mark	30,000	47,000	4,000	81,000
Margret Mönig-Raane	30,000	47,000	4,000	81,000
Prof. Dr. jur. Dr.-Ing. E. h. Heinrich von Pierer[3]	21,875	34,271	6,000	62,146
Gabriele Platscher	30,000	47,000	4,000	81,000
Karin Ruck	30,000	47,000	4,000	81,000
Tilman Todenhöfer	34,375	53,854	8,000	96,229
Dipl.-Ing. Dr.-Ing. E. h. Jürgen Weber	30,000	47,000	4,000	81,000
Dipl.-Ing. Albrecht Woeste	30,000	47,000	4,000	81,000
Leo Wunderlich	30,000	47,000	4,000	81,000
Total	**817,500**	**1,280,750**	**152,000**	**2,250,250**

[1] Member until May 18, 2005.
[2] Member until February 1, 2006.
[3] New member since May 18, 2005.

As mentioned above, most of the employee-elected members of the Supervisory Board are employed by us. In addition, Dr. Breuer was formerly employed by us. The aggregate compensation we and our consolidated subsidiaries paid to such members as a group during the year ended December 31, 2005 for their services as employees or status as former employees (including retirement, pension and deferred compensation) was € 2,255,326.

During 2005 we set aside € 0.1 million for pension, retirement or similar benefits for the members of the Supervisory Board who are employed by us.

Share Plans

For a description of our employee share programs, please refer to Note [20] to the consolidated financial statements.

Reporting and Transparency

Directors’ Share Ownership

Management Board. As of February 28, 2006, the current members of our Management Board held the following numbers of our shares, DB Equity Units and Performance Options:

Members of the Management Board	Number of shares	Number of DB Equity Units	Number of Performance Options
Dr. Josef Ackermann	150,431	191,272	32,662
Dr. Clemens Börsig	18,607[1]	86,749	63,684
Dr. Tessen von Heydebreck	26,257	86,749	38,019
Hermann-Josef Lamberti	43,272	86,749	30,698
Total	**238,567**	**451,519**	**165,063**

[1] Excluding 150 Deutsche Bank shares, pooled in a family held partnership, in which Dr. Clemens Börsig has an interest of 25%.

The current members of our Management Board held an aggregate of 238,567 of our shares on February 28, 2006, amounting to approximately 0.05% of our shares issued on that date.

The table below shows information regarding the 451,519 DB Equity Units held by the current members of our Management Board as of February 28, 2006:

Numbers of DB Equity Units	Vesting date	Delivery date
95,853	February 1, 2005	August 1, 2006
23,963	August 1, 2006	August 1, 2006
79,759	February 1, 2006	August 1, 2007
19,940	August 1, 2007	August 1, 2007
110,970	February 1, 2007	August 1, 2008
27,743	August 1, 2008	August 1, 2008
74,632	February 1, 2008	August 1, 2009
18,658	August 1, 2009	August 1, 2009

The table below shows information regarding the 165,063 Performance Options held by the current members of our Management Board as of February 28, 2006. All Performance Options were granted under the DB Global Partnership Plan. Each Performance Option is accompanied by a Partnership Appreciation Right.

Number of Performance Options	Strike price in €	Vesting date	Expiration date
15,645	89.96	February 1, 2004	February 1, 2008
15,645	89.96	February 1, 2005	February 1, 2008
15,645	89.96	February 1, 2006	February 1, 2008
26,900	47.53	February 1, 2005	February 1, 2009
14,642	76.61	February 1, 2006	February 1, 2010
38,293	76.61	February 1, 2007	February 1, 2010
38,293	76.61	February 1, 2008	February 1, 2010

For more information on DB Equity Units, Performance Options and Partnership Appreciation Rights, all of which are granted under the DB Global Partnership Plan, see Note [20] to the consolidated financial statements.

Supervisory Board. As of February 28, 2006, the current members of our Supervisory Board held the following numbers of our shares, share grants under our employee share plans and options on our shares:

Members of the Supervisory Board	Number of shares	Number of share grants	Number of options
Dr. Rolf-E. Breuer	36,264	–	57,310
Dr. Karl-Gerhard Eick	–	–	–
Heidrun Förster	430	10	100
Ulrich Hartmann	–	–	–
Sabine Horn	45	10	100
Rolf Hunck	134	10,930	986
Sir Peter Job	–	–	–
Prof. Dr. Henning Kagermann	–	–	–
Ulrich Kaufmann	65	10	200
Peter Kazmierczak	10	10	–
Prof. Dr. Paul Kirchhof	–	–	–
Henriette Mark	348	10	100
Margret Mönig-Raane	–	–	–
Prof. Dr. jur. Dr.-Ing. E. h. Heinrich von Pierer	295	–	–
Gabriele Platscher	709	10	100
Karin Ruck	78	8	120
Tilman Todenhöfer	–	–	–
Dipl.-Ing. Dr.-Ing. E. h. Jürgen Weber	–	–	–
Dipl.-Ing. Albrecht Woeste	–	–	–
Leo Wunderlich	682	10	200
Total	**39,060**	**11,008**	**59,216**

As of February 28, 2006, the members of the Supervisory Board held 39,060 shares, amounting to less than 0.01% of our shares issued on that date.

Some of the Supervisory Board members who are or were formerly employees received grants under our employee share plans entitling them to receive shares at specified future dates or granting them options to acquire shares at future dates. For a description of our employee share plans, please refer to Note [20] of the consolidated financial statements. Shares that have been delivered to such employees as a result of grants under the plans (including following the exercise of options granted thereunder), and that have not been disposed by them, are shown in the “Number of Shares” column in the table above, as are shares otherwise acquired by them. Shares granted under the plans that have not yet been delivered to such employees are shown in the “Number of Share Grants” column.

The share grants to Rolf Hunck include 10,920 shares granted under the Restricted Equity Units Plan as part of his compensation as an employee, which are scheduled to be delivered to him in portions in August 2007, 2008, 2009 and 2010. The other grants reflected in the table were made to employee members of our Supervisory Board under the DB Global Share Plan 2005, and are scheduled to be delivered on November 1, 2006.

Dr. Rolf-E. Breuer holds a total of 57,310 Performance Options granted under the DB Global Partnership Plan as compensation during his prior service as Spokesman of our Management Board, and Rolf Hunck holds a total of 726 such options granted to him as part of his compensation as an employee. These options, which have all vested, have a strike price of € 89.96 and an expiration date of February 1, 2008. Each Performance Option is accompanied by a Partnership Appreciation Right. The other options reflected in the table were acquired via the voluntary participation of employee members of our Supervisory Board in the DB Global Share Plan. DB Global Share Plan options issued in 2001 generally have a strike price of € 87.66 and an expiration date of November 13, 2007; those issued in 2002 generally have a strike price of € 55.39 and an expiration date of November 13, 2008; those issued in 2003 generally have a strike price of € 75.24 and an expiration date of December 11, 2009. All options have vested and are with respect to our ordinary shares.

Directors' Dealings

Since October 30, 2004, the amended German law on directors' dealings (Section 15a of the German Securities Trading Act (Wertpapierhandelsgesetz) requires persons discharging managerial responsibilities within an issuer of financial instruments to disclose their personal transactions in shares of the issuer and financial instruments based on them, especially derivatives, to the issuer and to the Federal Financial Supervisory Authority (BaFin). As previously, the duty of disclosure applies to the members of the Management Board and of the Supervisory Board. Moreover, the duty of disclosure now also applies to persons who have regular access to inside information about the company and are empowered to make significant managerial decisions. The duty of disclosure also applies to persons and certain legal entities closely associated with a person discharging managerial responsibilities at Deutsche Bank.

In accordance with our policy and the German law, the transactions since January 1, 2005, were as follows (until February 28, 2006):

Date and place of transaction	Name	Title of the security or right	WKN/ISIN	Type of transaction	Quantity and nominal	Price in €	Amount in €	Comments
Management Board members								
28.2.2006 Xetra	Dr. Josef Ackermann	DB shares	514000/ DE0005140008	Buy	10,000	94.50	945,000.00	
27.2.2006 Xetra	Hermann-Josef Lamberti	DB shares	514000/ DE0005140008	Sell	16,558	94.12	1,558,473.44	Sale in four partial executions: weighted average price € 94.12
14.2.2006 off-exchange	Dr. Josef Ackermann	New DB shares	DB0G4P/ DE000DB0G4P0	Sell	51,381	87.27	4,484,019.87	Sale of purchased New DB shares via the DB Global Partnership Plan resulting in pre-tax gross proceeds of € 632.192,00
14.2.2006 off-exchange	Dr. Josef Ackermann	New DB shares	DB0G4P/ DE000DB0G4P0	Sell	16,330	87.27	1,425,119.10	Sale of purchased New DB shares via the DB Global Partnership Plan resulting in pre-tax gross proceeds of € 382,612.00
14.2.2006 off-exchange	Dr. Tessen von Heydebreck	New DB shares	DB0G4P/ DE000DB0G4P0	Sell	26,899	87.27	2,347,475.73	Sale of purchased New DB shares via the DB Global Partnership Plan resulting in pre-tax gross proceeds of € 1,282,006.00
3.8.2005 Xetra	Hermann-Josef Lamberti	DB shares	514000/ DE0005140008	Sell	5,000	71.35	356,787.87	
28.2.2005 off-exchange	Dr. Josef Ackermann	New DB shares	DB0G1Q/ DE000DB0G1Q4	Acquisition by exercise of options	57,420	47.53	2,729,172.60	Purchase within the DB Global Partnership Plan
Supervisory Board members								
16.8.2005 Frankfurt	Heidrun Förster	DB shares	514000/ DE0005140008	Sell	180	70.53	12,695.40	
24.5.2005 Frankfurt	Klaus Funk	DB shares	514000/ DE0005140008	Sell	100	61.60	6,160.00	
23.5.2005 off-exchange	Heidrun Förster	DB shares	514000/ DE0005140008	Exercise of options	100	55.39	5,539.00	Purchase within the employees' share program
4.3.2005 off-exchange	Rolf Hunck	New DB shares	DB0G1Q/ DE000DB0G1Q4	Sell	2,946	65,415	192,712.59	Sell within the DB Global Partnership Plan
2.3.2005 off-exchange	Rolf Hunck	New DB shares	DB0G1Q/ DE000DB0G1Q4	Acquisition by exercise of options	2,946	47.53	140,023.38	Purchase within the DB Global Partnership Plan
17.2.2005 off-exchange	Gabriele Platscher	New DB shares	DB0G1Q/ DE000DB0G1Q4	Exercise of options	100	55.39	5,539.00	Purchase within the employees' share program
10.2.2005 Frankfurt	Gabriele Platscher	DB shares	514000/ DE0005140008	Sell	100	67.78	6,778.00	

Date and place of transaction	Name	Title of the security or right	WKN/ISIN	Type of transaction	Quantity and nominal	Price in €	Amount in €	Comments
Other executives								
28.2.2006 London	Richard Evans Chief Market Risk Officer	DB shares	514000/ DE0005140008	Sell	594	93.225	55,376.00	
17.2.2006	David Cannon Global Head CIB Controlling	DB shares	514000/ DE0005140008	Sell	1,825	91.10	166,257.50	
14.2.2006 Xetra	Pierre de Weck Global Head PWM	DB shares	514000/ DE0005140008	Sell	7,000	90.511	633,577.00	
14.2.2006 Xetra	Pierre de Weck Global Head PWM	DB shares	514000/ DE0005140008	Sell	27,369	90.16	2,467,589.04	
14.2.2006 off-exchange	Detlef Bindert Group Treasurer	New DB shares	DB0G4P/ DE000DB0G4P0	Sell	15,908	87.27	1,388.291.16	Sale of purchased New DB shares via the DB Global Partnership Plan resulting in pretax gross proceeds of € 195,732.00
14.2.2006 off-exchange	Michael Cohrs Head of Global Banking	New DB shares	DB0G4P/ DE000DB0G4P0	Sell	187,090	87.27	16,327,344.30	Sale of purchased New DB shares via the DB Global Partnership Plan resulting in pretax gross proceeds of € 8,916,709.00
14.2.2006 off-exchange	Anshu Jain Head of Global Markets	New DB shares	DB0G4P/ DE000DB0G4P0	Sell	233,863	87.27	20,409,224.01	Sale of purchased New DB shares via the DB Global Partnership Plan resulting in pretax gross proceeds of € 11,145,911.00
14.2.2006 off-exchange	Anshu Jain Head of Global Markets	New DB shares	DB0G4P/ DE000DB0G4P0	Sell	247,025	87.27	21,557,871.75	Sale of purchased New DB shares via the DB Global Partnership Plan resulting in pretax gross proceeds of € 3,039,396.00
3.2.2006 off-exchange	Anshu Jain Head of Global Markets	DB shares	514000/ DE0005140008	Sell	1,436	86.54	124,271.44	
3.2.2006 off-exchange	Anshu Jain Head of Global Markets	DB shares	514000/ DE0005140008	Sell	31,016	86.39	2,679,472.24	
10.11.2005 Eurex	Detlef Bindert Group Treasurer	Eurex – Call on DB share	514000/ DE0005140008	Sell opening	20	1.19	2,314.70	Underlying instrument: DB share Strike price: € 85.00 Price multiplier: 100 Expiration date: 20.1.2006
20.9.2005 off-exchange	Detlef Bindert Group Treasurer	DB shares	514000/ DE0005140008	Sell	1,000	71.90	71,540.50	
20.9.2005 off-exchange	Detlef Bindert Group Treasurer	DB express certificate	0TZ 775/ XF0000TZ7757	Buy	700	101.50	71,050.00	
25.8.2005 Xetra	Dr. Axel Wieandt Head of Corporate Development	DB shares	514000/ DE0005140008	Sell	1,044	70.46	73,560.24	
19.8.2005 Xetra	Dr. Axel Wieandt Head of Corporate Development	DB shares	514000/ DE0005140008	Sell	1,045	70.66	73,839.70	
3.8.2005 off-exchange	Detlef Bindert Group Treasurer	DB shares	514000/ DE0005140008	Sell	9,822	71.12	698,540.00	Sell of shares purchased via DB Global Partnership Plan

Date and place of transaction	Name	Title of the security or right	WKN/ISIN	Type of transaction	Quantity and nominal	Price in €	Amount in €	Comments
Other executives								
29.3.2005 off-exchange	Kevin Parker Global Head of Asset Management	New DB shares	DB0G1Q/ DE000DB0G1Q4	Sell	233,863	64.43	15,067,793.09	Sell within the DB Global Partnership Plan
23.3.2005 off-exchange	Kevin Parker Global Head of Asset Management	New DB shares	DB0G1Q/ DE000DB0G1Q4	Acquisition by exercise of options	233,863	47.53	11,115,508.39	Purchase within the DB Global Partnership Plan
4.3.2005 off-exchange	Dr. Axel Wieandt Head of Corporate Development	New DB shares	DB0G1Q/ DE000DB0G1Q4	Sell	5,500	65,415	359,782.50	Sell within the DB Global Partnership Plan
2.3.2005 off-exchange	Dr. Axel Wieandt Head of Corporate Development	New DB shares	DB0G1Q/ DE000DB0G1Q4	Acquisition by exercise of options	5,500	47.53	261,415.00	Purchase within the DB Global Partnership Plan
2.3.2005 off-exchange	Prof. Dr. Clemens Jochum Group Chief Technology Officer	New DB shares	DB0G1Q/ DE000DB0G1Q4	Acquisition by exercise of options	5,893	47.53	280,094.29	Purchase within the DB Global Partnership Plan
2.3.2005 Frankfurt	Dr. Michael Kröner Global Head of Tax	DB shares	514000/ DE0005140008	Sell	1,080	67.00	72,360.00	
3.2.2005 Frankfurt	Detlef Bindert Group Treasurer	DB shares	514000/ DE0005140008	Sell	4,000	66.80	267,200.00	

Related Party Transactions

We have business relationships with a number of the companies in which we own significant equity interests. We also have business relationships with a number of companies where members of our Management Board also hold positions on boards of directors. Our business relationships with these companies cover many of the financial services we provide to our clients generally.

We believe that we conduct all of our business with these companies on terms equivalent to those that would exist if we did not have equity holdings in them or management members in common, and that we have conducted business with these companies on that basis in 2005 and prior years. None of these transactions is or was material to us.

Among our business with related party companies in 2005 there have been and currently are loans, guarantees and commitments. All of these lending-related credit exposures (excluding derivatives), which totaled € 3.0 billion (of which € 1.1 billion related to our equity method investment in EUROHYPO AG) as of January 31, 2006,

– were made in the ordinary course of business,
– were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons, and
– did not involve more than the normal risk of collectibility or present other unfavorable features.

We have not conducted material business with parties that fall outside of the definition of related parties, but with whom we or our related parties have a relationship that enables the parties to negotiate terms of material transactions that may not be available from other, more clearly independent, parties on an arm's-length basis.

EUROHYPO

EUROHYPO AG ("EUROHYPO") resulted from a merger of our mortgage bank subsidiary EUROHYPO Europäische Hypothekenbank der Deutschen Bank AG ("Eurohypo Old") with the mortgage bank subsidiaries of Dresdner Bank AG and Commerzbank AG in 2002. Subsequently, our German commercial real estate financing division, Dresdner Bank AG's U.S.-based real estate investment banking team, and part of our London-based real estate business were transferred to EUROHYPO. After these transactions, we owned 37.72% of the outstanding share capital of EUROHYPO. In November 2005, we entered into a sale and purchase agreement to sell our entire 37.72% stake in EUROHYPO AG to Commerzbank AG for a total consideration of € 2.6 billion. In December 2005, the first tranche of this transaction with a total value of € 0.7 billion was completed, reducing our stake to 27.99%. The remaining tranche of the transaction is expected to be completed in the first quarter of 2006.

We account for our investment in EUROHYPO under the equity method and as such recognize in our income statement our proportional share of the after-tax earnings or losses of EUROHYPO as reported applying U.S. GAAP.

Since the general shareholders meeting of EUROHYPO on May 25, 2005, one member of the supervisory board of EUROHYPO is an employee of Deutsche Bank. One additional member of the supervisory board of EUROHYPO who is an employee of Deutsche Bank resigned from the EUROHYPO board as of that date. Two members of the Management Board of EUROHYPO, including the Spokesman, were members of the management board of Eurohypo Old prior to the merger.

Besides our equity stake, which had a book value of € 1.9 billion at December 31, 2005, we provide EUROHYPO with loans and commitments. Total loans and commitments (including derivative lines) as of December 31, 2005 were € 3.6 billion, of which € 1.7 billion were utilized at that date.

We, Commerzbank AG and Dresdner Bank AG each granted EUROHYPO financial guarantees to protect EUROHYPO against losses resulting from loans each contributed to the new entity up to a fixed maximum amount for the period until December 31, 2006. The maximum amount of the financial guarantees of Commerzbank AG and Dresdner Bank AG were utilized by the end of 2003. By the end of 2005, EUROHYPO had made claims in respect of the full amount of our financial guarantee, which had an initial maximum amount of € 283 million, but we are currently engaged in discussions with EUROHYPO as to whether the preconditions for drawing had been satisfied with respect to almost all of these claims. If such conditions were not satisfied, the portion of the guarantee relating to such claims would be reinstated and available for drawing until December 31, 2006. Furthermore, we held fixed income securities issued by EUROHYPO, classified as securities available for sale, in the amount of € 572 million as of December 31, 2005.

Xchanging etb GmbH

Based on agreements reached in May 2004, we transferred our stake in etb to Xchanging etb GmbH (formerly Zweite Xchanging GmbH), which is located in Germany, and received in turn a 49% non-voting capital stake in Xchanging etb GmbH. The remaining 51% is owned by Xchanging HoldCo No 3 Ltd (UK), a 100% subsidiary of Xchanging B.V. (NL) ('Xchanging'). Founded in 1998, Xchanging is an internationally positioned business process outsourcer and back office services provider, with locations in the UK, France, Germany, the United States and Asia. etb is in general a provider for security settlement services we founded in 1999. The change of control was realized at May 31/June 1, 2004 when Xchanging took over management control and full operational responsibility for etb.

One of the four executive directors of Xchanging etb GmbH is an employee of Deutsche Bank Group (a supervisory board does not yet exist at Xchanging etb GmbH). Additionally, one member of the supervisory board of etb is an employee of ours. Furthermore, two members of the management board of etb were members of the management board of etb prior to the change of control when it was our wholly-owned subsidiary.

The arrangements with etb (under the control of Xchanging) include a 12-year service agreement. This agreement is aimed at reducing our costs for the agreed security settlement services while maintaining control over services provided as well as the desired quality and performance. It also ensures significant investments of Xchanging in order to enhance processes and etb's service delivery platform for additional new clients. In return for the services received, we provide services such as Global Technology and Operations Services and Corporate Real Estate Services to etb, as we did before the transfer. The volume of services received from etb in 2005 amounted to € 125 million while the volume of services provided to etb in 2005 amounted to € 46 million. We account for our investment in Xchanging etb GmbH under the equity method.

In July 2005 we sold a 5% stake in Xchanging etb GmbH to one of the larger clients of etb. Due to our decision to sell the Global Custody business line to State Street Bank in 2003 and further due to internal restructuring activities, we reduced the commitment to receive etb services by € 19 million from 2006 on in December 2005. In accordance with our contractual obligation, we compensated etb for the service volume reduction by a one-time payment.

Related Party Nonaccrual Loans
Aside from our other shareholdings, we hold acquired equity interests in some of our clients arising from our efforts to protect our then-outstanding lending exposures to them.

The table below shows information on loans to related party companies that we have classified as nonaccrual as of December 31, 2005. As such, these nonaccrual loans may exhibit more than normal risk of collectibility or present other unfavorable features. The amounts outstanding disclosed for January 31, 2006 aggregate to € 42 million, down € 19 million or 31% from February 28, 2005. We hold a significant portion of the outstanding equity interests in customers B, D, E and Radio Movil Digital Americas, Inc. noted below and account for these equity interests in our financial statements using the equity method of accounting (as described in Note [1] to the consolidated financial statements). Our participating interests in customers A and C are 10% or more of their voting rights.

in € m.	Amount outstanding as of January 31, 2006	Largest amount outstanding January 1, 2005 to January 31, 2006	Nature of the loan and transaction in which incurred
Customer A	18	33	Comprised of a real estate finance loan bearing interest at 6.27% per annum and guarantees which were honored after the company filed for liquidation bearing no interest. The amounts are payable on demand and interest accrual has been stopped.
Customer B	0	8	Former sale and leaseback transaction bearing interest at 5.2% per annum, for which we have demanded repayment and stopped accruing interest.
Customer C	0	1	Cash loan payable on demand, bearing interest at 8% per annum, for which interest accrual has been stopped.
Customer D	3	3	Long term refinancing of non-recourse lease, bearing interest at 6.9% per annum, maturing June 2019, for which interest accrual has been stopped.
Customer E	4	4	Lease refinancing of movable property bearing interest at 2.25% per annum for which interest accrual has been stopped.
Radio Movil Digital Americas, Inc.	16	17	Cash loan payable on demand, bearing interest at 12% per annum, for which interest accrual has been stopped.

We have not disclosed the names of the customers referred to by letters above because we have concluded that such disclosure would conflict with applicable privacy laws, such as customer confidentiality and data protection laws, and such customers have not waived application of these privacy laws.

Auditing and Controlling

Audit Committee Financial Expert

Our Supervisory Board has determined that Dr. Rolf-E. Breuer and Dr. Karl-Gerhard Eick, who are members of its Audit Committee, are “audit committee financial experts”, as such term is defined by the regulations of the Securities and Exchange Commission issued pursuant to Section 407 of the Sarbanes-Oxley Act of 2002. The audit committee financial experts mentioned above are “independent” of us, as defined in Rule 10A-3 under the U.S. Securities Exchange Act of 1934.

Code of Ethics

In response to Section 406 of the Sarbanes-Oxley Act of 2002, we have adopted a code of ethics that applies to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. A copy of this code of ethics is available on our Internet website at http://www.deutsche-bank.com/corporate-governance.

Principal Accounting Fees and Services

In accordance with German law, our principal accountants are appointed by our Annual General Meeting based on a recommendation of our Supervisory Board. The Audit Committee of our Supervisory Board prepares the board's recommendation on the selection of the principal accountants. Subsequent to the principal accountants' appointment, the Audit Committee awards the contract and in its sole authority approves the terms and scope of the audit and all audit engagement fees as well as monitors the principal accountants' independence. At our 2004 and 2005 Annual General Meetings, our shareholders appointed KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, which had been our principal accountants for a number of years, as our principal accountants for the 2004 and 2005 fiscal years, respectively.

The table set forth below contains the aggregate fees billed for each of the last two fiscal years by our principal accountants in each of the following categories: (i) Audit Fees, which are fees for professional services for the audit of our annual financial statements or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for those fiscal years, (ii) Audit-Related Fees, which are fees for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements and are not reported as Audit Fees, (iii) Tax Fees, which are fees for professional services rendered for tax compliance, tax consulting and tax planning, and (iv) All Other Fees, which are fees for products and services other than Audit Fees, Audit- Related Fees and Tax Fees. These amounts exclude expenses and VAT.

Fee category in € m.	**2005**	2004
Audit fees	42	40
Audit-related fees	9	6
Tax fees	8	15
All other fees	–	–
Total fees	**59**	**61**

Our Audit-Related Fees included fees for accounting advisory, due diligence relating to actual or contemplated acquisitions and dispositions, attestation engagements and other agreed-upon procedure engagements. Our Tax Fees included fees for services relating to the preparation and review of tax returns and related compliance assistance and advice, tax consultation and advice relating to Group tax planning strategies and initiatives and assistance with assessing compliance with tax regulations. Our Other Fees were incurred for project-related advisory services.

United States law and regulations, and our own policies, generally require all engagements of our principal accountants be pre-approved by our Audit Committee or pursuant to policies and procedures adopted by it. Our Audit Committee has adopted the following policies and procedures for consideration and approval of requests to engage our principal accountants to perform non-audited services.

Engagement requests must in the first instance be submitted to our Group Finance Committee, whose members consist of our Chief Financial Officer and senior members of our Controlling and Tax departments. If the request relates to services that would impair the independence of our principal accountants, the request must be rejected. Our Audit Committee has given its pre-approval for specified assurance, financial advisory and tax services, provided the expected fees for any such service do not exceed € 1 million. If the engagement request relates to such specified pre-approved services, it may be approved by the Group Finance Committee, which must thereafter report such approval to the Audit Committee. If the engagement request relates neither to prohibited non-audit services nor to pre-approved non-audit services, it must be forwarded by the Group Finance Committee to the Audit Committee for consideration. In addition, to facilitate the consideration of engagement requests between its meetings, the Audit Committee has delegated approval authority to several of its members who are “independent” as defined by the Securities and Exchange Commission and the New York Stock Exchange. Such members are required to report any approvals made by them to the Audit Committee at its next meeting.

Additionally, United States law and regulations permit the pre-approval requirement to be waived with respect to engagements for non-audit services aggregating no more than five percent of the total amount of revenues we paid to our principal accountants, if such engagements were not recognized by us at the time of engagement and were promptly brought to the attention of our Audit Committee or a designated member thereof and approved prior to the completion of the audit. In each of 2004 and 2005, the percentage of the total amount of revenue we paid to our principal accountants represented by non-audit services in each category that were subject to such a waiver was less than 5%.

Compliance with the German Corporate Governance Code

Declaration of Conformity 2005

The Management Board and Supervisory Board issued a new Declaration of Conformity in accordance with § 161 German Stock Corporation Act (AktG) on October 27, 2005. It stated that Deutsche Bank AG complied with the recommendations of the "Government Commission of the German Corporate Governance Code" since its last Declaration of Conformity dated October 28, 2004 with the following exception:

- For the members of the Management Board and the Supervisory Board, there has been a directors and officers' liability insurance policy, without deductible (Code No. 3.8).

Deutsche Bank will act in conformity with the recommendations oft the "Government Commission of the German Corporate Governance Code" in the version dated June 2, 2005 with the following exception:

- For the members of the Management Board and the Supervisory Board, there is a directors' and officers' liability insurance policy without deductible (Code No. 3.8). This is actually a group insurance policy for a large number of staff members in Germany and abroad. Internationally, a deductible is not common; a differentiation between board members and staff members does not appear to be appropriate.

The Declaration of Conformity is also published on our Internet website at www.deutsche-bank.com/corporate-governance, where you can also find a copy of the German Corporate Governance Code.

Statement on the Suggestions of the German Corporate Governance Code

Deutsche Bank voluntarily complies with the suggestions of the Code in the version dated June 2, 2005, with the following exceptions:

- The representatives appointed by Deutsche Bank to exercise shareholders' voting rights can be reached by those attending the General Meeting until just before voting commences. The representatives are reachable by those not attending until 12 noon on the day of the General Meeting using the instruction tool in the Internet (Code No. 2.3.3). In this manner, the risk of any technical disruptions directly before voting takes place can basically be excluded. The broadcast through the Internet also ends at the latest at this time, which means information useful for non-participants in forming an opinion can no longer be expected thereafter.
- Our broadcast of the General Meeting through the Internet (Code No. 2.3.4) covers the opening of the General Meeting by the Chairman and the report of the Management Board. The shareholders are thus free to hold their discussions with management unencumbered by a public broadcast to a wide audience.
- Until now, all of the members of the Supervisory Board have been elected for a uniform period of office (Code No. 5.4.4). But according to § 9 (1) of the Articles of Association, it is possible to vary the periods of office in future elections.

Supervisory Board

Dr. Rolf-E. Breuer
– Chairman,
Frankfurt am Main

Heidrun Förster*
– Deputy Chairperson,
Deutsche Bank Privat- und
Geschäftskunden AG,
Berlin

**Dr. rer. oec.
Karl-Hermann Baumann**
Munich
(until May 18, 2005)

Dr. Karl-Gerhard Eick
Deputy Chairman of the Board
of Management of
Deutsche Telekom AG,
Cologne

Klaus Funk*
Deutsche Bank Privat- und
Geschäftskunden AG,
Frankfurt am Main
(until February 1, 2006)

Ulrich Hartmann
Chairman of the Supervisory
Board of E.ON AG,
Düsseldorf

Sabine Horn*
Deutsche Bank AG,
Frankfurt am Main

Rolf Hunck*
Deutsche Bank AG,
Hamburg

Sir Peter Job
London

**Prof. Dr.
Henning Kagermann**
Chairman and CEO of SAP AG,
Walldorf/Baden

Ulrich Kaufmann*
Deutsche Bank AG,
Düsseldorf

Peter Kazmierczak*
Deutsche Bank AG,
Essen
(from February 1, 2006)

Prof. Dr. Paul Kirchhof
University professor,
Ruprecht-Karls-University
Heidelberg,
Heidelberg

Henriette Mark*
Deutsche Bank AG,
Munich

Margret Mönig-Raane*
Vice President of ver.di
Vereinte Dienstleistungs-
gewerkschaft,
Berlin

**Prof. Dr. jur. Dr.-Ing. E. h.
Heinrich von Pierer**
Chairman of the Supervisory
Board of Siemens AG,
Erlangen
(from May 18, 2005)

Gabriele Platscher*
Deutsche Bank Privat- und
Geschäftskunden AG,
Braunschweig

Karin Ruck*
Deutsche Bank AG,
Bad Soden am Taunus

Tilman Todenhöfer
Managing Partner of Robert
Bosch Industrietreuhand KG,
Stuttgart

**Dipl.-Ing. Dr.-Ing. E. h.
Jürgen Weber**
Chairman of the
Supervisory Board of
Deutsche Lufthansa AG,
Hamburg

Dipl.-Ing. Albrecht Woeste
Chairman of the Supervisory
Board and Shareholders'
Committee of Henkel KGaA,
Düsseldorf

Leo Wunderlich*
Deutsche Bank AG,
Mannheim

* elected by the employees

Committees

Chairman's Committee
Dr. Rolf-E. Breuer
– Chairman
Heidrun Förster*
Ulrich Hartmann
Ulrich Kaufmann*

Mediation Committee
Dr. Rolf-E. Breuer
– Chairman
Heidrun Förster*
Ulrich Hartmann
Henriette Mark*

Audit Committee
Dr. Karl-Gerhard Eick
– Chairman from May 18, 2005
Dr. rer. oec
Karl-Hermann Baumann
– Chairman
(until May 18, 2005)
Dr. Rolf-E. Breuer
Heidrun Förster*
Sabine Horn*
Rolf Hunck*
Sir Peter Job
(from May 18, 2005)

Risk Committee
Dr. Rolf-E. Breuer
– Chairman
Dr. rer. oec.
Karl-Hermann Baumann
(until May 18, 2005)
Sir Peter Job
Prof. Dr. Henning Kagermann
Ulrich Hartmann
– Substitute Member
(until May 18, 2005)
Prof. Dr. jur. Dr.-Ing. E. h.
Heinrich von Pierer
– Substitute Member
(from May 18, 2005)
Tilmann Todenhöfer
– Substitute Member
(from May 18, 2005)

* elected by the employees

Advisory Board

Werner Wenning
– Chairman
Chairman of the Board
of Managing Directors of
Bayer AG, Leverkusen

Dr. Kurt Bock
Member of the Group Board
of BASF Aktiengesellschaft,
Ludwigshafen

Carl L. von Boehm-Bezing
Frankfurt am Main

Dr. Karl-Ludwig Kley
Member of the Executive Board
of Deutsche Lufthansa AG,
Cologne

Francis Mer
Bourg-la-Reine

Alexey A. Mordashov
Chairman of the Board
of Directors, Severstal;
Director General, Severstal-
Group,
Cherepovets
(from February 13, 2006)

Dr. h. c. August Oetker
General Partner of
Dr. August Oetker KG, Bielefeld

Eckhard Pfeiffer
Houston

Dr. Bernd Pischetsrieder
Chairman of the Board of
Management of
Volkswagen AG, Wolfsburg

Dr. Wolfgang Reitzle
President and CEO of
Linde AG, Wiesbaden

Dr. rer. pol. Michael Rogowski
Chairman of the Supervisory
Board of J. M. Voith AG,
Heidenheim

Håkan Samuelsson
President and CEO of
MAN Aktiengesellschaft,
Munich
(from January 1, 2006)

Maria-Elisabeth Schaeffler
Partner and Chairman of the
Supervisory Board of
INA-Holding Schaeffler KG,
Herzogenaurach
(from May 18, 2005)

Dr. Ronaldo H. Schmitz
Frankfurt am Main
(until May 18, 2005)

Prof. Jürgen E. Schrempp
Munich
(until July 29, 2005)

Dr. Cezary Stypulkowski
President and CEO
PZU SA,
Warsaw
(from January 1, 2006)

Jürgen R. Thumann
President, BDI – Federation of
German Industries,
Chairman of the
Shareholders' Committee
Heitkamp & Thumann KG,
Düsseldorf
(from May 18, 2005)

Dr. Dieter Zetsche
Chairman of the Board of
Management and Head of
Mercedes Car Group of
DaimlerChrysler AG, Stuttgart
(from October 1, 2005)

Group Five-Year Record

Balance Sheet in € m.	**2005**	2004	2003	2002	2001
Total assets	992,161	840,068	803,614	758,355	918,222
Loans, net	151,355	136,344	144,946	167,303	259,838
Liabilities	962,225	814,164	775,412	728,364	878,029
Total shareholders' equity	29,936	25,904	28,202	29,991	40,193
Tier I risk-based capital (BIS)	21,898	18,727	21,618	22,742	24,803
Total risk-based capital (BIS)	33,886	28,612	29,871	29,862	37,058
Income Statement in € m.	**2005**	2004	2003	2002	2001
Net interest revenues	6,001	5,182	5,847	7,186	8,620
Provision for loan losses	374	372	1,113	2,091	1,024
Commissions and fee income	10,089	9,506	9,332	10,834	10,727
Trading revenues, net	7,429	6,186	5,611	4,024	6,031
Other noninterest revenues	2,121	1,044	478	4,503	4,163
Total net revenues	**25,266**	**21,546**	**20,155**	**24,456**	**28,517**
Compensation and benefits	10,993	10,222	10,495	11,358	13,360
Goodwill amortization/impairment and impairment of intangibles	–	19	114	62	871
Restructuring activities	767	400	(29)	583	294
Other noninterest expenses	7,394	6,876	6,819	8,904	12,189
Total noninterest expenses	**19,154**	**17,517**	**17,399**	**20,907**	**26,714**
Income before income tax expense and cumulative effect of accounting changes	**6,112**	**4,029**	**2,756**	**3,549**	**1,803**
Income tax expense	2,039	1,437	1,327	372	434
Reversal of 1999/2000 credits for tax rate changes	544	120	215	2,817	995
Cumulative effect of accounting changes, net of tax	–	–	151	37	(207)
Net income	**3,529**	**2,472**	**1,365**	**397**	**167**
Key figures	**2005**	2004	2003	2002	2001
Basic earnings per share	€ 7.62	€ 5.02	€ 2.44	€ 0.64	€ 0.27
Diluted earnings per share	€ 6.95	€ 4.53	€ 2.31	€ 0.63	€ 0.27
Dividends paid per share in period	€ 1.70	€ 1.50	€ 1.30	€ 1.30	€ 1.30
Return on average total shareholders' equity (post-tax)[1]	12.5%	9.1%	4.7%	1.1%	2.3%
Adjusted return on average active equity (post-tax)[2]	16.2%	10.5%	5.2%	10.2%	7.1%
Cost/income ratio[3]	74.7%	79.9%	81.8%	78.8%	87.6%
BIS core capital ratio (Tier I)	8.7%	8.6%	10.0%	9.6%	8.1%
BIS capital ratio (Tier I + II + III)	13.5%	13.2%	13.9%	12.6%	12.1%
Employees (full-time equivalent)	63,427	65,417	67,682	77,442	86,524

[1] Net income in 2001 is adjusted for amortization of goodwill and other intangible assets.

[2] We calculate this adjusted measure of our return on average total shareholders' equity to make it easier to compare us to our competitors. We refer to this adjusted measure as our "adjusted return on average active equity". However, this is not a measure of performance under U.S. GAAP and you should not compare our ratio to other companies' ratios without considering the differences in calculation of the ratios. The principal items for which we adjust our ratio are the average unrealized net gains on securities available for sale, net of applicable tax effects. In addition we adjust our average total shareholders' equity for the effect of our paying a dividend once a year following its approval by the general shareholders' meeting. Net income used for this calculation is adjusted for the income tax expense from the change in effective tax rate and the reversing effect, for the effect of accounting changes, and in 2001, adjusted for the amortization of goodwill and other intangible assets.

[3] Total noninterest expenses (excluding amortization of goodwill and other intangible assets in 2001) as a percentage of net interest revenues before provision for loan losses plus noninterest revenues (excluding amortization of negative goodwill in 2001).

Declaration of Backing[1]

Deutsche Bank AG ensures, except in the case of political risk, that the following companies are able to meet their contractual liabilities:

DB Investments (GB) Limited, London

Deutsche Asset Management International GmbH, Frankfurt am Main

Deutsche Asset Management Investmentgesellschaft mbH
vormals DEGEF Deutsche Gesellschaft für Fondsverwaltung mbH,
Frankfurt am Main

Deutsche Australia Limited, Sydney

Deutsche Bank Americas Holding Corp., New York/USA

Deutsche Bank Luxembourg S.A., Luxembourg

Deutsche Bank (Malaysia) Berhad, Kuala Lumpur

Deutsche Bank Polska S.A., Warsaw

Deutsche Bank (Portugal), S.A., Lisbon

Deutsche Bank Rt., Budapest

Deutsche Bank S.A., Buenos Aires

Deutsche Bank S.A. – Banco Alemão, São Paulo

Deutsche Bank S.A./N.V., Brussels

Deutsche Bank, Sociedad Anónima Española, Barcelona

Deutsche Bank Società per Azioni, Milan

Deutsche Bank (Suisse) S.A., Geneva

Deutsche Futures Singapore Pte Ltd., Singapore

Deutsche Morgan Grenfell Group plc, London

Deutsche Securities Asia Limited, Hong Kong

Deutsche Securities Limited, Hong Kong

DWS Holding & Service GmbH, Frankfurt am Main

DWS Investment GmbH, Frankfurt am Main

DWS Investment S.A., Luxembourg

OOO Deutsche Bank, Moscow

Schiffshypothekenbank zu Lübeck Aktiengesellschaft, Hamburg

[1] Companies with which a profit and loss transfer agreement exists are marked in the List of shareholdings.

Glossary

Adjusted return on average active shareholders' equity
An adjusted measure to make it easier to compare us to our competitors. The principal item for which we adjust our Return on equity is the aggregate unrealized gains and losses (including tax effect) in our portfolio of shareholdings in publicly-listed industrial companies. We include realized gains and losses (net of tax effect) in active equity from the time those shareholdings are sold and the related gains are employed by our businesses. → Return on average total shareholders' equity (RoE).

Alternative assets/investments
Direct investments in → Private equity, venture capital, mezzanine capital, real estate capital investments and investments in leveraged buyout funds, venture capital funds and → Hedge funds.

Asset-backed securities
Particular type of securitized payment receivables in the form of tradable securities. These securities are created by the repackaging of certain financial assets → (Securitization).

Back-testing
Back-testing is used to verify the predictive power of the → Value-at-risk model. Hypothetical daily profits and losses are compared with the estimates we had forecasted using the → Value-at-risk model.

Banking book
All risk positions that are not allocated to the → Trading book.

BIS capital ratio
Key figure for international banks expressing in % the ratio between their capital and their risk-weighted position for regulatory purposes. The minimum total capital ratio to be complied with is 8% and the minimum core capital ratio 4%.

BIS
Bank for International Settlements domiciled in Basel.

Broker/brokerage
Brokers accept orders to buy and sell securities from banks and private investors and execute them on behalf of the customer. For this activity, the broker usually receives a commission.

Buyout
Purchase (in full or in part) of a company or specific corporate activities.

Capital according to BIS
Capital recognized for regulatory purposes according to the Basel Capital Adequacy Accord of 1988 (last amended in January 1996) for international banks.
Total capital consists of:

- core capital or Tier I capital: primarily share capital, reserves and hybrid capital components,
- supplementary capital or Tier II capital: primarily participatory capital, long-term subordinated debt, unrealized gains on listed securities and other inherent loss allowances,
- Tier III capital: mainly short-term subordinated debt and excess Tier II capital.

Supplementary capital is limited to 100% of core capital and the amount of long-term subordinated debt that can be recognized as supplementary capital is limited to 50% of core capital.

Cash flow statement
Calculation and presentation of the cash flow generated or consumed by a company during a financial year as a result of its business, investing and financing activities, and reconciliation of holdings of cash and cash equivalents (cash reserve) at the beginning and end of a financial year.

Cash management
Refers to the management of liquid assets in dollars, euro and other currencies for companies and financial institutions to optimize financial transactions.

Cash margin receivables/payables
Balances placed by/placed with Deutsche Bank at/by → broker-dealers and clearing organizations for clearing purposes.

Clearing
The process of transmitting, reconciling and, in some cases, confirming payment orders.

Comprehensive income
Change of equity excluding transactions with shareholders (e.g. dividends, issuance of shares). It consists primarily of net income and → Other comprehensive income.

Confidence level
In the framework of the → Value-at-risk concept it is the level of probability that the loss stated by the → Value-at-risk will arise in the respective interval.

Cost/income ratio
In general: a ratio expressing a company's cost effectiveness which sets operating expenses in relation to operating income.

Country risk
The risk that we may suffer a loss, in any given country, due to political and social unrest, nationalization and expropriation of assets, government repudiation of external indebtedness, exchange controls and currency depreciation or devaluation.

Credit default swap
An agreement between two parties whereby one party pays the other a fixed coupon over a specified term. The other party makes no payment unless a specified credit event such as a default occurs, at which time a payment is made and the swap terminates.

Credit derivatives
Financial instruments with which → Credit risk connected with loans, bonds or other risk-weighted assets or market risk positions is transferred to parties providing protection. This does not alter or re-establish the underlying credit relationship of the original risk-takers (parties selling the credit risks).

Credit risk
Risk that customers may not be able to meet their contractual payment obligations. Credit risk includes default risk, → Country risk and settlement risk.

Custody
Custody and administration of securities as well as additional securities services.

Deferred taxes
Tax charges and accruals allocated for payment in a later financial year. Deferred taxes reflect the temporary differences between assets and liabilities recognized for financial reporting purposes and such amounts recognized for income tax purposes.

Derivatives
Products whose value derives largely from the price, price fluctuations and price expectations of an underlying instrument (e.g. share, bond, foreign exchange or index). Derivatives include → Swaps, → Options and → Futures.

Earnings per share
Key figure determined according to → U.S. GAAP and expressing a company's net income in relation to the average number of common shares. Apart from basic earnings per share, diluted earnings per share must also be reported if the conversion and exercise of outstanding stock options, share awards and convertible bonds could increase the number of shares.

E-commerce
The total volume of all electronic data exchange in connection with commercial activities: information flows and transactions with products or services. E-commerce covers relations between companies, between companies and public authorities and between companies and private individuals. E-commerce uses various forms of data transmission (telephone, television, data networks).

Economic capital
A figure which states with a high degree of certainty the amount of equity capital we need at any given time to absorb unexpected losses arising from current exposures. It must be clearly distinguished from reported capital and reserves.

Emerging markets
Expanding markets in developing nations, primarily financial markets.

Equity capital markets
Primarily, activities connected with a company's IPO or the placement of new shares. It also covers the privatization of state-owned companies.

Equity method
Valuation method for investments in companies over which significant influence can be exercised regarding operating and financial policies. The pro-rata share of the company's net income (loss) increases (decreases) the carrying value of the investment affecting net income. Distributions decrease the carrying value of the investment without affecting net income.

Event risk scenarios
Scenarios representing important events, e.g. large movements in interest or exchange rates.

Expected loss
Measurement of the default loss to be expected in our loan portfolio within one year on the basis of historical loss data.

Exposure
The amount which the bank may lose in case of losses incurred due to risks taken, e.g. in case of a borrower's or counterparty's default.

Fair value
Amount at which assets or liabilities would be exchanged between knowledgeable, willing and independent counterparties. Fair value is often identical to market price.

Futures
Forward contracts standardized with respect to quantity, quality and delivery date, in which an instrument traded on the money, capital, precious metal or foreign exchange markets, is to be delivered or taken receipt of at an agreed price at a certain future time. Cash settlement is often stipulated for such contracts (e.g. futures based on equity indices) to meet the obligation (instead of delivery or receipt of securities).

General business risk
Risk arising from changes in general business conditions, such as market environment, client behavior and technological progress. These factors can affect our earnings if we are unable to adjust quickly to changes in them.

Goodwill
The amount which the buyer of a company pays, taking account of future earnings, over and above the → Fair value of the company's individually identifiable assets and liabilities.

Hedge accounting
Financial reporting of hedging relationships (formation of valuation units) which are subject to certain conditions.

Hedge fund
A fund whose investors are generally institutions and wealthy individuals. Hedge funds can employ strategies which mutual funds are not permitted to use. Examples include short selling, leveraging and → Derivatives. Since there is a legal restriction to a maximum of 100 investors in the U.S.A., the minimum investment is typically U.S.$ 1 million. Hedge fund returns are often uncorrelated with traditional investment returns.

IFRS (International Financial Reporting Standards)/previously IAS (International Accounting Standards)
Financial Reporting Rules of the International Accounting Standards Board to ensure globally transparent and comparable accounting and disclosure. Main objective is to present information that is useful in making economic decisions, mainly for investors.

Investment banking
Generic term for capital market-oriented business. This includes primarily the issuing and trading of securities and their → Derivatives, interest and currency management, corporate finance, M&A advisory, structured finance and → Private equity.

Late-stage private equity
Investments in unlisted companies which belong to the category of "more mature" corporate investment opportunities in terms of age and positive cash flow.

Liquidity risk
Risk to our earnings and capital arising from the bank's potential inability to meet matured obligations without incurring unacceptably high losses.

Management buyout
Purchase of a company's entire outstanding shares by its management, thereby ending the company's listing.

Market risk
Arises from the uncertainty concerning changes in market prices and rates (including interest rates, share prices, foreign exchange rates and commodity prices), the correlations among them and their levels of volatility.

Mark-to-market valuation
Valuation at current market prices. Applies, for instance, to trading activities (→ Trading revenues).

Mezzanine
Flexible, mixed form of financing comprising equity and debt capital.
Here: long-term subordinated financing instrument used to finance growth while at the same time strengthening the borrower's economic equity capital base.

Monte Carlo simulation
A Monte Carlo simulation is a model that calculates the gain or loss from a transaction by analyzing a large number of different market scenarios (e.g.10,000).

Netting agreements
Contracts between two parties that under certain circumstances – e.g. insolvency – mutual claims from outstanding business can be offset against each other. The inclusion of a legally binding netting agreement reduces the default risk from a gross to a net amount.

Operational risk
Potential for incurring losses in relation to employees, project management, contractual specifications and their documentation, technology, infrastructure failure and disasters, external influences and customer relationships. This definition includes legal and regulatory risk.

Option
Right to purchase (call option) or sell (put option) a specific underlying (e.g. security or foreign exchange) from or to a counterparty (option seller) at a predetermined price on or before a specific future date.

OTC derivatives
Nonstandardized financial instruments (→ Derivatives) not traded on a stock exchange, but directly between market participants (over the counter).

Other comprehensive income
Primarily includes unrealized gains and losses on foreign currency translation and on → Securities available for sale. These unrealized gains and losses are not included in net income but reported in accumulated other comprehensive income in shareholders' equity.

Passive asset management
This business includes funds that track a variety of financial indices worldwide. The objective of passive asset management is to create a portfolio that replicates the risk and total return characteristics of the relevant index while keeping the transaction costs associated with the trading of securities as low as possible.

Portfolio
In general: part or all of one or all categories of asset (e.g. securities, loans, equity investments or real estate). Portfolios are formed primarily to diversify risk.
Here: combination of similar transactions, especially in securities and/or → Derivatives, under price risk considerations.

Private banking
Business with investment-oriented and high net worth clients.

Private equity
Equity investment in non-listed companies. Examples are venture capital and buyout funds.

Probability of default
States the expected average probability of counterparty default, based on a statistical analysis of historical defaults in our → Portfolio.

Projected unit credit method
An accrued benefit valuation method, according to SFAS 87, used to determine the actuarial present value of an enterprise's defined benefit obligations and the related current service cost. This method takes into account the expected rates of salary increases, for instance, as the basis for future benefit increases. The rate used to discount post-employment benefit obligations is determined by reference to market yields at the balance sheet date on high quality corporate bonds.

Rating
External: standardized evaluation of issuers' credit standing and debt instruments, carried out by specialized agencies.
Internal: detailed risk assessment of every → Exposure associated with an obligor.

Receivables/payables related to prime brokerage
Receivables/payables related to prime brokerage are amounts owed to/owed by Deutsche Bank from activities such as acting as settlement agent, custody provider, financing/funding provider and preparer of account statements for clients who are money managers, → hedge funds, market makers and other professional investors.

Registered shares
Shares registered in a person's name. As required under joint stock company law, that person is registered in the share register with several personal details and the number of shares owned. Only those persons entered in the share register are deemed to be shareholders of the company and are entitled, for instance, to exercise rights at the General Meeting.

Relationship management
In general: together with product specialists, qualified relationship managers look after selected corporate customers in a defined market segment.
Here: a coverage approach in national and international business with corporate customers.

Repo (repurchase agreement)
An agreement to repurchase securities sold (genuine repurchase agreement where the asset remains the seller's property). From the buyer's viewpoint, the transaction is a reverse repo.

Return on average total shareholders' equity (RoE)
In general: ratio showing the income situation of a company, setting profit (net income) in relation to capital employed.
Here: net income as a percentage of average capital employed over the year → Adjusted return on average active shareholders' equity.

Risk position according to BIS
The risk position according to → BIS is made up of risk-weighted assets, comprising above all the counterparty risks in the → Banking book and the → Trading book, and the market risk equivalent for interest, foreign exchange, equity and commodity price risks.
While the risk-weighted assets are calculated on the basis of regulatory standard methods, the market risk equivalent corresponds to 12.5 times our → Value-at-risk figure (99% → Confidence level and ten days holding period), which is calculated on the basis of our regulatorily recognized internal models and scaled up with a bank-specific multiplier (at least 3).

Sarbanes-Oxley-Act (SOX)
U.S. capital market law passed in 2002 to strengthen corporate governance and restore investor confidence in response to a number of major corporate and accounting scandals. Legislation establishes new or enhanced standards ranging from additional Corporate Board responsibilities to criminal penalties for all companies that have listed their shares on a U.S. stock exchange.

Securities available for sale
Securities which are not held for trading purposes and (in case of debt securities) are not held to maturity. They are reported in the balance sheet at their → Fair value. Changes in → Fair value are generally reported in → Other comprehensive income in shareholders' equity. Declines in → Fair value below their amortized cost that are deemed to be other than temporary and realized gains and losses are reported in the consolidated statement of income.

Securitization
In general: rights evidenced by securities (e.g. shares or bonds).
Here: replacing loans or financing various kinds of claims by issuing securities (such as bonds or commercial paper).

Segment information
Disclosure of a company's assets and income, broken down by activity (division) and geographical area (region).

Shareholder value
Management concept that focuses strategic and operational decision-making on the steady growth of a company's value. The guiding principle is that only returns above the cost of capital add value for shareholders.

Swaps
In general: exchange of one payment flow for another.
Interest rate swap: exchange of interest payment flows in the same currency with different terms and conditions (e.g. fixed or floating).
Currency swap: exchange of interest payment flows and principal amounts in different currencies.

Trading book
A bank-regulatory term for positions in financial instruments, shares and tradable claims held by a bank which are intended for resale in the short term to benefit from price and interest rate fluctuations. This also includes business that is closely associated with trading book positions (e.g. for hedging purposes). Risk positions not belonging to the trading book are shown in the → Banking book.

Trading revenues
Balance of realized and unrealized gains and losses on the positions held in the trading portfolio and net interest revenues on → Derivatives held for trading purposes. Trading generally reflects frequent buying and selling, i.e. the positions are taken with the objective of generating profits on short-term differences in price.

Trust preferred securities
Hybrid capital instruments characterized by profit-related interest payments. Under banking regulations they are part of core capital if interest payments are not accumulated in case of losses (non cumulative trust preferred securities) and if the instruments do not have a stated maturity date or if they are not redeemable at the option of the holder. Otherwise they are included in supplementary capital (e.g. cumulative trust preferred securities).

U.S. GAAP (United States Generally Accepted Accounting Principles)
U.S. accounting principles drawn up by the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants (AICPA). In addition, the interpretations and explanations furnished by the Securities and Exchange Commission (SEC) are particularly relevant for companies listed on the stock exchange. As in the case of → IFRS the main objective is to provide decision useful information, especially for investors.

Value-at-risk
Value-at-risk measures, for a given → Portfolio, the potential future loss (in terms of market value) that, under normal market conditions, will not be exceeded in a given period and with a given → Confidence level.

Impressum/Publications

Deutsche Bank Aktiengesellschaft
Taunusanlage 12
Germany
60262 Frankfurt am Main
Telephone: +49 69 9 10-00
deutsche.bank@db.com

Investor Relations:
+49 69 9 10-3 80 80
db.ir@db.com

The Annual Review 2005 and Financial Report 2005 on the Internet:
www.deutsche-bank.com/05

Cautionary statement regarding forward-looking statements

This report contains forward-looking statements. Forward-looking statements are statements that are not historical facts; they include statements about our beliefs and expectations. Any statement in this presentation that states our intentions, beliefs, expectations or predictions (and the assumptions underlying them) is a forward-looking statement. These statements are based on plans, estimates and projections as they are currently available to the management of Deutsche Bank. Forward-looking statements therefore speak only as of the date they are made, and we undertake no obligation to update publicly any of them in light of new information or future events.

By their very nature, forward-looking statements involve risks and uncertainties. A number of important factors could therefore cause actual results to differ materially from those contained in any forward-looking statement. Such factors include the conditions in the financial markets in Germany, in Europe, in the United States and elsewhere from which we derive a substantial portion of our trading revenues, potential defaults of borrowers or trading counterparties, the implementation of our Business Realignment Program, the reliability of our risk management policies, procedures and methods, and other risks referenced in our filings with the U.S. Securities and Exchange Commission. Such factors are described in detail in our SEC Form 20-F of 24 March 2005 in the section "Risk Factors." Copies of this document are available upon request or can be downloaded from www.deutsche-bank.com/ir

We will be happy to send you the following publications relating to the financial statements.
Please note that Deutsche Bank Group's annual report consists of two separate sections: Annual Review 2005 and Financial Report 2005.

Annual Review 2005
(German and English)

Financial Report 2005
(German and English)

Form 20-F 2005 (English)

Annual Financial Statements and Management Report of Deutsche Bank AG 2005
(German and English)

List of mandates 2005
(German and English)

List of shareholdings 2005
(German and English)

List of Advisory Council Members 2005
(German)

Corporate Social Responsibility – Report 2005
(German and English)

How to order:

– by e-mail to
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– by mail from:
Deutsche Bank AG
Leser-Service-PKS
60262 Frankfurt am Main
Germany

Financial Calendar for 2006/2007

May 3, 2006	Interim Report as at March 31, 2006
June 1, 2006	General Meeting in the Festhalle Frankfurt am Main (Exhibition Center)
June 2, 2006	Dividend payment
August 1, 2006	Interim Report as at June 30, 2006
November 1, 2006	Interim Report as at September 30, 2006
May 8, 2007	Interim Report as at March 31, 2007
May 24, 2007	General Meeting in the Festhalle Frankfurt am Main (Exhibition Center)
May 25, 2007	Dividend payment
August 1, 2007	Interim Report as at June 30, 2007
October 31, 2007	Interim Report as at September 30, 2007

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Annex 2
Financial Report 2004

Deutsche Bank

The Group at a Glance

	2004	2003
Share price at period end	€ 65.32	€ 65.70
Share price high	€ 77.77	€ 66.04
Share price low	€ 52.37	€ 32.97
Dividend per share (proposed for 2004)	€ 1.70	€ 1.50
Basic earnings per share	€ 5.02	€ 2.44
Diluted earnings per share[1]	€ 4.53	€ 2.31
Average shares outstanding, in m., basic	493	559
Average shares outstanding, in m., diluted	532	590
Return on average total shareholders' equity (post-tax)	9.1%	4.7%
Adjusted return on average active equity (post-tax)[2, 3]	10.5%	5.2%
Pre-tax return on average total shareholders' equity	14.8%	9.5%
Pre-tax return on average active equity[3]	16.3%	10.1%
Cost/income ratio[4]	79.9%	81.8%
	€ m.	€ m.
Total revenues	21,918	21,268
Provision for loan losses	372	1,113
Total noninterest expenses	17,517	17,399
Income before income tax expense and cumulative effect of accounting changes	4,029	2,756
Net income	2,472	1,365
	Dec 31, 2004	Dec 31, 2003
	in € bn.	in € bn.
Total assets	840	804
Loans, net	136	145
Shareholders' equity	25.9	28.2
BIS core capital ratio (Tier I)	8.6%	10.0%
	Number	Number
Branches	1,559	1,576
thereof in Germany	831	845
Employees (full-time equivalent)	65,417	67,682
thereof in Germany[5]	27,093	29,878
Long-term rating		
Moody's Investors Service, New York	Aa3	Aa3
Standard & Poor's, New York	AA–	AA–
Fitch Ratings, New York	AA–	AA–

[1] Including effect of dilutive derivatives, net of tax.
[2] Net income of € 2,472 million for 2004 and € 1,365 million for 2003 is adjusted for the reversal of 1999/2000 credits for tax rate changes of € 120 million for 2004 and € 215 million for 2003 and for the effect of accounting changes of € 151 million for 2003 (no effect in 2004).
[3] We calculate this adjusted measure of our return on average total shareholders' equity to make it easier to compare us to our competitors. We refer to this adjusted measure as our "return on average active equity". However, this is not a measure of performance under U.S. GAAP and you should not compare our ratio to other companies' ratios without considering the differences in calculation of the ratios. The items for which we adjust the average shareholders' equity of € 27,194 million for 2004 and € 28,940 million for 2003 are the average unrealized net gains on securities available for sale, net of applicable tax effects of € 1,601 million for 2004 and € 810 million for 2003 and the average dividends of € 815 million for 2004 and € 756 million for 2003. The dividend is paid once a year following its approval by the general shareholders' meeting.
[4] Noninterest expenses as a percentage of net interest revenues before provision for loan losses plus noninterest revenues.
[5] Number for the year 2003 is restated for revised assignment of representation offices employees.

Due to rounding, numbers presented throughout this document may not add up precisely to the totals we provide and percentages may not precisely reflect the absolute figures.

Content

Management Report

The following discussion and analysis should be read in conjunction with the consolidated financial statements and the related notes to them. Our consolidated financial statements for the years ended December 31, 2004 and 2003 have been audited by KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft that issued an unqualified opinion.

Executive Summary

In 2004, the global economy was more stable than in 2002 or 2003, despite high oil prices, continued depreciation of the U.S. dollar against the euro and continued concerns over security. We saw strong momentum in the Americas and in the fast-growing Asian economies. On the other hand, growth in the mature Eurozone economies was slower – notably in Germany. In the banking industry, volumes in some of our core businesses remained well below the peak year of 2000. We saw sustained pressure on margins – particularly in more commoditized products, such as foreign exchange. In this environment, we delivered against our targets with a record year in Private & Business Clients (PBC) and in Debt Sales & Trading revenues. We also continued to strengthen our strategic positioning, in Germany and internationally.

Income before income tax expense increased from € 2.8 billion in 2003 to € 4.0 billion, after restructuring charges of € 400 million related to the Business Realignment Program we launched in the fourth quarter of 2004. We reported a pre-tax return on average active equity of 16% – a substantial improvement over 10% in 2003 (pre-tax return on average total shareholders' equity was 15% and 10%, respectively, for such years). Net income for 2004 increased by 81% to € 2.5 billion compared to € 1.4 billion in 2003, and basic earnings per share increased 106% to € 5.02.

Compared to 2003, total net revenues excluding the provision for loan losses increased by € 650 million, or 3%, to € 21.9 billion. Positive revenue factors include improved returns from equity method investments, net gains from investment and premises sales, record total revenues of € 6.3 billion from Sales & Trading (debt and other products), which includes net interest, trading and fee revenues, and Origination and Advisory revenues, which grew to € 1.9 billion. The largest negative factors were lower revenues from proprietary activities in Sales & Trading (equity), a decline in gains on the sale of non-core businesses and the negative impact of exchange rate movements on our non-euro-denominated revenues.

Our total noninterest expenses were € 17.5 billion compared to € 17.4 billion in 2003. Noninterest expenses in 2004 included restructuring expenses of € 400 million. Severance payments were € 282 million in 2004 compared to € 702 million in 2003. Reductions in noninterest expenses due to headcount reductions and other additional measures as well as due to the aforementioned exchange rate movements were offset by higher performance-related bonuses reflecting performance improvements in 2004. Noninterest expenses in 2004 also included charges associated with the settlement agreement of the WorldCom litigation.

Ongoing improvements in the credit environment, together with rigor in the bank's credit risk management activities and releases related to previously impaired loans resulted in lower provisions for credit losses and in an improvement of the quality of the loan book. For the year 2004, provisions for loan losses were € 372 million, down 67% from € 1.1 billion in 2003. Furthermore, at the end of 2004, problem loans were € 4.8 billion, down 27% from € 6.6 billion at the end of 2003.

Looking forward, we expect to benefit from the investments made in our core businesses and from our planned cost savings. Our Business Realignment Program reflects a number of specific initiatives to better integrate business coverage and product units. These initiatives include realigning our sales and trading platforms in Global Markets, closely aligning our corporate finance, corporate banking and transaction banking activities, reorganizing Asset Management, adding regional focus in Germany and other regions, and streamlining our infrastructure.

The following table presents our condensed consolidated statement of income for 2004 and 2003:

in € m.	2004	2003	2004 increase (decrease) from 2003 in €	in %
Net interest revenues	5,182	5,847	(665)	(11)
Provision for loan losses	372	1,113	(741)	(67)
Net interest revenues after provision for loan losses	**4,810**	**4,734**	**76**	**2**
Commissions and fee revenues	9,506	9,332	174	2
Trading revenues, net	6,186	5,611	575	10
Net gains on securities available for sale	235	20	215	N/M
Net income (loss) from equity method investments	388	(422)	810	N/M
Other noninterest revenues	421	880	(459)	(52)
Total noninterest revenues	**16,736**	**15,421**	**1,315**	**9**
Total net revenues	**21,546**	**20,155**	**1,391**	**7**
Compensation and benefits	10,222	10,495	(273)	(3)
Goodwill impairment/impairment of intangibles	19	114	(95)	(83)
Restructuring activities	400	(29)	429	N/M
Other noninterest expenses	6,876	6,819	57	1
Total noninterest expenses	**17,517**	**17,399**	**118**	**1**
Income before income tax expense and cumulative effect of accounting changes	**4,029**	**2,756**	**1,273**	**46**
Income tax expense	1,437	1,327	110	8
Reversal of 1999/2000 credits for tax rate changes	120	215	(95)	(44)
Income before cumulative effect of accounting changes, net of tax	**2,472**	**1,214**	**1,258**	**104**
Cumulative effect of accounting changes, net of tax	–	151	(151)	N/M
Net income	**2,472**	**1,365**	**1,107**	**81**

N/M – Not meaningful

Our net income included the effects of reversing income tax credits related to 1999 and 2000 tax law changes, as described below and the cumulative effect of accounting changes as described in Note [2] to our consolidated financial statements. The following table shows our net income excluding these effects:

in € m. (except per share amounts)	**2004**	**Per share (basic)**	**Per share (diluted)**	2003	Per share (basic)	Per share (diluted)
Net income	**2,472**	**5.02**	**4.53**	**1,365**	**2.44**	**2.31**
Add (deduct):						
Reversal of 1999/2000 credits for tax rate changes	120	0.24	0.23	215	0.39	0.36
Cumulative effect of accounting changes, net of tax	–	–	–	(151)	(0.27)	(0.25)
Net income before reversal of 1999/2000 credits for tax rate changes and cumulative effect of accounting changes, net of tax	**2,592**	**5.26**	**4.76**	**1,429**	**2.56**	**2.42**

Net income above included pre-tax gains of € 140 million in 2004 and € 222 million in 2003 on sales of securities that generated the reversal of the 1999/2000 credits for tax rate changes.

Effects of 1999/2000 German Tax Reform Legislation and Accounting for Income Taxes

The German Tax Reform Act stipulated that profits on the sale of shareholdings in German corporations were exempt from tax beginning January 1, 2002. For our consolidated financial statements for 2000, this meant that the respective deferred tax liability formed in connection with the unrealized gains from equity securities available for sale accumulated in other comprehensive income (OCI) had to be released as a credit in the tax line of the income statement although the gains were still unrealized since the securities were not yet sold.

The release of the deferred tax liability through the income statement did not affect the offset amount in OCI. It remains fixed in the amount determined at the date of the release of the deferred tax liability until such time as the securities are sold.

The following table presents the level of unrealized gains and related effects for available for sale equity securities of DB Investor, which holds most of our industrial holdings.

in € bn.	**2004**	2003	2002	2001	2000
Market value	5.4	6.3	5.3	14.1	17.5
Cost	4.0	4.6	5.0	5.7	5.6
Unrealized gains in other comprehensive income	**1.4**	**1.7**	**0.3**	**8.4**	**11.9**
Less: deferred tax relating to 1999 and 2000 tax rate changes in Germany	2.7	2.8	2.9	5.5	6.5
Other comprehensive income (loss), net	**(1.3)**	**(1.1)**	**(2.6)**	**2.9**	**5.4**

As a consequence, the accounting for income tax rate changes related to eligible equity securities may result in significant impacts on our results of operations in periods in which we sell these securities. This effect is illustrated in 2004, 2003, 2002 and 2001 when we sold portions of our eligible equity securities. The gains resulting from most of these sales were not subject to tax. We reversed the deferred taxes which had accumulated in other comprehensive income, through December 31, 2000, in respect of these securities. We recognized these reversals as tax expense of € 120 million in 2004, € 215 million in 2003, € 2.8 billion in 2002 and € 995 million in 2001.

The only tax payable is on 5% of any gain as a result of the 2004 Tax Reform Act which was enacted in December 2003. Under the Act, effective starting in 2004, corporations will effectively become subject to tax on 5% of capital gains from the disposal of foreign and domestic shareholdings irrespective of holding percentage and holding period; losses from a shareholding disposal continue to be non-tax deductible.

Neither the initial release of the deferred tax liability nor the unrealized gains and losses from securities available for sale are included in regulatory core capital or in the calculation of our adjusted return on equity. The entire procedure is a U.S. GAAP specific accounting requirement. We believe that the economic effects of the tax rate changes are not appropriately reflected in the individual periods up to and including the period of the sale.

For more information on this accounting method, see the respective section of our Form 20-F filed March 24, 2005.

Operating Results

You should read the following discussion and analysis in conjunction with the consolidated financial statements.

Net Interest Revenues

The following table sets forth data related to our net interest revenues:

			2004 increase (decrease) from 2003	
in € m. (except percentages)	**2004**	2003	in €	in %
Total interest revenues	28,023	27,583	440	2
Total interest expenses	22,841	21,736	1,105	5
Net interest revenues	**5,182**	**5,847**	**(665)**	**(11)**
Average interest-earning assets[1]	751,557	736,046	15,511	2
Average interest-bearing liabilities[1]	695,094	683,127	11,967	2
Gross interest yield[2]	3.73%	3.75%	(0.02) ppt	(1)
Gross interest rate paid[3]	3.29%	3.18%	0.11 ppt	3
Net interest spread[4]	0.44%	0.57%	(0.13) ppt	(23)
Net interest margin[5]	0.69%	0.79%	(0.10) ppt	(13)

ppt – Percentage points
[1] Average balances for each year are calculated based upon month-end balances.
[2] Gross interest yield is the average interest rate earned on our average interest-earning assets.
[3] Gross interest rate paid is the average interest rate paid on our average interest-bearing liabilities.
[4] Net interest spread is the difference between the average interest rate earned on average interest-earning assets and the average interest rate paid on average interest-bearing liabilities.
[5] Net interest margin is net interest revenues expressed as a percentage of average interest-earning assets.

Net interest revenues in 2004 were € 5.2 billion, a decline of € 665 million from 2003. A significant factor in the decline was the impact of lower loans outstanding. Although total average interest earning assets increased by € 16 billion, or 2%, in 2004, the average volume of loans, the assets on which we generally earn the highest rate and wide spreads, decreased by € 21 billion to € 144 billion. The reduction of our loan exposure was primarily due to soft demand in the corporate loan book, including the German MidCap business. This was partly offset by greater loan volumes in the retail business. The development in loans year-to-year is the main reason that our overall rate earned in 2004 declined by 2 basis points while our rate paid increased by 11 basis points, in an environment of slightly increasing rates.

In addition, there were a number of other individual factors reflected in our net interest revenues in 2004. In absolute terms, increased average volumes in trading assets and liabilities generated the most significant increase in interest revenues and interest expenses, respectively. Interest and dividend income from securities available for sale and other investments decreased, partly due to less dividend income from our smaller industrial holdings portfolio. Interest revenues in 2004 included € 131 million related to tax refunds resulting from ongoing audits of prior period tax returns.

The development of our net interest revenues is also influenced to a significant extent by the accounting treatment of some of our derivatives transactions. We enter into nontrading derivative transactions as economic hedges of the interest rate risks of our nontrading assets and liabilities. Some of these derivatives qualify as hedges for accounting purposes while others do not. When derivative transactions qualify as hedges for accounting purposes, the interest arising from the derivatives appear in interest revenues and expense, where they compensate the interest flows from the assets and liabilities they are intended to hedge. When derivatives do not qualify for hedge accounting treatment, the interest flows that arose from the derivatives during any period all appear in trading revenues for that period.

Trading revenues, net

The following table sets forth data related to our trading revenues:

			2004 increase (decrease) from 2003	
in € m. (except percentages)	**2004**	2003	in €	in %
CIB – Sales & Trading (equity)	2,192	2,491	(298)	(12)
CIB – Sales & Trading (debt and other products)	3,666	3,481	185	5
Other trading revenues	328	(361)	689	N/M
Total trading revenues, net	**6,186**	**5,611**	**575**	**10**

N/M – not meaningful

The decline in trading revenues from CIB – Sales & Trading (equity) was driven by lower returns from proprietary activities, which were partly offset by higher revenues from derivatives and the prime services business.

Trading revenues from Sales & Trading (debt and other products) increased, driven by our market-leading positions in high-value, structured products such as interest rate derivatives, credit derivatives and distressed debt.

Other trading revenues in 2004 primarily included returns from customer-related foreign exchange business in Global Trade Finance and PCAM, mark-to-market gains of € 69 million related to AWM's guaranteed value mutual funds business and losses of € 231 million from credit default swaps used to hedge our investment-grade loan exposure.

In 2003 returns from customer-related foreign exchange business were below 2004 level. In addition, other trading revenues in 2003 included losses of € 285 million from credit default swaps used to hedge our investment-grade loan exposure, losses of € 143 million on hedges of our industrial holdings portfolio, losses related to foreign currency effects on certain liabilities in CIB and mark-to-market losses from hedging capital of certain foreign subsidiaries.

Our trading and risk management businesses include significant activities in interest rate instruments and related derivatives. Under U.S. GAAP, interest revenues earned from trading assets (e.g., coupon and dividend income), and the costs of funding net trading positions are part of net interest revenues. Our trading activities can periodically shift revenues between trading revenues and interest revenues, depending on a variety of factors, including risk management strategies. In order to provide a more business-focused commentary, we discuss the combined net interest and trading revenues by group division and by product within the Corporate and Investment Bank, rather than by type of revenues generated.

The following table sets forth data relating to our combined net interest and trading revenues by group division and product within Corporate and Investment Bank:

			2004 increase (decrease) from 2003	
in € m.	**2004**	2003	in €	in %
Net interest revenues	5,182	5,847	(665)	(11)
Trading revenues, net	6,186	5,611	575	10
Total net interest and trading revenues	**11,368**	**11,458**	**(90)**	**(1)**
Breakdown by Group Division/CIB product[1]				
Sales & Trading (equity)	1,591	2,286	(695)	(30)
Sales & Trading (debt and other products)	5,370	5,367	4	0
Total Sales & Trading	6,961	7,652	(691)	(9)
Loan products[2]	701	664	37	6
Transaction services	828	830	(2)	(0)
Remaining products[3]	(246)	(340)	94	28
Total Corporate and Investment Bank	**8,244**	**8,807**	**(563)**	**(6)**
Private Clients and Asset Management	2,920	2,814	105	4
Corporate Investments	118	(11)	128	N/M
Consolidation & Adjustments	87	(153)	241	N/M
Total net interest and trading revenues	**11,368**	**11,458**	**(90)**	**(1)**

N/M – Not meaningful
[1] Note that this breakdown reflects net interest and trading revenues only. For a discussion of the group divisions' total revenues by product please refer to "Results of Operations by Segment".
[2] Includes the traditional net interest spread on loans as well as the results of credit default swaps used to hedge our investment-grade loan exposure in 2003 and 2004.
[3] Includes origination, advisory and other products.

Corporate and Investment Bank (CIB). Combined net interest and trading results from sales and trading products decreased by € 691 million to € 7.0 billion. The decrease was largely attributable to a sharp fall of revenues from proprietary activities within Sales & Trading (equity), partly offset by growth in structured equity products, in particular derivatives and prime services. In loan products, net interest and trading revenues increased by € 37 million mainly due to lower losses on credit risk hedge positions, offset by the effect of further reductions in the average size of the loan portfolio. Net interest and trading revenues from remaining products were € 94 million higher than in 2003. The increase was mainly attributable to charges in 2003 which related to foreign currency effects on certain corporate liabilities.

Private Clients and Asset Management (PCAM). Combined net interest and trading revenues increased by € 105 million compared to 2003. Factors contributing to this increase were higher PBC loan volumes and lower re-financing and hedge costs associated with AWM's real estate portfolio.

Corporate Investments (CI). The increase primarily reflected trading losses of € 143 million in 2003 related to the hedging of our industrial holdings portfolio. The result also reflects lower dividend income, partly offset by lower refinancing costs as a result of the sale of industrial holdings.

Consolidation & Adjustments in 2004 included € 131 million of interest income on tax refunds resulting from ongoing audits of prior period tax returns. The remaining increase compared to 2003 primarily reflected lower mark-to-market losses related to the hedging of capital of certain foreign subsidiaries.

Provision for Loan Losses

Our provision for loan losses reflects charges to and releases from the allowance we carry for credit losses on loans. The allowance consists of a specific loss component, which relates to specific loans, and an inherent loss component. The inherent loss component consists of a country risk allowance, an allowance for smaller-balance standardized homogeneous loans and an other inherent loss component to cover losses in our loan portfolio that have not yet been individually identified, and reflects the imprecisions and uncertainties in estimating our loan loss allowance.

Our provision for loan losses in 2004 was € 372 million, a decline of € 741 million or 67% from 2003, reflecting the improved credit environment witnessed throughout the year, supported by some significant releases and a continuation of our strict credit discipline. In 2004, 73% of our provision related to our smaller-balance standardized homogeneous loan portfolio.

Noninterest Revenues, Excluding Trading Revenues

			2004 increase (decrease) from 2003	
in € m.	**2004**	2003	in €	in %
Commissions and fee revenues[1]	9,506	9,332	174	2
Insurance premiums	123	112	11	10
Net gains on securities available for sale	235	20	215	N/M
Net income (loss) from equity method investments	388	(422)	810	N/M
Other noninterest revenues	298	768	(470)	(61)
Total noninterest revenues, excluding trading revenues	**10,550**	**9,810**	**740**	**8**

N/M – Not meaningful

[1] Includes:

Commissions and fees from fiduciary activities:				
Commissions for administration	281	240	41	17
Commissions for assets under management	2,847	2,968	(121)	(4)
Commissions for other securities business	83	65	18	28
Total	**3,211**	**3,273**	**(62)**	**(2)**
Commissions, broker's fees, mark-ups on securities underwriting and other securities activities:				
Underwriting and advisory fees	1,793	1,638	155	9
Brokerage fees	1,918	1,926	(8)	0
Total	**3,711**	**3,564**	**147**	**4**
Fees for other customer services	2,584	2,495	89	4
Total commissions and fee revenues	**9,506**	**9,322**	**174**	**2**

Commissions and Fee Revenues. Total commissions and fee revenues increased by € 174 million in 2004 compared with 2003. Underwriting and advisory fees increased by € 155 million, mainly attributable to improved results from equity origination, high-yield issuances and leveraged lending in CIB. The increase of € 89 million in fees for other customer services was driven by greater sales of insurance products due largely to changes in German tax legislation. The decrease of € 62 million in commissions and fees from fiduciary activities mainly resulted from lower assets under management in our institutional AM business, lower performance fees in AM's hedge funds business and the impact of the strength of the euro on our U.S. dollar-based revenues.

Net Gains on Securities Available for Sale. Results in 2004 included several disposal gains of which the most significant was a € 118 million net gain related to the reduction of our stake in DaimlerChrysler AG. In 2003, several smaller gains in the € 30-120 million range were almost offset by other-than-temporary impairment charges on various investments, mainly in our industrial holdings portfolio.

Net Income (Loss) from Equity Method Investments. The majority of net income from equity method investments in 2004 was almost equally attributable to investments related to structured transactions in CIB's sales & trading areas and to private equity and other investments in CI. A smaller portion of 2004's income related to real estate investments in AWM. The largest components of the loss in 2003 were the complete write-off on our investment in Gerling-Konzern Versicherungs-Beteiligungs-AG (€ 490 million) and losses on private equity investments in CI. Partly offsetting these losses was income from investments related to structured transactions in CIB's sales & trading businesses and gains from AWM's real estate investments.

Other Noninterest Revenues. Total other noninterest revenues declined by € 470 million in 2004 compared to 2003. The decline primarily resulted from a € 583 million gain from the sale of substantial parts of the Global Securities Services business in 2003. Partially offsetting this effect were higher returns from loans held for sale in 2004.

Noninterest Expenses

The following table sets forth information on our noninterest expenses:

			2004 increase (decrease) from 2003	
in € m.	**2004**	2003	in €	in %
Compensation and benefits	10,222	10,495	(273)	(3)
Other noninterest expenses[1]	6,616	6,709	(93)	(1)
Policyholder benefits and claims	260	110	150	136
Goodwill impairment/impairment of intangibles	19	114	(95)	(83)
Restructuring activities	400	(29)	429	N/M
Total noninterest expenses	**17,517**	**17,399**	**118**	**1**

N/M – Not meaningful

[1] Includes:

Net occupancy expense of premises	1,258	1,251	7	1
Furniture and equipment	178	193	(15)	(8)
IT costs	1,726	1,913	(187)	(10)
Agency and other professional service fees[2]	824	836	(12)	(1)
Communication and data services	599	626	(27)	(4)
Other expenses[2]	2,031	1,890	141	7
Total other noninterest expenses	**6,616**	**6,709**	**(93)**	**(1)**

[2] Litigation & registration related legal fees and operational risk related legal fees have been reclassified from other expenses to agency and other professional service fees. Prior periods have been restated to reflect this change.

Compensation and Benefits. The decline of € 273 million in 2004 compared to 2003 reflected several partly offsetting factors:

– Severance payments of € 282 million in 2004 decreased by € 420 million compared to 2003 with more than 60% of the decline attributable to PBC.
– Salaries showed a net decrease reflecting headcount reductions and sales of non-core businesses, partly offset by the effects of headcount increases in selected growth businesses.
– The strength of the euro had a beneficial impact on our compensation and benefits.
– Performance-related compensation increased in 2004 mainly due to improved operating results in our CB&S businesses and, to a lesser extent, a reduction of the proportion of deferred share awards used in our compensation model.

Other Noninterest Expenses. IT costs decreased in 2004 by € 187 million mainly reflecting cost containment efforts, deconsolidation and outsourcing effects, and also a stronger euro. This decrease was partly offset by higher costs for payment and clearing services, mainly on service agreements with the purchaser of our former subsidiary, DB Payments, and other providers in Germany.

Policyholder benefits and claims. The increase in 2004 was due to newly established provisions, including charges associated with the settlement agreement of the WorldCom litigation, partly offset by releases for certain other self-insured risks.

Goodwill Impairment/Impairment of Intangibles. The current year included an impairment loss of € 19 million in Asset and Wealth Management following the termination of certain investment management agreements in the U.K. A charge of € 114 million in CI following decisions related to the private equity fee-based business was recorded in 2003.

Restructuring Activities. In the fourth quarter 2004 we announced our Business Realignment Program which included a restructuring charge of € 400 million in 2004. This reflected restructuring initiatives in our businesses and infrastructure functions, affecting approximately 1,200 staff. For further information on restructuring activities see Note [29] to our consolidated financial statements.

Income Tax Expense. Income tax expense was € 1.6 billion in 2004, nearly unchanged from 2003. Each year includes the impact of German income tax rate changes that were enacted in 1999, 2000, and 2003. Tax expense of € 120 million in 2004 and € 215 million in 2003 was related to the reversal of deferred taxes included in other comprehensive income at December 31, 2000, due to actual sales of equity securities. There will be further reversals of tax expense in future years as additional equity securities are sold. In addition, the German tax law changes in 2003 resulted in a tax expense of € 154 million in 2003. The actual effective tax rates including the impact of German tax rate changes were 39% and 56% in 2004 and 2003, respectively. Excluding the effect of changes in German tax rates, our effective tax rates were 36% in 2004 and 43% in 2003, with the higher effective tax rate in 2003 due mainly to greater non-deductible write-downs on equity method investments.

Results of Operations by Segment

The following discussion shows the result of our business segments, the Corporate and Investment Bank Group Division, the Private Clients and Asset Management Group Division and the Corporate Investments Group Division. See Note [28] to the consolidated financial statements for information regarding

- our organizational structure;
- effects of significant acquisitions and divestitures on segmental results;
- changes in the format of our segment disclosure;
- a discussion of the framework of our management reporting systems;
- consolidating and other adjustments to the total results of operations of our business segments;
- definitions of non-GAAP financial measures that are used with respect to each segment, and
- the rationale for excluding items in deriving the measures.

The following tables show information regarding our business segments. The criterion for segmentation into divisions is our organizational structure as it existed at December 31, 2004. For further discussion of our business segments, see Note [28] to the consolidated financial statements. We prepared these figures in accordance with our management reporting systems.

2004 in € m. (except percentages)	Corporate and Investment Bank	Private Clients and Asset Management	Corporate Investments	Total Management Reporting	Consolidation & Adjustments	Total Consolidated
Net revenues[2]	**13,331**	**8,030**	**621**	**21,981**	**(63)**	**21,918**
Provision for loan losses	89	264	19	372	–	372
Provision for off-balance sheet positions	(65)	(1)	–	(65)	–	(65)
Total provision for credit losses	**24**	**263**	**19**	**307**		
Operating cost base[1]	10,245	6,212	414	16,871		
Policyholder benefits and claims	–	50	–	50	210	260
Minority interest	5	1	(1)	4	(1)	3
Restructuring activities	299	98	3	400	–	400
Goodwill impairment/impairment of intangibles	–	19	–	19	–	19
Total noninterest expenses[3]	**10,549**	**6,380**	**416**	**17,344**	**238**	**17,582**
Income (loss) before income taxes[4]	**2,757**	**1,387**	**185**	**4,330**	**(301)**	**4,029**
Add (deduct):						
Net (gains) losses from businesses sold/ held for sale	(31)	(8)	(38)	(76)		
Significant equity pick-ups/net (gains) from investments	–	–	(148)	(148)		
Net (gains) on securities available for sale/industrial holdings including hedging	–	–	(176)	(176)		
Net (gains) on the sale of premises	–	–	(20)	(20)		
Restructuring activities	299	98	3	400		
Goodwill impairment/impairment of intangibles	–	19	–	19		
Underlying pre-tax profit (loss)	**3,026**	**1,497**	**(194)**	**4,328**		
Cost/income ratio in %	79	79	67	79	N/M	80
Underlying cost/income ratio in %	77	78	174	78		
Assets[5]	729,872	113,818	16,442	832,933	7,135	840,068
Risk-weighted positions (BIS risk positions)	139,124	65,677	10,242	215,044	1,743	216,787
Average active equity[6]	12,867	6,718	3,933	23,519	1,259	24,778
Return on average active equity in %	21	21	5	18	N/M	16
Underlying return on average active equity in %	24	22	(5)	18		

N/M – Not meaningful

[1] Includes: Severance payments	170	101	1	272	10	282

[2] Net interest revenues and noninterest revenues
[3] Excludes provision for off-balance sheet positions (reclassified to provision for credit losses).
[4] Before cumulative effect of accounting changes.
[5] The sum of corporate divisions does not necessarily equal the total of the corresponding group division because of consolidation items between corporate divisions, which are to be eliminated on the group division level. The same approach holds true for the sum of group divisions compared to Total Management Reporting.
[6] See Note [28] to the consolidated financial statements for a description of how average active equity is allocated to the divisions.

2003 in € m. (except percentages)	Corporate and Investment Bank	Private Clients and Asset Management	Corporate Investments	Total Management Reporting	Consolidation & Adjustments	Total Consolidated
Net revenues[2]	**14,193**	**8,217**	**(921)**	**21,490**	**(223)**	**21,268**
Provision for loan losses	752	325	36	1,113	–	1,113
Provision for off-balance sheet positions	(45)	(3)	(2)	(50)	–	(50)
Total provision for credit losses	**707**	**321**	**35**	**1,063**		
Operating cost base[1]	9,963	6,699	681	17,343		
Policyholder benefits and claims	–	21	–	21	89	110
Minority interest	13	15	(31)	(3)	–	(3)
Restructuring activities	(29)	(1)	–	(29)	–	(29)
Goodwill impairment	–	–	114	114	–	114
Total noninterest expenses[3]	**9,947**	**6,735**	**763**	**17,445**	**3**	**17,449**
Income (loss) before income taxes[4]	**3,539**	**1,162**	**(1,719)**	**2,982**	**(225)**	**2,756**
Add (deduct):						
Net (gains) losses from businesses sold/ held for sale	(583)	(51)	141	(494)		
Significant equity pick-ups/net losses from investments	–	–	938	938		
Net losses on securities available for sale/industrial holdings including hedging	–	–	184	184		
Net losses on the sale of premises	–	–	107	107		
Restructuring activities	(29)	(1)	–	(29)		
Goodwill impairment	–	–	114	114		
Underlying pre-tax profit (loss)	**2,926**	**1,109**	**(236)**	**3,800**		
Cost/income ratio in %	70	82	N/M	81	N/M	82
Underlying cost/income ratio in %	73	82	152	78		
Assets[5]	681,722	124,606	18,987	795,818	7,796	803,614
Risk-weighted positions (BIS risk positions)	137,615	63,414	13,019	214,048	1,625	215,672
Average active equity[6]	14,192	7,225	4,900	26,317	1,057	27,374
Return on average active equity in %	25	16	(35)	11	N/M	10
Underlying return on average active equity in %	21	15	(5)	14		

N/M – Not meaningful

[1] Includes: Severance payments	260	395	20	675	27	702

[2] Net interest revenues and noninterest revenues
[3] Excludes provision for off-balance sheet positions (reclassified to provision for credit losses).
[4] Before cumulative effect of accounting changes.
[5] The sum of corporate divisions does not necessarily equal the total of the corresponding group division because of consolidation items between corporate divisions, which are to be eliminated on the group division level. The same approach holds true for the sum of group divisions compared to Total Management Reporting.
[6] See Note [28] to the consolidated financial statements for a description of how average active equity is allocated to the divisions.

Group Divisions

Corporate and Investment Bank Group Division

The following table sets forth the results of our Corporate and Investment Bank Group Division for the years ended December 31, 2004 and 2003, in accordance with our management reporting systems:

in € m. (except percentages)	2004	2003
Net revenues:		
Sales & Trading (equity)	2,486	3,118
Sales & Trading (debt and other products)	6,299	6,077
Origination (equity)	499	485
Origination (debt)	916	806
Advisory	488	465
Loan products	1,142	1,193
Transaction services	1,862	1,914
Other	(361)	136
Total net revenues	**13,331**	**14,193**
Therein: Net interest and trading revenues	8,244	8,807
Provision for credit losses:		
Provision for loan losses	89	752
Provision for off-balance sheet positions	(65)	(45)
Total provision for credit losses	**24**	**707**
Noninterest expenses[1]:		
Operating cost base	10,245	9,963
Minority interest	5	13
Restructuring activities	299	(29)
Goodwill impairment	-	–
Total noninterest expenses[1]	**10,549**	**9,947**
Therein: Severance payments	170	260
Income before income taxes	**2,757**	**3,539**
Add (deduct):		
Net (gains) losses from businesses sold/held for sale	(31)	(583)
Restructuring activities	299	(29)
Goodwill impairment	–	–
Underlying pre-tax profit	**3,026**	**2,926**
Cost/income ratio in %	79%	70%
Underlying cost/income ratio in %	77%	73%
Assets	729,872	681,722
Risk-weighted positions (BIS risk positions)	139,124	137,615
Average active equity[2]	12,867	14,192
Return on average active equity in %	21%	25%
Underlying return on average active equity in %	24%	21%

[1] Excludes provision for off-balance sheet positions (reclassified to provision for credit losses).
[2] See Note [28] to the consolidated financial statements for a description of how average active equity is allocated to the divisions.

In the following paragraphs, we discuss the contribution of the individual corporate divisions to the overall results of the Corporate and Investment Bank Group Division.

Corporate Banking & Securities Corporate Division

The following table sets forth the results of our Corporate Banking & Securities (CB&S) Corporate Division for the years ended December 31, 2004 and 2003, in accordance with our management reporting systems:

in € m. (except percentages)	**2004**	2003
Net revenues:		
Sales & Trading (equity)	2,486	3,118
Sales & Trading (debt and other products)	6,299	6,077
Origination (equity)	499	485
Origination (debt)	916	806
Advisory	488	465
Loan products	1,142	1,193
Other	(392)	(447)
Total net revenues	**11,437**	**11,697**
Provision for credit losses:		
Provision for loan losses	80	750
Provision for off-balance sheet positions	(66)	8
Total provision for credit losses	**14**	**759**
Noninterest expenses[1]:		
Operating cost base	8,670	8,220
Minority interest	5	13
Restructuring activities	272	(23)
Goodwill impairment	–	–
Total noninterest expenses[1]	**8,947**	**8,211**
Therein: Severance payments	154	194
Income before income taxes	**2,477**	**2,727**
Add (deduct):		
Net (gains) losses from businesses sold/held for sale	–	–
Restructuring activities	272	(23)
Goodwill impairment	–	–
Underlying pre-tax profit	**2,749**	**2,704**
Cost/income ratio in %	78%	70%
Underlying cost/income ratio in %	76%	70%
Assets	720,546	693,414
Risk-weighted positions (BIS risk positions)	128,027	127,449
Average active equity[2]	11,481	12,776
Return on average active equity in %	22%	21%
Underlying return on average active equity in %	24%	21%

[1] Excludes provision for off-balance sheet positions (reclassified to provision for credit losses).
[2] See Note [28] to the consolidated financial statements for a description of how average active equity is allocated to the divisions.

Income before income taxes decreased by € 250 million to € 2.5 billion for the year ended December 31, 2004. This decrease was attributable to lower net revenues and increased noninterest expenses, partly offset by lower provision for credit losses. Noninterest expenses in 2004 included a charge for restructuring activities taken in the fourth quarter as a consequence of the Business Realignment Program announced in September 2004. Underlying pre-tax profit, at € 2.7 billion, was similar to 2003.

Net revenues of € 11.4 billion in 2004 were € 259 million lower than net revenues of € 11.7 billion in 2003, and include the impact of a more than 9% decline in the average value of the U.S. dollar against the euro over the year.

Sales and trading (debt and other products) revenues were a record € 6.3 billion in 2004, € 222 million higher than 2003. This performance was driven by market-leading positions in high-value, structured products such as interest rate derivatives, securitized products, credit derivatives, high-yield and distressed debt, where our work in these areas has won us awards from major industry publications such as *Risk* and *International Financial Review*. Significant volume growth in other products, particularly foreign exchange, helped offset ongoing margin erosion, with customer activity continuing to predominate.

Sales and trading (equity) revenues of € 2.5 billion were € 632 million lower than in 2003. The reduction was largely attributable to a sharp fall in revenues from proprietary activities. Offsetting this decline was continued strong growth in structured equity products, in particular derivatives and prime services.

Revenues from origination and advisory of € 1.9 billion were € 146 million higher than in 2003. Origination (equity) produced a solid performance. The focus of the business remains one of innovation while at the same time minimizing unprofitable transactions. In origination (debt), high-yield issuance and leveraged lending, particularly in the U.S., also performed well. In advisory, the mergers and acquisitions market improved throughout the year, with announced volumes up globally and in all regions versus 2003.

Revenues from loan products at € 1.1 billion were only marginally lower than in 2003, partly as a consequence of further reductions in the average size of the loan portfolio over the period.

The *provision for credit losses* amounted to € 14 million in 2004 compared to € 759 million in 2003. This reflects the improved credit environment witnessed throughout the year and enhanced credit discipline, as well as releases related to previously impaired loans.

Noninterest expenses in 2004 were € 8.9 billion, an increase of € 736 million compared to € 8.2 billion reported in 2003. Restructuring activities of € 272 million were included for plans initiated in the fourth quarter of 2004. In 2003, € 23 million of restructuring provision previously charged in 2002 was released subsequent to the full implementation of these plans. Excluding these restructuring activities in both years, noninterest expenses in 2004 would have increased by € 441 million. A significant part of this increase was due to performance-related compensation, including the impact of the change in the equity compensation model.

The *cost/income ratio* increased by 8 percentage points in 2004 to 78%, resulting from both the reduced revenues and increased noninterest expenses noted above.

Global Transaction Banking Corporate Division

The following table sets forth the results of our Global Transaction Banking (GTB) Corporate Division for the years ended December 31, 2004 and 2003, in accordance with our management reporting systems:

in € m. (except percentages)	**2004**	2003
Net revenues	**1,893**	**2,497**
Provision for credit losses:		
Provision for loan losses	9	2
Provision for off-balance sheet positions	1	(53)
Total provision for credit losses	**11**	**(51)**
Noninterest expenses[1]:		
Operating cost base	1,574	1,743
Minority interest	–	–
Restructuring activities	28	(6)
Goodwill impairment	–	–
Total noninterest expenses[1]	**1,602**	**1,737**
Therein: Severance payments	16	66
Income before income taxes	**280**	**811**
Add (deduct):		
Net (gains) losses from businesses sold/held for sale	(31)	(583)
Restructuring activities	28	(6)
Goodwill impairment	–	–
Underlying pre-tax profit	**277**	**222**
Cost/income ratio in %	85%	70%
Underlying cost/income ratio in %	85%	91%
Assets	16,639	16,709
Risk-weighted positions (BIS risk positions)	11,097	10,166
Average active equity[2]	1,386	1,416
Return on average active equity in %	20%	57%
Underlying return on average active equity in %	20%	16%

[1] Excludes provision for off-balance sheet positions (reclassified to provision for credit losses).
[2] See Note [28] to the consolidated financial statements for a description of how average active equity is allocated to the divisions.

Income before income taxes decreased by € 531 million to € 280 million for the year ended December 31, 2004. In 2003, we sold a substantial part of our Global Securities Services (GSS) business to State Street Corporation generating a gain of € 583 million on the sale. In 2004 we recognized a further gain of € 55 million on the sale relating to the GSS sale and a charge of € 24 million, representing GTB's share of the loss on the sale of DB Payments. Excluding the net gains on sales, net revenues would have decreased marginally by € 51 million mainly as a result of the absence of revenues from the disposed businesses.

The *provision for credit losses* was a charge of € 11 million in 2004, compared to a net release of € 51 million in 2003.

Noninterest expenses of € 1.6 billion decreased by € 135 million, or 8%, from 2003. Expenses in 2004 included € 28 million for restructuring plans initiated in the fourth quarter 2004. In 2003, € 6 million relating to provisions for restructuring taken in 2002 were released subsequent to the full implementation of these plans. The decrease in noninterest expenses mainly reflected the lower expense base due to the disposal of GSS in the first quarter 2003.

The *cost/income ratio* of 85% was 15 percentage points higher than in 2003 mainly due to the effects of the gains on sale as noted above. After adjusting for these gains and the restructuring activities, the underlying cost/income ratio improved by 6 percentage points from 91% to 85%.

Private Clients and Asset Management Group Division

The following table sets forth the results of our Private Clients and Asset Management Group Division for the years ended December 31, 2004 and 2003, in accordance with our management reporting systems:

in € m. (except where indicated)	**2004**	2003
Net revenues:		
Portfolio/fund management	2,526	2,615
Brokerage	1,659	1,591
Loans/deposits	2,358	2,330
Payments, account & remaining financial services	915	823
Other	571	858
Total net revenues	**8,030**	**8,217**
Therein: Net interest and trading revenues	2,920	2,814
Provision for credit losses:		
Provision for loan losses	264	325
Provision for off-balance sheet positions	(1)	(3)
Total provision for credit losses	**263**	**321**
Noninterest expenses[1]:		
Operating cost base	6,212	6,699
Policyholder benefits and claims	50	21
Minority interest	1	15
Restructuring activities	98	(1)
Goodwill impairment/impairment of intangibles	19	–
Total noninterest expenses[1]	**6,380**	**6,735**
Therein: Severance payments	101	395
Income before income taxes	**1,387**	**1,162**
Add (deduct):		
Net (gains) losses from businesses sold/held for sale	(8)	(51)
Restructuring activities	98	(1)
Goodwill impairment/impairment of intangibles	19	–
Underlying pre-tax profit	**1,497**	**1,109**
Cost/income ratio in %	79%	82%
Underlying cost/income ratio in %	78%	82%
Assets	113,818	124,606
Risk-weighted positions (BIS risk positions)	65,677	63,414
Average active equity[2]	6,718	7,225
Return on average active equity in %	21%	16%
Underlying return on average active equity in %	22%	15%
Invested assets (in € bn.)[3]	828	865

[1] Excludes provision for off-balance sheet positions (reclassified to provision for credit losses).
[2] See Note [28] for a description of how average active equity is allocated to the divisions.
[3] Numbers are restated for revised invested assets definition. We define invested assets as (a) assets we hold on behalf of customers for investment purposes and/or (b) client assets that are managed by us. We manage invested assets on a discretionary or advisory basis, or these assets are deposited with us.

In the following paragraphs, we discuss the contribution of the individual corporate divisions to the overall results of Private Clients and Asset Management Group Division.

Asset and Wealth Management Corporate Division

The following table sets forth the results of our Asset and Wealth Management (AWM) Corporate Division for the years ended December 31, 2004 and 2003, in accordance with our management reporting systems:

in € m. (except where indicated)	**2004**	2003
Net revenues:		
Portfolio/fund management (AM)	2,040	2,195
Portfolio/fund management (PWM)	300	281
Total portfolio/fund management	**2,339**	**2,476**
Brokerage	668	654
Loans/deposits	132	128
Payments, account & remaining financial services	18	12
Other	334	559
Total net revenues	**3,491**	**3,830**
Provision for credit losses:		
Provision for loan losses	(6)	2
Provision for off-balance sheet positions	–	(3)
Total provision for credit losses	**(6)**	**(1)**
Noninterest expenses[1]**:**		
Operating cost base	2,925	3,094
Policyholder benefits and claims	50	21
Minority interest	1	13
Restructuring activities	88	–
Goodwill impairment/impairment of intangibles	19	–
Total noninterest expenses[1]	**3,083**	**3,128**
Therein: Severance payments	51	78
Income before income taxes	**415**	**702**
Add (deduct):		
Net (gains) losses from businesses sold/held for sale	(32)	(55)
Restructuring activities	88	–
Goodwill impairment/impairment of intangibles	19	–
Underlying pre-tax profit	**490**	**647**
Cost/income ratio in %	88%	82%
Underlying cost/income ratio in %	86%	82%
Assets	34,945	48,138
Risk-weighted positions (BIS risk positions)	11,424	12,170
Average active equity[2]	5,038	5,694
Return on average active equity in %	8%	12%
Underlying return on average active equity in %	10%	11%
Invested assets (in € bn.)[3]	679	715

AM – Asset Management
PWM – Private Wealth Management
[1] Excludes provision for off-balance sheet positions (reclassified to provision for credit losses).
[2] See Note [28] to the consolidated financial statements for a description of how average active equity is allocated to the divisions.
[3] Numbers are restated for revised invested assets definition. We define invested assets as (a) assets we hold on behalf of customers for investment purposes and/or (b) client assets that are managed by us. We manage invested assets on a discretionary or advisory basis, or these assets are deposited with us.

Income before income taxes of our Asset and Wealth Management Corporate Division was € 415 million in 2004, a decrease of € 288 million from 2003. This decrease reflects the effects of a restructuring charge of € 88 million in the fourth quarter 2004, a € 19 million impairment loss on intangibles related to the termination of certain investment management agreements in the U.K. and € 23 million lower net gains from businesses sold. In 2004 we had net gains of € 32 million on the sales of the Australian real estate business and Scudder Private Investment Counsel, and in 2003 net gains of € 55 million were generated from the sale of most of our Passive Asset Management business. Excluding these items, income before income taxes would have decreased by € 158 million primarily due to a gain on the sale of real estate private equity assets to the Global Real Estate Opportunity fund in 2003.

Net revenues were € 3.5 billion in 2004, a decrease of € 339 million, or 9%, compared to 2003. This decline was partially the result of the above-mentioned gains, as well as declines in portfolio fund management revenues which were not offset by increases in other revenue categories.

In 2004 portfolio/fund management revenues of € 2.0 billion in our Asset Management Business Division declined by € 155 million, or 7%, from 2003. This decrease mainly reflects difficult market conditions, particularly in alternative assets, the impact of the strengthening of the euro, and the effect of invested asset net outflows. The decline was partially offset by the continued success of our German mutual fund company, DWS, which further improved its market share of net mutual fund inflows to over 50% as measured by the German Investment Association, BVI.

Portfolio/fund management revenues in our Private Wealth Management Business Division increased by € 18 million, or 7%, to € 300 million, mainly caused by the enhanced performance in discretionary products.

Brokerage revenues of € 668 million increased € 14 million, or 2%, primarily due to an upswing in transaction-based revenues and successful product launches in alternative investments, especially in Asia, as well as specialized structured products. The strong euro partially offset some of the revenue increase generated in U.S. dollars.

Loans/deposits revenues of € 132 million increased by € 4 million, or 3%, especially due to the sale of margin lending products as clients sought to enhance portfolio performance.

Revenues from other products of € 334 million were € 225 million, or 40%, lower than in 2003 primarily due to the aforementioned gain from the sale of our real estate private equity assets and lower gains on sale of businesses. The remaining decrease was the result of lower earnings from equity method investments, particularly in real estate.

Noninterest expenses were € 3.1 billion in 2004, a decrease of € 45 million, or 1%, from 2003 despite the aforementioned restructuring charge and impairment loss. The decrease was due mainly to declines in most categories of compensation and benefits, particularly severance and bonus payments. Noninterest expenses also benefited comparatively from the impact of the strengthening of the euro.

The *cost/income ratio* was 88% in 2004. The increase of 6 percentage points compared to 2003 is mainly due to the aforementioned decline in revenues, while expenses decreased at a lower rate.

Invested assets decreased by € 36 billion to € 679 billion in 2004. Net outflows within the Asset Management Business Division were € 42 billion during 2004, largely in the institutional business in the UK, in the Americas retail business and in the institutional business in Asia, which accounted for € 20 billion, € 6 billion and € 5 billion of the net outflow, respectively, or a combined 75% of the total net outflow. Net inflows of € 6 billion in the Private Wealth Management Business Division were mainly due to positive developments in Asia/Pacific and Switzerland and in the offshore business. In addition, positive market movements were largely offset by the negative impact of the strengthening of the euro.

Private & Business Clients Corporate Division

The following table sets forth the results of our Private & Business Clients (PBC) Corporate Division for the years ended December 31, 2004 and 2003, in accordance with our management reporting systems:

in € m. (except where indicated)	2004	2003
Net revenues:		
Portfolio/fund management	187	139
Brokerage	991	937
Loans/deposits	2,226	2,202
Payments, account & remaining financial services	898	811
Other	237	299
Total net revenues	**4,539**	**4,388**
Provision for credit losses:		
Provision for loan losses	270	322
Provision for off-balance sheet positions	(1)	(1)
Total provision for credit losses	**269**	**322**
Noninterest expenses[1]:		
Operating cost base	3,287	3,605
Minority interest	–	2
Restructuring activities	10	(1)
Goodwill impairment	–	–
Total noninterest expenses[1]	**3,297**	**3,607**
Therein: Severance payments	50	317
Income before income taxes	**973**	**459**
Add (deduct):		
Net losses from businesses sold/held for sale	24	4
Restructuring activities	10	(1)
Goodwill impairment	–	–
Underlying pre-tax profit	**1,007**	**462**
Cost/income ratio in %	73%	82%
Underlying cost/income ratio in %	72%	82%
Assets	78,930	78,477
Risk-weighted positions (BIS risk positions)	54,253	51,244
Average active equity[2]	1,681	1,531
Return on average active equity in %	58%	30%
Underlying return on average active equity in %	60%	30%
Invested assets (in € bn.)[3]	150	150
Loan volume (in € bn.)[4]	69	66
Deposit volume (in € bn.)[4]	63	64

[1] Excludes provision for off-balance sheet positions (reclassified to provision for credit losses).
[2] See Note [28] to the consolidated financial statements for a description of how average active equity is allocated to the divisions.
[3] Numbers are restated for revised invested assets definition. We define invested assets as (a) assets we hold on behalf of customers for investment purposes and/or (b) client assets that are managed by us. We manage invested assets on a discretionary or advisory basis, or these assets are deposited with us.
[4] Numbers are restated for revised client business volume definition.

Income before income taxes of our Private & Business Clients Corporate Division increased by € 514 million to € 973 million in 2004. Excluding the effects of a loss of € 24 million on the sale of DB Payments attributable to PBC and restructuring expenses of € 10 million, income before income taxes would have been over € 1 billion. With this record result, PBC achieved its ambitious goal in 2004. Pre-tax return on average active equity almost doubled year-over-year to 58%.

Net revenues increased by € 151 million, or 3%, compared to 2003. The increase was driven by higher sales of investment and insurance products, the latter impacted by changes in German tax legislation.

Portfolio/fund management and brokerage revenues increased by € 47 million and € 54 million, respectively. Due to successful product initiatives, such as real estate fund placements and sales of structured products, we were able to broaden our client base and increase client business volume.

Loans/deposits revenues increased by € 24 million largely driven by higher loan volumes.

Payments, account and remaining financial services revenues increased by € 87 million, mainly due to greater revenues from the intermediation of insurance products, which benefited largely from changes in German tax legislation.

Revenues from other products of € 237 million in 2004 decreased by € 62 million compared to the prior year primarily due to the aforementioned loss of € 24 million on the sale of DB Payments in 2004 and gains of € 55 million on sales of securities available for sale in 2003. Excluding these effects, revenues from other products would have increased by € 18 million, mainly related to our activities in asset and liability management.

Provision for credit losses decreased to € 269 million in 2004 reflecting lower default rates, particularly with regard to our portfolio of mortgages and commercial installment loans.

Noninterest expenses were € 3.3 billion in 2004, a decrease of € 310 million, or 9%, as compared to 2003. This decrease is mainly attributable to the decrease of € 267 million in severance payments.

The cost/income ratio was 73% in 2004. This significant improvement of 9 percentage points compared to 2003 reflects the lower severance mentioned above and higher revenues, especially from the intermediation of insurance products.

Invested assets in 2004 were € 150 billion, the same as in 2003. Within the asset classes, lower deposit volumes were offset by higher securities volumes, which benefited from performance returns as securities markets recovered.

Corporate Investments Group Division

The following table sets forth the results of our Corporate Investments Group Division for the years ended December 31, 2004 and 2003, in accordance with our management reporting systems:

in € m. (except percentages)	**2004**	2003
Net revenues	**621**	**(921)**
Therein: Net interest and trading revenues	118	(11)
Provision for credit losses:		
Provision for loan losses	19	36
Provision for off-balance sheet positions	–	(2)
Total provision for credit losses	**19**	**35**
Noninterest expenses[1]:		
Operating cost base	414	681
Minority interest	(1)	(31)
Restructuring activities	3	–
Goodwill impairment	–	114
Total noninterest expenses[1]	**416**	**763**
Therein: Severance payments	1	20
Income (loss) before income taxes	**185**	**(1,719)**
Add (deduct):		
Net (gains) losses from businesses sold/held for sale	(38)	141
Significant equity pick-ups/net (gains) losses from investments	(148)	938
Net (gains) losses on securities available for sale/ industrial holdings incl. hedging	(176)	184
Net (gains) losses on sale of premises	(20)	107
Restructuring activities	3	–
Goodwill impairment	–	114
Underlying pre-tax loss	**(194)**	**(236)**
Cost/income ratio in %	67%	N/M
Underlying cost/income ratio in %	174%	152%
Assets	16,442	18,987
Risk-weighted positions (BIS risk positions)	10,242	13,019
Average active equity[2]	3,933	4,900
Return on average active equity in %	5%	(35)%
Underlying return on average active equity in %	(5)%	(5)%

N/M – Not meaningful
[1] Excludes provision for off-balance sheet positions (reclassified to provision for credit losses).
[2] See Note [28] to the consolidated financial statements for a description of how average active equity is allocated to the divisions.

Our Corporate Investments Group Division reported an *income before income taxes* of € 185 million in 2004 compared to a loss before income taxes of € 1.7 billion in 2003.

Net revenues were € 621 million in 2004, an increase of € 1.5 billion compared to 2003. Net revenues in 2004 included net gains of € 176 million on sales of securities available for sale and from our industrial holdings portfolio. The largest transaction was the reduction of our investment in DaimlerChrysler AG from 11.8% to 10.4%, which resulted in a net gain of € 118 million. The reduction of our investment in DEUTZ AG from 10.5% to 4.5% and the sale of our investments in Fresenius AG and Motor-Columbus AG also contributed to the overall net gains on securities available for sale and our industrial holdings portfolio in 2004. Net revenues in 2003 included net losses of € 184 million on sales of securities available for sale and from our industrial holdings portfolio, primarily related to impairments deemed other-than-temporary on our positions in EFG Eurobank Ergasias S.A., Fiat S.p.A. and mg technologies ag as well as losses on nontrading derivatives hedging our industrial holdings portfolio. Subsequently these charges were partially offset by gains on the sale of our interests in EFG Eurobank Ergasias S.A. and mg technologies ag, as well as gains from sales reducing our holding in Allianz AG and the sale of HeidelbergCement AG.

In 2004, net revenues included net gains of € 38 million from sold businesses related to our remaining North American commercial and consumer finance business. In 2003, net revenues included net losses of € 141 million related to sold businesses, mainly Tele Columbus and parts of our remaining North American commercial and consumer finance business. Net revenues in 2004 also reflected net gains of € 20 million from the disposal of premises and net gains of € 148 million from significant equity method and other investments, including a € 52 million gain from the sale of our 49% stake in DSI Financial Solutions Pte Ltd. Net revenues in 2003 also reflected net losses of € 107 million from the sale of premises and net losses of € 938 million from significant equity method and other investments, including € 490 million for the complete write-off of our equity method investment in Gerling-Konzern Versicherungs-Beteiligungs-AG. The remaining variance in net revenues in 2004 compared to 2003 was attributable to reduced revenues from deconsolidating Center Parcs in the first quarter of 2003, Tele Columbus in the third quarter of 2003 and maxblue Americas in the first quarter of 2004, as well as to lower dividend income from our reduced industrial holdings portfolio.

The *provision for credit losses* was € 19 million in 2004 compared to € 35 million in 2003 with the € 15 million decline due to the reduction of credit exposure in our remaining North American financial services business.

Total *noninterest expenses* decreased in 2004 to € 416 million from € 763 million in 2003. The reduction primarily resulted from the sales of the aforementioned businesses. Noninterest expenses included several negative factors, including € 173 million of vacant office space costs, sublease losses and other costs of eliminating excess space resulting from headcount reductions and the sale of businesses. In 2003, noninterest expenses included € 174 million of these space disposition charges as well as goodwill impairment charges of € 114 million subsequent to decisions regarding the private equity fee-based businesses.

At year-end 2004, the alternative assets portfolio of the Corporate Investments Group Division had a carrying value of € 1.6 billion, of which 38% was private equity direct investments, 27% was real estate investments and 35% was private equity indirect and other investments. We continue to monitor the portfolio on a quarterly basis for any potential impairment. If the public equity and high-yield financing markets were to deteriorate, we might determine that further write-downs and valuation adjustments are necessary.

Consolidation & Adjustments

For a discussion of consolidation and adjustments see Note [28] to the consolidated financial statements.

Off-balance Sheet Arrangements with Unconsolidated Entities

We carry out certain business activities via arrangements with unconsolidated entities. We may provide financial support or otherwise be exposed to risks of loss as a result of these arrangements, typically through guarantees that we provide or subordinated retained interests that we hold. The purposes, risks, and effects of these arrangements are described below. Also, see Note [31] to the consolidated financial statements for disclosure of total outstanding guarantees and lending-related commitments entered into in the normal course of business which give rise to off-balance sheet credit risk.

We provide financial support related to off-balance sheet activities chiefly in connection with asset securitizations, commercial paper programs, commercial real estate leasing vehicles and guaranteed value mutual funds that we manage and that we do not consolidate. With the adoption of FIN 46 and FIN 46(R), some of the vehicles related to these activities have been consolidated and some remain unconsolidated. See Note [2] to the consolidated financial statements for further information regarding the adoption of FIN 46 and FIN 46(R). We are addressing only the unconsolidated portion of these activities in this section. See Note [9] to the consolidated financial statements for financial information regarding both the consolidated and unconsolidated portions of these activities.

We may provide financial support in connection with asset securitizations by retaining a subordinated interest in the assets being securitized. In an asset securitization, we sell financial assets to a securitization vehicle that funds its purchase by issuing debt (asset-backed securities) to investors. We have no control over the securitization vehicle after the sale, and our creditors and we have no claim on the assets that we have sold. Similarly, the investors and the securitization vehicle have no recourse to our other assets if the loans go into default. Asset-backed securities are attractive to investors in what is a deep and liquid market that lowers borrowing costs and increases credit availability to businesses and to consumers.

The securitization vehicles we use in these transactions pose limited liquidity risks since the payments to investors are directly tied to the payments received from the vehicles' assets and are unaffected by changes in our own credit rating or financial situation. A sudden drop in investor demand for asset-backed securities could cause us to restrict our lending thereafter for the types of loans we typically securitize, but we are not dependent on securitizations as a source of funding and such a market shift would not pose any significant additional liquidity risk not already considered in our risk analyses. To the extent we hold senior or subordinated debt issued by a securitization vehicle we have credit risk that is considered as part of our credit risk assessments or market valuations. Note [9] to the consolidated financial statements provides additional information regarding the extent of our retained interests in securitizations and the volume of our asset securitization activities.

Commercial paper programs represent a way for third parties to securitize their financial assets. In commercial paper programs, we do not securitize any of our own financial assets, but act as administrative agent. As administrative agent, we facilitate the sale of loans, other receivables, or securities from various third parties to an unconsolidated special purpose entity. We may also facilitate the transfer of the loans and securities that represent collateral provided by the third parties in return for loans granted by the unconsolidated entity. The entity then issues collateralized commercial paper to the market. In these situations, the commercial paper issuer is restricted from purchasing assets from or making loans to us. Rating agencies typically rate such commercial paper in the highest short-term category because of the collateral and credit support normally provided by a financial institution.

Unlike securitization vehicles, commercial paper programs do pose liquidity risk since the commercial paper issued is short-term whereas the issuer's assets are longer term. We take on this risk whenever we provide a liquidity support facility to the issuer. In 2003, a methodology to incorporate these contingent liabilities in our liquidity risk framework (including stress testing) was developed and approved by the Group Asset and Liability Committee.

We may also guarantee the assets of the issuer as part of the facility, giving us secondary credit risk with the first loss taken by the third parties who sold their assets to the entity.

We sponsor commercial real estate leasing vehicles and closed-end funds where third party investors essentially provide senior financing for the purchase of commercial real estate, which is leased to other third parties. We typically provide subordinated financing, which exposes us to real estate market risk, and we receive fees for our administrative services.

In the case of guaranteed value mutual funds managed by ourselves, the value of the mutual funds units is being guaranteed. These mutual funds are investment vehicles that were established to provide returns to investors in the vehicles.

The extent of the financial support we provide for certain of the arrangements described above is disclosed in Note [9] to the consolidated financial statements in the disclosure of the Group's maximum exposure to loss as a result of its involvement with unconsolidated variable interest entities in which the Group holds a significant variable interest. The risks from these arrangements are included in our overall assessments of credit, liquidity and market risks.

Tabular Disclosure of Contractual Obligations

The table below shows the cash payment requirements from specified contractual obligations outstanding as of December 31, 2004:

Contractual obligations	Payment due by period				
in € m.	**Total**	Less than 1 year	1–3 years	3–5 years	More than 5 years
Long-term debt obligations	106,870	15,032	24,781	25,802	41,255
Capital (finance) lease obligations	1,037	73	366	92	506
Operating lease obligations	3,028	533	816	569	1,110
Purchase obligations	4,000	762	1,163	823	1,252
Long-term deposits	25,370	–	8,097	7,227	10,046
Other long-term liabilities	10,748	271	2,034	1,003	7,440
Total	**151,053**	**16,671**	**37,257**	**35,516**	**61,609**

Operating lease obligations exclude the benefit on noncancelable sublease rentals of € 682 million. Purchase obligations reflect minimum payments due under long-term real-estate-related obligations, and long-term outsourcing agreements that require payments of either € 10 million or more in one year or € 15 million or more over the entire life of the agreement. Long-term deposits exclude contracts with a remaining maturity of less than one year. Other long-term liabilities consist primarily of obligations to purchase common shares, and insurance policy reserves which are classified in the "More than 5 years" column since the obligations are long term in nature and actual payment dates cannot be specifically determined. See the following notes to the consolidated financial statements for further information: Note [11] regarding lease obligations, Note [15] regarding deposits, Note [17] regarding long-term debt, Note [18] regarding obligation to purchase common shares and Note [24] regarding insurance-related liabilities.

Significant Accounting Policies and Critical Accounting Estimates

We have prepared our consolidated financial statements in accordance with U.S. GAAP. Our significant accounting policies, as described in Note [1] to the Consolidated Financial Statements, are essential to understanding our reported results of operations and financial condition. Certain of these accounting policies require critical accounting estimates that involve complex and subjective judgments and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change. Such critical accounting estimates could change from period to period and have a material impact on financial condition, changes in financial condition or results of operations. Critical accounting estimates could also involve estimates where management could have reasonably used another estimate in the current accounting period. Actual results may differ from these estimates if conditions or underlying circumstances were to change.

We review the selection of these policies and the application of these critical accounting estimates with our Audit Committee. We have identified the following significant accounting policies that involve critical accounting estimates.

Fair Value Estimates

Certain of our financial assets and liabilities are carried at fair value, including trading assets and liabilities, derivatives held for nontrading purposes, securities available for sale and investments held by designated investment companies. In addition, nonmarketable equity investments and investments in venture capital companies, in which the Group does not have a controlling financial interest or significant influence, are carried at historical cost net of declines in fair value below cost that are deemed to be other than temporary. Loans held for sale are carried at the lower of cost or market (LOCOM).

Fair value is defined as the price at which an asset or liability could be exchanged in a current transaction between knowledgeable unrelated willing parties, other than in a forced or liquidation sale. Since the fair value determined might differ from actual net realizable values, the fair value estimates are considered critical accounting estimates for our Corporate Banking & Securities Corporate Division, which trades certain over-the-counter derivatives, some of which may have long terms or complex structures that are valued using financial models. Fair value estimates are also critical for our Corporate Investments Group Division, which holds investments that are not actively traded.

Methods of Determining Fair Value

Quoted market prices in active markets are the most reliable measure of fair value. The majority of our securities carried at fair value are based on quoted market prices. However, quoted market prices for certain instruments, investments and activities, such as loans held for sale, non-exchange traded contracts and venture capital companies and nonmarketable equity securities may not be available.

When quoted market prices are not available, values for financial assets and liabilities are determined based upon discounted cash flow analysis, comparison to similar observable market transactions, or the use of financial models. Discounted cash flow analysis is dependent upon estimated future cash flows and the discount rate used. Valuation using financial models is dependent upon parameters including time value, yield curve, volatility factors, correlation factors, prepayment speeds, default rates, loss severity, current market prices and transaction prices for underlying financial instruments. The valuation process to price financial instruments at fair value includes making adjustments to prices and financial model outputs to consider factors such as close out costs, liquidity and counterparty credit risk.

Where valuation of financial instruments is subjective due to the lack of observable market prices or inputs, management must apply judgment to make estimates and certain assumptions. For example, if prices or inputs to financial models are used for similar financial instruments, judgment is applied to make appropriate adjustments for differences in credit risk, liquidity or other factors. Where fair value is not based upon observable market prices or inputs we defer any trade date profit or loss.

Internal Controls Over Fair Value

To ensure the accuracy of our valuations, we have established certain internal control procedures over the valuation process. The price and parameter input verification process is a primary control over the front office valuation of financial instruments, which is performed either through independent pricing, independent price verification or alternative procedures.

Independent pricing occurs where the prices or parameter inputs are sourced directly from the market by Controlling. This is the preferred method of valuation control and Controlling performs checks on the ongoing data quality including automated checks for stale and missing prices.

Where prices and parameters are input by the front office, Controlling performs *independent price verification* of these inputs against available independent market sources.

The majority of the Group's trading portfolio (including securities and derivatives) and available for sale portfolio are subject to independent pricing or independent price verification procedures.

Where prices or parameter inputs are not observable, then the appropriateness of fair value is subject to *alternative procedures*. Such procedures include assessing the valuations against appropriate proxy instruments, performing sensitivity analysis and considering other benchmarks. These procedures require the application of management judgment.

Other valuation controls include review and analysis of daily profit and loss, validation of valuation through close out profit and loss and Value-at-Risk back-testing. For further discussion on our Value-at-Risk Analysis, see the Risk Report. Where fair value is based on financial models, the assumptions and techniques within the models are independently validated by a specialist group within Controlling.

Allowance for Loan Losses

We maintain an allowance for loan losses that represents our estimate of probable losses in our loan portfolio. Determining the allowance for loan losses requires significant management judgments and assumptions. The components of the allowance for loan losses are a specific loss component and an inherent loss component consisting of the country risk allowance, the smaller-balance standardized homogeneous loan loss allowance and the other inherent loss allowance. We believe that the accounting estimate related to the allowance for loan losses is a critical accounting estimate because the underlying assumptions used for both the specific and inherent loss components of the allowance can change from period to period. Such changes may materially affect our results of operations. The estimate for the allowance for loan losses is a critical accounting estimate for our Corporate Banking & Securities and Private & Business Clients Corporate Divisions.

The specific loss component is the allowance for losses on loans for which management believes that it is probable that we will be unable to collect all of the principal and interest due under the loan agreement. This component comprises the largest portion of our allowance and requires consideration of various underlying factors which include, but are not limited to, the financial strength of our customers, the expected future cash flows, fair value of underlying collateral or the market price of the loan. We regularly re-evaluate all credit exposures that have already been specifically provided for, as well as all credit exposures that appear on our watchlist. Our assumptions are either validated or revised accordingly based on our re-evaluation.

Some of the underlying factors used in determining the inherent loss component, include, but are not limited to, historical loss experience and political, economic and other relevant factors. We determine our country risk allowance based on historical loss experience and current market data affecting a country's financial condition. Our smaller-balance standardized homogeneous portfolio is evaluated for inherent loss on a collective basis and an allowance is established based on analyses of historical loss experience for each product type according to criteria such as past due status and collateral recovery values. The other inherent loss allowance represents our estimate of losses inherent in the portfolio that have not yet been individually identified and reflects the imprecisions and uncertainties in estimating our loan loss allowances.

Significant changes in any of these factors could materially affect our provision for loan losses. For example, if our current assumptions about expected future cash flows used in determining the specific loss component differ from actual results, we may need to make additional provisions for loan losses. In addition, the forecasted financial strength of any given customer may change due to various circumstances, such as future changes in the global economy or new information becoming available as to financial strength that may not have existed at the date of our estimates. This new information may require us to adjust our current estimates and make additional provisions for loan losses.

Our provision for loan losses totaled € 372 million and € 1.1 billion for the years ended December 31, 2004 and 2003, respectively.

For further discussion on our allowance for loan losses, see the Risk Report and Notes [7] and [8] to the consolidated financial statements.

Impairment of Assets other than Loans

Certain assets, including equity method and other direct investments (including venture capital companies and nonmarketable equity securities), securities available for sale, goodwill and other intangible assets, are subject to impairment review. We record impairment charges when we believe an asset has experienced an other-than-temporary decline in fair value, or its cost may not be recoverable. Based on our impairment reviews related to these assets, we recorded total impairment charges of € 135 million in 2004 and € 1.5 billion in 2003. Future impairment charges may be required if triggering events occur, such as adverse market conditions, suggesting deterioration in an asset's recoverability or fair value. Assessment of timing of when such declines become other than temporary and/or the amount of such impairment is a matter of significant judgment.

Equity method investments, other equity interests and securities available for sale are evaluated for impairment on a quarterly basis, or more frequently if events or changes in circumstances indicate that these investments are impaired. For example, indications that these investments are impaired could include specific conditions in an industry or geographical area or specific information regarding the financial condition of the company, such as a downgrade in credit rating. If information becomes available after we make our evaluation, we may be required to recognize an other-than-temporary impairment in the future. Because the estimate for other-than-temporary impairment could change from period to period based upon future events that may or may not occur, we consider this to be a critical accounting estimate. Our impairment reviews for equity method investments, other equity interests and securities available for sale resulted in impairment charges of € 96 million in 2004 and € 1.3 billion in 2003. For additional information on securities available for sale, see Note [5] to the consolidated financial statements and for equity method investments and other equity interests, see Note [6] to the consolidated financial statements.

Goodwill and other intangible assets are tested for impairment on an annual basis, or more frequently if events or changes in circumstances, such as an adverse change in business climate, indicate that these assets may be impaired. The fair value determination used in the impairment assessment requires estimates based on quoted market prices, prices of comparable businesses, present value or other valuation techniques, or a combination thereof, necessitating management to make subjective judgments and assumptions. Because these estimates and assumptions could result in significant differences to the amounts reported if underlying circumstances were to change, we consider this estimate to be critical. As of December 31, 2004 and 2003, goodwill had a carrying amount of € 6.4 billion and € 6.7 billion, respectively, and other intangible assets had a carrying amount of € 1.1 billion at each year end. Evaluation of impairment of these assets is a significant estimate for multiple divisions. In 2004, an impairment charge of € 19 million was recorded related to intangible assets in Asset and Wealth Management Corporate Division following the termination of certain investment agreements. In 2003, a goodwill impairment loss of € 114 million related to the Private Equity reporting unit was recorded following decisions relating to the private equity fee-based business including the transfer of certain businesses to the Asset and Wealth Management Corporate Division. For further discussion on goodwill and other intangible assets, see Note [12] to the consolidated financial statements.

Deferred Tax Assets Valuation Allowance

We recognize deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, net operating loss carryforwards and tax credits. At December 31, 2004 and December 31, 2003 our consolidated gross deferred tax assets were € 24.7 billion and € 15.6 billion, respectively, and our consolidated gross deferred tax liabilities were € 22.3 billion and € 12.3 billion, respectively. A valuation allowance is maintained for deferred tax assets that we estimate are more likely than not to be unrealizable based on available evidence at the time the estimate is made. Determining the valuation allowance requires significant management judgments and assumptions. In determining the valuation allowance, we use historical and forecasted future operating results, based upon approved business plans, including a review of the eligible carryforward periods, tax planning opportunities and other relevant considerations. Each quarter, we reevaluate our estimate related to the valuation allowance, including our assumptions about future profitability. At December 31, 2004 and December 31, 2003 our valuation allowance was € 888 million and € 964 million, respectively.

We believe that the accounting estimate related to the valuation allowance is a critical accounting estimate because the underlying assumptions can change from period to period. For example, tax law changes or variances in future projected operating performance could result in a change in the valuation allowance. If we were not able to realize all or part of our net deferred tax assets in the future, an adjustment to our deferred tax assets valuation allowance would be charged to income tax expense in the period such determination was made.

As a result of reviews of the factors discussed above related to the adequacy of the valuation allowance, our income tax expense for the years ended December 31 included a credit of € 7 million for 2004 and charges of approximately € 99 million for 2003. The credit in 2004 was due mainly to an increase in expected realization of operating loss carryforwards and tax credits available to reduce future tax expense.

For further discussion on our deferred taxes and valuation allowance, see Note [26] to the consolidated financial statements.

Legal, Regulatory and Tax Contingencies

The use of estimates is important in determining provisions for potential losses that may arise from litigation and regulatory proceedings and tax audits. We estimate and provide for potential losses that may arise out of litigation and regulatory proceedings and tax audits to the extent that such losses are probable and can be estimated, in accordance with SFAS No. 5, "Accounting for Contingencies." Significant judgment is required in making these estimates and our final liabilities may ultimately be materially different.

Our total liability in respect of litigation and regulatory proceedings is determined on a case-by-case basis and represents an estimate of probable losses after considering, among other factors, the progress of each case, our experience and the experience of others in similar cases, and the opinions and views of legal counsel. Given the inherent difficulty of predicting the outcome of our litigation matters, particularly in cases in which claimants seek substantial or indeterminate damages, we cannot estimate losses or ranges of losses for cases where there is only a reasonable possibility that a loss may have been incurred. See Note [34] to our consolidated financial statements for information on our judicial, regulatory and arbitration proceedings.

Recent Accounting Developments

EITF 04-8

In October 2004, the Financial Accounting Standards Board (FASB) ratified the consensus reached in Emerging Issues Task Force (EITF) Issue No. 04-8, "The Effect of Contingently Convertible Debt on Diluted Earnings Per Share" ("EITF 04-8"). EITF 04-8 requires contingently convertible debt instruments to be included in diluted earnings per share, if dilutive, regardless of whether the contingency has been met. EITF 04-8 is effective for reporting periods ending after December 15, 2004, and requires prior period earnings per share amounts to be restated for comparative purposes. The adoption of EITF 04-8 did not have a material impact on our consolidated financial statements.

EITF 02-14

In July 2004, the FASB ratified the consensus reached in EITF Issue No. 02-14, "Whether an Investor Should Apply the Equity Method of Accounting to Investments Other Than Common Stock" ("EITF 02-14"). EITF 02-14 concludes that an investor that has the ability to exercise significant influence over an investee should apply the equity method of accounting only when it has an investment in common stock and/or an investment that is in-substance common stock. EITF 02-14 addresses the determination of whether an investment is in-substance common stock but does not change existing guidance concerning the assessment of whether an investor has the ability to exercise significant influence over an investee. The consensus in EITF 02-14 is effective for reporting periods beginning after September 15, 2004. The adoption of EITF 02-14 did not have a material impact on our consolidated financial statements.

FSP 106-2
In May 2004, the FASB issued Staff Position No. 106-2, “Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003” (“FSP 106-2”), which superseded FSP 106-1 issued in January 2004. The Act, signed into law in the U.S. on December 8, 2003, introduces a prescription drug benefit as well as a subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to benefits provided under the Act. FSP 106-2, which is effective for reporting periods beginning after June 15, 2004, provides authoritative guidance on the accounting for the effects of the Act and disclosure guidance related to the federal subsidy provided by the Act. We determined that the effects of the Act were not a significant event requiring an interim remeasurement under SFAS No. 106, “Employers’ Accounting for Postretirement Benefits Other Than Pensions.” Consequently, as permitted by FSP 106-2, net periodic postretirement benefit cost for 2004 does not reflect the effects of the Act. The accumulated postretirement benefit obligation (“APBO”) for the postretirement benefit plan was remeasured at September 30, 2004 to reflect the effects of the Act, which resulted in a reduction of the APBO of approximately € 36 million.

FSP 129-1
In April 2004, the FASB issued Staff Position No. 129-1, “Disclosure Requirements under FASB Statement No. 129, Disclosure of Information about Capital Structure, Relating to Contingently Convertible Securities” (“FSP 129-1”). FSP 129-1 requires the disclosure provisions of Statement 129 to apply to all existing and newly created contingently convertible securities and to their potentially dilutive effects on earnings per share. The disclosure requirements of FSP 129-1 did not have a material effect on our consolidated financial statements.

EITF 03-6
In March 2004, the FASB ratified the consensus reached in EITF Issue No. 03-6, “Participating Securities and the Two-Class Method under FASB Statement No. 128, Earnings Per Share” (“EITF 03-6”). EITF 03-6 clarifies what constitutes a participating security and requires the use of the two-class method for computing basic earnings per share when participating securities exist. EITF 03-6 is effective April 1, 2004 and requires retroactive adjustment to earnings per share presented for prior periods. The adoption of EITF 03-6 did not have a material impact on our consolidated financial statements.

SAB 105
Effective April 1, 2004, the Group adopted Staff Accounting Bulletin No. 105, “Application of Accounting Principles to Loan Commitments” (“SAB 105”). SAB 105 clarifies the requirements for the valuation of loan commitments that are accounted for as derivatives in accordance with SFAS 133. The adoption of SAB 105 did not have a material impact on our consolidated financial statements.

FIN 46(R) (Revised December 2003)
Effective March 31, 2004, the Group adopted the revised version of FIN 46, “Consolidation of Variable Interest Entities, an interpretation of ARB No. 51” (“FIN 46(R)”). The FASB modified FIN 46 to address certain technical corrections and implementation issues that had arisen. As a result of the adoption, total assets decreased by € 12.5 billion due to the deconsolidation of guaranteed value mutual funds. The adoption had no impact on net income, however certain offsetting revenues and charges, chiefly trading revenues, net interest revenues and charges against other revenues, are no longer reported in the consolidated statement of income beginning April 1, 2004 due to the deconsolidations.

EITF 03-1 and FSP EITF 03-1-1

In March 2004, the FASB ratified the consensus reached in EITF Issue No. 03-1, “The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments” (“EITF 03-1”). The decisions establish a common approach to evaluating other-than-temporary impairment for equity securities accounted for at cost, and debt and equity securities available for sale. In September 2004, the FASB issued a final FASB Staff Position, No. EITF 03-1-1 (“FSP EITF 03-1-1”), which delayed the effective date for the measurement and recognition guidance included in EITF 03-1. The disclosures required by EITF 03-1 have not been delayed and are required beginning December 31, 2004. Once the effective date of the measurement and recognition guidance has been confirmed, management will assess the impact EITF 03-1 will have on our consolidated financial statements.

FSP 109-2

In December 2004, the FASB issued Staff Position No. 109-2, “Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision within the American Jobs Creation Act of 2004” (“FSP 109-2”). The Act, which was signed into law in the U.S. on October 22, 2004, provides for, among other things, a reduced rate of U.S. tax on dividends received from foreign subsidiaries of U.S. taxpayers. FSP 109-2 provides additional time beyond the financial reporting period of the enactment to evaluate the effects of this provision of the Act for purposes of applying SFAS No. 109, “Accounting for Income Taxes.” We estimate that approximately € 370 million may be eligible for repatriation under this provision. We are evaluating the effect of such a repatriation but do not expect that this provision will have a material impact on our consolidated financial statements.

SFAS 123 (Revised 2004)

In December 2004, the FASB issued SFAS No. 123 (revised 2004), “Share-Based Payment” (“SFAS 123(R)”). SFAS 123(R) replaces SFAS No. 123, “Accounting for Stock-Based Compensation” (“SFAS 123”), and supersedes APB Opinion No. 25, “Accounting for Stock Issued to Employees”. The new standard requires companies to recognize compensation cost relating to share-based payment transactions in their financial statements. That cost is to be measured based on the fair value of the equity or liability instruments issued. Starting January 1, 2003, we accounted for our share-based compensation awards under the fair value method prescribed under SFAS 123. The method was applied prospectively for all employee awards granted, modified or settled after January 1, 2003. Currently, we use a Black-Scholes option pricing model to estimate the fair value of stock options granted to employees and expect to continue to use this option valuation model upon the adoption of SFAS 123(R). SFAS 123(R) also includes some changes regarding the timing of expense recognition, the treatment of forfeitures and the re-measurement of liability classified awards at their current fair value. SFAS 123(R) is effective for reporting periods beginning after June 15, 2005. Management is currently evaluating the transition method to be used and the impact SFAS 123(R) will have on our consolidated financial statements.

SOP 03-3

In December 2003, the American Institute of Certified Public Accountants issued Statement of Position 03-3, “Accounting for Certain Loans or Debt Securities Acquired in a Transfer” (“SOP 03-3”). SOP 03-3 addresses the accounting for differences between contractual and expected cash flows for loans or debt securities acquired in a transfer if those differences are attributable, at least in part, to credit quality. The SOP prohibits the creation of an allowance for loan losses in the initial accounting for all loans within its scope. The SOP also limits the income that can be recognized and specifies the accounting for future changes in expected cash flows on the acquired loans or securities. SOP 03-3 is effective for loans or debt securities acquired in fiscal years beginning after December 15, 2004. SOP 03-3 is not expected to have a material impact on our consolidated financial statements.

IFRS

EU and German regulations require the Group to adopt International Financial Reporting Standards (IFRS) for purposes of preparing consolidated financial statements filed with EU and German regulatory authorities beginning no later than fiscal year 2007 (with 2006 comparative amounts presented). Financial statements prepared according to IFRS are accepted in SEC filings provided a reconciliation to certain U.S. GAAP financial statement amounts is disclosed.

The adoption of IFRS will not result in any adjustment to U.S. GAAP amounts, however there are a number of differences between the two accounting regimes which will cause earnings and balance sheet amounts under IFRS and U.S. GAAP to differ, perhaps significantly. The special transition rules for this adoption require, with some exceptions, that the IFRS in effect at the reporting date be applied in the opening balance sheet. Because of this, future rule changes could have an impact on the opening IFRS balance sheet and thus the difference between U.S. GAAP and IFRS earnings or balance sheet amounts cannot be predicted at this time.

Risk Factors

An investment in our shares involves a number of risks. You should carefully consider the following information about the risks we face, together with the other information in this document when you make investment decisions involving our shares.

Market Declines and Volatility can Materially Adversely Affect our Revenues and Profits.
In recent years we have increased our exposure to the financial markets as we have emphasized growth in our investment banking activities, including trading activities, and de-emphasized growth in our traditional lending business. Accordingly, we believe that we are more at risk from adverse developments in the financial markets than we were when we derived a larger percentage of our revenues from traditional lending activities. Market declines can cause our revenues to decline, and, if we are unable to reduce our expenses at the same pace, can cause our profitability to erode. Volatility can sometimes also adversely affect us.

An overall market downturn can adversely affect our business and financial performance. Market downturns can occur not only as a result of purely economic factors, but also as a result of war, acts of terrorism, natural disasters or other similar events.

In particular, this represents the following:

– *We may incur significant losses from our trading and investment activities due to market fluctuations.* We enter into and maintain large trading and investment positions in the fixed income, equity and currency markets, primarily through our Corporate Banking & Securities Corporate Division, many of which include derivative financial instruments. We also have made significant investments in individual companies through our Corporate Investments Group Division. In each of the product and business lines in which we enter into these kinds of positions, part of our business entails making assessments about the financial markets and trends in them. The revenues and profits we derive from many of our positions and our transactions in connection with them are dependent on market prices.
– *Protracted market declines can reduce liquidity in the markets, making it harder to sell assets and possibly leading to material losses.* In some of our businesses, protracted market movements, particularly asset price declines, can reduce the level of activity in the market or reduce market liquidity. These developments can lead to material losses if we cannot close out deteriorating positions in a timely way.
– *Even where losses are for our clients' accounts, they may fail to repay us, leading to material losses for us, and our reputation can be harmed.*
– *Our investment banking revenues in the form of financial advisory and underwriting fees may decline in adverse market or economic conditions.*
– *We may generate lower revenues from brokerage and other commission- and fee-based businesses if market downturns lead to declines in the volume of transactions.* The fees that we charge for managing our clients' portfolios are in many cases based on the value or performance of those portfolios. A market downturn that reduces the value of our clients' portfolios or increases the amount of withdrawals would reduce the revenues we receive.

Our nontraditional credit businesses materially add to our traditional banking credit risks.
Many of the businesses we engage in beyond the traditional lending businesses also expose us to credit risk, such as holding securities of third parties or entering into swap or other derivative contracts. We engage in most of these businesses through our Corporate Banking & Securities Corporate Division credit transactions, frequently ancillary to other transactions.

If we are unable to implement our Business Realignment Program (BRP), we may be unable to achieve cost savings and to increase our return on equity, and our future earnings and share price may be materially and adversely affected.
Beginning in 2002, we undertook a variety of measures that have enabled us to reduce costs, lower our risk profile, increase efficiency and raise our profitability. To further pursue these objectives, we announced the Business Realignment Program (BRP) in the fourth quarter of 2004. The BRP covers five key initiatives: aligning our sales and trading platforms, aligning our corporate banking efforts, reorganizing our Asset Management Business Division, adding regional focus in Germany and other regions as well as streamlining our infrastructure. We may be unable to achieve cost savings and to increase our return on equity, and our future earnings and share price may be materially and adversely affected, should we fail to implement the BRP initiatives or should the BRP initiatives that are implemented fail to produce the anticipated benefits. A number of internal and external factors could prevent the implementation of these initiatives or the realization of their anticipated benefits, including changes in the markets in which we are active, global, regional and national economic conditions and increased competition for business and employees.

The size of our clearing operations exposes us to a heightened risk of material losses should these operations fail to function properly.
We believe that the sheer scope of our clearing and settlement business heightens the risk that we, our customers or other third parties could lose substantial sums if our systems fail to operate properly for even short periods. This will be the case even where the reason for the interruption is external to us.

Our risk management policies, procedures and methods may leave us exposed to unidentified or unanticipated risks, which could lead to material losses.
We have devoted significant resources to developing our risk management policies, procedures and assessment methods and intend to continue to do so in the future. Nonetheless, our risk management techniques and strategies may not be fully effective in mitigating our risk exposure in all economic market environments or against all types of risk, including risks that we fail to identify or anticipate.

We may have difficulty in identifying and executing acquisitions, and both making acquisitions and avoiding them could materially harm our results of operations and our share price.
We consider business combinations from time to time. Even though we review the companies we plan to acquire, it is generally not feasible for these reviews to be complete in all respects. As a result, we may assume unanticipated liabilities, or an acquisition may not perform as well as expected. Were we to announce or complete a significant business combination transaction, our share price could decline significantly if investors viewed the transaction as too costly or unlikely to improve our competitive position. If we avoid entering into additional business combination transactions or fail to identify attractive companies to acquire, market participants may, especially in the current climate of consolidation, perceive us negatively.

We may have difficulties selling noncore assets at favorable prices, or at all.

Events at companies in which we have invested may make it harder to sell our holdings and result in material losses irrespective of market developments.
Where we hold significant investment in other companies, the effect of losses and risks at those companies may restrict our ability to sell our shareholdings and may reduce the value of our holdings considerably, including the value thereof reflected in our financial statements, even where general market conditions are favorable.

Intense competition, especially in our home market of Germany could materially hurt our revenues and profitability.
Competition is intense in all of our primary business areas. If we are unable to respond to the competitive environment in Germany or in our other major markets, we may lose market share in important areas of our business or incur losses on some or all of our activities. In addition, downturns in the German economy could add to the competitive pressure, through, for example, increased price pressure and lower business volumes for us and our competitors.

Outlook

The global economy began the year 2004 with very strong GDP growth. Because of rising oil prices and the fading policy stimulus in the US, the upswing slowed towards trend growth by the end of last year. At the beginning of 2005, leading indicators for the world economy remain at solid levels and point to a year of average growth. China and the US are likely to remain the engines of the global economy again in 2005. The Chinese economy is expected to expand by 8.5% after 9.5% last year. US growth is set to remain near 4% despite higher central bank interest rates and an absence of additional fiscal stimulus. Corporate sector profitability remains strong and allows additional spending on investment and employment. The modest Euro area upswing should be sustained into 2005 with GDP growth of close to 1.5% and a stronger contribution from private consumption than in previous years. Hampered by substantial structural problems and by a rising Euro, German GDP was again sluggish in 2004 and is likely to grow by just 1% this year.

The risks to the outlook especially for Europe stem primarily from the large US current account deficit and the possibility of a stronger Euro, given that many Asian countries do not allow their currencies to appreciate significantly. In addition, almost all asset prices rose strongly and risk premia declined significantly over the past two years with the help of low official interest rates in the large economies. This fuels the risk of a setback of asset markets and a resulting slowdown in consumption and investment around the world.

During 2004, we delivered sustained profit growth. We continued our ‘de-risking' strategy by further reducing our problem loans, provisions for credit losses as well as our exposure to alternative assets while maintaining our strong capitalization with a BIS Tier 1 ratio in the upper half of our target range of 8–9%. We delivered the benefits of ongoing ‘transformation' to our shareholders, by both attractive dividends and continued share buybacks. At the same time we continued investing in our core businesses. The successful expansion of our Private & Business Clients Corporate Division, for example, has created a stable, substantial source of earnings for the Bank. Thereby, we laid solid foundations for continued profitable growth in 2005 and beyond.

The Business Realignment Program (BRP), which we announced in the fourth quarter 2004, covers five key initiatives with significant strategic and financial impact: aligning our sales and trading platforms, aligning our corporate banking efforts, reorganizing our Asset Management Business Division, adding regional focus in Germany and other regions as well as streamlining our infrastructure. These initiatives are designed to drive revenue growth in targeted areas from both coverage and product synergies while simultaneously creating cost synergies from rationalization, process reengineering and outsourcing.

– *Aligning our sales and trading platforms.* We have built a world-leading sales and trading platform, based on outstanding people, constant innovation in finding solutions for our clients, and a dynamic organization. Increasingly, clients are seeking integrated solutions which embrace both asset classes, equity and debt, while margin pressure in mature products and markets continues to grow. We will respond by integrating investor coverage platforms, and merging specific product units where synergies are greatest. We are also integrating our Emerging Markets platforms across debt and equity, our research model, and our manufacturing and distribution platform for retail customers.
– *Aligning our corporate banking efforts.* Increasingly, corporate clients also require an integrated approach. In response, we will integrate our corporate coverage teams, serving our clients more efficiently, customizing our products more effectively around the particular needs of each client. This allows us to operate more cost-effectively, both in the business and in the supporting infrastructure units.
– *Reorganizing our Asset Management Business Division.* Our primary focus in 2005 will be configuring an efficient organization to drive maximum cost-effectiveness and reduce operational complexity. In addition, we plan to reposition our business mix by investing in high fee-generating product areas and by expanding DWS into other European countries and into Asia/Pacific. We will continue to focus on improving our investment performance, supported by the new Global CIO and investment platform. A comprehensive global strategic review of all Asset Management units is currently

in process. Specifically, the review of the UK business is looking at all options, including organically growing the business or divesting all or part of it.

- *Adding regional focus in Germany and other regions.* The newly-created Management Committee Germany, which includes representatives from all our businesses and key central functions, will play an important role in deepening our relationships with clients, fostering cross-selling, developing our franchise, and strengthening our dialogue with national, governmental, supervisory and industry-wide bodies. In addition to Germany, we have established comparable committees in the Americas, the Asia-Pacific region and Japan, as well as our key markets in Europe. These committees represent a key component in our objective to strengthen the regional dimension of our management worldwide.
- *Streamlining our infrastructure.* The changes in our front office open up opportunities to further streamline our back office infrastructure. Our goal is to migrate to a new operating model, which leverages smartsourcing opportunities. Smartsourcing includes consolidation of decentralized operations units, outsourcing of processes or parts thereof and taking advantage of diverging cost levels in different locations, e.g. labor costs. We anticipate significant efficiencies in Global Technology and Operations, Credit Risk Management and other back office functions through streamlining and reengineering existing infrastructure and processes, aligned with focused investments in our control environment.

The BRP, together with additional measures in the fourth quarter 2004, will involve a net headcount reduction of approximately 5,200 (on a full-time equivalent basis). The majority of the reduction will arise in infrastructure units. This figure includes the Efficiency and Investment Plan for Germany announced in December 2004. Total expenses related to the BRP and the additional measures recorded in the fourth quarter 2004 and expected in 2005 are estimated to be approximately € 1.3 billion. However, we hope to achieve cost savings of approximately € 1.2 billion in 2005 in relation to the BRP and the additional measures.

Our ambition to further increase our profitability will be supported by continued active management of capital resources. Within our capital allocation process, we are favoring those businesses where we see the highest profitability. We anticipate the completion of our current share buyback program, which was started in July 2004, due to our consistently strong regulatory and economic capitalization. In addition, we plan to seek authorization from our shareholders for a fourth share buyback program at the Annual Shareholders’ Meeting in May 2005.

Our strategic objective is to build sustainable leadership positions in our core businesses and increase profitability. This, in turn, allows us to deliver superior returns to our shareholders, and strengthen our strategic autonomy, by placing Deutsche Bank among the world’s leading financial institutions by market value.

The year 2005 has started well for us. We have made good progress so far in implementing the measures of our Business Realignment Program, and if the world’s economies and financial markets continue to develop positively, we are confident we can achieve our published financial targets.

Consolidated Statement of Income

in € m., except per share data	[Notes]	2004	2003	2002
Net interest revenues:				
Interest revenues	[23], [31]	28,023	27,583	35,781
Interest expense	[23], [31]	22,841	21,736	28,595
Net interest revenues		**5,182**	**5,847**	**7,186**
Provision for loan losses	[6], [7], [8]	372	1,113	2,091
Net interest revenues after provision for loan losses		**4,810**	**4,734**	**5,095**
Noninterest revenues:				
Commissions and fees from fiduciary activities		3,211	3,273	3,926
Commissions, broker's fees, markups on securities underwriting and other securities activities		3,711	3,564	4,319
Fees for other customer services		2,584	2,495	2,589
Insurance premiums		123	112	744
Trading revenues, net	[31]	6,186	5,611	4,024
Net gains on securities available for sale	[5]	235	20	3,523
Net income (loss) from equity method investments	[6]	388	(422)	(887)
Other revenues	[6], [13], [31]	298	768	1,123
Total noninterest revenues		**16,736**	**15,421**	**19,361**
Noninterest expenses:				
Compensation and benefits	[20], [25], [31]	10,222	10,495	11,358
Net occupancy expense of premises		1,258	1,251	1,291
Furniture and equipment		178	193	230
IT costs		1,726	1,913	2,188
Agency and other professional service fees		824	836	1,001
Communication and data services		599	626	792
Policyholder benefits and claims		260	110	759
Other expenses		2,031	1,890	2,643
Goodwill impairment/impairment of intangibles	[12]	19	114	62
Restructuring activities	[29]	400	(29)	583
Total noninterest expenses		**17,517**	**17,399**	**20,907**
Income before income tax expense and cumulative effect of accounting changes		**4,029**	**2,756**	**3,549**
Income tax expense	[26]	1,437	1,327	372
Reversal of 1999/2000 credits for tax rate changes	[26]	120	215	2,817
Income before cumulative effect of accounting changes, net of tax		**2,472**	**1,214**	**360**
Cumulative effect of accounting changes, net of tax	[2]	–	151	37
Net income		**2,472**	**1,365**	**397**
Earnings per common share (in €)	[2], [12], [20], [27]			
Basic				
Income before cumulative effect of accounting changes, net of tax		5.02	2.17	0.58
Cumulative effect of accounting changes, net of tax		–	0.27	0.06
Net income		**5.02**	**2.44**	**0.64**
Diluted				
Income before cumulative effect of accounting changes, net of tax		4.53	2.06	0.57
Cumulative effect of accounting changes, net of tax		–	0.25	0.06
Net income		**4.53**	**2.31**	**0.63**
Cash dividends declared per common share		**1.50**	**1.30**	**1.30**

The accompanying notes are an integral part of the Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income

in € m.	2004	2003	2002
Net income	**2,472**	**1,365**	**397**
Other comprehensive income (loss):			
Reversal of 1999/2000 credits for tax rate changes	120	215	2,817
Unrealized gains (losses) on securities available for sale:			
Unrealized net gains (losses) arising during the year, net of tax and other[1]	12	1,619	(5,596)
Net reclassification adjustment for realized net (gains) losses, net of applicable tax and other[2]	(189)	162	(3,527)
Unrealized net gains (losses) on derivatives hedging variability of cash flows, net of tax[3]	40	(4)	2
Minimum pension liability, net of tax[4]	(1)	8	(8)
Foreign currency translation:			
Unrealized net losses arising during the year, net of tax[5]	(719)	(936)	(1,602)
Net reclassification adjustment for realized net gains, net of tax[6]	–	(54)	–
Total other comprehensive income (loss)	**(737)**	**1,010**	**(7,914)**
Comprehensive income (loss)	**1,735**	**2,375**	**(7,517)**

[1] Amounts are net of income tax expense (benefit) of € 131 million, € 38 million and € (69) million for the years ended December 31, 2004, 2003 and 2002, respectively, and adjustments to insurance policyholder liabilities and deferred acquisition costs of € 19 million, € 4 million and € (230) million for the years ended December 31, 2004, 2003 and 2002, respectively.
[2] Amounts are net of applicable income tax expense of € 40 million, € 41 million and € 15 million for the years ended December 31, 2004, 2003 and 2002, respectively, and adjustments to insurance policyholder liabilities and deferred acquisition costs of € 6 million, € (10) million and € 110 million for the years ended December 31, 2004, 2003 and 2002, respectively.
[3] Amount is net of an income tax expense of € 7 million for the year ended December 31, 2004, an income tax benefit for the year ended December 31, 2003, and an income tax expense for the year ended December 31, 2002.
[4] Amount is net of income tax expense (benefit) of € (1) million, € 3 million and € (3) million for the years ended December 31, 2004, 2003 and 2002, respectively.
[5] Amounts are net of an income tax expense of € 53 million, € 70 million and € 26 million for the years ended December 31, 2004, 2003 and 2002, respectively.
[6] Amount is net of an income tax expense (benefit) of € 4 million and € (5) million for the years ended December 31, 2004 and 2003, respectively.

The accompanying notes are an integral part of the Consolidated Financial Statements.

Consolidated Balance Sheet

in € m. (except nominal value)	[Notes]	**Dec 31, 2004**	Dec 31, 2003
Assets			
Cash and due from banks		7,579	6,636
Interest-earning deposits with banks	[33]	18,089	14,649
Central bank funds sold and securities purchased under resale agreements	[33]	123,921	112,419
Securities borrowed	[33]	65,630	72,796
Trading assets	[4], [10], [33]	373,147	345,371
of which € 104 billion and € 107 billion were pledged to creditors and can be sold or repledged at December 31, 2004 and 2003, respectively			
Securities available for sale	[5], [10], [33]	20,335	24,631
of which € 18 million and € 404 million were pledged to creditors and can be sold or repledged at December 31, 2004 and 2003, respectively			
Other investments	[6], [33]	7,936	8,570
Loans, net	[7], [8], [9], [10], [32], [33]	136,344	144,946
Premises and equipment, net	[10], [11]	5,225	5,786
Goodwill	[2], [12]	6,378	6,735
Other intangible assets, net	[2], [12]	1,069	1,122
Other assets related to insurance business	[24]	6,733	8,249
Other assets	[14], [26]	67,682	51,704
Total assets		**840,068**	**803,614**
Liabilities			
Deposits	[15], [33]	329,469	306,154
Trading liabilities	[4], [33]	169,606	153,234
Central bank funds purchased and securities sold under repurchase agreements	[10], [33]	105,292	102,433
Securities loaned	[10], [33]	12,881	14,817
Other short-term borrowings	[16], [19], [33]	20,118	22,290
Insurance policy claims and reserves	[24]	7,935	9,071
Other liabilities	[14], [19], [25], [26], [29]	58,935	67,623
Long-term debt	[17], [19], [33]	106,870	97,480
Obligation to purchase common shares	[18]	3,058	2,310
Total liabilities		**814,164**	**775,412**
Shareholders' equity			
Common shares, no par value, nominal value of € 2.56	[20]	1,392	1,490
Issued: 2004, 543.9 million shares; 2003, 581.9 million shares			
Additional paid-in capital		11,147	11,147
Retained earnings		19,814	20,486
Common shares in treasury, at cost:			
2004, 26.6 million shares; 2003, 16.8 million shares		(1,573)	(971)
Equity classified as obligation to purchase common shares	[18]	(3,058)	(2,310)
Share awards		1,513	954
Accumulated other comprehensive income (loss)			
Deferred tax on unrealized net gains on securities available for sale relating to 1999 and 2000 tax rate changes in Germany		(2,708)	(2,828)
Unrealized net gains on securities available for sale, net of applicable tax and other		1,760	1,937
Unrealized net gains (losses) on derivatives hedging variability of cash flows, net of tax		37	(3)
Minimum pension liability, net of tax		(1)	–
Foreign currency translation, net of tax		(2,419)	(1,700)
Total accumulated other comprehensive loss		(3,331)	(2,594)
Total shareholders' equity	[20], [22]	**25,904**	**28,202**
Total liabilities and shareholders' equity		**840,068**	**803,614**
Commitments and contingent liabilities (Notes [11], [31], [34])			

The accompanying notes are an integral part of the Consolidated Financial Statements.

Consolidated Statement of Changes in Shareholders' Equity

in € m.	2004	2003	2002
Common shares			
Balance, beginning of year	1,490	1,592	1,591
Common shares distributed under employee benefit plans	–	–	1
Retirement of common shares	(98)	(102)	–
Balance, end of year	1,392	1,490	1,592
Additional paid-in capital			
Balance, beginning of year	11,147	11,199	11,253
Common shares distributed under employee benefit plans	–	–	21
Net losses on treasury shares sold	–	(36)	(129)
Other	–	(16)	54
Balance, end of year	11,147	11,147	11,199
Retained earnings			
Balance, beginning of year	20,486	22,087	22,619
Net income	2,472	1,365	397
Cash dividends declared and paid	(828)	(756)	(800)
Dividend related to equity classified as obligation to purchase common shares	96	–	–
Net gains (losses) on treasury shares sold	66	(386)	–
Retirement of common shares	(2,472)	(1,801)	–
Other	(6)	(23)	(129)
Balance, end of year	19,814	20,486	22,087
Common shares in treasury, at cost			
Balance, beginning of year	(971)	(1,960)	(479)
Purchases of shares	(34,471)	(25,464)	(30,755)
Sale of shares	30,798	23,903	28,441
Retirement of shares	2,570	1,903	–
Treasury shares distributed under employee benefit plans	501	647	833
Balance, end of year	(1,573)	(971)	(1,960)
Equity classified as obligation to purchase common shares			
Balance, beginning of year	(2,310)	(278)	–
Additions	(1,241)	(2,911)	(330)
Deductions	493	879	52
Balance, end of year	(3,058)	(2,310)	(278)
Share awards – common shares issuable			
Balance, beginning of year	2,196	1,955	1,666
Deferred share awards granted, net	1,270	888	1,098
Deferred shares distributed	(501)	(647)	(809)
Balance, end of year	2,965	2,196	1,955
Share awards – deferred compensation			
Balance, beginning of year	(1,242)	(1,000)	(767)
Deferred share awards granted, net	(1,270)	(888)	(1,098)
Amortization of deferred compensation, net	1,060	646	865
Balance, end of year	(1,452)	(1,242)	(1,000)
Accumulated other comprehensive income (loss)			
Balance, beginning of year	(2,594)	(3,604)	4,310
Reversal of 1999/2000 credits for tax rate changes	120	215	2,817
Change in unrealized net gains on securities available for sale, net of applicable tax and other	(177)	1,781	(9,123)
Change in unrealized net gains/losses on derivatives hedging variability of cash flows, net of tax	40	(4)	2
Change in minimum pension liability, net of tax	(1)	8	(8)
Foreign currency translation, net of tax	(719)	(990)	(1,602)
Balance, end of year	(3,331)	(2,594)	(3,604)
Total shareholders' equity, end of year	**25,904**	**28,202**	**29,991**

The accompanying notes are an integral part of the Consolidated Financial Statements.

Consolidated Statement of Cash Flows

in € m.	**2004**	2003	2002
Cash flows from operating activities:			
Net income	**2,472**	**1,365**	**397**
Adjustments to reconcile net income to net cash used in operating activities:			
Provision for loan losses	372	1,113	2,091
Restructuring activities	400	(29)	583
Gain on sale of securities available for sale, other investments, loans and other	(476)	(201)	(4,928)
Deferred income taxes, net	838	269	2,480
Impairment, depreciation and other amortization and accretion	1,776	3,072	2,845
Cumulative effect of accounting changes, net of tax	–	(151)	(37)
Share of net loss (income) from equity method investments	(282)	(42)	753
Net change in:			
Trading assets	(42,461)	(37,624)	(4,071)
Other assets	(15,566)	(7,452)	8,627
Trading liabilities	16,380	22,719	11,412
Other liabilities	5,914	8,095	(20,639)
Other, net	682	47	(296)
Net cash used in operating activities	**(29,951)**	**(8,819)**	**(783)**
Cash flows from investing activities:			
Net change in:			
Interest-earning deposits with banks	(4,573)	11,305	7,800
Central bank funds sold and securities purchased under resale agreements	(11,679)	5,378	(14,004)
Securities borrowed	7,166	(35,226)	2,749
Loans	2,908	22,610	16,395
Proceeds from:			
Sale of securities available for sale	21,145	13,620	25,835
Maturities of securities available for sale	3,560	7,511	7,731
Sale of other investments	2,081	2,068	5,089
Sale of loans	10,463	6,882	2,747
Sale of premises and equipment	451	2,628	717
Purchase of:			
Securities available for sale	(25,201)	(19,942)	(22,464)
Other investments	(1,200)	(2,141)	(4,474)
Loans	(4,950)	(9,030)	(2,364)
Premises and equipment	(792)	(991)	(1,696)
Net cash received (paid) for business combinations/divestitures	(223)	2,469	(1,110)
Other, net	116	327	687
Net cash (used in) provided by investing activities	**(728)**	**7,468**	**23,638**
Cash flows from financing activities:			
Net change in:			
Deposits	23,347	(21,423)	(41,278)
Securities loaned and central bank funds purchased and securities sold under repurchase agreements	923	17,751	7,603
Other short-term borrowings	3,399	(4,303)	274
Issuances of long-term debt and trust preferred securities	34,463	43,191	40,245
Repayments and extinguishments of long-term debt and trust preferred securities	(25,773)	(32,366)	(27,201)
Issuances of common shares	–	–	73
Purchases of treasury shares	(34,471)	(25,464)	(30,755)
Sale of treasury shares	30,850	23,389	28,665
Cash dividends paid	(828)	(756)	(800)
Other, net	12	(37)	(455)
Net cash provided by (used in) financing activities	**31,922**	**(18)**	**(23,629)**
Net effect of exchange rate changes on cash and due from banks	(300)	(974)	(635)
Net increase (decrease) in cash and due from banks	943	(2,343)	(1,409)
Cash and due from banks, beginning of the year	6,636	8,979	10,388
Cash and due from banks, end of the year	7,579	6,636	8,979
Interest paid	22,411	22,612	31,349
Income taxes paid, net	199	911	408
Noncash investing activities:			
Transfer from available for sale securities to trading assets	–	–	–
Transfer from trading assets to available for sale securities	–	–	–

The accompanying notes are an integral part of the Consolidated Financial Statements.

Notes

Notes

[1] Significant Accounting Policies

Deutsche Bank Aktiengesellschaft ("Deutsche Bank" or the "Parent") is a stock corporation organized under the laws of the Federal Republic of Germany. Deutsche Bank together with all entities in which Deutsche Bank has a controlling financial interest (the "Group") is a global provider of a full range of corporate and investment banking, private clients and asset management products and services. For a discussion of the Group's business segment information, see Note [28].

The accompanying consolidated financial statements are stated in euros and have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions regarding the fair valuation of certain financial assets and liabilities, the allowance for loan losses, the impairment of assets other than loans, the valuation allowance for deferred tax assets, legal, regulatory and tax contingencies, as well as other matters. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's estimates. Certain prior period amounts have been reclassified to conform to the current presentation.

The following is a description of the significant accounting policies of the Group.

Principles of Consolidation

The consolidated financial statements include Deutsche Bank together with all entities in which Deutsche Bank has a controlling financial interest. The Group consolidates entities in which it has a majority voting interest when the entity is controlled through substantive voting equity interests and the equity investors bear the residual economic risks of the entity. The Group consolidates those entities that do not meet these criteria when the Group absorbs a majority of the entity's expected losses, or if no party absorbs a majority of the expected losses, when the Group receives a majority of the entity's expected residual returns.

Notwithstanding the above, certain securitization vehicles (commonly known as qualifying special purpose entities) are not consolidated if they are distinct from and not controlled by the entities that transferred the assets into the vehicle, and their activities are legally prescribed, significantly limited from inception, and meet certain restrictions regarding the assets they can hold and the circumstances in which those assets can be sold.

For consolidated guaranteed value mutual funds, in which the Group has only minor equity interests, the obligation to pass the net revenues of these funds to the investors is reported in other liabilities, with a corresponding charge to other revenues.

Prior to January 1, 2003, the Group consolidated all majority-owned subsidiaries as well as special purpose entities that the Group was deemed to control or from which the Group retained the majority of the risks and rewards. Qualifying special purpose entities were not consolidated.

All material intercompany transactions and balances have been eliminated. Issuances of a subsidiary's stock to third parties are treated as capital transactions.

Revenue Recognition

Revenue is recognized when it is realized or realizable, and earned. This concept is applied to the key revenue generating activities of the Group as follows:

Net interest revenues – Interest from interest-bearing assets and liabilities is recognized on an accrual basis over the life of the asset or liability based on the constant effective yield reflected in the terms of the contract and any related net deferred fees, premiums, discounts or debt issuance costs. See the "Loans" section of this footnote for more specific information regarding interest from loans.

Valuation of assets and liabilities – Certain assets and liabilities are required to be revalued each period end and the offset to the change in the carrying amount is recognized as revenue. These include assets and liabilities held for trading purposes, certain derivatives held for nontrading purposes, loans held for sale, and investments accounted for under the equity method. In addition, assets are revalued to recognize impairment losses within revenues when certain criteria are met. See the discussions in the "Trading Assets and Liabilities, and Securities Available for Sale", "Derivatives", "Other Investments", "Allowances for Credit Losses", "Loans Held for Sale", and "Impairment" sections of this footnote for more detailed explanations of the valuation methods used and the methods for determining impairment losses for the various types of assets involved.

Fees and commissions – Revenue from the various services the Group performs are recognized when the following criteria are met: persuasive evidence of an arrangement exists, the services have been rendered, the fee or commission is fixed or determinable, and collectibility is reasonably assured. Incentive fee revenues from investment advisory services are recognized at the end of the contract period when the incentive contingencies have been resolved.

Sales of assets – Gains and losses from sales of assets result primarily from sales of financial assets in monetary exchanges, which include sales of trading assets, securities available for sale, other investments, and loans. In addition, the Group records revenue from sales of nonfinancial assets such as real estate, subsidiaries and other assets.

To the extent assets are exchanged for beneficial or ownership interests in those same assets, the exchange is not considered a sale and no gain or loss is recorded. Otherwise, gains and losses on exchanges of financial assets that are held at fair value, and gains on financial assets not held at fair value, are recorded when the Group has surrendered control of those financial assets. Gains on exchanges of nonfinancial assets are recorded once the sale has been closed or consummated, except when the Group maintains certain types of continuing involvement with the asset sold, in which case the gains are deferred. Losses from sales of nonfinancial assets and financial assets not held at fair value are recognized once the asset is deemed held for sale.

Gains and losses from monetary exchanges are calculated as the difference between the book value of the assets given up and the fair value of the proceeds received and liabilities incurred. Gains or losses from nonmonetary exchanges are calculated as the difference between the book value of the assets given up and the fair value of the assets given up and liabilities incurred as part of the transaction, except that the fair value of the assets received is used if it is more readily determinable.

Multiple-deliverable arrangements – In circumstances where the Group contracts to provide multiple products, services or rights to a counterparty, an evaluation is made as to whether separate revenue recognition events have occurred. This evaluation considers the stand-alone value of items already delivered, the verifiability of the fair value of items not yet delivered and, if there is a right of return on delivered items, the probability of delivery of remaining undelivered items.

If it is determined that separation is appropriate, the consideration received is allocated based on the relative fair value of each item, unless there is no objective and reliable evidence of the fair value of the delivered item or an individual item is required to be recognized at fair value according to other U.S. GAAP requirements, in which case the residual method is used.

Foreign Currency Translation

Assets and liabilities denominated in currencies other than an entity's functional currency are translated into its functional currency using the period-end exchange rates, and the resulting transaction gains and losses are reported in trading revenues. Foreign currency revenues, expenses, gains, and losses are recorded at the exchange rate at the dates recognized.

Gains and losses resulting from translating the financial statements of net investments in foreign operations into the reporting currency of the parent entity are reported, net of any hedge and tax effects, in accumulated other comprehensive income within shareholders' equity. Revenues, expenses, gains and losses are translated at the exchange rates at the dates on which those elements are recognized, either individually or by using an appropriately weighted average exchange rate for the period. Assets and liabilities are translated at the period end rate.

Reverse Repurchase and Repurchase Agreements

Securities purchased under resale agreements ("reverse repurchase agreements") and securities sold under agreements to repurchase ("repurchase agreements") are treated as collateralized financings and are carried at the amount of cash disbursed and received, respectively. The party disbursing the cash takes possession of the securities serving as collateral for the financing. Securities purchased under resale agreements consist primarily of OECD country sovereign bonds or sovereign guaranteed bonds. Securities owned and pledged as collateral under repurchase agreements in which the counterparty has the right by contract or custom to sell or repledge the collateral are disclosed on the Consolidated Balance Sheet.

The Group monitors the fair value of the securities received or delivered. For securities purchased under resale agreements, the Group requests additional securities or the return of a portion of the cash disbursed when appropriate in response to a decline in the market value of the securities received. Similarly, the return of excess securities or additional cash is requested when appropriate in response to an increase in the market value of securities sold under repurchase agreements. The Group offsets reverse repurchase and repurchase agreements with the same counterparty under master netting agreements when they have the same maturity date and meet certain other criteria regarding settlement and transfer mechanisms. Interest earned on reverse repurchase agreements and interest incurred on repurchase agreements are reported as interest revenues and interest expense, respectively.

Securities Borrowed and Securities Loaned

Securities borrowed and securities loaned are recorded at the amount of cash advanced or received. Securities borrowed transactions generally require the Group to deposit cash with the securities lender. In a securities loaned transaction, the Group generally receives either cash collateral, in an amount equal to or in excess of the market value of securities loaned, or securities. If the securities received may be sold or repledged, they are accounted for as trading assets and a corresponding liability to return the security is recorded. The Group monitors the fair value of securities borrowed and securities loaned and additional collateral is obtained, if necessary. Fees received or paid are reported in interest revenues and interest expense, respectively. Securities owned and pledged as collateral under securities lending agreements in which the counterparty has the right by contract or custom to sell or repledge the collateral are disclosed on the Consolidated Balance Sheet.

Trading Assets and Liabilities, and Securities Available for Sale

The Group designates debt and marketable equity securities as either held for trading purposes or available for sale at the date of acquisition.

Trading assets and trading liabilities are carried at their fair values and related realized and unrealized gains and losses are included in trading revenues.

Securities available for sale are carried at fair value with the changes in fair value reported in accumulated other comprehensive income within shareholders' equity unless the security is subject to a fair value hedge, in which case changes in fair value resulting from the risk being hedged are recorded in other revenues. The amounts reported in other comprehensive income are net of deferred income taxes and adjustments to insurance policyholder liabilities and deferred acquisition costs.

Declines in fair value of securities available for sale below their amortized cost that are deemed to be other than temporary and realized gains and losses are reported in the Consolidated Statement of Income in net gains on securities available for sale. The amortization of premiums and accretion of discounts are recorded in net interest revenues. Generally, the weighted-average cost method is used to determine the cost of securities sold.

Fair value is based on quoted market prices, price quotes from brokers or dealers, or estimates based upon discounted expected cash flows.

Derivatives

All freestanding contracts that are considered derivatives for accounting purposes are carried at fair value in the balance sheet regardless of whether they are held for trading or nontrading purposes. Derivative features embedded in other contracts that meet certain criteria are also measured at fair value. Fair values for derivatives are based on quoted market prices, discounted cash flow analysis, comparison to similar observable market transactions, or pricing models that take into account current market and contractual prices of the underlying instruments as well as time value and yield curve or volatility factors underlying the positions. Fair values also take into account expected market risks, modeling risks, administrative costs and credit considerations. Derivative assets and liabilities arising from contracts with the same counterparty that are covered by qualifying and legally enforceable master netting agreements are reported on a net basis.

The Group enters into various contracts for trading purposes, including swaps, futures contracts, forward commitments, options and other similar types of contracts and commitments based on interest and foreign exchange rates, equity and commodity prices, and credit risk. The Group also makes commitments to originate mortgage loans that will be held for sale. Such positions are considered derivatives and are carried at their fair values as either trading assets or trading liabilities, and related gains and losses are included in trading revenues. At the inception of a derivative transaction, trading profit is recognized if the fair value of the derivative is obtained from a quoted market price, supported by comparison to observable prices of other current market transactions or supported by other observable data used in the valuation technique. When the fair value of a derivative is not based upon observable market data, the Group defers any trade date profit or loss. This deferral is recognized when the transaction becomes observable, the Group enters into an offsetting transaction that substantially eliminates the derivative's risk, or using a rational method such as over the life of the transaction.

Derivative features embedded in other nontrading contracts are measured separately at fair value when they are not clearly and closely related to the host contract and meet the definition of a derivative. Unless designated as a hedge, changes in the fair value of such an embedded derivative are reported in trading revenues. The carrying amount is reported on the Consolidated Balance Sheet with the host contract.

Certain derivatives entered into for nontrading purposes, not qualifying for hedge accounting, that are otherwise effective in offsetting the effect of transactions on noninterest revenues and expenses are recorded in other assets or other liabilities with changes in fair value recorded in the same noninterest revenues and expense captions affected by the transaction being offset. The changes in fair value of all other derivatives not qualifying for hedge accounting are recorded in trading revenues.

For accounting purposes there are three possible types of hedges, each of which is accounted for differently: (1) hedges of the changes in fair value of assets, liabilities or firm commitments (fair value hedges), (2) hedges of the variability of future cash flows from forecasted transactions and floating rate assets and liabilities (cash flow hedges), and (3) hedges of the translation adjustments resulting from translating the financial statements of net investments in foreign operations into the reporting currency of the parent. Hedge accounting, as described in the following paragraphs, is applied for each of these types of hedges, if the hedge is properly documented at inception and the hedge is highly effective in offsetting changes in fair value, variability of cash flows, or the translation effects of net investments in foreign operations.

For hedges of changes in fair value, the changes in the fair value of the hedged asset or liability due to the risk being hedged are recognized in earnings along with changes in the entire fair value of the derivative. When hedging interest rate risk, for both the derivative and the hedged item any interest accrued or paid is reported in interest revenue or expense and the unrealized gains and losses from the fair value adjustments are reported in other revenues. When hedging the foreign exchange risk in an available-for-sale security, the fair value adjustments related to the foreign exchange exposures are also recorded in other revenues. Hedge ineffectiveness is reported in other revenues and is measured as the net effect of the fair value adjustments made to the derivative and the hedged item arising from changes in the market rate or price related to the risk being hedged.

If a hedge of changes in fair value is canceled because the derivative is terminated or dedesignated, any remaining interest rate-related fair value adjustment made to the carrying amount of a hedged debt instrument is amortized to interest revenue or expense over the remaining life of the hedged item. For other types of fair value adjustments or whenever the hedged asset or liability is sold or terminated, any basis adjustments are included in the calculation of the gain or loss on sale or termination.

For hedges of the variability of cash flows, there is no special accounting for the hedged item and the derivative is carried at fair value with changes in value reported initially in other comprehensive income to the extent the hedge is effective. These amounts initially recorded in other comprehensive income are subsequently reclassified into earnings in the same periods during which the forecasted transaction affects earnings. Thus, for hedges of interest rate risk the amounts are amortized into interest revenues or expense along with the interest accruals on the hedged transaction. When hedging the foreign exchange risk in an available-for-sale security, the amounts resulting from foreign exchange risk are included in the calculation of the gain or loss on sale once the hedged security is sold. Hedge ineffectiveness is recorded in other revenues and is usually measured as the difference between the changes in fair value of the actual hedging derivative and a hypothetically perfect hedge.

When hedges of the variability of cash flows due to interest rate risk are canceled, amounts remaining in accumulated other comprehensive income are amortized to interest revenues or expense over the original life of the hedge. For cancellations of other types of hedges of the variability of cash flows, the related amounts accumulated in other comprehensive income are reclassified into earnings either in the same income statement caption and period as the forecasted transaction, or in other revenues when it is no longer probable that the forecasted transaction will occur.

For hedges of the translation adjustments resulting from translating the financial statements of net investments in foreign operations into the reporting currency of the parent, the portion of the change in fair value of the derivative due to changes in the spot foreign exchange rate is recorded as a foreign currency translation adjustment in other comprehensive income to the extent the hedge is effective; and the remainder is recorded as other revenues.

Hedging derivatives are reported as other assets and other liabilities and any derivative dedesignated as a hedging derivative is transferred to trading assets and liabilities and marked to market with changes in fair value recognized in trading revenues. For any hedging derivative that is terminated, the difference between the derivative's carrying amount and the cash paid or received is recognized as other revenues.

Other Investments

Other investments include investments accounted for under the equity method, holdings of designated consolidated investment companies, and other nonmarketable equity interests and investments in venture capital companies.

The equity method of accounting is applied to investments when the Group does not have a controlling financial interest, but has the ability to significantly influence operating and financial policies of the investee. Generally, this is when the Group has an investment between 20% and 50% of the voting stock of a corporation or 3% or more of limited partnership interests. Other factors that are considered in determining whether the Group has significant influence include representation on the board of directors (supervisory board in the case of German stock corporations) and material intercompany transactions.

Under equity method accounting, the pro-rata share of the investee's income or loss, on a U.S. GAAP basis, as well as disposition gains and losses and charges for other-than-temporary impairments, are included in net income from equity method investments. Equity method losses in excess of the Group's carrying amount of the investment in the enterprise are charged against other assets held by the Group related to the investee. The difference between the Group's cost and its proportional underlying equity in net assets of the investee at the date of investment ("equity method goodwill") is subject to impairment reviews in conjunction with the reviews of the overall investment.

Investments held by designated investment companies that are consolidated are included in other investments, as they are primarily nonmarketable equity securities, and are carried at fair value with changes in fair value recorded in other revenues.

Other nonmarketable equity investments and investments in venture capital companies, in which the Group does not have a controlling financial interest or significant influence, are included in other investments and carried at historical cost, net of declines in fair value below cost that are deemed to be other than temporary. Gains and losses upon sale or impairment are included in other revenues.

Loans

Loans are presented on the balance sheet at their outstanding unpaid principal balances net of charge-offs, unamortized premiums or discounts, deferred fees and costs on originated loans and the allowance for loan losses. Interest revenues are accrued on the unpaid principal balance. Net deferred fees and premiums or discounts are recorded as an adjustment of the yield (interest revenues) over the contractual lives of the related loans. Loan commitment fees related to those commitments that are not accounted for as derivatives are recognized in fees for other customer services over the life of the commitment. Loan commitments that are accounted for as derivatives are carried at fair value.

Loans are placed on nonaccrual status if either the loan has been in default as to payment of principal or interest for 90 days or more and the loan is neither well secured nor in the process of collection; or the loan is not yet 90 days past due, but in the judgment of management the accrual of interest should be ceased before 90 days because it is probable that all contractual payments of interest and principal will not be collected. When a loan is placed on nonaccrual status, any accrued but unpaid interest previously recorded is reversed against current period interest revenues. Cash receipts of interest on nonaccrual loans are recorded as either interest revenues or a reduction of principal according to management’s judgment as to the collectibility of principal. Accrual of interest is resumed only once the loan is current as to all contractual payments due and the loan is not impaired.

Leasing Transactions

Lease financing transactions, which include direct financing and leveraged leases, in which a Group entity is the lessor are classified as loans. Unearned income is amortized to interest revenues over the lease term using the interest method. Capital leases in which a Group entity is the lessee are capitalized as assets and reported in premises and equipment.

Allowances for Credit Losses

The allowances for credit losses represent management’s estimate of probable losses that have occurred in the loan portfolio and other lending-related commitments as of the date of the consolidated financial statements. The allowance for loan losses is reported as a reduction of loans and the allowance for credit losses on lending-related commitments is reported in other liabilities.

To allow management to determine the appropriate level of the allowance for loan losses, all significant counterparty relationships are reviewed periodically, as are loans under special supervision, such as impaired loans. Smaller-balance standardized homogeneous loans are collectively evaluated for impairment. This review encompasses current information and events related to the counterparty, such as past due status and collateral recovery values, as well as industry, geographic, economic, political, and other environmental factors. This process results in an allowance for loan losses which consists of a specific loss component and an inherent loss component.

The specific loss component represents the allowance for impaired loans. Impaired loans represent loans for which, based on current information and events, management believes it is probable that the Group will not be able to collect all principal and interest amounts due in accordance with the contractual terms of the loan agreement. The specific loss component of the allowance is measured by the excess of the recorded investment in the loan, including accrued interest, over either the present value of expected future cash flows, the fair value of the underlying collateral or the market price of the loan. Impaired loans are generally placed on nonaccrual status.

The inherent loss component is principally for all other loans not deemed to be impaired, but that, on a portfolio basis, are believed to have some inherent loss which is probable of having occurred and is reasonably estimable. The inherent loss component consists of a country risk allowance for transfer and currency convertibility risks for loan exposures in countries where there are serious doubts about the ability of counterparties to comply with the repayment terms due to the economic or political situation prevailing in the respective country of domicile; a smaller-balance standardized homogeneous loan loss allowance for loans to individuals and small business customers of the private and retail business, and an other inherent loss allowance. The other inherent loss allowance represents an estimate of losses inherent in the portfolio that have not yet been individually identified and reflects the imprecisions and uncertainties in estimating the loan loss allowance. This estimate of inherent losses excludes those exposures that have already been considered when establishing the allowance for smaller-balance standardized homogeneous loans.

Amounts determined to be uncollectible are charged to the allowance. Subsequent recoveries, if any, are credited to the allowance. The provision for loan losses, which is charged to income, is the amount necessary to adjust the allowance to the level determined through the process described above.

The allowance for credit losses on lending-related commitments, which is established through charges to other expenses, is determined using the same measurement techniques as the allowance for loan losses.

Loans Held for Sale

Loans held for sale are accounted for at the lower of cost or market on an individual basis and are reported as other assets. Origination fees and direct costs are deferred until the related loans are sold and are included in the determination of the gains or losses upon sale, which are reported in other revenues. Valuation adjustments related to loans held for sale are reported in other assets and other revenues, and are not included in the allowance for credit losses nor the provision for loan losses.

Asset Securitizations

When the Group transfers financial assets to securitization vehicles, it may retain one or more subordinated tranches, cash reserve accounts, or in some cases, servicing rights or interest-only strips, all of which are retained interests in the securitized assets. The amount of the gain or loss on transfers accounted for as sales depends in part on the previous carrying amounts of the financial assets involved in the transfer, allocated between the assets sold and the retained interests based on their relative fair values at the date of transfer. Retained interests other than servicing rights are classified as trading assets, securities available for sale or other assets depending on the nature of the retained interest and management intent. Servicing rights are classified in intangible assets, carried at the lower of the allocated basis or current fair value and amortized in proportion to and over the period of net servicing revenue.

To obtain fair values, quoted market prices are used if available. However, for securities representing retained interests from securitizations of financial assets, quotes are often not available, so the Group generally estimates fair value based on the present value of future expected cash flows using management’s best estimates of the key assumptions (loan losses, prepayment speeds, forward yield curves, and discount rates) commensurate with the risks involved. Interest revenues on retained interests are recognized using the effective yield method.

Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation. Depreciation is generally computed using the straight-line method over the estimated useful lives of the assets. The range of estimated useful lives is 25 to 50 years for premises and 3 to 10 years for furniture and equipment. Leasehold improvements are depreciated on a straight-line basis over the shorter of the term of the lease or the estimated useful life of the improvement, which generally ranges from 3 to 15 years. Depreciation of premises is included in net occupancy expense of premises, while depreciation of equipment is included in furniture and equipment expense and IT costs, as applicable. Maintenance and repairs are charged to expense and improvements are capitalized. Gains and losses on dispositions are reflected in other revenues.

Leased properties meeting certain criteria are capitalized as assets in premises and equipment and depreciated over the terms of the leases.

Eligible costs related to software developed or obtained for internal use are capitalized and depreciated using the straight-line method over a period of 3 to 5 years. Eligible costs include external direct costs for materials and services, as well as payroll and payroll-related costs for employees directly associated with an internal-use software project. Overhead, as well as costs incurred during planning or after the software are ready for use, is expensed as incurred.

Goodwill and Other Intangible Assets

Goodwill, which represents the excess of the cost of an acquired entity over the fair value of net assets acquired at the date of acquisition, is tested for impairment annually, or more frequently if events or changes in circumstances, such as an adverse change in business climate, indicate that the goodwill may be impaired. Mortgage and other loan servicing rights are carried at the lower of cost or current fair value and amortized in proportion to and over the estimated period of net servicing revenue. Other intangible assets that have a finite useful life are amortized over a period of 3 to 15 years; other intangible assets that have an indefinite useful life, primarily investment management agreements related to retail mutual funds, are not amortized. These assets are tested for impairment and their useful lives are reaffirmed at least annually.

Obligation to Purchase Common Shares

Forward purchases of equity shares of a consolidated Group company are reported as obligation to purchase common shares if the number of shares is fixed and physical settlement is required. At inception the obligation is recorded at the fair value of the shares, which is equal to the present value of the settlement amount of the forward. For forward purchases of Deutsche Bank shares, a corresponding charge is made to shareholders' equity and reported as equity classified as obligation to purchase common shares. For forward purchases of minority interest shares, a corresponding reduction to other liabilities is made.

The liability is accounted for on an accrual basis if the purchase price for the shares is fixed, and interest costs on the liability are reported as interest expense. Deutsche Bank common shares subject to such contracts are not considered to be outstanding for purposes of earnings per share calculations. Upon settlement of such forward purchases the liability is extinguished whereas the charge to equity remains but is reclassified to common shares in treasury.

Prior to July 1, 2003, written put options on equity shares of a consolidated Group company that met certain settlement criteria were also reported as obligation to purchase common shares. Beginning July 1, 2003, such written put options are reported as derivatives.

Impairment

Securities available for sale, equity method and direct investments (including investments in venture capital companies and nonmarketable equity securities), and unguaranteed lease residuals are subject to impairment reviews. An impairment charge is recorded if a decline in fair value below the asset's amortized cost or carrying value, depending on the nature of the asset, is deemed to be other than temporary.

Other intangible assets with finite useful lives and premises and equipment are also subject to impairment reviews if a change in circumstances indicates that the carrying amount of an asset may not be recoverable. If estimated undiscounted cash flows relating to an asset held and used are less than its carrying amount, an impairment charge is recorded to the extent the fair value of the asset is less than its carrying amount. For an asset to be disposed of by sale, a loss is recorded based on the lower of the asset's carrying value or fair value less cost to sell. An asset to be disposed of other than by sale is considered held and used and accounted for as such until it is disposed of.

Goodwill and other intangible assets which are not amortized are tested for impairment at least annually and an impairment charge is recorded to the extent the fair market value of the asset is less than its carrying amount.

Expense Recognition

Direct and incremental costs related to underwriting and advisory services and origination of loans are deferred and recognized together with the related revenue. Loan origination costs are netted against loan origination fees and are amortized to interest revenue over the contractual life of the related loans. Other operating costs, including advertising costs, are recognized as incurred.

Income Taxes

The Group recognizes the current and deferred tax consequences of all transactions that have been recognized in the consolidated financial statements using the provisions of the appropriate jurisdictions' tax laws. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, net operating loss carry-forwards and tax credits. The amount of deferred tax assets is reduced by a valuation allowance, if necessary, to the amount that, based on available evidence, management believes will more likely than not be realized.

Deferred tax liabilities and assets are adjusted for the effect of changes in tax laws and rates in the period that includes the enactment date.

Share-Based Compensation

Effective as of January 1, 2003, the Group adopted the fair-value-based method prospectively for all employee awards granted, modified or settled after January 1, 2003. Under the fair-value-based method, compensation cost is measured at the grant date based on the fair value of the share-based award. The fair values of stock option awards are estimated using a Black-Scholes option pricing model. For share awards, the fair value is the quoted market price of the share reduced by the present value of the expected dividends that will not be received by the employee and adjusted for the effect, if any, of restrictions beyond the vesting date. Prior to January 1, 2003, the Group accounted for its share awards under the intrinsic-value-based method of accounting. Under this method, compensation expense is the excess, if any, of the quoted market price of the shares at grant date or other measurement date over the amount an employee must pay, if any, to acquire the shares.

The following table illustrates what the effect on net income and earnings per common share would have been if the Group had applied the fair value method to all share-based awards.

in € m.	**Dec 31, 2004**	Dec 31, 2003	Dec 31, 2002
Net income, as reported	2,472	1,365	397
Add: Share-based compensation expense included in reported net income, net of related tax effects	696	433	228
Deduct: Share-based compensation expense determined under fair value method for all awards, net of related tax effects	(698)	(346)	(478)
Pro forma net income	**2,470**	**1,452**	**147**
in €			
Earnings per share:			
Basic – as reported	5.02	2.44	0.64
Basic – pro forma	5.02	2.60	0.24
Diluted – as reported	4.53	2.31	0.63
Diluted – pro forma	4.53	2.46	0.23

The Group records its obligations under outstanding deferred share awards and stock option awards in shareholders' equity as share awards – common shares issuable. The related deferred compensation is also included in shareholders' equity. These items are classified in shareholders' equity based on the Group's intent to settle these awards with its common shares. Compensation expense is recorded on a straight-line basis over the period in which employees perform services to which the awards relate. Compensation expense is reversed in the period an award is forfeited. Compensation expense for share-based awards payable in cash is remeasured based on the underlying share price changes and the related obligations are included in other liabilities until paid.

See Note [20] for additional information on specific award provisions and the fair values and significant assumptions used to estimate the fair values of options.

Comprehensive Income

Comprehensive income is defined as the change in equity of an entity excluding transactions with shareholders such as the issuance of common or preferred shares, payment of dividends and purchase of treasury shares. Comprehensive income has two major components: net income, as reported in the Consolidated Statement of Income, and other comprehensive income as reported in the Consolidated Statement of Comprehensive Income. Other comprehensive income includes such items as unrealized gains and losses from translating net investments in foreign operations net of related hedge effects, unrealized gains and losses from changes in fair value of securities available for sale, net of deferred income taxes and the related adjustments to insurance policyholder liabilities and deferred acquisition costs, minimum pension liability, and the effective portions of realized and unrealized gains and losses from derivatives used as cash flow hedges, less amounts reclassified to earnings in combination with the hedged items. Comprehensive income does not include changes in the fair value of nonmarketable equity securities, traditional credit products and other assets generally carried at cost.

Statement of Cash Flows

For purposes of the Consolidated Statement of Cash Flows, the Group's cash and cash equivalents are cash and due from banks.

Insurance Activities

Insurance Premiums

For the unit-linked business, insurance premiums consist of calculated charges for management services and mortality risk. Insurance premiums from long duration life and participating life insurance contracts are recorded when due from policyholders.

Deferred Acquisition Costs

Acquisition costs that vary with and are primarily related to the acquisition of new and renewed insurance contracts, principally commissions, certain underwriting and agency expenses and the costs of issuing policies, are deferred to the extent that they are recoverable from future earnings. Deferred acquisition costs for nonlife insurance business are amortized over the premium-paying period of the related policies. Deferred acquisition costs for life business are generally amortized over the life of the insurance contract or at a constant rate based upon the present value of estimated gross profits or estimated gross margins expected to be realized. Deferred acquisition costs are reported in other assets related to insurance business.

Unit-Linked Business

Reserves for unit-linked business represent funds for which the investment risk is borne by, and the investment income and investment gains and losses accrue directly to, the contract holders. Reserves for unit-linked business are reported as insurance policy claims and reserves. The assets related to these accounts are legally segregated and are not subject to claims that arise out of any other business of the Group. The separate account assets are carried at fair value as other assets related to insurance business. Deposits received under unit-linked business have been reduced for amounts assessed for management services and risk premiums. Deposits, net investment income, realized and unrealized investment gains and losses for these accounts are excluded from revenues and related liability increases are excluded from expenses.

Other Insurance Policy Claims and Reserves

In addition to the reserve for unit-linked business, the liability for insurance policy claims and reserves includes benefit reserves and other insurance policy provisions and liabilities.

Benefit reserves for life insurance, annuities and health policies are computed based upon mortality, morbidity, persistency and interest rate assumptions applicable to these coverages, including provisions for adverse deviation. These assumptions consider Group experience and industry standards and may be revised if it is determined that future experience will differ substantially from those previously assumed.

Reserves for participating life insurance contracts include provisions for terminal dividends. Unrealized holding gains and losses from investments are included in benefit reserves to the extent that the policyholders will participate in such gains and losses once realized on the basis of statutory or contractual regulations. In determining insurance reserves, the Group performs a continuing review of its overall position, its reserving techniques and possible recoveries. Since the reserves are based on estimates, the ultimate liability may be more or less than carried reserves. The effects of changes in such estimated reserves are included in earnings in the period in which the estimates are changed. Other insurance provisions and liabilities primarily represents liabilities for self-insured risks.

[2] Cumulative Effect of Accounting Changes

SFAS 150

Effective July 1, 2003, the Group adopted SFAS No. 150, "Accounting for Certain Instruments with Characteristics of Both Liabilities and Equity" ("SFAS 150"). SFAS 150 requires that an entity classify as liabilities (or assets in some circumstances) certain financial instruments with characteristics of both liabilities and equity. SFAS 150 applies to certain freestanding financial instruments that embody an obligation for the entity and that may require the entity to issue shares, or redeem or repurchase its shares.

SFAS 150 changed the accounting for outstanding forward purchases of approximately 52 million Deutsche Bank common shares with a weighted-average strike price of € 56.17 which were entered into to satisfy obligations under employee share-based compensation awards. The Group recognized an after-tax gain of € 11 million, net of € 5 million tax expense, as a cumulative effect of a change in accounting principle as these contracts were adjusted to fair value upon adoption of SFAS 150. The contracts were then amended effective July 1, 2003, to allow for physical settlement only. This resulted in a charge to shareholders' equity of € 2.9 billion and the establishment of a corresponding liability classified as obligation to purchase common shares. Settlements of the forward contracts during 2003 reduced the obligation to purchase common shares to € 2.3 billion at December 31, 2003. Since July 1, 2003, the costs of these contracts have been recorded as interest expense instead of as a direct reduction of shareholders' equity.

The accounting for physically settled forward contracts reduces shareholders' equity, which effectively results in the shares being accounted for as if retired or in treasury even though the shares are still outstanding. As such, SFAS 150 also requires that the number of outstanding shares associated with physically settled forward purchase contracts be removed from the denominator in computing basic and diluted earnings per share (EPS). The number of weighted average shares deemed no longer outstanding for EPS purposes for the year ended December 31, 2003, related to the forward purchase contracts described above was 23 million shares.

FIN 46 and FIN 46(R) (Revised December 2003)
FASB Interpretation No. 46, "Consolidation of Variable Interest Entities" ("FIN 46") was issued in January 2003. FIN 46 requires a company to consolidate entities as the primary beneficiary if the equity investment at risk is not sufficient for the entity to finance its activities without additional subordinated financial support from other parties or if the equity investors lack essential characteristics of a controlling financial interest. Securitization vehicles that are qualifying special purpose entities are excluded from the new rule and remain unconsolidated.

The Interpretation was effective immediately for entities established after January 31, 2003, and for interests obtained in variable interest entities after that date. For variable interest entities created before February 1, 2003, FIN 46 was originally effective for the Group on July 1, 2003. In October 2003, the FASB deferred the effective date so that, for the Group, application could be deferred for some or all such variable interest entities until December 31, 2003, pending resolution of various matters and the issuance of clarifying guidance. At July 1, 2003, the Group elected not to apply FIN 46 to a limited number of variable interest entities created before February 1, 2003, which it believed might not require consolidation at December 31, 2003. The Group applied FIN 46 to substantially all other variable interest entities as of July 1, 2003. Consequently, the Group recorded a € 140 million gain as a cumulative effect of a change in accounting principle and total assets increased by € 18 billion. Effective December 31, 2003, the Group fully adopted FIN 46. There was no significant effect from the application of FIN 46 to those variable interest entities for which adoption occurred after July 1, 2003.

The entities consolidated as a result of applying FIN 46 were primarily multi-seller commercial paper conduits that the Group administers in the Corporate and Investment Bank Group Division, and mutual funds offered by the Private Clients and Asset Management Group Division for which the Group guarantees the value of units investors purchase.

Upon adoption at July 1, 2003, € 12 billion of the increase in total assets was due to the consolidation of the multi-seller commercial paper conduits. In the latter half of 2003, certain of these conduits with total assets of € 4 billion were restructured and accordingly deconsolidated.

The beneficial interests of the investors in the guaranteed value mutual funds were reported as other liabilities and totaled € 15 billion at December 31, 2003. The assets of the funds consisted primarily of trading assets in the amount of € 13 billion at December 31, 2003. The net revenues of these funds due to investors totaled € 115 million for the six months ended December 31, 2003. These net revenues of the funds consisted of € 179 million of net interest revenues, negative trading revenues of € 20 million and € 44 million of expenses for fund administration. The obligation to pass the net revenues to the investors was recorded as an increase in the beneficial interest obligation in other liabilities and a corresponding charge to other revenues in the amount of € 115 million for the six months ended December 31, 2003.

Certain entities were deconsolidated as a result of applying FIN 46, primarily investment vehicles and trusts associated with trust preferred securities that the Group sponsors where the investors bear the economic risks. The gain from the application of FIN 46 primarily represents the reversal of the impact on earnings of securities held by the investment vehicles that were deconsolidated.

Effective March 31, 2004, the Group adopted the revised version of FIN 46, "Consolidation of Variable Interest Entities, an interpretation of ARB No. 51" ("FIN 46(R)"). The FASB modified FIN 46 to address certain technical corrections and implementation issues that had arisen. As a result of the adoption, total assets decreased by € 12.5 billion due to the deconsolidation of certain guaranteed value mutual funds. The adoption did not result in a cumulative effect of a change in accounting principle, however certain offsetting revenues and charges, chiefly trading revenues, net interest revenues and charges against other revenues, are no longer reported in the consolidated statement of income beginning April 1, 2004 due to the deconsolidations.

SFAS 141 and 142

Effective January 1, 2002, the Group adopted SFAS No. 141, “Business Combinations” (“SFAS 141”) and SFAS No. 142, “Goodwill and Other Intangible Assets” (“SFAS 142”). SFAS 141 requires that all business combinations initiated after June 30, 2001 be accounted for by the purchase method and eliminates the use of the pooling-of-interests method. Other provisions of SFAS 141 and SFAS 142 require that, as of January 1, 2002, goodwill no longer be amortized, reclassifications between goodwill and other intangible assets be made based upon certain criteria, and, once allocated to reporting units (the business segment level, or one level below), that tests for impairment of goodwill be performed at least annually. Upon adoption of the requirements of SFAS 142 as of January 1, 2002, the Group discontinued the amortization of goodwill with a net carrying amount of € 8.7 billion. Upon adoption, the Group recognized a € 37 million tax-free gain as a cumulative effect of a change in accounting principle from the write-off of negative goodwill and there were no reclassifications between goodwill and other intangible assets.

[3] Acquisitions and Dispositions

For the years ended December 31, 2004, 2003 and 2002, the Group recorded net gains on dispositions (excluding results from businesses/subsidiaries held for sale) of € 95 million, € 513 million and € 755 million, respectively. The acquisitions and disposals that occurred in 2004 and 2003 had no significant impact on the Group’s total assets.

For a discussion of the Group’s most significant acquisitions and dispositions for the years ended December 31, 2004 and 2003 see Note [28] Business Segments and Related Information.

[4] Trading Assets and Trading Liabilities

The components of these accounts are as follows:

in € m.	**Dec 31, 2004**	Dec 31, 2003
Trading assets:		
Bonds and other fixed-income securities	224,536	204,324
Equity shares and other variable-yield securities	73,176	66,306
Positive market values from derivative financial instruments[1]	67,173	65,460
Other trading assets	8,262	9,281
Total trading assets	**373,147**	**345,371**
Trading liabilities:		
Bonds and other fixed-income securities	77,080	66,685
Equity shares and other variable-yield securities	20,567	25,382
Negative market values from derivative financial instruments[1]	71,959	61,167
Total trading liabilities	**169,606**	**153,234**

[1] Derivatives under master netting agreements are shown net.

[5] Securities Available for Sale

The fair value, amortized cost and gross unrealized holding gains and losses for the Group's securities available for sale follow:

				Dec 31, 2004
	Fair value	Gross unrealized holding		Amortized cost
in € m.		gains	losses	
Debt securities:				
German government	3,128	66	(16)	3,078
U.S. Treasury and U.S. government agencies	1,460	–	(2)	1,462
U.S. local (municipal) governments	1	–	–	1
Other foreign governments	3,297	41	(100)	3,356
Corporates	4,993	176	(9)	4,826
Other asset-backed securities	6	–	–	6
Mortgage backed securities, including obligations of U.S. federal agencies	41	2	–	39
Other debt securities	770	1	–	769
Total debt securities	**13,696**	**286**	**(127)**	**13,537**
Equity securities:				
Equity shares	6,010	1,579	(1)	4,432
Investment certificates and mutual funds	549	23	(6)	532
Other equity securities	80	29	–	51
Total equity securities	**6,639**	**1,631**	**(7)**	**5,015**
Total securities available for sale	**20,335**	**1,917**	**(134)**	**18,552**

				Dec 31, 2003
	Fair value	Gross unrealized holding		Amortized cost
in € m.		gains	losses	
Debt securities:				
German government	2,802	52	(23)	2,773
U.S. Treasury and U.S. government agencies	150	–	(1)	151
U.S. local (municipal) governments	2	–	–	2
Other foreign governments	3,294	26	(105)	3,373
Corporates	5,646	173	(45)	5,518
Other asset-backed securities	1,679	–	–	1,679
Mortgage backed securities, including obligations of U.S. federal agencies	2,708	1	–	2,707
Other debt securities	532	–	–	532
Total debt securities	**16,813**	**252**	**(174)**	**16,735**
Equity securities:				
Equity shares	6,866	1,868	(8)	5,006
Investment certificates and mutual funds	951	29	(10)	932
Other equity securities	1	–	–	1
Total equity securities	**7,818**	**1,897**	**(18)**	**5,939**
Total securities available for sale	**24,631**	**2,149**	**(192)**	**22,674**

in € m.	Dec 31, 2002 Fair value	Gross unrealized holding gains	Gross unrealized holding losses	Amortized cost
Debt securities:				
German government	396	20	–	376
U.S. Treasury and U.S. government agencies	168	–	–	168
U.S. local (municipal) governments	2	–	–	2
Other foreign governments	2,893	39	(18)	2,872
Corporates	6,400	231	(47)	6,216
Other asset-backed securities	2,977	–	–	2,977
Mortgage backed securities, including obligations of U.S. federal agencies	164	1	–	163
Other debt securities	652	1	(3)	654
Total debt securities	**13,652**	**292**	**(68)**	**13,428**
Equity securities:				
Equity shares	6,441	757	(596)	6,280
Investment certificates and mutual funds	1,499	10	(55)	1,544
Other equity securities	27	16	–	11
Total equity securities	**7,967**	**783**	**(651)**	**7,835**
Total securities available for sale	**21,619**	**1,075**	**(719)**	**21,263**

At December 31, 2004, equity shares issued by DaimlerChrysler AG with a fair value of € 3.7 billion were the only securities of an individual issuer that exceeded 10% of the Group's total shareholders' equity.

The components of net gains on securities available for sale as reported in the Consolidated Statement of Income follow:

in € m.	**2004**	2003	2002
Debt securities – gross realized gains	58	106	149
Debt securities – gross realized losses[1]	(61)	(35)	(235)
Equity securities – gross realized gains	244	488	4,094
Equity securities – gross realized losses[2]	(6)	(539)	(485)
Total net gains on securities available for sale	235	20	3,523

[1] Includes € 20 million, € 7 million and € 156 million of write-downs for other-than-temporary impairment for the years ended December 31, 2004, 2003 and 2002, respectively.
[2] Includes € 2 million, € 479 million and € 152 million of write-downs for other-than-temporary impairment for the years ended December 31, 2004, 2003 and 2002, respectively.

The following table shows the fair value, remaining maturities, approximate weighted-average yields (based on amortized cost) and total amortized cost by maturity distribution of the debt security components of the Group's securities available for sale at December 31, 2004:

	Up to one year		More than one year and up to five years		More than five years and up to ten years		More than ten years		Total	
in € m.	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	**Amount**	**Yield**
German government	22	2.45%	219	2.77%	388	3.46%	2,499	4.17%	3,128	3.98%
U.S. Treasury and U.S. government agencies	1,417	1.49%	23	0.17%	–	–	20	1.91%	1,460	1.48%
U.S. local (municipal) governments	1	1.41%	–	–	–	–	–	–	1	1.41%
Other foreign governments	1,206	5.62%	642	5.12%	414	3.80%	1,035	4.25%	3,297	4.85%
Corporates	512	2.95%	1,334	3.66%	942	3.45%	2,205	5.46%	4,993	4.32%
Other asset-backed securities	–	–	6	5.36%	–	–	–	–	6	5.36%
Mortgage-backed securities, principally obligations of U.S. federal agencies	7	1.49%	–	–	–	–	34	5.21%	41	4.61%
Other debt securities	2	3.00%	752	2.84%	12	5.37%	4	3.31%	770	2.88%
Total fair value	**3,167**	**3.30%**	**2,976**	**3.67%**	**1,756**	**3.55%**	**5,797**	**4.65%**	**13,696**	**3.99%**
Total amortized cost	**3,161**		**2,933**		**1,696**		**5,747**		**13,537**	

The following tables show the Group's gross unrealized losses on securities available for sale and the fair value of the related securities, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at December 31, 2004 and 2003, respectively:

December 31, 2004	Less than 12 months		12 months or longer		**Total**	
in € m.	Fair value	Unrealized losses	Fair value	Unrealized losses	**Fair value**	**Unrealized losses**
Debt securities:						
German government	–	–	1,798	(16)	1,798	(16)
U.S. Treasury and U.S. government agencies	83	(1)	–	(1)	83	(2)
Other foreign governments	625	(1)	846	(99)	1,471	(100)
Corporates	292	(3)	32	(6)	324	(9)
Total debt securities	**1,000**	**(5)**	**2,676**	**(122)**	**3,676**	**(127)**
Equity securities:						
Equity shares	14	(1)	–	–	14	(1)
Investment certificates and mutual funds	26	(2)	45	(4)	71	(6)
Total equity securities	**40**	**(3)**	**45**	**(4)**	**85**	**(7)**
Total temporarily impaired securities	**1,040**	**(8)**	**2,721**	**(126)**	**3,761**	**(134)**

December 31, 2003	Less than 12 months		12 months or longer		**Total**	
in € m.	Fair value	Unrealized losses	Fair value	Unrealized losses	**Fair value**	**Unrealized losses**
Debt securities:						
German government	2,802	(23)	–	–	2,802	(23)
U.S. Treasury and U.S. government agencies	18	(1)	–	–	18	(1)
Other foreign governments	2,191	(105)	–	–	2,191	(105)
Corporates	1,614	(19)	715	(26)	2,329	(45)
Total debt securities	**6,625**	**(148)**	**715**	**(26)**	**7,340**	**(174)**
Equity securities:						
Equity shares	9	(4)	96	(4)	105	(8)
Investment certificates and mutual funds	66	(1)	71	(9)	137	(10)
Total equity securities	**75**	**(5)**	**167**	**(13)**	**242**	**(18)**
Total temporarily impaired securities	**6,700**	**(153)**	**882**	**(39)**	**7,582**	**(192)**

The unrealized losses on investments in debt securities were primarily interest rate related. Since the Group has the intent and ability to hold these investments until a market price recovery or maturity, they are not considered other-than-temporarily impaired. The unrealized losses on investments in equity securities are attributable primarily to general market fluctuations rather than to specific adverse conditions. Based on this and our intent and ability to hold the securities until the market price recovers, these investments are not considered other-than-temporarily impaired.

[6] Other Investments

The following table summarizes the composition of other investments:

in € m.	**Dec 31, 2004**	Dec 31, 2003
Equity method investments	5,462	6,001
Investments held by designated investment companies	213	181
Other equity interests	2,261	2,388
Total other investments	**7,936**	**8,570**

Equity Method Investments

The Group's pro-rata share of the investees' income or loss determined on a U.S. GAAP basis were profits of € 282 million and of € 42 million for the years ended December 31, 2004 and 2003, respectively and a loss of € 753 million for the year ended December 31, 2002 . In addition, write-offs for other-than-temporary impairments of € 16 million, € 617 million and € 305 million for the years ended December 31, 2004, 2003 and 2002, respectively, were included in net income (loss) from equity method investments.

Loans to equity method investees, trading assets related to these investees as well as debt securities available for sale issued by these investees amounted to € 3.7 billion and € 5.1 billion at December 31, 2004 and 2003, respectively. At December 31, 2004, loans totaling € 26 million to three equity method investees were on nonaccrual status. At December 31, 2003, loans totaling € 115 million to three equity method investees were on nonaccrual status. The Group issued a financial guarantee to EUROHYPO AG protecting it against losses on loans contributed by the Group when EUROHYPO AG was created in 2002. The guarantee which had an initial maximum amount of € 283 million is still in force with an unutilized amount of € 51 million as of December 31, 2004.

At December 31, 2004, the following investees were significant, representing 75% of the carrying value of equity method investments:

Significant Equity Method Investments

Investment	Ownership
Arrow Property Investments Limited, London	46.18%
Atradius N.V., Amsterdam[1]	33.89%
Blackrock US Low Duration Bond Fund, Drinagh	22.47%
Deutsche European Partners IV, London	25.01%
Deutsche Interhotel Holding GmbH & Co. KG, Berlin	45.51%
DWS Euro-Bonds (Long)	20.17%
EUROHYPO AG, Eschborn	37.72%
Fondo Piramide Globale, Milan	42.33%
LSV Value Equity Fund, Kansas City	25.01%
My Travel Group Plc, Manchester	23.00%
RREEF America REIT III, Inc., Chicago	10.00%
Santorini Investments Limited Partnership, Edinburgh[2]	51.00%
Silver Creek Long/Short Ltd., Georgetown	27.27%
Silver Creek Low Vol. Strategies Ltd., Georgetown	25.07%
UFG Ltd., Douglas	40.00%

[1] Formerly, Gerling NCM Credit and Finance AG, Köln.
[2] The Group does not have a controlling financial interest in this investee.

The following table provides a summary of the aggregated statement of income (on a U.S. GAAP basis) of the Group's aforementioned significant investees (excluding EUROHYPO AG, which is considered on an individual basis below), and is not indicative of the Group's proportionate share of any respective line item.

in € m.	**2004**	2003	2002
Interest revenues, and commissions and fees, net	183	51	64
Trading revenues, net	92	360	(548)
Gross profits on sales and net income from insurance business	910	644	1,015
Income from other investments and gains on securities available for sale, net	52	(96)	10
Other revenues	83	78	69
Total revenues	**1,320**	**1,037**	**610**
Provision for loan losses	–	–	–
Compensation and benefits	26	27	25
Other expenses	1,444	2,026	1,249
Total expenses	**1,470**	**2,053**	**1,274**
(Loss) before income tax expense and cumulated effects of accounting changes and other	**(150)**	**(1,016)**	**(664)**
Income tax expense	24	17	8
Cumulated effect of accounting changes and other	(1)	–	–
Net (loss)	**(175)**	**(1,033)**	**(672)**

The following table provides a summary of the aggregated balance sheet (on a U.S. GAAP basis) of the Group’s aforementioned significant investees (excluding EUROHYPO AG, which is considered on an individual basis below), and is not indicative of the Group’s proportionate share of any respective line item.

in € m.	Dec 31, 2004	Dec 31, 2003
Assets		
Cash, deposits with banks and receivables	3,857	3,241
Trading assets	457	488
Securities available for sale and other investments	2,522	2,459
Loans, net	–	1
Property, plant, equipment and inventories	1,175	1,284
Goodwill and other intangible assets	322	509
Other assets	805	776
Total assets	**9,138**	**8,758**
Liabilities and equity		
Notes payable to banks	750	850
Deposits received from customers	107	124
Long-term liabilities	2,082	1,742
Other liabilities and provisions	4,236	3,752
Minority interest	5	4
Capital and reserves	2,166	3,280
Accumulated other comprehensive income (loss)	(33)	39
(Loss) of the reporting period	(175)	(1,033)
Total liabilities and equity	**9,138**	**8,758**

EUROHYPO AG

The Group’s equity method investment in EUROHYPO AG is considered to be significant on an individual basis.

The following table provides a summary of EUROHYPO AG’s consolidated statement of income according to German GAAP for the years ended December 31, 2003, 2002 and 2001. Financial statements are not yet publicly available for the year ended December 31, 2004.

in € m.	2003	2002	2001
Net interest, commission and investment income	1,333	1,167	1,166
Other operating income	30	63	210
General administrative expenses	(475)	(399)	(419)
Write-downs, depreciation and value adjustments	(376)	(152)	(297)
Other income/expenses	(411)	(355)	(143)
Net income before tax	**101**	**324**	**517**
Income tax expense	71	30	–
Net income	**30**	**294**	**517**

The following table provides a summary of EUROHYPO AG's consolidated balance sheet according to German GAAP:

in € m.	Dec 31, 2003	Dec 31, 2002
Assets		
Claims on banks	22,869	21,812
Claims on customers	164,320	166,899
Bonds and other fixed-income securities	37,608	36,768
Other assets	2,423	2,988
Total assets	**227,220**	**228,467**
Liabilities and shareholders' equity		
Liabilities to banks	31,962	30,974
Liabilities to customers	39,800	41,485
Liabilities in certificate form	143,544	145,289
Provisions and other liabilities	6,165	5,953
Capital and reserves	5,749	4,766
Total liabilities and shareholders' equity	**227,220**	**228,467**

Investments Held by Designated Investment Companies

The underlying investment holdings of the Group's designated investment companies are carried at fair value, and totaled € 213 million and € 181 million at December 31, 2004 and 2003, respectively.

Other Equity Interests

Other equity interests totaling € 2.3 billion and € 2.4 billion at December 31, 2004 and 2003, respectively, include investments in which the Group does not have significant influence, including certain venture capital companies and nonmarketable equity securities. The write-offs for other-than-temporary impairments of these investments amounted to € 58 million, € 214 million and € 423 million for the years ended December 31, 2004, 2003 and 2002, respectively.

At December 31, 2004, the aggregate carrying amount for all equity securities accounted for under the cost method of accounting was € 1.5 billion. None of these investments were in an unrealized loss position at December 31, 2004. For equity securities with a carrying amount of € 1 million the fair value was not estimated according to SFAS 107. No impairment indicators were present for these investments.

[7] Loans

The following table summarizes the composition of loans:

in € m.	**Dec 31, 2004**	Dec 31, 2003
German:		
Banks and insurance	2,047	3,861
Manufacturing	7,364	8,668
Households (excluding mortgages)	14,761	14,161
Households – mortgages	26,175	25,445
Public sector	1,474	1,388
Wholesale and retail trade	3,742	5,133
Commercial real estate activities	11,100	11,629
Lease financing	820	855
Other	11,586	12,736
Total German	**79,069**	**83,876**
Non-German:		
Banks and insurance	5,740	6,660
Manufacturing	5,906	7,487
Households (excluding mortgages)	7,023	6,915
Households – mortgages	9,117	8,416
Public sector	1,804	921
Wholesale and retail trade	6,546	6,691
Commercial real estate activities	3,004	1,977
Lease financing	1,726	3,138
Other	18,830	22,327
Total Non-German	**59,696**	**64,532**
Gross loans	**138,765**	**148,408**
Less: Unearned income	76	181
Loans less unearned income	**138,689**	**148,227**
Less: Allowance for loan losses	2,345	3,281
Total loans, net	**136,344**	**144,946**

The “other” category included no single industry group with aggregate borrowings from the Group in excess of 10 percent of the total loan portfolio at December 31, 2004.

Certain related third parties have obtained loans from the Group on various occasions. All such loans have been made in the ordinary course of business and on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties. There were € 2,954 million and € 3,047 million of loans to related parties (including loans to equity method investees) outstanding at December 31, 2004 and 2003, respectively.

Nonaccrual loans as of December 31, 2004 and 2003 were € 4.5 billion and € 6.0 billion, respectively. Loans 90 days or more past due and still accruing interest totaled € 247 million and € 380 million as of December 31, 2004 and 2003, respectively.

Additionally, as of December 31, 2004, the Group had € 83 million of loans held for sale that were nonperforming.

Impaired Loans

This table sets forth information about the Group's impaired loans:

in € m.	Dec 31, 2004	Dec 31, 2003	Dec 31, 2002
Total impaired loans[1]	3,516	5,255	8,922
Allowance for impaired loans under SFAS 114[2]	1,654	2,471	3,144
Average balance of impaired loans during the year	4,474	6,712	9,710
Interest income recognized on impaired loans during the year	65	70	166

[1] Included in these amounts are € 2.8 billion, € 4.1 billion and € 6.0 billion as of December 31, 2004, 2003 and 2002, respectively, that require an allowance. The remaining impaired loans do not require an allowance because the present value of expected future cash flows, the fair value of the underlying collateral or the market price of the loan exceeds the recorded investment in these loans.

[2] The allowance for impaired loans under SFAS 114 is included in the Group's allowance for loan losses.

[8] Allowances for Credit Losses

The allowances for credit losses consist of an allowance for loan losses and an allowance for credit losses on lending-related commitments.

The following table shows the activity in the Group's allowance for loan losses:

in € m.	2004	2003	2002
Allowance at beginning of year	**3,281**	**4,317**	**5,585**
Provision for loan losses	372	1,113	2,091
Net charge-offs			
Charge-offs	(1,394)	(1,894)	(2,728)
Recoveries	152	167	112
Total net charge-offs	(1,242)	(1,727)	(2,616)
Allowance related to acquisitions/divestitures	3	(105)	(421)
Foreign currency translation	(69)	(317)	(322)
Allowance at end of year	**2,345**	**3,281**	**4,317**

The following table shows the activity in the Group's allowance for credit losses on lending-related commitments:

in € m.	2004	2003	2002
Allowance at beginning of year	**416**	**485**	**496**
Provision for credit losses	(65)	(50)	17
Allowance related to acquisitions/divestitures	–	1	(11)
Foreign currency translation	(6)	(20)	(17)
Allowance at end of year	**345**	**416**	**485**

[9] Asset Securitizations and Variable Interest Entities

Asset Securitizations

The Group accounts for transfers of financial assets to securitization vehicles as sales when certain criteria are met; otherwise they are accounted for as secured borrowings. Beneficial interests in the securitization vehicles, primarily in the form of debt instruments, are sold to investors and the proceeds are used to pay the Group for the assets transferred. The cash flows collected from the financial assets transferred to the securitization vehicles are then used to repay the beneficial interests. The third party investors and the securitization vehicles generally have no recourse to the Group's other assets in cases where the issuers of the financial assets fail to perform under the original terms of those assets. The Group may retain interests in the assets created in the securitization vehicles.

For the years ended December 31, 2004, 2003 and 2002, the Group recognized € 219 million, € 146 million and € 91 million, respectively, of gains on securitizations primarily related to residential and commercial mortgage loans.

The following table summarizes certain cash flows received from and paid to securitization vehicles during 2004, 2003 and 2002:

	Residential and commercial mortgage loans			Commercial loans, excluding mortgages		
in € m.	**2004**	2003	2002	**2004**	2003	2002
Proceeds from new securitizations	15,822	5,414	5,843	–	–	918
Proceeds from collections reinvested in new securitization receivables	–	–	–	439	1,157	12,177
Servicing fees received	4	5	14	–	1	44
Cash flows received on retained interests	72	82	28	6	13	101
Other cash flows received from (paid to) securitization vehicles	–	–	–	–	–	(42)

Prior to the year ended December 31, 2003, the Group had securitization activities related to marine and recreational vehicle loans. During 2002 and 2003, these commercial and consumer finance businesses were sold.

At December 31, 2004, the weighted-average key assumptions used in determining the fair value of retained interests, including servicing rights, and the impact of adverse changes in those assumptions on carrying amount/fair value are as follows:

in € m. (except percentages)	Residential and commercial mortgage loans	Commercial loans, excluding mortgages
Carrying amount/fair value of retained interests	**570**	**100**
Prepayment speed (current assumed)	**10.81%**	**1.37%**
Impact on fair value of 10% adverse change	(14)	–
Impact on fair value of 20% adverse change	(26)	–
Default rate (current assumed)	**2.91%**	**0.26%**
Impact on fair value of 10% adverse change	(10)	–
Impact on fair value of 20% adverse change	(21)	–
Discount factor (current assumed)	**8.37%**	**7.51%**
Impact on fair value of 10% adverse change	(14)	(2)
Impact on fair value of 20% adverse change	(29)	(3)

These sensitivities are hypothetical and should be viewed with caution. As the figures indicate, changes in fair value based on a 10 percent variation in assumptions generally should not be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, in this table, the effect of a variation in a particular assumption on the fair value of the retained interest is calculated without changing any other assumptions; in reality, changes in one factor may result in changes in another (for example, increases in market interest rates may result in lower prepayments and increased credit losses), which might affect the sensitivities. The key assumptions used in measuring the initial retained interests resulting from securitizations completed in 2004 were not significantly different from the current assumptions in the above table.

The key assumptions used in measuring the initial retained interests resulting from securitizations completed in 2003 and 2002 were not significantly different from the key assumptions used in determining the fair value of retained interests, including servicing rights, at December 31, 2003 and 2002, respectively. The weighted-average assumptions used at December 31, 2003 and 2002 were as follows:

in %	Residential and commercial mortgage loans[1]		Commercial loans, excluding mortgages	
	2003	2002	2003	2002
Prepayment speed	33.48	19.20	1.81	1.66
Default rate	3.43	1.02	0.30	0.19
Discount factor	5.89	11.25	8.35	8.19

[1] Excluded from the weighted-average assumptions are retained interests for commercial mortgage interest-only bonds in the amount of € 67 million at December 31, 2002. These are short-duration assets valued using conservative prepayment speeds by assuming all underlying loans within the securitized pool are paid off at the earliest possible point in time after the expiration of contractual limitations.

The following table presents information about securitized loans, including delinquencies (loans which are 90 days or more past due) and credit losses, net of recoveries, for the years ended December 31, 2004 and 2003:

in € m.	Residential and commercial mortgage loans		Commercial loans, excluding mortgages	
	2004	2003	**2004**	2003
Total principal amount of loans	7,606	14,127	750	1,346
Principal amount of loans 90 days or more past due	128	228	15	33
Net credit losses	20	2	1	3

The table excludes securitized loans that the Group continues to service but otherwise has no continuing involvement.

In July 2003, the Group sold U.S.- and European-domiciled private equity investments with a carrying value of € 361 million as well as € 80 million in liquid investments to a securitization vehicle that was a qualifying special purpose entity. The securitization vehicle issued € 174 million of debt to unaffiliated third parties and the Group received cash proceeds of € 102 million and retained debt and equity interests initially valued at € 306 million. The Group recognized a € 7 million loss on the sale of assets to the securitization vehicle. During 2004 and 2003, respectively, the Group received € 1 million and € 2 million of cash flows from retained interests.

The valuation of the Group’s retained interests at December 31, 2004 and December 31, 2003 were based on the fair values of the underlying investments in the securitization vehicle. These fair values were determined by the servicer of the securitization vehicle. The servicer is a Group-related entity. In determining fair value, the servicer utilizes the valuations of the underlying investments as provided by the general partners of those respective investments. The value of securities and other financial instruments are provided by these general partners on a fair value basis of accounting. The servicer may rely upon any valuations provided to it by the general partners of the investments, but is not bound by such valuations. At December 31, 2004 and 2003, respectively, the Group’s retained interests were valued at € 302 million and € 303 million.

The private equity investments held by the securitization vehicles are subject to € 49 million funding commitments under their limited partnership agreements. These commitments are automatically funded by the securitization vehicle via the liquid investments.

To hedge its interest rate and currency risk, the securitization vehicle entered into a total rate of return swap with the Group. The Group also provided a liquidity facility to meet € 168 million of servicing, administration, and interest expenses and € 8 million to meet any funding commitments.

Variable Interest Entities

In the normal course of business, the Group becomes involved with variable interest entities primarily through the following types of transactions: asset securitizations, structured finance, commercial paper programs, mutual funds, and commercial real estate leasing and closed-end funds. The Group's involvement includes transferring assets to the entities, entering into derivative contracts with them, providing credit enhancement and liquidity facilities, providing investment management and administrative services, and holding ownership or other investment interests in the entities.

The table below shows the aggregated assets (before consolidating eliminations) of variable interest entities consolidated by type of asset and entity as of December 31, 2004 and December 31, 2003:

	Commercial paper programs		Guaranteed value mutual funds		Asset securitization	
in € m.	**2004**	2003	**2004**	2003	**2004**	2003
Assets						
Interest-earning deposits with banks	238	189	96	1,176	404	404
Trading assets	–	1,739	491	13,988	9,424	7,279
Securities	–	4,298	–	–	–	360
Loans, net	1,060	4,409	–	–	–	4
Other	–	30	35	230	3	4
Total	**1,298**	**10,665**	**622**	**15,394**	**9,831**	**8,051**

	Structured finance and other		Commercial real estate leasing vehicles and closed-end funds	
in € m.	**2004**	2003	**2004**	2003
Assets				
Interest-earning deposits with banks	546	110	57	46
Trading assets	1,476	1,096	–	–
Securities	39	–	–	–
Loans, net	6,689	380	255	310
Other	5,495	215	736	552
Total	**14,245**	**1,801**	**1,048**	**908**

Substantially all of the consolidated assets of the variable interest entities act as collateral for related consolidated liabilities. The holders of these liabilities have no recourse to the Group, except to the extent the Group guarantees the value of the mutual fund units that investors purchase. The Group's liabilities to pay under these guarantees were not significant as of December 31, 2004 and 2003. The mutual funds that the Group manages are investment vehicles that were established to provide returns to investors in the vehicles.

The commercial paper programs give clients access to liquidity in the commercial paper market. As an administrative agent for the commercial paper programs, the Group facilitates the sale of loans, other receivables, or securities from various third parties to a commercial paper entity, which then issues collateralized commercial paper to the market. The Group provides liquidity facilities to the commercial paper vehicles, but these facilities create only limited credit exposure since the Group is not required to provide funding if the assets of the vehicle are in default. In 2004, conduits with total assets of € 5.8 billion were restructured and accordingly deconsolidated.

For asset securitization, the Group may retain a subordinated interest in the assets the Group securitizes or may purchase interest in the assets securitized by independent third parties. For structured finance and other products, the Group structures VIEs to meet various needs of our clients. For the commercial real estate leasing vehicles and closed-end funds, third party investors essentially provide financing for the purchase of commercial real estate or other assets which are leased to other third parties.

As of December 31, 2004 and December 31, 2003 the total assets and the Group's maximum exposure to loss as a result of its involvement with variable interest entities where the Group holds a significant variable interest, but does not consolidate, are as follows:

	Aggregated total assets		Maximum exposure to loss	
in € m.	**2004**	2003	**2004**	2003
Commercial paper programs	17,296	15,008	20,305	16,170
Commercial real estate leasing vehicles and closed-end funds	1,599	1,622	95	336
Structured finance and other	3,212	1,248	579	116
Guaranteed value mutual funds	5,856	–	5,856	–

The Group provides liquidity facilities and, to a lesser extent, guarantees to the commercial paper programs that it has a significant interest in. The Group's maximum exposure to loss from these programs is equivalent to the contract amount of its liquidity facilities since the Group cannot be obligated to fund the liquidity facilities and guarantees at the same time. The liquidity facilities create only limited credit exposure since the Group is not required to provide funding if the assets of the vehicle are in default.

For the commercial real estate leasing vehicles and closed-end funds, the Group's maximum exposure to loss results primarily from investments held in these vehicles. For structured finance and other vehicles, the Group's maximum exposure to loss results primarily from the risk associated with the Group's purchased and retained interests in the vehicles. The maximum exposure to loss related to the significant non-consolidated guaranteed value mutual funds results from the above mentioned guarantees.

[10] Assets Pledged and Received as Collateral

The carrying value of the Group's assets pledged (primarily for borrowings, deposits, and securities loaned) as collateral where the secured party does not have the right by contract or custom to sell or repledge the Group's assets are as follows:

in € m.	**Dec 31, 2004**	Dec 31, 2003
Trading assets	25,568	16,830
Securities available for sale	8	742
Loans	10,433	11,086
Premises and equipment	636	625
Total	**36,645**	**29,283**

At December 31, 2004 and 2003, the Group has received collateral with a fair value of € 298 billion and € 223 billion, respectively, arising from securities purchased under reverse repurchase agreements, securities borrowed, derivatives transactions, customer margin loans and other transactions, which the Group as the secured party has the right to sell or repledge. At December 31, 2004 and 2003, € 124 billion and € 115 billion, respectively, related to collateral that the Group has received and sold or repledged primarily to cover short sales, securities loaned and securities sold under repurchase agreements. These amounts exclude the impact of netting.

[11] Premises and Equipment, Net

An analysis of premises and equipment, including assets under capital leases, follows:

in € m.	**Dec 31, 2004**	Dec 31, 2003
Land	1,036	1,014
Buildings	3,576	4,058
Leasehold improvements	1,211	1,214
Furniture and equipment	2,344	2,495
Purchased software	347	440
Self-developed software	331	322
Construction-in-progress	144	151
Total	**8,989**	**9,694**
Less: Accumulated depreciation	3,764	3,908
Premises and equipment, net[1]	**5,225**	**5,786**

[1] Amounts at December 31, 2004 and 2003 included € 1.8 billion and € 1.9 billion, respectively, of net book value of premises and equipment held for investment purposes.

The Group is lessee under lease agreements covering real property and equipment. The future minimum lease payments, excluding executory costs, required under the Group's capital leases at December 31, 2004, were as follows:

in € m.	
2005	73
2006	109
2007	257
2008	45
2009	47
2010 and later	506
Total future minimum lease payments	**1,037**
Less: Amount representing interest	658
Present value of minimum lease payments	**379**

At December 31, 2004, the total minimum sublease rentals to be received in the future under subleases are € 484 million. Contingent rental income incurred during the year ended December 31, 2004, was € 2 million.

The future minimum lease payments, excluding executory costs, required under the Group's operating leases at December 31, 2004, were as follows:

in € m.	
2005	533
2006	451
2007	365
2008	307
2009	262
2010 and later	1,110
Total future minimum lease payments	**3,028**
Less: Minimum sublease rentals	682
Net minimum lease payments	**2,346**

The following shows the net rental expense for all operating leases:

in € m.	**2004**	2003	2002
Gross rental expense	857	760	869
Less: Sublease rental income	116	61	97
Net rental expense	**741**	**699**	**772**

[12] Goodwill and Other Intangible Assets, Net

Goodwill impairment exists if the net book value of a reporting unit exceeds its estimated fair value. The Group's reporting units are generally consistent with the Group's business segment level, or one level below. The Group performs its annual impairment review during the fourth quarter of each year, beginning in the fourth quarter of 2002. There was no goodwill impairment in 2004, 2003 and 2002 resulting from the annual impairment review.

In 2004, an impairment loss of € 19 million relating to investment management agreements was recorded in the Asset and Wealth Management Corporate Division following the termination of such agreements. The impairment loss was determined based on a discounted cash flow model and is included in the line item Goodwill impairment/impairment of intangibles on the Consolidated Statement of Income.

In 2003, a goodwill impairment loss of € 114 million related to the Private Equity reporting unit was recorded following decisions relating to the private equity fee-based business including the transfer of certain businesses to the Group's Asset and Wealth Management Corporate Division. The fair value of the business remaining in the Private Equity reporting unit was calculated using the discounted cash flow model.

A goodwill impairment loss of € 62 million was recognized in the Private Equity reporting unit during 2002. A significant portion of the reporting unit was classified as held for sale during the fourth quarter of 2002 resulting in an impairment loss of the goodwill related to the remaining reporting unit.

Other Intangible Assets

An analysis of acquired other intangible assets follows:

			Dec 31, 2004			Dec 31, 2003
in € m.	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortized intangible assets:						
Customer contracts	59	11	48	75	19	56
Investment management agreements	41	19	22	62	14	48
Mortgage servicing rights	68	3	65	–	–	–
Other customer-related	79	21	58	48	15	33
Other	17	9	8	29	9	20
Total amortized intangible assets	**264**	**63**	**201**	**214**	**57**	**157**
Unamortized intangible assets:						
Retail investment management agreements and other			848			925
Loan servicing rights			20			40
Total other intangible assets			**1,069**			**1,122**

For the years ended December 31, 2004 and 2003, the aggregate amortization expense for other intangible assets was € 24 million and € 22 million, respectively. The estimated aggregate amortization expense for each of the succeeding five fiscal years is as follows:

in € m.	
2005	26
2006	20
2007	19
2008	18
2009	16

For the year ended December 31, 2004, the Group acquired the following other intangible assets:

in € m.	Additions in current year	Weighted-average amortization period
Amortized intangible assets:		
Mortgage servicing rights	68	10 years
Other customer-related	19	10 years
Other	11	5 years
Total other intangible assets	**98**	**9 years**

These additions are mainly due to the acquisitions of Berkshire Mortgage Finance L.P.'s origination and servicing business as well as Dresdner Bank's German domestic custody business, which contributed € 68 million and € 19 million respectively.

Goodwill

All goodwill has been allocated to reporting units. The changes in the carrying amount of goodwill for the years ended December 31, 2004 and 2003 are as follows:

in € m.	Corporate Banking & Securities	Global Transaction Banking	Asset and Wealth Management	Private & Business Clients	Corporate Investments	**Total**
Balance as of January 1, 2003	**3,731**	**635**	**3,165**	**246**	**595**	**8,372**
Purchase accounting adjustments	–	–	14	–	–	14
Goodwill acquired during the year	2	1	112	4	–	119
Impairment losses	–	–	–	–	(114)	(114)
Goodwill related to dispositions	–	(133)	(51)	–	(382)	(566)
Effects from exchange rate fluctuations	(572)	(75)	(417)	(16)	(10)	(1,090)
Balance as of December 31, 2003	**3,161**	**428**	**2,823**	**234**	**89**	**6,735**
Purchase accounting adjustments	–	–	(20)	–	–	(20)
Transfers	6	–	(6)	–	–	–
Goodwill acquired during the year	27	36	60	4	–	127
Impairment losses	–	–	–	–	–	–
Goodwill related to dispositions	–	–	(11)	–	–	(11)
Effects from exchange rate fluctuations	(243)	(28)	(178)	(4)	–	(453)
Balance as of December 31, 2004	**2,951**	**436**	**2,668**	**234**	**89**	**6,378**

The additions to goodwill of € 127 million for the year ended December 31, 2004 are mainly due to the acquisitions of the remaining 1.5% third party holding in DWS Holding & Service GmbH, Dresdner Bank's German domestic custody business and Berkshire Mortgage Finance L.P.'s origination and servicing business, which contributed € 57 million, € 36 million and € 26 million, respectively.

The additions to goodwill of € 119 million for the year ended December 31, 2003 are mainly due to the acquisition of Rued, Blass & Cie AG Bankgeschaeft, which contributed € 59 million.

[13] Assets Held for Sale

In 2004, the Group signed several contracts to sell real estate in the Asset and Wealth Management and the Corporate Investments segments. The net assets were written down to the lower of their carrying value or fair value less cost to sell resulting in a loss of € 29 million.

During 2003, the Group decided to sell subsidiaries and investments in the Corporate Investments, Global Transaction Banking, Private & Business Clients and Asset and Wealth Management segments. The net assets for these subsidiaries and investments were written down to the lower of their carrying value or fair value less cost to sell resulting in a loss of € 32 million.

During 2002, the Group decided to sell certain businesses in the Global Transaction Banking, Asset and Wealth Management and Corporate Investment segments. The net assets for these businesses, most of which are reported as other investments, were written down to the lower of their carrying value or fair value less cost to sell resulting in a loss of € 217 million for the year ended December 31, 2002.

[14] Other Assets and Other Liabilities

The largest individual component of other assets at December 31, 2004 and December 31, 2003 was pending securities transactions past settlement date of € 8,984 million and € 11,082 million, respectively. Other assets also included loans held for sale, which were € 8,194 million and € 7,110 million at December 31, 2004 and December 31, 2003, respectively. These loans held for sale were acquired in the course of our securitization activities or originated in our loan business. Among other items included in other assets were accrued interest receivable of € 3,854 million and € 3,612 million at December 31, 2004 and December 31, 2003, respectively, and due from customers on acceptances of € 74 million and € 60 million at December 31, 2004 and December 31, 2003, respectively.

Pending securities transactions past settlement date of € 9,562 million and € 10,390 million at December 31, 2004 and December 31, 2003, respectively, were also the largest individual component of other liabilities. Among other items also included in other liabilities were accrued interest payable of € 4,223 million and € 3,793 million at December 31, 2004 and December 31, 2003, respectively, and acceptances outstanding of € 74 million and € 60 million at December 31, 2004 and December 31, 2003, respectively.

[15] Deposits

The components of deposits are as follows:

in € m.	Dec 31, 2004	Dec 31, 2003
German offices:		
Noninterest-bearing demand deposits	20,851	22,371
Interest-bearing deposits		
Demand deposits	31,252	24,787
Certificates of deposit	247	665
Savings deposits	22,572	24,147
Other time deposits	34,505	33,194
Total interest-bearing deposits	88,576	82,793
Total deposits in German offices	**109,427**	**105,164**
Non-German offices:		
Noninterest-bearing demand deposits	6,423	5,797
Interest-bearing deposits		
Demand deposits	73,630	57,463
Certificates of deposit	19,056	20,696
Savings deposits	6,314	6,419
Other time deposits	114,619	110,615
Total interest-bearing deposits	213,619	195,193
Total deposits in non-German offices	**220,042**	**200,990**
Total deposits	**329,469**	**306,154**

Related party deposits amounted to € 1,937 million and € 1,050 million at December 31, 2004 and 2003, respectively.

[16] Other Short-term Borrowings

Short-term borrowings are borrowed funds generally with an original maturity of one year or less. Components of other short-term borrowings include:

in € m.	Dec 31, 2004	Dec 31, 2003
Commercial paper	9,980	13,150
Other	10,138	9,140
Total	**20,118**	**22,290**

[17] Long-term Debt

The Group issues fixed and floating rate long-term debt denominated in various currencies, approximately half of which is denominated in euros.

The following table is a summary of the Group's long-term debt:

By remaining maturities in € m.	Due in 2005	Due in 2006	Due in 2007	Due in 2008	Due in 2009	Due after 2009	**Dec 31, 2004 total**	Dec 31, 2003 total
Senior debt:								
Bonds and notes:								
Fixed rate	8,012	5,345	7,038	3,827	9,072	20,540	53,834	47,364
Floating rate	6,764	4,168	6,343	6,514	4,367	11,307	39,463	37,217
Subordinated debt:								
Bonds and notes:								
Fixed rate	152	928	611	288	1,457	6,069	9,505	10,379
Floating rate	104	–	348	94	183	3,339	4,068	2,520
Total	**15,032**	**10,441**	**14,340**	**10,723**	**15,079**	**41,255**	**106,870**	**97,480**

Based solely on the contractual terms of the debt issues, the following table represents the range of interest rates payable on this debt for the periods specified:

	Dec 31, 2004	Dec 31, 2003
Senior debt:		
Bonds and notes:		
Fixed rate[1]	0.00% – 50.00%	0.00% – 31.63%
Floating rate[1]	0.00% – 18.83%	0.00% – 21.11%
Subordinated debt:		
Bonds and notes:		
Fixed rate	0.81% –10.50%	0.81% – 10.50%
Floating rate	0.74% – 8.00%	0.74% – 8.00%

[1] The lower and higher end of the range of interest rates relate to some transactions where the contractual rates are shown excluding the effect of embedded derivatives.

Fixed rate debt outstanding at December 31, 2004 matures at various dates through 2044. The weighted-average interest rates on fixed rate debt at December 31, 2004 and 2003 were 5.57% and 5.23%, respectively. Floating rate debt outstanding at December 31, 2004 matures at various dates through 2050 excluding € 4.6 billion with undefined maturities. The weighted-average interest rates on floating rate debt at December 31, 2004 and 2003 were 2.84% and 2.58%, respectively. The weighted-average interest rates for total long-term debt were 4.36% and 3.97% at December 31, 2004 and 2003, respectively.

The interest rates for the floating rate debt issues are generally based on EURIBOR, although in certain instances they are subject to minimum interest rates as specified in the agreements governing the respective issues.

The Group enters into various transactions related to the debt it issues. This debt may be traded for market-making purposes or held for a period of time. Purchases of the debt are accounted for as extinguishments; however, the resulting net gains (losses) during 2004 and 2003 were insignificant.

[18] Obligation to Purchase Common Shares

As of December 31, 2004 and 2003, the obligation to purchase common shares amounted to € 3,058 million and € 2,310 million, respectively. The obligation represented forward purchase contracts covering approximately 56.1 million (2003: 44.3 million) Deutsche Bank common shares with a weighted-average strike price of € 54.52 (2003: € 52.18) entered into to satisfy obligations under employee share-based compensation awards. Contracts covering 0.4 million shares (2003: 3.1 million) mature in less than one year. The remaining contracts covering 55.7 million shares (2003: 41.2 million) have maturities between one and five years.

[19] Mandatorily Redeemable Shares and Minority Interests in Limited Life Entities

Other liabilities included € 93 million and € 62 million, representing the settlement amount as of December 31, 2004 and 2003, respectively, for minority interests in limited life subsidiaries and mutual funds. These entities have termination dates between 2007 and 2103.

Included in long-term debt and short-term borrowings were € 3,545 million and € 4,164 million related to mandatorily redeemable shares at December 31, 2004 and 2003, respectively. The amount to be paid if settlement was at December 31, 2004 and 2003 was € 3,548 million and € 4,167 million, respectively. These mandatorily redeemable shares are primarily due between 2005 and 2033. The majority of interest paid on the redeemable shares is at fixed rates between 0.00% – 4.70% with the remainder paid at variable rates, which are based on LIBOR or the tax-adjusted U.S. dollar swap rate.

[20] Common Shares and Share-Based Compensation Plans

Deutsche Bank's share capital consists of common shares issued in registered form without par value. Under German law, no par value shares are deemed to have a "nominal" value equal to the total amount of share capital divided by the number of shares. Therefore, the Group's shares have a nominal value of € 2.56.

Common share activity was as follows:

Number of shares	**2004**	2003	2002
Common shares outstanding, beginning of year	**565,077,163**	**585,446,954**	**614,475,625**
Shares issued under employee benefit plans	–	–	285,800
Shares retired	(38,000,000)	(40,000,000)	–
Shares purchased for treasury	(536,383,830)	(464,939,509)	(474,184,113)
Shares sold or distributed from treasury	526,576,340	484,569,718	444,869,642
Common shares outstanding, end of year	**517,269,673**	**565,077,163**	**585,446,954**

Shares purchased for treasury consist of shares held for a period of time by the Group as well as any shares purchased with the intention of being resold in the short term. In addition, beginning in 2002, the Group launched share buy-back programs. Shares acquired under these programs are deemed to be retired or used for share-based compensation. The 2002 program was completed in April 2003 resulting in the retirement of 40 million shares. The second program was completed in June 2004 and resulted in the retirement of 38 million shares. The third buy-back program started in July 2004. All such transactions were recorded in shareholders' equity and no revenues and expenses were recorded in connection with these activities.

Authorized and Conditional Capital

Deutsche Bank's share capital may be increased by issuing new shares for cash and in some circumstances for non-cash consideration. At December 31, 2004, Deutsche Bank had authorized but unissued capital of € 584,000,000 which may be issued at various dates through April 30, 2009 as follows:

Authorized capital	Authorized capital excluding shareholders' pre-emptive rights	Expiration date
–	€ 30,000,000	May 31, 2005
€ 128,000,000[1]	–	April 30, 2006
€ 100,000,000	–	April 30, 2007
€ 128,000,000[1]	–	April 30, 2008
€ 198,000,000	–	April 30, 2009

[1] Capital increase may be effected for noncash contributions with the intent of acquiring a company or holdings in companies.

Deutsche Bank also had conditional capital of € 275,200,000. Conditional capital includes various instruments that may potentially be converted into common shares.

The Annual General Meeting on June 2, 2004 authorized the Board of Managing Directors to issue once or more than once, bearer or registered participatory notes with bearer warrants and/or convertible participatory notes, bonds with warrants, and/or convertible bonds on or before April 30, 2009. For this purpose share capital was increased conditionally by up to € 150,000,000.

At December 31, 2004, € 51,200,000 of conditional capital was available for option rights available for grant until May 10, 2003 and € 64,000,000 for option rights available for grant until May 20, 2005 under the DB Global Partnership Plan. Also, the Board of Managing Directors was authorized at the Annual General Meeting on May 17, 2001 to issue, with the consent of the Supervisory Board, up to 12,000,000 option rights on Deutsche Bank shares on or before December 31, 2003 of which 3,585,476 option rights were granted and not exercised at December 31, 2004. For this purpose there was a conditional capital of € 10,000,000 of which € 9,178,819 was used under the DB Global Share Plan. These plans are described below.

Share-Based Compensation

Effective January 1, 2003, the Group adopted the fair-value-based method under SFAS 123 prospectively for all employee awards granted, modified or settled after January 1, 2003, excluding those related to the 2002 performance year. Prior to this the Group applied the intrinsic-value-based provisions of APB 25. Compensation expense for share-based awards is included in compensation and benefits on the Consolidated Statement of Income. See Note [1] for a discussion on the Group's accounting for share-based compensation.

In accordance with the requirements of SFAS 123, the pro forma disclosures relating to net income and earnings per common share as if the Group had always applied the fair-value-based method are provided in Note [1].

The Group's share-based compensation plans currently used for granting new awards are summarized in the table below. These plans, and those plans no longer used for granting new awards, are described in more detail in the text that follows.

Plan name	Eligibility	Vesting period*	Expense treatment	Equity or Equity Units	Performance Options/ Partnership Appreciation Rights
Share-based compensation plans					
Restricted Equity Units Plan	Select executives	4.5 years	[3]	X	
DB Global Partnership Plan					
DB Equity Units					
as bonus grants	Select executives	2 years	[2]	X	
as retention grants	Select executives	3.5 years	[3]	X	
Performance Options	Select executives[1]	4 years	[2]		X
Partnership Appreciation Rights	Select executives[1]	4 years	[2]		X
DB Share Scheme					
as bonus grants	Select employees	3 years	[2]	X	
as retention grants	Select employees	3 years	[3]	X	
DB Key Employee Equity Plan (DB KEEP)	Select executives	5 years	[3]	X	
DB Global Share Plan 2004	All employees[4]	1 year	[3]	X	

* Approximate period after which all portions of the award are no longer subject to the plan specific forfeiture provisions.
[1] Performance options and partnership appreciation rights are granted as a unit.
[2] The value is recognized during the applicable performance year as part of compensation expense.
[3] The value is recognized on a straight-line basis over the vesting period as part of compensation expense.
[4] A participant must have been working for the Group for at least one year and have had an active employment contract in order to participate.

Share-Based Compensation Plans Currently Used for Granting New Awards

Restricted Equity Units Plan

Under the Restricted Equity Units Plan, the Group grants various employees deferred share awards as retention incentive which provide the right to receive common shares of the Group at specified future dates. The expense related to Restricted Equity Units awarded is recognized on a straight-line basis over the vesting period, which is generally four to five years.

The Group also grants to the same group of employees exceptional awards as a component of the Restricted Equity Units as an additional retention incentive that is forfeited if the participant terminates employment prior to the end of the vesting period. Compensation expense for these awards is recognized on a straight-line basis over the vesting period.

DB Global Partnership Plan

DB Equity Units. DB Equity Units are deferred share awards, each of which entitles the holder to one of the Group's common shares approximately three and a half years from the date of the grant. DB Equity Units granted in relation to annual bonuses are forfeited if a participant terminates employment under certain circumstances within the first two years following the grant. Compensation expense for these awards is recognized in the applicable performance year as part of compensation earned for that year.

The Group also grants exceptional awards of DB Equity Units to a selected group of employees as retention incentive that is forfeited if the participant terminates employment prior to the end of the vesting period. Compensation expense for these awards is recognized on a straight-line basis over the vesting period which is approximately three and a half years.

Performance Options. Performance options are rights to purchase the Group's common shares. Performance Options were granted with an exercise price equal to 120% of the reference price. The reference price is set at the higher of the fair market value of the Group's common shares on the date of grant or an average of the fair market value of the Group's common shares for the ten trading days on the Frankfurt Stock Exchange up to and including the date of the grant.

Performance Options are subject to a minimum vesting period of two years. In general, one-third of the options become exercisable at each of the second, third and fourth anniversaries of the grant date. However, if the Group's common shares trade at more than 130% of the reference price for 35 consecutive trading days, the Performance Options become exercisable on the later of the end of the 35-day trading period or the second anniversary of the award date. This condition was fulfilled for the

Performance Options granted in February 2003 and therefore, all these options became exercisable in February 2005 rather than in three equal tranches.

Under certain circumstances, if a participant terminates employment prior to the vesting date, Performance Option awards will be forfeited. All options not previously exercised or forfeited expire on the sixth anniversary of the grant date.

There were no options awarded for the 2004 performance year. Compensation expense for options awarded for the 2003 performance year was recognized in 2003 in accordance with the fair-value-based method. No compensation expense for options awarded for the 2002 performance year was recognized in 2002, as the market price of the shares on the date of grant did not exceed the exercise price.

Partnership Appreciation Rights. Partnership Appreciation Rights ("PARs") are rights to receive a cash award in an amount equal to 20% of the reference price for Performance Options described above. The vesting of PARs will occur at the same time and to the same extent as the vesting of Performance Options. PARs are automatically exercised at the same time and in the same proportion as the exercise of the Performance Options.

There were no PARs awarded for the 2004 performance year. No compensation expense was recognized for the years ended December 31, 2003 and 2002 as the PARs represent a right to a cash award only with the exercise of Performance Options. This effectively reduces the exercise price of any Performance Option exercised to the reference price described above and is factored into the calculation of the fair value of the option.

DB Share Scheme

Under the DB Share Scheme, the Group grants various employees deferred share awards which provide the right to receive common shares of the Group at a specified future date. Compensation expense for awards granted in relation to annual bonuses is recognized in the applicable performance year as part of compensation earned for that year. Awards granted as retention incentive are expensed on a straight-line basis over the vesting period, which is generally three years.

DB Key Employee Equity Plan

Under the DB Key Employee Equity Plan ("DB KEEP"), the Group grants selected executives deferred share awards which provide the right to receive common shares of the Group at a specified future date. The awards are granted as retention incentive to various employees and are expensed on a straight-line basis over the vesting period as compensation expense. The vesting period is generally five years.

DB Global Share Plan 2004

The DB Global Share Plan 2004 awarded in 2004 is an all employee program which awards eligible employees ten shares of the Group's common shares as part of their annual compensation. A participant must have been working for the Group for at least one year and have had an active employment contract in order to participate. The number of shares granted to part-time employees and those in various categories of extended leave was on a pro rata basis. Awards will ordinarily be forfeited if the participant terminates employment prior to the vesting date which is November 1, 2005.

The expense related to the DB Global Share Plan 2004 is recognized on a straight line basis over the vesting period which is one year from the date of grant.

Share-Based Compensation Plans No Longer Used for Granting New Awards

DB Global Share Plan

Share Purchases. In 2003 and 2002, eligible employees could purchase up to 20 shares and eligible retirees could purchase up to 10 shares of the Group's common shares. German employees and retirees were eligible to purchase these shares at discount. The discount was linked to the Group's prior year's earnings. The participant was fully vested and received all dividend rights for the shares purchased. At the date of purchase, the Group recognized as compensation expense the difference between the quoted market price of a common share at that date and the price paid by the participant.

Performance Options. In 2003 and 2002, employee participants received for each common share purchased five options. Each option entitled the participant to purchase one of the Group's common shares. Options vest approximately two years after the date of grant and expire after six years. Options may be exercised at a strike price equal to 120% of the reference price. The reference price was set at the higher of the fair market value of the Group's common shares on the date of grant or an average of the fair market value of the Group's common shares for the ten trading days on the Frankfurt Stock Exchange up to and including the date of grant.

Generally, a participant must have been working for the Group for at least one year and have had an active employment contract in order to participate. Options are forfeited upon termination of employment. Participants who retire or become permanently disabled prior to vesting may still exercise their rights during the exercise period.

Compensation expense for options awarded for the 2003 performance year is recognized over the vesting period in accordance with the fair-value-based method. No compensation expense was recognized for options awarded for the 2002 performance year as the market price of the shares on the date of grant did not exceed the exercise price.

Global Equity Plan

During 1998, 1999 and 2000, certain key employees of the Group participated in the Global Equity Plan ("GEP") and were eligible to purchase convertible bonds in 1,000 DM denominations at par. On October 16, 2001, the Board of Managing Directors gave approval to buy out the outstanding awards at a fixed price.

As of December 31, 2001, participants holding DM 55,429,000 (€ 28,340,398) bonds convertible into 11,085,800 shares accepted the offer and received cash payments totaling € 490,347,106. Compensation expense relating to participants who accepted the buy-out offer was fully accrued in 2001.

Compensation expense was recorded using variable plan accounting over the vesting period for awards to participants who did not accept the buy-out offer in 2001. In June 2003, the remaining bonds were redeemed at their nominal value since specific performance criteria for conversion were not met. The Group released € 3 million to earnings related to amounts previously accrued for the GEP Plan.

In addition, in connection with the buy-out offer in 2001, the Board authorized a special payment to 93 participants in 2003. These participants could not take part in the buy-out offer due to the conditions of the authorization in 2001. The cash payments, which totaled € 9 million in connection with these bonds, were not included in share-based compensation expense.

Stock Appreciation Rights Plans
The Group has granted stock appreciation rights plans ("SARs") which provide eligible employees of the Group the right to receive cash equal to the appreciation of the Group's common shares over an established strike price. The stock appreciation rights granted can be exercised approximately three years from the date of grant. Stock appreciation rights expire approximately six years from the date of grant.

Compensation expense on SARs, calculated as the excess of the current market price of the Group's common shares over the strike price, is recorded using variable plan accounting. The expense related to a portion of the awards is recognized in the performance year if it relates to annual bonuses earned as part of compensation, while remaining awards are expensed over the vesting periods.

db Share Plan
Prior to the adoption of the DB Global Share Plan, certain employees were eligible to purchase up to 60 shares of the Group's common shares at a discount under the db Share Plan. In addition, for each share purchased, employee participants received one option which entitled them to purchase one share. Options vested over a period of approximately three years beginning on the date of grant. Following the vesting period, options could be exercised if specific performance criteria were met. The exercise price was determined by applying a performance dependent discount to the average quoted price of a common share on the Frankfurt Stock Exchange on the five trading days before the exercise period started.

At the date of purchase of the common shares, the Group recognized as compensation expense the difference between the quoted market price of a common share at that date and the price paid by the participant. Compensation expense for the options was recognized using variable plan accounting over the vesting period, and based upon an estimated exercise price for the applicable three-year period and the current market price of the Group's common shares.

All remaining db Share Plan options expired unexercised in 2003 because the specific performance criteria were not met. In 2003, the Group released € 20 million to earnings related to amounts previously accrued for the options.

Other Plans
The Group has other local share-based compensation plans, none of which, individually or in the aggregate are material to the consolidated financial statements.

Compensation Expense
The Group recognized compensation expense related to its significant share-based compensation plans, described above, as follows:

in € m.	**2004**	2003	2002
DB Global Partnership Plan[1]	11	8	4
DB Global Share Plan [2]	15	3	3
DB Share Scheme/Restricted Equity Units Plan/DB KEEP	997	773	469
Global Equity Plan	–	(3)	(6)
Stock Appreciation Rights Plans[3]	81	(13)	35
db Share Plan	–	(20)	(45)
Total	**1,104**	**748**	**460**

[1] Compensation expense for the years ended December 31, 2004, 2003 and 2002 included € 6.6 million, € 5.9 million and € 3.9 million, respectively, related to DB Equity Units granted in February 2005, February 2004 and February 2003, respectively.
[2] Compensation expense for the year ended December 31, 2004 included € 6.6 million in relation to the DB Global Share Plan 2004.
[3] For the years ended December 31, 2004, 2003 and 2002, net (gains) losses of € 81 million, € (13) million and € 226 million, respectively, from non-trading equity derivatives, used to offset fluctuations in employee share-based compensation expense, were included.

The following is a summary of the activity in the Group's current compensation plans involving share and option awards for the years ended December 31, 2004, 2003 and 2002 (amounts in thousands of shares, except exercise prices).

	DB Global Partnership Plan		
	DB Equity Units[1]	Performance Options[2]	Weighted-average exercise price
Balance at December 31, 2001	**–**	**–**	**–**
Granted	451	12,156	€ 89.96
Issued	–	–	–
Forfeited	(43)	(392)	€ 89.96
Balance at December 31, 2002	**408**	**11,764**	**€ 89.96**
Granted	122	14,615	€ 47.53
Issued	–	–	–
Forfeited	(3)	(490)	€ 58.58
Balance at December 31, 2003	**527**	**25,889**	**€ 66.60**
Granted	127	115	€ 76.61
Issued	(324)	–	–
Forfeited	–	(152)	€ 89.96
Balance at December 31, 2004	**330**	**25,852**	**€ 66.51**
Weighted-average remaining contractual life at:			
December 31, 2004		3 years 7 months	
December 31, 2003		4 years 8 months	

[1] The weighted-average grant-date fair value per share of deferred share awards granted in 2004, 2003 and 2002 was € 58.11, € 38.62, and € 74.96 respectively.
[2] The weighted-average grant-date fair value per option, including the PAR, granted during 2004, 2003 and 2002 was € 13.02, € 11.97 and , € 21.24 respectively. Performance Options and PARs granted in 2004, 2003 and 2002 related to the 2003, 2002 and 2001 performance year, respectively.

There were no options exercisable under the DB Global Partnership Plan at December 31, 2004. Approximately 14.1 million options under the DB Global Partnership Plan, which have an exercise price of € 47.53 per share, became exercisable in early 2005. Each Global Partnership Plan option was accompanied by a Partnership Appreciation Right entitling the holder to 20% of the reference price upon exercise of the related option. As of February 28, 2005, approximately 2.9 million of these Global Partnership Plan options and PARs had been exercised.

In addition, approximately 111,000 DB Equity Units were granted in February 2005 related to the 2004 performance year and included in compensation expense for the year ended December 31, 2004. Approximately 28,000 DB Equity Units were granted as a retention incentive in February 2005 and not included in compensation expense for the year ended December 31, 2004. The weighted-average grant date fair value per DB Equity Unit was € 59.68.

There were no Performance Options or PARs awarded in relation to the 2004 performance year.

The following table details the distribution of options outstanding for the DB Global Partnership Plan and for the DB Global Share Plan (reported under plans no longer used for granting new awards) as of year ended 2004:

Range of exercise prices	Options outstanding			Options exercisable	
	Options outstanding	Weighted-average exercise price[1]	Weighted-average remaining contractual life (in years)	Options exercisable	Weighted-average exercise price
€ 40.00 – 59.99	16,087	€ 55.33	4.1	–	N/A
€ 60.00 – 79.99	1,699	€ 75.24	5.1	–	N/A
€ 80.00 – 99.99	11,652	€ 87.81	3.1	–	N/A

N/A – Not applicable
[1] The weighted-average exercise price does not include the effect of the PARs for the DB Global Partnership Plan.

The following is a summary of the activity in the Group's compensation plans involving share awards (DB Share Scheme, DB Key Employee Equity Plan, Restricted Equity Units Plan and DB Global Share Plan 2004) for the years ended December 31, 2004, 2003 and 2002 (amounts in thousands of shares) broken into three categories. Expense for bonus awards is recognized in the applicable performance year. Expense for retention awards and DB Global Share Plan 2004 is recognized over the vesting period.

in thousands of shares	Bonus awards[1]	Retention awards[2]	Global Share Plan 2004[3]	Total
Balance at December 31, 2001	**5,723**	**13,304**	**–**	**19,027**
Granted	6,386	12,148	–	18,534
Issued	(5,603)	(4,243)	–	(9,846)
Forfeited	(417)	(1,610)	–	(2,027)
Balance at December 31, 2002	**6,089**	**19,599**	**–**	**25,688**
Granted	1,036	26,823	–	27,859
Issued	(4,439)	(3,210)	–	(7,649)
Forfeited	(228)	(1,749)	–	(1,977)
Balance at December 31, 2003	**2,458**	**41,463**	**–**	**43,921**
Granted	2,169	21,848	594	24,611
Issued	(2,832)	(4,938)	–	(7,770)
Forfeited	(231)	(3,091)	–	(3,322)
Balance at December 31, 2004	**1,564**	**55,282**	**594**	**57,440**

[1] The weighted-average grant-date fair values per share of deferred share awards granted during 2004, 2003 and 2002 were € 61.11, € 39.61 and € 74.96, respectively.
[2] The weighted-average grant-date fair values per share of deferred share awards granted during 2004, 2003 and 2002 were € 57.71, € 34.62 and € 72.56, respectively. For the outstanding balance at year-end 2004, the weighted-average grant-date fair value per share was € 50.24 and approximately € 1.36 billion were expensed by year-end 2004.
[3] The weighted-average grant-date fair values per share of deferred share awards granted during 2004 was € 58.65. For the outstanding balance at year-end 2004, the weighted-average grant-date fair value per share was € 58.65 and approximately € 6.6 million were expensed by year-end 2004.

In addition to the amounts shown in the table above, the Group granted the following equity awards in February 2005:

(a) Approximately 1.5 million shares under the DB Share Scheme with a fair value of € 61.99 per share were awarded as a bonus for the 2004 performance year and included in compensation expense for the year ended December 31, 2004.

(b) Approximately 13.3 million shares under the Restricted Equity Units Plan with an average fair value of € 57.14 were awarded as retention awards.

The following is a summary of the Group's share-based compensation plans (for which there will be no future awards) for the years ended December 31, 2004, 2003 and 2002:

	Global Equity Plan	Stock Appreciation Rights Plans	db Share Plan		DB Global Share Plan		
in thousands of equivalent shares	Convertible bonds[1]	SARs[2]	Shares	Options	Shares	Performance Options[3]	Weighted-average exercise price
Balance at December 31, 2001	**607**	**16,928**	**N/A**	**3,476**	**N/A**	**175**	**€ 87.66**
Granted	–	3	–	–	–	2,082	€ 55.39
Issued	–	(30)	–	(1,453)	471	–	–
Convertible bonds converted	(286)	–	–	–	–	–	–
Forfeited	(49)	(555)	–	(170)	–	**(22)**	**€ 57.99**
Balance at December 31, 2002	**272**	**16,346**	**N/A**	**1,853**	**N/A**	**2,235**	**€ 57.90**
Granted	–	–	–	–	–	1,691	€ 75.24
Issued	–	–	–	–	396	–	–
Convertible bonds redeemed	(269)	–	–	–	–	–	–
Forfeited	(3)	(175)	–	(14)	–	(81)	€ 57.00
Expired	–	–	–	(1,839)	–	–	–
Balance at December 31, 2003	**–**	**16,171**	**N/A**	**–**	**N/A**	**3,845**	**€ 65.54**
Granted	–	–	–	–	–	–	–
Issued	–	–	–	–	–	–	–
Exercised	–	(387)	–	–	–	–	–
Forfeited	–	–	–	–	–	(260)	€ 64.02
Expired	–	(451)	–	–	–	–	–
Balance at December 31, 2004	**–**	**15,333**	**N/A**	**–**	**N/A**	**3,585**	€ 65.64
Weighted-average remaining contractual life at:							
December 31, 2004						4 years 4 months	
December 31, 2003						5 years 4 months	

N/A – Not applicable. Participant was fully vested for shares purchased under the db Share Plan.
[1] Convertible bonds were included in long-term debt on the Consolidated Balance Sheet.
[2] SARs were granted at various strike prices. In October 2001, 16,223,276 SARs with a strike price of € 98 vesting in 2004 and expiring in 2007 were replaced by 10,328,417 rights at a strike price of € 67. The weighted-average strike price of the outstanding SARs at December 31, 2004 is € 69.39 with an average remaining life of two years.
[3] The weighted/average grant-date fair value per option granted during 2003 and 2002 was € 9.71 and € 12.35, respectively.

There were no options exercisable under the DB Global Share Plan at December 31, 2004. Approximately 1.8 million options granted under the DB Global Share Plan in 2002, which have an exercise price of € 55.39, became exercisable in early 2005. As of February 28, 2005, approximately 0.2 million of these options had been exercised.

Fair Value of Share Options Assumptions

No options were granted in 2004.

The fair value of share options granted in 2003 and 2002 was estimated at the grant date using a Black-Scholes option pricing model. The information for 2003 is used in accounting for share options under the fair-value-based method which the Group adopted prospectively effective January 1, 2003. The information for 2002 is used to calculate what the effect on net income and earnings per common share would have been if the Group had applied the fair value method as shown in Note [1].

The weighted-average fair value per option and the significant assumptions used to estimate the fair values of options were:

	Dec 31, 2004[1]	Dec 31, 2003	Dec 31, 2002
Weighted-average fair value per option	N/A	€ 9.92	€ 12.03
Risk free interest rate	N/A	3.52%	3.45%
Expected lives (in years)	N/A	4.0	4.4
Dividend yield	N/A	1.97%	3.22%
Volatility	N/A	26.65%	43.2%

N/A – Not applicable
[1] No options were granted in 2004.

[21] Asset Restrictions and Dividends

Since January 1, 1999, when stage three of the European Economic and Monetary Union was implemented, the European Central Bank has had responsibility for monetary policy and control in all the member countries of the European Monetary Union, including Germany.

The European Central Bank sets minimum reserve requirements for institutions that engage in the customer deposit and lending business. These minimum reserves must equal a certain percentage of the institutions' liabilities resulting from certain deposits, and the issuance of bonds. Liabilities to European Monetary Union national central banks and to other European Monetary Union banking institutions that are themselves subject to the minimum reserve requirements are not included in this calculation. Since January 1, 1999, the European Central Bank has set the minimum reserve rate at 2%. For deposits with a term to maturity or a notice period of more than two years, bonds with a term to maturity of more than two years and repurchase transactions, the minimum reserve rate has been set at 0%. Each institution is required to deposit its minimum reserve with the national central bank of its home country.

Cash and due from banks includes reserve balances that the Group is required to maintain with certain central banks. These required reserves were € 424 million and € 451 million at December 31, 2004 and 2003, respectively.

Under Deutsche Bank's Articles of Association and German law, dividends are based on the results of Deutsche Bank AG as prepared in accordance with German accounting rules. The Board of Managing Directors, which prepares the annual financial statements of Deutsche Bank AG on an unconsolidated basis, and the Supervisory Board, which reviews them, first allocate part of Deutsche Bank's annual surplus (if any) to the statutory reserves and to any losses carried forward, as it is legally required to do. Then they allocate the remainder between profit reserves (or retained earnings) and balance sheet profit (or distributable profit). They may allocate up to one-half of this remainder to profit reserves, and must allocate at least one-half to balance sheet profit. The Group then distributes the amount of the balance sheet profit of Deutsche Bank AG if the Annual General Meeting resolves so.

Certain other subsidiaries are subject to various regulatory and other restrictions that may limit cash dividends and certain advances to Deutsche Bank.

[22] Regulatory Capital

The regulatory capital adequacy guidelines applicable to the Group are set forth by the Basel Committee on Banking Supervision, the secretariat of which is provided by the Bank for International Settlements ("BIS") and by European Council directives, as implemented into German law. The German Federal Financial Supervisory Authority *(Bundesanstalt für Finanzdienstleistungsaufsicht, referred to as BaFin)* in cooperation with the Deutsche Bundesbank supervises our compliance with such guidelines. Effective December 31, 2001 the BaFin permitted the Group to calculate its BIS capital adequacy ratios on the basis of the consolidated financial statements prepared in accordance with U.S. GAAP.

The BIS capital ratio is the principal measure of capital adequacy for international banks. This ratio compares a bank's regulatory capital with its counterparty risks and market price risks (which the Group refers to collectively as the "risk position"). Counterparty risk is measured for asset and off-balance sheet exposures according to broad categories of relative credit risk. The Group's market risk component is a multiple of its value-at-risk figure, which is calculated for regulatory purposes based on the Group's internal models. These models were approved by the BaFin for use in determining the Group's market risk equivalent component of its risk position. A bank's regulatory capital is divided into three tiers (core or Tier I capital, supplementary or Tier II capital, and Tier III capital). Core or Tier I capital consists primarily of share capital, additional paid-in capital, retained earnings and hybrid capital components, such as noncumulative trust preferred securities and equity contributed on silent partnership interests *(stille Beteiligungen)*, less intangible assets (principally goodwill) and the impact from the tax law changes (as described below). Supplementary or Tier II capital consists primarily of profit participation rights *(Genussrechte)*, cumulative trust preferred securities, long-term subordinated debt, unrealized gains on listed securities and other inherent loss allowance. Tier III capital consists mainly of certain short-term subordinated liabilities and it may only cover market price risk. Banks may also use Tier I and Tier II capital that is in excess of the minimum required to cover counterparty risk (excess Tier I and Tier II capital) in order to cover market price risk. The minimum BIS total capital ratio (Tier I + Tier II + Tier III) is 8% of the risk position. The minimum BIS core capital ratio (Tier I) is 4% of the risk-weighted positions and 2.29% of the market risk equivalent. The minimum core capital ratio for the total risk position therefore depends on the weighted-average of risk-weighted positions and market risk equivalent. Under BIS guidelines, the amount of subordinated debt that may be included as Tier II capital is limited to 50% of Tier I capital. Total Tier II capital is limited to 100% of Tier I capital. Tier III capital is limited to 250% of the Tier I capital not required to cover counterparty risk.

The effect of the 1999/ 2000 German Tax Reform Legislation on securities available for sale is treated differently for the regulatory capital calculation and financial accounting. For financial accounting purposes, deferred tax provisions for unrealized gains on securities available for sale are recorded directly to other comprehensive income whereas the adjustment to the related deferred tax liabilities for a change in expected effective income tax rates is recorded as an adjustment of income tax expense in current period earnings. The positive impact from the above on retained earnings of the Group from the two important German tax law changes in 1999 and 2000 amounts to approximately € 2.7 billion and € 2.8 billion as of December 31, 2004 and 2003, respectively. For the purpose of calculating the regulatory capital, gross unrealized gains on securities available for sale are excluded from Tier I capital. The adjustment relates to accumulated other comprehensive income (€ (0.9) billion in 2004 and € (0.9) billion in 2003 and the release of deferred tax provisions (€ 2.7 billion in 2004 and € 2.8 billion in 2003) included in retained earnings.

in € m. (except percentages)	Dec 31, 2004	Dec 31, 2003
Risk-weighted positions	206,718	206,142
Market risk equivalent[1]	10,069	9,530
Risk position	**216,787**	**215,672**
Core capital (Tier I)	18,727	21,618
Supplementary capital (Tier II)	9,885	8,253
Available Tier III capital	–	–
Total regulatory capital	**28,612**	**29,871**
Core capital ratio (Tier I)	8.6%	10.0%
Capital ratio (Tier I + II + III)	13.2%	13.9%

[1] A multiple of the Group's value-at-risk, calculated with a probability level of 99% and a ten-day holding period.

In 2004, the Group's risk position increased by € 1.1 billion to € 216.8 billion on December 31, 2004.

BIS rules and the German Banking Act require the Group to cover its market price risk as of December 31, 2004, with slightly over € 805 million of regulatory capital (Tier I + II + III). The Group met this requirement entirely with Tier I and Tier II capital.

The Group's U.S. GAAP-based total regulatory capital was € 28.6 billion on December 31, 2004, and core capital (Tier I) was € 18.7 billion, compared to € 29.9 billion and € 21.6 billion on December 31, 2003. The Group's supplementary capital (Tier II) of € 9.9 billion on December 31, 2004, amounted to 53% of core capital.

The Group's capital ratio was 13.2% on December 31, 2004, significantly higher than the 8% minimum required by the BIS guidelines. The core capital ratio was 8.6% in relation to the total risk position (including market risk equivalent).

Failure to meet minimum capital requirements can initiate certain mandates, and possibly additional discretionary actions by the BaFin and other regulators that, if undertaken, could have a direct material effect on the consolidated financial statements of the Group.

The components of core and supplementary capital for the Group of companies consolidated for regulatory purposes are as follows at December 31, 2004, according to BIS:

Core capital (in € m.)	**Dec 31, 2004**
Common shares	1,392
Additional paid-in capital	11,147
Retained earnings, common shares in treasury, equity classified as obligation to purchase common shares, share awards, foreign currency translation	14,277
Minority interests	548
Noncumulative trust preferred securities	2,520
Other (equity contributed on silent partnership interests)	525
Items deducted (principally goodwill and tax effect of available for sale securities)	(11,682)
Total core capital	**18,727**

Supplementary capital (in € m.)	**Dec 31, 2004**
Unrealized gains on listed securities (45% eligible)	788
Other inherent loss allowance	453
Cumulative preferred securities	762
Subordinated liabilities, if eligible according to BIS	7,882
Total supplementary capital	**9,885**

The group of companies consolidated for regulatory purposes includes all subsidiaries in the meaning of the German Banking Act that are classified as credit institutions, financial services institutions and financial enterprises or bank services enterprises. It does not include insurance companies, fund management companies or companies outside the finance sector.

[23] Interest Revenues and Interest Expense

The following are the components of interest revenues and interest expense:

in € m.	**2004**	2003	2002
Interest revenues			
Interest-earning deposits with banks	797	902	1,469
Central bank funds sold and securities purchased under resale agreements	4,647	4,857	6,579
Securities borrowed	1,668	1,429	2,809
Interest income on securities available for sale and other investments	509	588	1,257
Dividend income on securities available for sale and other investments	300	386	385
Loans	6,896	7,649	11,741
Trading assets	12,596	11,286	11,248
Other	610	486	293
Total interest revenues	**28,023**	**27,583**	**35,781**
Interest expense			
Interest-bearing deposits			
Domestic	1,953	1,918	2,662
Foreign	5,174	4,662	6,657
Trading liabilities	6,866	5,667	4,410
Central bank funds purchased and securities sold under repurchase agreements	4,627	4,595	7,049
Securities loaned	556	430	580
Other short-term borrowings	467	598	705
Long-term debt	3,198	3,766	6,362
Trust preferred securities	–	100	170
Total interest expense	**22,841**	**21,736**	**28,595**
Net interest revenues	**5,182**	**5,847**	**7,186**

[24] Insurance Business

The following are the components of other assets related to insurance business:

in € m.	**Dec 31, 2004**	Dec 31, 2003
Investment under unit-linked business	6,367	7,967
Deferred acquisition costs	20	21
Other	346	261
Total other assets related to insurance business	**6,733**	**8,249**

All other assets of the Group's insurance business, primarily securities available for sale, are included in the respective line item on the Consolidated Balance Sheet.

The following are the components of insurance policy claims and reserves:

in € m.	**Dec 31, 2004**	Dec 31, 2003
Benefit reserves	561	437
Reserve for unit-linked business	6,367	7,967
Other insurance provisions and liabilities	1,007	667
Total insurance policy claims and reserves	**7,935**	**9,071**

[25] Pension and Other Employee Benefit Plans

The Group provides retirement arrangements covering the majority of its subsidiaries and employees working in Germany, the United Kingdom, the United States and other European and Asian countries. The majority of beneficiaries of the retirement arrangements are principally located in Germany. The value of a participant's accrued pension benefit is based primarily on each employee's remuneration and length of service.

Our plans are generally funded.

During 2004, the Group contributed € 71 million to its qualified German pension plan (thereof € 4 million initial funding and € 67 million discretionary funding), € 8 million to its qualified U.K. pension plans and € 40 million to different qualified European pension plans (thereof € 17 million initial funding and € 23 million discretionary funding).

During 2003, the Group contributed € 170 million to its qualified U.K. pension plans and € 196 million to its qualified German pension schemes, € 136 million and € 76 million of which were discretionary contributions, respectively.

In December 2002, the Group began to fund the majority of its pension plans in Germany and contributed € 3.9 billion to a segregated pension trust relating to an accumulated benefit obligation totaling € 3.5 billion. In addition during 2002, the Group contributed to its qualified U.S. and U.K. pension plans approximately € 115 million and € 300 million, respectively.

The Group also sponsors a number of defined contribution plans covering employees of certain subsidiaries. The assets of all the Group's defined contribution plans are held in independently administered funds. Contributions are generally determined as a percentage of salary.

In addition, the Group's affiliates offer unfunded contributory defined benefit postretirement health care plans to a number of retired employees who are located in the United States and the United Kingdom. These plans pay stated percentages of eligible medical and dental expenses of retirees after a stated deductible has been met. The Group funds these plans on a cash basis as benefits are due.

The Group uses a measurement date of September 30 for plans in the United Kingdom and the United States. All other plans have a December 31 measurement date.

All plans are valued using the projected unit credit method. The recognition of actuarial gains and losses is applied by using the 10% "corridor" approach.

The following table provides a reconciliation of the changes in the Group's plans' benefit obligation and fair value of assets over the two-year period ended December 31, 2004 and a statement of the funded status as of December 31 for each year:

	Pension benefits		Postretirement benefits	
in € m.	**2004**	2003	**2004**	2003
Change in benefit obligation				
Benefit obligation at beginning of year	6,920	6,653	148	160
Service cost	244	279	7	8
Interest cost	384	375	9	9
Plan amendments	–	4	–	3
Acquisitions/divestitures	(103)	(2)	–	–
Actuarial loss (gain)	499	247	(1)	11
Benefits paid	(320)	(319)	(12)	(12)
Curtailment/settlement/other[1]	50	(46)	–	(2)
Foreign currency exchange rate changes	(82)	(271)	(13)	(29)
Benefit obligation at end of year	**7,592**	**6,920**	**138**	**148**
Change in plan assets				
Fair value of plan assets at beginning of year	6,801	6,296	–	–
Actual return on plan assets	768	546	–	–
Employer contributions[2]	310	560	12	11
Benefits paid	(119)	(295)	(12)	(11)
Curtailment/settlement/other[1]	(35)	(30)	–	–
Foreign currency exchange rate changes	(82)	(276)	–	–
Fair value of plan assets at end of year	**7,643**	**6,801**	**–**	**–**
Funded status	**51**	**(119)**	**(138)**	**(148)**
Unrecognized net actuarial loss (gain)	870	838	10	14
Unrecognized prior service cost (benefit)	(8)	9	7	10
Unrecognized transition obligation (assets)	–	14	–	–
Net amount recognized at end of year	**913**	**742**	**(121)**	**(124)**

[1] Includes beginning balance of first time application of smaller schemes.
[2] Amount for 2004 includes € 71 million, € 8 million and € 40 million contributed to the Group's German, U.K. and other European pension plans, respectively. Amount for 2003 includes € 170 million and € 196 million contributed to the Group's U.K. and German pension plans, respectively.

The following amounts were recognized in the Consolidated Balance Sheet:

	Pension benefits		Postretirement benefits	
in € m.	**2004**	2003	**2004**	2003
Prepaid pension costs	1,094	1,001	–	–
Accrued benefit costs	(180)	(259)	(121)	(124)
Accumulated other comprehensive income	(1)	–	–	–
Net amount recognized	**913**	**742**	**(121)**	**(124)**

The accumulated benefit obligation for all defined benefit pension plans was € 7.1 billion and € 6.4 billion at December 31, 2004 and 2003, respectively.

The following table shows the information for defined benefit pension plans with an accumulated benefit obligation in excess of the fair value of plan assets:

in € m.	**Dec 31, 2004**	Dec 31, 2003
Projected benefit obligation	70	374
Accumulated benefit obligation	57	329
Fair value of plan assets	30	103

The information for defined benefit pension plans with a projected benefit obligation in excess of the fair value of plan assets is shown in the following table.

in € m.	**Dec 31, 2004**	Dec 31, 2003
Projected benefit obligation	239	1,873
Accumulated benefit obligation	203	1,658
Fair value of plan assets	185	1,667

The accumulated postretirement benefit obligation exceeds plan assets for all of the company's other postretirement benefit plans as they are unfunded.

The Group's pension plan weighted-average asset allocations at December 31, 2004 and 2003, by asset category are as follows:

	Target allocation	Percentage of plan assets	
	Dec 31, 2005	**Dec 31, 2004**	Dec 31, 2003
Asset category			
Equity securities	16%	17%	27%
Debt securities	82%	73%	65%
Real Estate and other	2%	10%	8%
Total	**100%**	**100%**	**100%**

The Group's pension plan investment strategy is to match the maturity profiles of the assets and liabilities in order to reduce the future volatility of pension expense and funding status of the plans. This involves the rebalancing of the investment portfolios to reduce the exposure to equity securities as well as increase the amount and duration of the fixed income portfolio. During 2004, a reduction of the average equity share of the portfolios to 17% was achieved. In the last quarter of 2003, the average equity share of the portfolios had been reduced from 35% to below 30% at year end 2003.

An extension of the average duration of the fixed income portfolio has also occurred during 2004 so that it more closely matches the duration of the liabilities. Implementation of the investment strategy has occurred for the German, United States and United Kingdom plans and will be extended in 2005 to other locations subject to the constraints of the regulatory and legal framework applicable to the particular pension plans. The asset allocation of each of the Group's pension plans is reviewed regularly.

Plan Assets include derivative transactions with the Group for its qualified German and Luxembourg scheme totaling to € 250 million. In addition there are € 2 million of debt securities issued by the Group included in the plan assets.

The Group expects to contribute approximately € 250 million to its pension plans in 2005, representing expected service costs in 2005.

The table below reflects the total benefits expected to be paid from both the plan assets and from the Company's assets, including both the Company's share of the benefit cost and the participants' share of the cost, which is funded by participant contributions to the plan.

Expected benefits to be paid from the plan assets and direct payments from the company to participants' total:

in € m.	Pension Benefits	Postretirement Benefits
2005	290	9
2006	306	9
2007	328	9
2008	342	10
2009	359	10
2010 – 2014	2,144	50

Benefits expense for the years ended December 31, 2004, 2003 and 2002, included the following components:

	Pension benefits			Postretirement benefits		
in € m.	**2004**	2003	2002	**2004**	2003	2002
Service cost	244	279	323	7	8	4
Interest cost	384	375	384	9	9	8
Expected return on plan assets	(388)	(409)	(175)	–	–	–
Actuarial loss (gain) recognized	61	66	39	–	–	–
Settlement/curtailment	5	(7)	4	–	–	–
Amortization of unrecognized transition obligation (asset)	17	(9)	(10)	–	–	–
Total defined benefit plans	**323**	**295**	**565**	**16**	**17**	**12**
Defined contribution plans	151	167	228	–	–	–
Net periodic benefit expense	**474**	**462**	**793**	**16**	**17**	**12**

The following actuarial assumptions were calculated on a weighted-average basis and reflect the local economic conditions for each country's respective defined benefit and postretirement benefit plans:

	Pension benefits			Postretirement benefits		
	2004	2003	2002	**2004**	2003	2002
Discount rate in determining expense	5.5%	5.4%	5.7%	5.9%	6.0%	6.7%
Discount rate in determining benefit obligations at year-end	5.0%	5.5%	5.8%	5.7%	5.9%	6.7%
Rate of increase in future compensation levels for determining expense	3.3%	3.5%	3.0%	N/A	N/A	N/A
Rate of increase in future compensation levels for determining benefit obligations at year-end	3.3%	3.3%	2.0%	N/A	N/A	N/A
Expected long-term rate of return on assets	5.6%	5.6%	6.7%	N/A	N/A	N/A

N/A – Not applicable

The expected return on the Group's defined benefit pension plans' assets is calculated by applying a risk premium which reflects the inherent risks associated with each relevant asset category over a risk-free return. This percentage is applied against the target assets in each category to arrive at an expected total return. Using this so-called "building block" approach globally ensures that the Group has a consistent framework in place. In addition, it allows sufficient flexibility to allow for changes that need to be built in to reflect local specific conditions. The determination of the expected return on plan assets for 2005 was based on the actual asset allocation as of the measurement date. The ten-year government fixed interest bond yield for the country in which each plan is located was used as the basis for the risk-free return. An additional risk premium was then added to the risk-free return for equities and real estate, respectively. The additional return for debt securities was calculated by reference to the mix of debt securities in each plan with the return representing an appropriate return for each category of debt security. For cash, the Group estimated the expected return to be equivalent to the yield of a short-term (two to three years) bond for the applicable country.

In determining postretirement benefits expense, an annual weighted-average rate of increase of 10.7% in the per capita cost of covered health care benefits was assumed for 2005. The rate is assumed to decrease gradually to 5.0% by 2010 and remain at that level thereafter.

Assumed health care cost trend rates have an effect on the amounts reported for the retiree health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects on the Group's retiree health care plans:

	One-percentage point increase		One-percentage point decrease	
in € m.	**2004**	2003	**2004**	2003
Effect on total of service and interest cost components	2	3	(2)	(2)
Effect on accumulated postretirement benefit obligation	22	18	(19)	(16)

In May 2004, the FASB issued Staff Position 106-2, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003" ("FSP 106-2"), which superseded FSP 106-1 issued in January 2004. The Act, signed into law in the U.S. on December 8, 2003, introduces a prescription drug benefit as well as a subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to benefits provided under the Act. FSP 106-2, which is effective for the reporting period beginning after June 15th, 2004, provides authoritative guidance on the accounting for the effects of the Act and disclosure guidance related to the federal subsidy provided by the Act. The Group determined that the effects of the Act were not a significant event requiring an interim remeasurement under SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." Consequently, as permitted by FSP 106-2, net periodic postretirement benefit cost for 2004 does not reflect the effects of the Act. The accumulated postretirement benefit obligation ("APBO") for the postretirement benefit plan was remeasured at September 30, 2004 to reflect the effects of the Act, which resulted in a reduction of the APBO of approximately € 36 million.

[26] Income Taxes

The components of income taxes (benefits) follow:

in € m.	**2004**	2003	2002
Domestic	(201)	305	215
Foreign	920	968	494
Current taxes	**719**	**1,273**	**709**
Domestic	572	37	2,992
Foreign	266	232	(512)
Deferred taxes	**838**	**269**	**2,480**
Total	**1,557**	**1,542**	**3,189**

The following is an analysis of the difference between the amount that would result from applying the German statutory income tax rate to income before tax and the Group's actual income tax expense:

in € m.	**2004**	2003	2002
Expected tax expense at German statutory income tax rate of 39.2% (40.5% for 2003 and 39.2% for 2002)	**1,579**	**1,116**	**1,391**
Reversal of 1999/2000 credits for tax rate changes	120	215	2,817
Effect of changes of German tax law	–	154	–
Domestic tax rate differential on dividend distribution	14	1	(65)
Tax-exempt gains on securities and other income	(330)	(637)	(1,824)
Foreign tax-rate differential	(126)	(298)	87
Change in valuation allowance	(7)	99	254
Nondeductible expenses	312	647	223
Goodwill impairment	–	46	24
Tax credit related to domestic dividend received	–	(1)	(7)
Tax rate differential on (income) loss on equity method investments	(80)	171	348
Other	75	29	(59)
Actual income tax expense	**1,557**	**1,542**	**3,189**

The domestic tax rate including corporate tax, solidarity surcharge, and trade tax used for calculating deferred tax assets and liabilities as of December 31, 2004, 2003 and 2002 was 39.2%. For the year 2003 only, the corporate income tax rate was temporarily increased by 1.5% to 26.5% which increased the statutory income tax rate to 40.5%. The applicable statutory income tax rate for temporary differences that reversed after 2003 reverted to 39.2%.

For the years ended December 31, 2004, 2003 and 2002, due to actual sales of equity securities on which there was accumulated deferred tax provision in other comprehensive income, it was necessary to reverse those provisions as income tax expense. This treatment led to income tax expense of € 120 million, € 215 million and € 2,817 million, respectively. This adjustment does not result in actual tax payments and has no net effect on shareholders' equity.

The remaining accumulated deferred tax amounts recorded within other comprehensive income will be reversed as income tax expense in the periods that the related securities are sold. At December 31, 2004 and 2003, the amount of these deferred taxes accumulated within other comprehensive income that will reverse in a future period as tax expense when the securities are sold is approximately € 2.7 billion and € 2.8 billion, respectively.

The enactment of the German Act for the reduction of Tax Allowances and Exemptions (StVergAbG) in May 2003 provided a minimum taxation for trade tax purposes which resulted in a catch-up tax expense of € 107 million. In December 2003, the German Federal Government modified the taxation of capital gains and dividends with the 2004 Tax Reform Act by treating 5% of any tax-exempt dividend and tax-exempt capital gains as non-tax deductible for corporation tax purposes. The new rules applicable from 2004 resulted in an additional deferred tax expense of € 47 million in 2003.

The tax effects of each type of temporary difference and carry-forward that give rise to significant portions of deferred income tax assets and liabilities are the following:

in € m.	**Dec 31, 2004**	Dec 31, 2003*
Deferred income tax assets:		
Trading activities	20,279	10,589
Net operating loss carry-forwards and tax credits	1,940	2,513
Property and equipment, net	402	521
Other assets	13	1,106
Allowance for loan losses	106	265
Other provisions	1,944	590
Total deferred income tax assets	**24,684**	**15,584**
Valuation allowance	(888)	(964)
Deferred tax assets after valuation allowance	**23,796**	**14,620**
Deferred income tax liabilities:		
Trading activities	21,232	11,550
Property and equipment, net	412	546
Securities valuation	140	82
Other liabilities	544	74
Total deferred income tax liabilities	**22,328**	**12,252**
Net deferred income tax assets	**1,468**	**2,368**

* Prior year amounts have been restated to conform to current year presentation.

Included in other assets and other liabilities at December 31, 2004 and 2003 are deferred tax assets of € 3.7 billion and € 3.6 billion and deferred tax liabilities of € 2.2 billion and € 1.3 billion, respectively.

Certain foreign branches and companies in the Group have deferred tax assets related to net operating loss carry-forwards and tax credits available to reduce future tax expense. The net operating loss carry-forwards at December 31, 2004 were € 5.2 billion of which € 3.4 billion have no expiration date and € 1.8 billion expire at various dates extending to 2024. Tax credits were € 158 million of which € 0.8 million will expire in 2005 and € 0.4 million will expire in 2006 and € 157 million have other expiration dates. The Group has established a valuation allowance where it is more likely than not that the deferred tax assets relating to these losses and credits will not be realized.

The Group is under continuous examinations by the tax authorities in various countries. In 2004 a tax audit in the U.S. covering fiscal years until 2000 was settled without material impact on income taxes. Tax reserves have been established, which we believe to be adequate in relation to the potential for additional assessments.

The Group did not provide income taxes or foreign withholding taxes on € 6.8 billion of cumulative earnings of foreign subsidiaries as of December 31, 2004 because these earnings are intended to be indefinitely reinvested in those operations. It is not practicable to estimate the amount of unrecognized deferred tax liabilities for these undistributed earnings. The American Jobs Creation Act of 2004 was signed into law by the President of the United States on October 22, 2004 and provides, in part a reduced rate of U.S. tax on certain dividends received from foreign subsidiaries of U.S. taxpayers. The Group estimates that approximately € 370 million may be eligible for repatriation under this provision. The Group is still evaluating the effect of such a repatriation, and is not yet able to reasonably estimate the income tax effect thereof, but it is not anticipated that such repatriation would have a material impact on the consolidated financial statements.

[27] Earnings Per Common Share

Basic earnings per common share amounts are computed by dividing net income by the average number of common shares outstanding during the year. The average number of common shares outstanding is defined as the average number of common shares issued, reduced by the average number of shares in treasury and by the average number of shares that will be acquired under physically settled forward purchase contracts and increased by undistributed vested shares awarded under deferred share plans.

Diluted earnings per share assumes the conversion into common shares of outstanding securities or other contracts to issue common stock, such as share options, convertible debt, unvested deferred share awards and certain forward contracts.

The following table sets forth the computation of basic and diluted earnings per share:

in € m.	**2004**	2003	2002
Income before cumulative effect of accounting changes, net of tax	2,472	1,214	360
Cumulative effect of accounting changes, net of tax	–	151	37
Numerator for basic earnings per share – net income	**2,472**	**1,365**	**397**
Effect of dilutive securities			
Forwards	(65)	–	–
Convertible debt	4	–	–
Numerator for diluted earnings per share – net income applicable to common shareholders after assumed conversions	2,411	1,365	397
Number of shares in m.			
Denominator for basic earnings per share – weighted-average shares outstanding	492.6	559.3	615.9
Effect of dilutive securities			
Forwards	9.3	10.4	3.8
Employee stock compensation options	4.9	0.7	0.4
Convertible debt	1.9	–	0.1
Deferred shares	23.0	19.1	6.1
Other (including trading options)	–	0.2	0.2
Dilutive potential common shares	39.1	30.4	10.6
Denominator for diluted earnings per share – adjusted weighted-average shares after assumed conversions	**531.7**	**589.7**	**626.5**

The diluted EPS computations do not include the anti-dilutive effect of the following potential common shares:

Number of shares in m.	2004	2003	2002
Forward purchase contracts	10.0	–	–
Forward sale contracts	–	3.1	26.0
Put options sold	1.5	–	0.4
Call options sold	–	1.3	0.3
Stock compensation awards	13.6	15.5	0.2
Convertible Debt	0.2	–	–

in €	2004	2003	2002
Basic earnings per share			
Income before cumulative effect of accounting changes, net of tax	5.02	2.17	0.58
Cumulative effect of accounting changes, net of tax	–	0.27	0.06
Net income	**5.02**	**2.44**	**0.64**
Diluted earnings per share			
Income before cumulative effect of accounting changes, net of tax	4.53	2.06	0.57
Cumulative effect of accounting changes, net of tax	–	0.25	0.06
Net income	**4.53**	**2.31**	**0.63**

[28] Business Segments and Related Information

The Group's segment reporting follows the organizational structure as reflected in its internal management reporting systems, which are the basis for assessing the financial performance of the business segments and for allocating resources to the business segments.

Organizational Structure

In order to best serve the Group's clients and manage its investments, Deutsche Bank is organized into three Group Divisions, which are further sub-divided into corporate divisions. As of December 31, 2004, the Group Divisions were:

The Corporate and Investment Bank (CIB) combines the Group's corporate banking and securities activities (including sales and trading, corporate finance, global banking and loan exposure management activities), with the Group's transaction banking activities. CIB serves corporate and institutional clients, ranging from medium-sized enterprises to multinational corporations, banks and sovereign organizations.

Private Clients and Asset Management (PCAM) combines the Group's asset management, private wealth management and private and business client activities. Within PCAM, we manage these activities in two global corporate divisions: Asset and Wealth Management (AWM) and Private & Business Clients (PBC)

- AWM comprises two business divisions. Asset Management Business Division (AM), which focuses on managing assets on behalf of institutional clients, including pension funds, and providing mutual funds and other investment vehicles for private individuals, and Private Wealth Management (PWM), which focuses, globally, on the specific needs of demanding high net worth clients, their families and selected institutions.
- PBC serves retail and affluent clients as well as small corporate customers. PBC focuses on three core European markets: Germany, Italy and Spain.

Corporate Investments (CI) combines the management of the Group's industrial holdings, private equity investments, and other corporate principal investment activities.

In addition to these three group divisions, Deutsche Bank's organization includes a Corporate Center, which supports cross-divisional management and leadership.

Significant Changes in Management Responsibility

Management responsibility has changed for a deposit product activity, which was previously reported within the Corporate Banking & Securities Corporate Division and has been transferred to the Global Transaction Banking Corporate Division. In addition, the London based Private Client Services business unit was transferred from the Asset and Wealth Management Corporate Division to the Corporate Banking & Securities Corporate Division.

Prior periods have been restated to conform to the current year's presentation.

Impact of Acquisitions and Divestitures During 2004 and 2003

The effects of significant acquisitions and divestitures on segmental results are described below:

- In December 2004, the Group completed the integration of Dresdner Bank's former institutional custody business in Germany. This business was included in the corporate division Global Transaction Banking.
- In November 2004, the Group signed an agreement with Legg Mason for the sale of a selected portion of the private client unit of Scudder, Scudder Private Investment Counsel (PIC). Under this agreement, Legg Mason will assume all investment advisory agreements and retain the staff from New York, Philadelphia, Chicago and Cincinnati Scudder PIC offices. This transaction closed December 31, 2004.
- In November 2004, the Group completed the acquisition of the remaining minority interests in DWS Holding & Service GmbH.
- In October 2004, the Group completed the acquisition of substantially all of the origination and servicing assets of Berkshire Mortgage Finance L.P., a U.S. commercial mortgage bank specializing in financing for multifamily properties. This business was included in the corporate division Corporate Banking & Securities.
- In September 2004, the Group merged three Australian trusts – Deutsche Diversified Trust, Deutsche Office Trust and Deutsche Industrial Trust – into a new trust, DB RREEF Trust. The merger created Australia's fourth largest listed property trust. In connection with this transaction the Group transferred its Australian fiduciary real estate trust management and property management business into a subsidiary, renamed DB RREEF Holdings. The Group subsequently sold a 50% interest in DB RREEF Holdings and recognized a net gain of € 18 million within the Group's Asset and Wealth Management Corporate Division.
- Effective July 2004, the Group sold its wholly-owned subsidiary DB Payment Projektgesellschaft to the Betriebscenter fuer Banken Deutschland GmbH & Co KG (BCB), a 100% subsidiary of Deutsche Postbank AG. Since then BCB provides payment transaction services to the Group for its German domestic and parts of its foreign payment transactions. Prior to the sale, DB Payment Projektgesellschaft had been managed within the infrastructure groups of the Private Client and Asset Management Group Division. The loss on sale was partly recognized within the Private & Business Clients Division and partly within Global Transaction Banking.

- In June 2004, the Group's wholly-owned subsidiary european transaction bank ag (etb), which had been managed under the Private Clients and Asset Management Group Division, was deconsolidated in the course of entering into a securities processing partnership with Xchanging Holdings, which assumes operational management of securities, funds and derivatives processing. The etb was transferred to Xchanging etb GmbH (formerly Zweite Xchanging GmbH), an equity method investment under the Corporate and Investment Bank Group Division.
- In the first quarter of 2004, the Group completed the sale of its interest in the operations of maxblue Americas, which had been included in Corporate Investments, to Banco do Brazil.
- In January, 2004 the Group completed the purchase of a 40% stake in United Financial Group (UFG). Deutsche Bank and Moscow-based UFG cooperate on research, sales and trading of Russian equities and Russian corporate finance business. This business was included in the corporate division Corporate Banking & Securities.
- In July 2003, the Group sold its investments in Tele Columbus GmbH and in Tele Columbus Ost GmbH (formally SMATcom GmbH), which were included in the Corporate Investments Group Division.
- In March 2003, the Group completed the acquisition of Rued, Blass & Cie AG Bankgeschaeft, a Swiss private bank. The majority of the business was included in the corporate division Asset and Wealth Management.
- In February 2003, the Group completed the sale of 80% of its late-stage private equity portfolio, which had been managed under the Corporate Investments Group Division.
- In January 2003, the Group completed the sale of most of its Passive Asset Management business to Northern Trust Corporation.
- In January 2003, the Group sold substantial parts of its Global Securities Services business to State Street Corporation. The completion of the sale of the Italian and Austrian parts of the business occurred in the third quarter of 2003 in a separate but related transaction. The business units included in the sale were Global Custody, Global Funds Services (including Depotbank services) and Agency Securities Lending, which were previously included in the Global Transaction Banking Corporate Division. In addition, the sale included Domestic Custody and Securities Clearing in the U.S. and the United Kingdom.
- In January 2003, the German commercial real estate financing activities were transferred to EUROHYPO AG. This increased the Group's share of EUROHYPO AG to 37.7%. EUROHYPO AG resulted from the merger in 2002 of the Group's former mortgage banking subsidiary "EUROHYPO AG Europäische Hypothekenbank der Deutschen Bank" with the mortgage banking subsidiaries of Dresdner Bank AG and Commerzbank AG. Since the merger, EUROHYPO AG has been included in the Corporate Investments Group Division. The Group has accounted for this investment under the equity method.

Changes in the Format of Segment Disclosure

The revenue breakdown by product for the Corporate and Investment Bank Group Division has been modified to reflect current industry practice. Loan syndication revenues, formerly reported as loan products, have now been included within origination (debt).

Prior periods have been restated to conform to the current year's presentation.

Definitions of Financial Measures Used in the Format of Segment Disclosure

In the segmental results of operations, the following terms with the following meanings are used with respect to each segment:

- **Operating cost base:** Noninterest expenses less provision for off-balance sheet positions (reclassified to provision for credit losses), policyholder benefits and claims, minority interest, restructuring activities and goodwill/intangible impairment.

- **Underlying pre-tax profit:** Income before income taxes less restructuring activities, goodwill/intangible impairment and specific revenue items as referred to in the table for such segment.
- **Underlying cost/income ratio in %:** Operating cost base as a percentage of total net revenues excluding the revenue items excluded from the corresponding underlying pre-tax profit figure, net of policyholder benefits and claims. **Cost/income ratio in %,** which is defined as total noninterest expenses less provision for off-balance sheet positions, as a percentage of total net revenues, is also provided.
- **Average active equity:** The portion of adjusted average total shareholders' equity that has been allocated to a segment pursuant to the capital allocation framework. The overriding objective of this framework is to allocate adjusted average total shareholders' equity based on the respective goodwill and other intangible assets with indefinite lifetimes as well as the economic risk position of each segment. In determining the total amount of average active equity to be allocated, average total shareholders' equity is adjusted to exclude average unrealized net gains on securities available for sale, net of applicable tax effects, and average dividends.
- **Underlying return on average active equity in %:** Underlying pre-tax profit as a percentage of average active equity. **Return on average active equity in %,** which is defined as income before income taxes as a percentage of average active equity, is also provided. These returns, which are based on average active equity, should not be compared to those of other companies without considering the differences in the calculation of such ratios.

Management uses these measures as part of its internal reporting system because it believes that such measures provide it with a more useful indication of the financial performance of the business segments. The Group discloses such measures to provide investors and analysts with further insight into how management operates the Group's businesses and to enable them to better understand the Group's results. The Group has excluded the following items in deriving the above measures for the following reasons.

- **Net gains (losses) from businesses sold/held for sale:** Gains or losses are excluded from the calculations of underlying results because they do not represent results of the Group's continuing businesses.
- **Net gains (losses) from securities available for sale/industrial holdings (including hedging):** Net gains or losses related to several financial holdings investments and to the Group's portfolio of shareholdings in publicly-listed industrial companies, most of which the Group has held for over 20 years and which the Group is reducing over time. Because these investments do not relate to the Group's customer-driven businesses, the Group excludes all revenues (positive and negative) related to these investments from its underlying results, except for dividend income from the investments, which the Group does not exclude as funding costs associated with the investments are also not excluded.
- **Significant equity pick-ups/net gains and losses from investments:** This item includes significant net gains/ losses from equity method investments and other significant investments. They are excluded in the calculation of underlying results since they reflect results that are not related to the Group's customer-driven businesses.
- **Net gains (losses) on the sale of premises:** This item includes net gains or losses on the sale of premises used for banking purposes. Net losses in 2003 related to the divestiture of non-core activities pursuant to the Group's transformation strategy.

- **Policyholder benefits and claims:** For internal steering purposes, policyholder benefits and claims are reclassified from noninterest expenses to noninterest revenues so as to consider them together with insurance revenues, to which they are related. The reclassification does not affect the calculation of underlying pre-tax profits. Following the disposition of most of the Group's insurance operations in early 2002, the size of this item has decreased significantly.
- **Provision for off-balance sheet positions:** Provision for off-balance sheet positions is reclassified from noninterest expenses to provision for credit losses because provision for off-balance sheet positions and provision for loan losses are managed together. This reclassification does not affect the calculation of underlying pre-tax profit.
- **Change in measurement of other inherent loan loss allowance:** In the third quarter of 2002, the Group took a charge of € 200 million to reflect a refinement in the measurement of the other inherent loss allowance. This change was made in order to make the provision more sensitive to the prevailing credit environment and less based on historical experience. This effect does not affect the calculation of underlying pre-tax profit.
- **Restructuring activities and Goodwill/intangible impairment** are excluded from the calculation of operating cost base and thus underlying pre-tax profit because these items are not considered part of the day-to-day business operations and therefore not indicative of trends.
- **Minority interest:** Minority interest represents the net share of minority shareholders in revenues, provision for loan losses, noninterest expenses and income tax expenses. This net component is reported as a noninterest expense item. This item is not considered to be an operating expense, but as a minority shareholder's portion of net income. Accordingly, such item is excluded in the determination of the operating cost base. Minority interest is reflected in the calculation of underlying pre-tax profit as a separate item.
- **Adjustments to calculate average active equity:** The items excluded from average total shareholders' equity to calculate average active equity result primarily from the portfolio of shareholdings in publicly-listed industrial companies. The Group has held most of its larger participations for over 20 years, and is reducing these holdings over time. Gains and losses on these securities are realized only when the Group sells them. Accordingly, the adjustments the Group makes to average total shareholders' equity to derive the average active equity are to exclude unrealized net gains or losses on securities available for sale, net of applicable tax effects. In addition, the Group adjusts its average total shareholders' equity for the effect of paying a dividend once a year following approval at the Annual General Meeting.

Framework of the Group's Management Reporting Systems

Business segment results are determined based on the Group's internal management reporting process, which reflects the way management views its businesses, and are not necessarily prepared in accordance with the Group's U.S. GAAP consolidated financial statements. This internal management reporting process may be different than the processes used by other financial institutions and therefore should be considered in making any comparisons with those institutions. Since the Group's business activities are diverse in nature and its operations are integrated, certain estimates and judgments have been made to apportion revenue and expense items among the business segments.

The management reporting systems follow the "matched transfer pricing concept" in which the Group's external net interest revenues are allocated to the business segments based on the assumption that all positions are funded or invested via the money and capital markets. Therefore, to create comparability with competitors who have legally independent units with their own equity funding, the Group allocates among the business segments the notional interest credit on its consolidated capital resulting from a method for allocating funding costs. This credit is allocated in proportion to each business segment's allocated average active equity, and is included in the segment's net interest revenues.

In 2004, the Group further refined its economic capital framework. The allocation of the Group's average active equity to the segments, which is driven by their economic capital as well as goodwill and other unamortized intangible assets attributable to them, now also reflects the diversification benefits across credit and market risk categories. As a result, the economic capital and the allocated average active equity of the segments decreased, with a corresponding increase in the average active equity of "Consolidation & Adjustments". For the restated full-year 2003 this meant that € 1.1 billion of average active equity is now recorded in "Consolidation & Adjustments".

Revenues from transactions between the business segments are allocated on a mutually agreed basis. Internal service providers (including the Corporate Center), which operate on a nonprofit basis, allocate their noninterest expenses to the recipient of the service. The allocation criteria are generally contractually agreed and are either determined based upon "price per unit" (for areas with countable services) or "fixed price" or "agreed percentages" (for all areas without countable services).

Segmental Results of Operations

The following tables present the results of the business segments for the years ended December 31, 2004, 2003 and 2002.

2004	Corporate and Investment Bank			Private Clients and Asset Management			Corporate Investments	Total Management Reporting
in € m. (except percentages)	Corporate Banking & Securities	Global Transaction Banking	Total	Asset and Wealth Management	Private & Business Clients	Total		
Net revenues[1]	**11,437**	**1,893**	**13,331**	**3,491**	**4,539**	**8,030**	**621**	**21,981**
Provision for loan losses	80	9	89	(6)	270	264	19	372
Provision for off-balance sheet positions	(66)	1	(65)	–	(1)	(1)	–	(65)
Total provision for credit losses	**14**	**11**	**24**	**(6)**	**269**	**263**	**19**	**307**
Operating cost base[2]	8,670	1,574	10,245	2,925	3,287	6,212	414	16,871
Policyholder benefits and claims	–	–	–	50	–	50	–	50
Minority interest	5	–	5	1	–	1	(1)	4
Restructuring activities	272	28	299	88	10	98	3	400
Goodwill impairment/impairment of intangibles	–	–	–	19	–	19	–	19
Total noninterest expenses[4]	**8,947**	**1,602**	**10,549**	**3,083**	**3,297**	**6,380**	**416**	**17,344**
Income (loss) before income taxes[5]	**2,477**	**280**	**2,757**	**415**	**973**	**1,387**	**185**	**4,330**
Add (deduct):								
Net (gains) losses from business sold/held for sale	–	(31)	(31)	(32)	24	(8)	(38)	(76)
Significant equity pick-ups/net (gains) from investments	–	–	–	–	–	–	(148)	(148)
Net (gains) on securities available for sale/industrial holdings including hedging	–	–	–	–	–	–	(176)	(176)
Net (gains) on the sale of premises	–	–	–	–	–	–	(20)	(20)
Restructuring activities	272	28	299	88	10	98	3	400
Goodwill impairment/impairment of intangibles	–	–	–	19	–	19	–	19
Underlying pre-tax profit (loss)	**2,749**	**277**	**3,026**	**490**	**1,007**	**1,497**	**(194)**	**4,328**
Cost/income ratio in %	78	85	79	88	73	79	67	79
Underlying cost/income ratio in %	76	85	77	86	72	78	174	78
Assets[3, 6]	720,546	16,639	729,872	34,945	78,930	113,818	16,442	832,933
Expenditures for additions to long-lived assets	316	129	445	19	78	97	2	544
Risk-weighted positions (BIS risk positions)	128,027	11,097	139,124	11,424	54,253	65,677	10,242	215,044
Average active equity[7]	11,481	1,386	12,867	5,038	1,681	6,718	3,933	23,519
Return on average active equity in %	22	20	21	8	58	21	5	18
Underlying return on average active equity in %	24	20	24	10	60	22	(5)	18

1 Includes:								
Net interest revenues	1,790	628	2,417	214	2,414	2,629	105	5,151
Net revenues from external customers	11,433	1,980	13,414	3,736	4,205	7,941	527	21,881
Net intersegment revenues	4	(87)	(83)	(245)	334	89	94	100
Net income (loss) from equity method investments	156	1	157	65	3	68	160	386
2 Includes:								
Depreciation, depletion and amortization	289	76	365	92	154	246	30	640
Severance payments	154	16	170	51	50	101	1	272
3 Includes:								
Equity method investments	1,546	38	1,584	434	33	466	3,298	5,348

4 Excludes provision for off-balance sheet positions (reclassified to provision for credit losses).
5 Before cumulative effect of accounting changes.
6 The sum of corporate divisions does not necessarily equal the total of the corresponding group division because of consolidation items between corporate divisions, which are to be eliminated on group division level. The same approach holds true for the sum of group divisions compared to Total Management Reporting.
7 For management reporting purposes goodwill and other intangible assets with indefinite lives are explicitly assigned to the respective divisions. Average active equity is first allocated to divisions according to goodwill and intangible assets, remaining average active equity is allocated to the divisions in proportion to the economic capital calculated for them.

2003	Corporate and Investment Bank			Private Clients and Asset Management			Corporate Invest-ments	Total Manage-ment Reporting
in € m. (except percentages)	Corporate Banking & Securities	Global Trans-action Banking	Total	Asset and Wealth Manage-ment	Private & Business Clients	Total		
Net revenues[1]	**11,697**	**2,497**	**14,193**	**3,830**	**4,388**	**8,217**	**(921)**	**21,490**
Provision for loan losses	750	2	752	2	322	325	36	1,113
Provision for off-balance sheet positions	8	(53)	(45)	(3)	(1)	(3)	(2)	(50)
Total provision for credit losses	**759**	**(51)**	**707**	**(1)**	**322**	**321**	**35**	**1,063**
Operating cost base[2]	8,220	1,743	9,963	3,094	3,605	6,699	681	17,343
Policyholder benefits and claims	–	–	–	21	–	21	–	21
Minority interest	13	–	13	13	2	15	(31)	(3)
Restructuring activities	(23)	(6)	(29)	–	(1)	(1)	–	(29)
Goodwill impairment	–	–	–	–	–	–	114	114
Total noninterest expenses[4]	**8,211**	**1,737**	**9,947**	**3,128**	**3,607**	**6,735**	**763**	**17,445**
Income (loss) before income taxes[5]	**2,727**	**811**	**3,539**	**702**	**459**	**1,162**	**(1,719)**	**2,982**
Add (deduct):								
Net (gains) losses from business sold/held for sale	–	(583)	(583)	(55)	4	(51)	141	(494)
Significant equity pick-ups/net losses from investments	–	–	–	–	–	–	938	938
Net losses on securities available for sale/industrial holdings including hedging	–	–	–	–	–	–	184	184
Net losses on the sale of premises	–	–	–	–	–	–	107	107
Restructuring activities	(23)	(6)	(29)	–	(1)	(1)	–	(29)
Goodwill impairment	–	–	–	–	–	–	114	114
Underlying pre-tax profit (loss)	**2,704**	**222**	**2,926**	**647**	**462**	**1,109**	**(236)**	**3,800**
Cost/income ratio in %	70	70	70	82	82	82	N/M	81
Underlying cost/income ratio in %	70	91	73	82	82	82	152	78
Assets[3, 6]	693,414	16,709	681,722	48,138	78,477	124,606	18,987	795,818
Expenditures for additions to long-lived assets	391	99	490	38	42	80	141	711
Risk-weighted positions (BIS risk positions)	127,449	10,166	137,615	12,170	51,244	63,414	13,019	214,048
Average active equity[7]	12,776	1,416	14,192	5,694	1,531	7,225	4,900	26,317
Return on average active equity in %	21	57	25	12	30	16	(35)	11
Underlying return on average active equity in %	21	16	21	11	30	15	(5)	14

N/M – Not meaningful

[1] Includes:								
Net interest revenues	2,495	663	3,158	278	2,379	2,656	138	5,952
Net revenues from external customers	11,587	2,629	14,216	4,041	4,094	8,135	(967)	21,384
Net intersegment revenues	110	(133)	(23)	(212)	294	82	47	106
Net income (loss) from equity method investments	163	(1)	163	166	–	166	(757)	(428)
[2] Includes:								
Depreciation, depletion and amortiza-tion	344	90	434	99	171	270	65	769
Severance payments	194	66	260	78	317	395	20	675
[3] Includes:								
Equity method investments	1,889	37	1,927	380	30	410	3,511	5,848

[4] Excludes provision for off-balance sheet positions (reclassified to provision for credit losses).
[5] Before cumulative effect of accounting changes.
[6] The sum of corporate divisions does not necessarily equal the total of the corresponding group division because of consolidation items between corporate divisions, which are to be eliminated on group division level. The same approach holds true for the sum of group divisions compared to Total Management Reporting.
[7] For management reporting purposes goodwill and other intangible assets with indefinite lives are explicitly assigned to the respective divisions. Average active equity is first allocated to divisions according to goodwill and intangible assets, remaining average active equity is allocated to the divisions in proportion to the economic capital calculated for them.

2002 in € m. (except percentages)	Corporate and Investment Bank: Corporate Banking & Securities	Corporate and Investment Bank: Global Transaction Banking	Corporate and Investment Bank: Total	Private Clients and Asset Management: Asset and Wealth Management	Private Clients and Asset Management: Private & Business Clients	Private Clients and Asset Management: Total	Corporate Investments	Total Management Reporting
Net revenues[1]	**11,154**	**2,643**	**13,797**	**3,724**	**5,775**	**9,499**	**2,998**	**26,295**
Provision for loan losses	1,706	6	1,712	23	201	224	155	2,091
Provision for off-balance sheet positions	83	(52)	31	–	(1)	(1)	(11)	18
Total provision for credit losses	**1,788**	**(46)**	**1,742**	**23**	**200**	**223**	**144**	**2,110**
Operating cost base[2]	8,701	2,207	10,908	3,245	3,880	7,125	1,228	19,261
Policyholder benefits and claims	–	–	–	35	650	685	–	685
Minority interest	8	–	8	25	7	32	3	43
Restructuring activities	316	26	341	–	240	240	1	583
Goodwill impairment	–	–	–	–	–	–	62	62
Total noninterest expenses[4]	**9,025**	**2,233**	**11,258**	**3,304**	**4,778**	**8,082**	**1,293**	**20,633**
Income (loss) before income taxes[5]	**341**	**456**	**797**	**397**	**797**	**1,195**	**1,561**	**3,552**
Add (deduct):								
Net (gains) from business sold/held for sale	–	–	–	(8)	(503)	(511)	(18)	(529)
Significant equity pick-ups/net losses from investments	–	–	–	–	–	–	1,197	1,197
Net (gains) on securities available for sale/industrial holdings including hedging	–	–	–	–	–	–	(3,659)	(3,659)
Change in measurement of other inherent loss allowance	200	–	200	–	–	–	–	200
Restructuring activities	316	26	341	–	240	240	1	583
Goodwill impairment	–	–	–	–	–	–	62	62
Underlying pre-tax profit (loss)	**856**	**482**	**1,338**	**389**	**535**	**924**	**(857)**	**1,405**
Cost/income ratio in %	81	84	82	89	83	85	43	78
Underlying cost/income ratio in %	78	84	79	88	84	86	N/M	85
Assets[3, 6]	629,975	25,098	642,127	37,642	74,039	109,394	26,536	750,238
Expenditures for additions to long-lived assets	339	103	442	258	27	285	332	1,059
Risk-weighted positions (BIS risk positions)	142,211	12,949	155,160	11,803	47,690	59,493	19,219	233,872
Average active equity[7]	15,342	2,169	17,511	5,667	1,599	7,266	6,466	31,243
Return on average active equity in %	2	21	5	7	50	16	24	11
Underlying return on average active equity in %	6	22	8	7	33	13	(13)	4

N/M – Not meaningful

[1] Includes:								
Net interest revenues	3,513	900	4,413	70	2,656	2,726	42	7,181
Net revenues from external customers	11,110	2,767	13,877	3,857	5,540	9,397	2,907	26,181
Net intersegment revenues	43	(124)	(80)	(133)	236	103	91	114
Net income (loss) from equity method investments	(32)	1	(31)	141	20	162	(1,034)	(903)
[2] Includes:								
Depreciation, depletion and amortization	431	128	559	101	283	385	132	1,076
Severance payments	243	18	261	86	50	136	19	416
[3] Includes:								
Equity method investments	571	38	609	1,154	19	1,173	3,944	5,725

[4] Excludes provision for off-balance sheet positions (reclassified to provision for credit losses).
[5] Before cumulative effect of accounting changes.
[6] The sum of corporate divisions does not necessarily equal the total of the corresponding group division because of consolidation items between corporate divisions, which are to be eliminated on group division level. The same approach holds true for the sum of group divisions compared to Total Management Reporting.
[7] For management reporting purposes goodwill and other intangible assets with indefinite lives are explicitly assigned to the respective divisions. Average active equity is first allocated to divisions according to goodwill and intangible assets, remaining average active equity is allocated to the divisions in proportion to the economic capital calculated for them.

The following tables present the revenue components of the Corporate and Investment Bank Group Division and the Private Clients and Asset Management Group Division for the years ended December 31, 2004, 2003 and 2002, respectively:

	Corporate and Investment Bank		
in € m.	**2004**	2003	2002
Sales & Trading (equity)	2,486	3,118	2,506
Sales & Trading (debt and other products)	6,299	6,077	5,582
Total Sales & Trading	**8,785**	**9,194**	**8,088**
Origination (equity)	499	485	354
Origination (debt)	916	806	683
Total Origination	**1,414**	**1,291**	**1,037**
Advisory	488	465	546
Loan products	1,142	1,193	1,804
Transaction services	1,862	1,914	2,643
Other	(361)	136	(322)
Total	**13,331**	**14,193**	**13,797**

	Private Clients and Asset Management		
in € m.	**2004**	2003	2002
Portfolio/fund management	2,526	2,615	2,733
Brokerage	1,659	1,591	1,512
Loan/deposit products	2,358	2,330	2,425
Payments, account & remaining financial services	915	823	843
Other	571	858	1,986
Total	**8,030**	**8,217**	**9,499**

Reconciliation of Segmental Results of Operations to Consolidated Results of Operations According to U.S. GAAP

The following table provides a reconciliation of the total results of operations and total assets of the Group's business segments under management reporting systems to the consolidated financial statements prepared in accordance with U.S. GAAP for the years ended December 31, 2004, 2003 and 2002.

	2004			2003			2002		
in € m.	Total Management Reporting	Consolidation & Adjustments	Total Consolidated	Total Management Reporting	Consolidation & Adjustments	Total Consolidated	Total Management Reporting	Consolidation & Adjustments	Total Consolidated
Net revenues[1]	21,981	(63)	21,918	21,490	(223)	21,268	26,295	253	26,547
Provision for loan losses	372	–	372	1,113	–	1,113	2,091	(1)	2,091
Provision for off-balance sheet positions	(65)	–	(65)	(50)	–	(50)	18	(1)	17
Total provision for credit losses	307			1,063			2,110		
Noninterest expenses[2]	17,344	238	17,582	17,445	3	17,449	20,633	257	20,890
Income (loss) before income taxes[3]	**4,330**	**(301)**	**4,029**	**2,982**	**(225)**	**2,756**	**3,552**	**(3)**	**3,549**
Assets	832,933	7,135	840,068	795,818	7,796	803,614	750,238	8,117	758,355
Risk-weighted positions (BIS risk positions)	215,044	1,743	216,787	214,048	1,625	215,672	233,872	3,606	237,479
Average active equity	23,519	1,259	24,778	26,317	1,057	27,374	31,243	2	31,246

[1] Net interest revenues and noninterest revenues.
[2] Excludes provision for off-balance sheet positions.
[3] Before cumulative effect of accounting changes.

The two primary components recorded in Consolidation & Adjustments are differences in accounting methods used for management reporting versus U.S. GAAP as well as results and balances from activities outside the management responsibility of the business segments.

Loss before income taxes was € 301 million in 2004, € 225 million in 2003 and € 3 million in 2002.

Net revenues included the following items:

– Adjustments related to positions which are marked to market for management reporting purposes and accounted for on an accrual basis under U.S. GAAP were approximately € (150) million in 2004, € (200) million in 2003 and € 100 million in 2002.
– Trading results from the Group's own shares are reflected in the Corporate Banking & Securities Corporate Division. The elimination of such results under U.S. GAAP resulted in credits of approximately € 45 million in 2004 and € 200 million in each of the years 2003 and 2002 within Consolidation & Adjustments.
– Debits related to the elimination of Group-internal rental income were € (101) million in 2004, € (106) million in 2003 and € (115) million in 2002.
– Insurance premiums of € 91 million in 2004 and € 79 million in each of the years 2003 and 2002 were primarily related to the Group's reinsurance subsidiary which is not managed by an individual business segment.
– Interest income on tax refunds from ongoing audits of prior period tax returns was € 131 million in 2004.
– Mark-to-market losses for hedges related to share-based compensation plans were approximately € (100) million in 2002.
– The remainder of net revenues in each year was due to other corporate items outside the management responsibility of the business segments, such as net funding expenses for non-divisionalized assets/liabilities and results from hedging capital of certain foreign subsidiaries.

Provisions for loan losses and provision for off-balance sheet positions included no material items in each of the reported years.

Noninterest expenses reflected the following items:

– Credits related to the elimination of Group-internal rental expenses were € 101 million in 2004, € 106 million in 2003 and € 115 million in 2002.
– Policyholder benefits and claims of € 210 million in 2004, € 89 million in 2003, and € 75 million in 2002 were primarily related to the Group's re-insurance subsidiary which is not managed by an individual business segment. The increase in 2004 was due to newly established provisions, including charges associated with the settlement agreement of the WorldCom litigation, partly offset by releases for certain other self-insured risks.
– Credits related to certain share-based compensation plans of approximately € 100 million in 2002 were not allocated to the business segments.
– The remainder of noninterest expenses in each year was attributable to other corporate items outside the management responsibility of the business segments. 2002 included charges for certain legal-related provisions of approximately € 170 million.

Assets and risk-weighted positions reflect corporate assets outside of the management responsibility of the business segments such as deferred tax assets and central clearing accounts.

Average active equity assigned to Consolidation and Adjustments reflects the refinement of the Group's economic capital framework as described under "Framework of the Group's Management's Reporting Systems" within this Footnote.

Total Net Revenues (before Provision for Loan Losses) by Geographical Location

The following table presents total net revenues (before provision for loan losses) by geographical location:

in € m.	**2004**	2003[1]	2002[1]
Germany			
CIB	2,319	2,539	2,770
PCAM	4,393	4,318	5,451
Total Germany	**6,712**	**6,857**	**8,221**
Rest of Europe			
CIB	4,522	5,032	4,066
PCAM	2,173	2,176	2,295
Total Rest of Europe[2]	**6,695**	**7,209**	**6,361**
North America (primarily U.S.)			
CIB	4,390	4,603	4,899
PCAM	1,201	1,473	1,460
Total North America	**5,591**	**6,076**	**6,359**
South America			
CIB	72	128	146
PCAM	–	1	16
Total South America	**73**	**130**	**162**
Asia-Pacific			
CIB	2,027	1,891	1,916
PCAM	262	248	277
Total Asia-Pacific	**2,289**	**2,140**	**2,194**
Corporate Investments	621	(921)	2,998
Consolidation & Adjustments	(63)	(223)	253
Consolidated net revenues[3]	**21,918**	**21,268**	**26,547**

[1] Reclassified to conform to the 2004 presentation.
[2] The United Kingdom accounted for over one-half of these revenues in 2004, 2003 and 2002. Rest of Europe also includes the Group's African operations.
[3] Consolidated total net revenues comprise interest revenues, interest expenses and total noninterest revenues (including net commission and fee revenues). Revenues are attributed to countries based on the location in which the Group's booking office is located. The location of a transaction on our books is sometimes different from the location of the headquarters or other offices of a customer and different from the location of our personnel who entered into or facilitated the transaction. Where we record a transaction involving our staff and customers and other third parties in different locations frequently depends on other considerations, such as the nature of the transaction, regulatory considerations and transaction processing considerations.

[29] Restructuring Activities

Restructuring plans are recorded in conjunction with acquisitions as well as business realignments. Severance includes employee termination benefits related to the involuntary termination of employees. Such costs include obligations resulting from severance agreements, termination of employment contracts and early-retirement agreements. Other costs primarily include amounts for lease terminations and related costs.

The following table presents the activity in the Group's restructuring programs for the years ended December 31, 2004, 2003, and 2002:

	2004 plan							2002 plans	Total
	Business Realignment Program		Group restructuring		Scudder restructuring		CIB restructuring		
in € m.	Severance	Other	Severance	Other	Severance	Other	Severance	Other	
Balance at Dec 31, 2001	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**272**[1]
Additions	–	–	235	105	83	3	215	50	691[2]
Utilization	–	–	203	92	57	–	77	27	683[1]
Releases	–	–	–	–	–	–	–	–	22[1]
Effects from exchange rate fluctuations	–	–	(2)	(1)	(12)	–	(10)	(4)	(52)[1]
Balance at Dec 31, 2002	**–**	**–**	**30**	**12**	**14**	**3**	**128**	**19**	**206**
Utilization	–	–	30	11	9	3	99	9	161
Releases	–	–	–	–	4	–	21	8	33[3]
Effects from exchange rate fluctuations	–	–	–	(1)	(1)	–	(8)	(2)	(12)
Balance at Dec 31, 2003	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Additions	400	–	–	–	–	–	–	–	400
Utilization	170	–	–	–	–	–	–	–	170
Effects from exchange rate fluctuations	–	–	–	–	–	–	–	–	–
Balance at Dec 31, 2004	**230**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**230**

[1] Totals include activity for the 2001 Group Restructuring Plan which was completed in 2002. Balance at December 31, 2001, utilization, releases and effects from exchange rate fluctuations were € 272 million, € 227 million, € 22 million and € (23) million, respectively.
[2] Scudder restructuring of € 86 million was recorded as goodwill; net expense, after releases, was € 583 million.
[3] Scudder restructuring reserve releases of € 4 million were recorded against goodwill. € 29 million related to the CIB restructuring was released against net income.

2004 Plan

Business Realignment Program ("BRP")

The BRP covers a series of initiatives aimed at revenue growth and cost efficiency. The program, together with additional measures in the fourth quarter 2004, is expected to result in a reduction of approximately 6,400 full-time equivalent headcount. We anticipate that a significant portion of this reduction will arise in the CIB and PCAM Group Divisions as we integrate coverage and product units. The majority of the reduction will arise in infrastructure units. The transfer of jobs to more cost-effective locations will result in additional headcount of approximately 1,200. This gives a net reduction in our headcount of approximately 5,200.

In the fourth quarter, the Group recorded a pre-tax restructuring charge of € 400 million in connection with the BRP of which € 288 million related to severance payments and € 112 million related to stock compensation awards. The charge was attributable to CIB (€ 299 million), PCAM (€ 98 million) and CI (€ 3 million). The underlying restructuring measures affected approximately 1,200 staff. Of the € 400 million restructuring liability, € 170 million were utilized as of December 31, 2004. All actions contemplated in the portion of the plan recorded in 2004 are expected to be completed by the end of the first quarter of 2005. It is expected that additional expenses of approximately € 750 million will be recorded in 2005 as further actions are taken related to the BRP.

2002 Plans

Group Restructuring

The Group recorded a pre-tax charge of € 340 million in the first quarter of 2002 related to restructuring activities affecting PCAM (€ 246 million), CIB (€ 93 million) and CI (€ 1 million). These restructuring plans affected approximately 2,100 staff and included a broad range of measures primarily to streamline the Group's branch network in Germany, as well as its infrastructure. The plan was completed during the year ended December 31, 2003.

Scudder Restructuring

During 2002, the Group recorded a restructuring liability of € 86 million related to restructuring activities in connection with the acquisition of Zurich Scudder Investments, Inc. Of this amount, approximately € 83 million of severance and other termination-related costs and € 3 million for other costs, primarily related to lease terminations, were recognized as a liability assumed as of the acquisition date and charged directly to goodwill. This restructuring plan affected approximately 1,000 Scudder staff. Reserves of € 4 million were released against goodwill in 2003. The plan was completed during the year ended December 31, 2003.

CIB Restructuring

In the second quarter of 2002, the Group recorded a restructuring liability of € 265 million related to the CIB Group Division. The plan affected approximately 2,000 staff, across all levels of the Group. The restructuring resulted from detailed business reviews and reflected the Group's outlook for the markets in which it operates. It related to banking coverage, execution and relationship management processes; custody; trade finance and other transaction banking activities; and the related technology, settlement, real estate and other support functions. Due primarily to lower headcount, the restructuring program was completed at lower than anticipated costs. Therefore, € 21 million of staff-related reserves and € 8 million of infrastructure-related reserves were released during 2003. The plan was completed during the year ended December 31, 2003.

[30] International Operations

The following table presents asset and income statement information by major geographic area. The information presented has been classified based primarily on the location of the Group's office in which the assets and transactions are recorded. However, due to the highly integrated nature of the Group's operations, estimates and assumptions have been made to allocate items, especially consolidation items, between regions.

2004 in € m.	Total assets	Total gross revenues[1]	Total gross expenses[1]	Income (loss) before taxes	Net income (loss)
International operations:					
Europe (excluding Germany)[2]	346,273	16,430	15,424	1,006	511
North America (primarily U.S.)	212,945	12,547	11,570	977	627
South America	2,867	532	440	92	87
Asia-Pacific	71,928	4,016	3,418	598	262
Total international	**634,013**	**33,525**	**30,852**	**2,673**	**1,487**
Domestic operations (Germany)	**206,055**	**11,234**	**9,878**	**1,356**	**985**
Total	**840,068**	**44,759**	**40,730**	**4,029**	**2,472**
International as a percentage of total above	75%	75%	76%	66%	60%

[1] Total gross revenues comprise interest revenues and total noninterest revenues (including net commissions and fee revenues). Total gross expenses comprise interest expense, provision for loan losses and total noninterest expenses.
[2] Includes balance sheet and income statement data from Africa, which were not material in 2004.

2003 in € m.	Total assets	Total gross revenues[1]	Total gross expenses[1]	Income (loss) before taxes[2]	Net income (loss)
International operations:					
Europe (excluding Germany)[3]	327,835	17,674	15,954	1,720	837
North America (primarily U.S.)	221,048	10,156	9,853	303	233
South America	1,277	575	575	–	–
Asia-Pacific	60,101	3,389	2,877	512	357
Total international	**610,261**	**31,794**	**29,259**	**2,535**	**1,427**
Domestic operations (Germany)	**193,353**	**11,210**	**10,989**	**221**	**(62)**
Total	**803,614**	**43,004**	**40,248**	**2,756**	**1,365**
International as a percentage of total above	76%	74%	73%	92%	105%

[1] Total gross revenues comprise interest revenues and total noninterest revenues (including net commissions and fee revenues). Total gross expenses comprise interest expense, provision for loan losses and total noninterest expenses.
[2] Before cumulative effect of accounting changes.
[3] Includes balance sheet and income statement data from Africa, which were not material in 2003.

2002 in € m.	Total assets	Total gross revenues[1]	Total gross expenses[1]	Income (loss) before taxes[2]	Net income (loss)
International operations:					
Europe (excluding Germany)[3]	286,545	18,938	18,618	320	309
North America (primarily U.S.)	205,375	13,352	14,129	(777)	(488)
South America	1,051	963	877	86	52
Asia-Pacific	48,612	3,863	3,271	592	397
Total international	**541,583**	**37,116**	**36,895**	**221**	**270**
Domestic operations (Germany)	**216,772**	**18,026**	**14,698**	**3,328**	**127**
Total	**758,355**	**55,142**	**51,593**	**3,549**	**397**
International as a percentage of total above	71%	67%	72%	6%	68%

[1] Total gross revenues comprise interest revenues and total noninterest revenues (including net commissions and fee revenues). Total gross expenses comprise interest expense, provision for loan losses and total noninterest expenses.
[2] Before cumulative effect of accounting changes.
[3] Includes balance sheet and income statement data from Africa, which were not material in 2002.

[31] Derivative Financial Instruments and Financial Instruments with Off-Balance Sheet Risk

In the normal course of business, the Group enters into a variety of derivative transactions for both trading and nontrading purposes. The Group's objectives in using derivative instruments are to meet customers' needs, to manage the Group's exposure to risks and to generate revenues through trading activities. Derivative contracts used by the Group in both trading and nontrading activities include swaps, futures, forwards, options and other similar types of contracts based on interest rates, foreign exchange rates, credit risk and the prices of equities and commodities (or related indices).

Derivatives Held or Issued for Trading Purposes

The Group trades derivative instruments on behalf of customers and for its own positions. The Group transacts derivative contracts to address customer demands both as a market maker in the wholesale markets and in structuring tailored derivatives for customers. The Group also takes proprietary positions for its own accounts. Trading derivative products include swaps, options, forwards and futures and a variety of structured derivatives which are based on interest rates, equities, credit, foreign exchange and commodities.

Derivatives Held or Issued for Nontrading Purposes

Derivatives held or issued for nontrading purposes primarily consist of interest rate swaps used to manage interest rate risk. Through the use of these derivatives, the Group is able to modify the volatility and interest rate characteristics of its nontrading interest-earning assets and interest-bearing liabilities. The Group is subject to risk from interest rate fluctuations to the extent that there is a gap between the amount of interest-earning assets and the amount of interest-bearing liabilities that mature or reprice in specified periods. The Group actively manages this interest rate risk through, among other things, the use of derivative contracts. Utilization of derivative financial instruments is modified from time to time within prescribed limits in response to changing market conditions, as well as changes in the characteristics and mix of the related assets and liabilities.

The Group also uses cross-currency interest rate swaps to hedge both foreign currency and interest rate risks from securities available for sale.

For these hedges, the Group applies either fair value or cash flow hedge accounting when cost beneficial. When hedging only interest rate risk, fair value hedge accounting is applied for hedges of assets or liabilities with fixed interest rates, and cash flow hedge accounting is applied for hedges of floating interest rates. When hedging both foreign currency and interest rate risks, cash flow hedge accounting is applied when all functional-currency-equivalent cash flows have been fixed; otherwise fair value hedge accounting is applied.

For the years ended December 31, 2004, 2003 and 2002, net hedge ineffectiveness from fair value hedges, which is based on changes in fair value resulting from changes in the market price or rate related to the risk being hedged, and amounts excluded from the assessment of hedge effectiveness resulted in a loss of € 100 million, a loss of € 82 million and a loss of € 81 million, respectively. As of December 31, 2004, the longest term cash flow hedge outstanding, excluding hedges of existing variable rate instruments, matures in 2039.

Derivatives entered into for nontrading purposes that do not qualify for hedge accounting are also classified as trading assets and liabilities. These include interest rate swaps, credit derivatives, foreign exchange forwards and cross currency interest rate swaps used to economically hedge interest, credit and foreign exchange risk, but for which it is not cost beneficial to apply hedge accounting.

Net (gains) losses of € 81 million, € (13) million and € 226 million from nontrading equity derivatives used to offset fluctuations in employee share-based compensation expense were included in compensation and benefits for the years ended December 31, 2004, 2003 and 2002, respectively.

Derivative Financial Instruments Indexed to Our Own Shares

The Group enters into contracts indexed to Deutsche Bank common shares to acquire shares to satisfy employee share-based compensation awards, and for trading purposes.

At December 31, 2004, the Group had outstanding call options to purchase approximately 3.5 million shares at a weighted-average strike price of € 68.29 per share related to employee share-based compensation awards. The options must be net-cash settled and they mature in less than five years. The fair value of these options amounted to € 20.9 million at December 31, 2004. A € 1 decrease in the price of Deutsche Bank common shares would have reduced the fair value of these options by € 1.7 million.

Related to trading activities, the following derivative contracts that are indexed to Deutsche Bank's own shares are outstanding at December 31, 2004.

Type of contract	Settlement alternative	Maturity	Number of issuer's shares to which contracts are indexed	Weighted-average strike price (in €)	Effect of decrease of share price by € 1 (€ in thousands)	Fair value of contract asset (liability) (€ in thousands)
Purchased options	Net-cash	Up to 3 months	12,539,217	69.27	(39)	2,754
		> 3 months – 1 year	7,119,315	67.15	(177)	40,705
		> 1 year – 5 years	6,462,566	63.91	(613)	36,906
Sold options	Net-cash	Up to 3 months	1,515,426	62.27	46	(5,148)
		> 3 months – 1 year	24,193,469	65.34	1,536	(51,366)
		> 1 year – 5 years	5,947,696	65.65	857	(52,549)
Forward purchases	Net-cash	Up to 3 months	7,027	64.30	(7)	8
		> 3 months – 1 year	1,489,928	63.30	(1,490)	(206)
	Deutsche Bank choice Net-cash/ physical[1]	Up to 3 months	16,000,000	58.00	(16,000)	(655)
		> 3 months – 1 year	28,720,220	60.90	(28,720)	111,727
		>1 year – 5 years	10,000,000	65.00	(10,000)	(4,303)
Forward sales	Net-cash	Up to 3 months	163,894	65.32	164	(22)
		> 3 months – 1 year	1,312,062	65.32	1,312	(63)
	Counterparty choice Net-cash/ physical[1]	> 3 months – 1 year	386,748	54.39	387	(3,636)
		> 1 year – 5 years	55,708,795	54.52	55,709	(383,946)

[1] Fair values do not differ significantly relating to settlement alternatives.

The above contracts related to trading activities are accounted for as trading assets and liabilities and are thus carried at fair value with changes in fair value recorded in earnings.

Financial Instruments with Off-Balance Sheet Risk

The Group utilizes various lending-related commitments in order to meet the financing needs of its customers. The contractual amount of these commitments is the maximum amount at risk for the Group if the customer fails to meet its obligations. Off-balance sheet credit risk amounts are determined without consideration of the value of any related collateral and reflect the total potential loss on undrawn commitments. The table below summarizes the Group's lending-related commitments:

in € m.	**Dec 31, 2004**	Dec 31, 2003
Commitments to extend credit:		
Fixed rates[1]	27,897	22,318
Variable rates[2]	77,268	66,566

[1] Includes commitments to extend commercial letters of credit and guarantees of € 2.4 billion and € 2.3 billion at December 31, 2004 and 2003, respectively.
[2] Includes commitments to extend commercial letters of credit and guarantees of € 902 million and € 833 million at December 31, 2004 and 2003, respectively.

In addition, as of December 31, 2004 the Group had loan commitments of € 19.2 billion that were revocable at any time. Commitments to enter into reverse repurchase and repurchase agreements amounted to € 58.6 billion and € 41.1 billion, respectively, as of December 31, 2004. As of December 31, 2003, commitments to enter into reverse repurchase and repurchase agreements totaled € 39.3 billion and € 23.5 billion, respectively.

As of December 31, 2004 and 2003, the Group had commitments to contribute capital to equity method and other investments totaling € 324 million and € 399 million, respectively.

The Group also enters regularly into various guarantee and indemnification agreements in the normal course of business. Probable losses under these agreements are provided for as part of other liabilities. The principal guarantees and indemnifications that the Group enters into are the following:

Financial guarantees, standby letters of credit and performance guarantees, including indemnification for the effect of income taxes that may have to be paid by counterparties on certain transactions entered into with the Group, with a carrying amount of € 592 million and € 666 million and with maximum potential payments of € 26.9 billion and € 24.0 billion as of December 31, 2004 and 2003, respectively, generally require the Group to make payments to the guaranteed party based on another's failure to meet its obligations or to perform under an obligating agreement. Most of these guarantees (€ 17.0 billion) mature within five years, for € 3.5 billion the duration is more than five years and € 6.4 billion have revolving terms. These guarantees are collateralized with cash, securities and other collateral of € 11.8 billion and € 5.5 billion as of December 31, 2004 and 2003, respectively.

Upon exercise, written put options effectively require the Group to pay for a decline in market value related to the counterparty's underlying asset or liability. The carrying amount and maximum potential payments of written puts as of December 31, 2004 was € 4.1 billion and € 61.4 billion, respectively. The carrying amount and maximum potential payments of written puts as of December 31, 2003 was € 4.9 billion and € 66.2 billion, respectively. More than half of the puts (€ 36.0 billion) mature within one year, € 22.4 billion have remaining exercise periods of more than one up to five years and € 3.0 billion have remaining terms of more than five years. Additionally, credit derivatives requiring payment by the Group in the event of default of debt obligations have a carrying and maximum potential payment amount of € 473 million and € 4.0 billion, respectively, for those credit derivatives with negative market values and € 486 million and € 2.7 billion, respectively, related to those with positive market values. More than half of the credit derivatives with negative market values (€ 3.4 billion) mature within one year. € 494 million have remaining exercise periods of more than one and up to five years and € 50 million have remaining terms of more than five years. Instruments with positive market values of € 271 million mature within one year, € 2.2 billion have remaining exercise periods of more than one and up to five years and € 249 million have remaining terms of more than five years. These contracts are typically uncollateralized. As of December 31, 2003 the carrying amount and maximum potential payments of credit derivatives related to negative market values was € 1 million and € 53 million, respectively. The credit derivatives related positive market values with a carrying amount and maximum potential payments were € 588 million and € 2.3 billion, respectively.

Securities lending indemnifications require the Group to pay for the replacement costs or market value of securities loaned to third parties in the event the third parties fail to return the securities. The Group had no securities lending indemnifications as of December 31, 2004 as this business was sold to State Street Bank. At December 31, 2003 the Group had maximum potential indemnification payments totaling € 45.3 billion with contract terms up to six months for which it had received collateral, primarily cash, totaling € 45.9 billion. These indemnifications related to clients whose business had not yet been novated and migrated to State Street Bank and/or who had terminated their relationship.

[32] Concentrations of Credit Risk

The Group defines credit exposure as all transactions where losses might occur due to the fact that counterparties may not fulfill their contractual payment obligations. The Group calculates the gross amount of the exposure without taking into account any collateral, other credit enhancement or credit risk mitigating transactions. The tables below show details about the Group's main credit exposures categories, namely, loans, contingent liabilities, over-the-counter ("OTC") derivatives and tradable assets.

- "Loans" are net loans as reported on the balance sheet but before deduction of the allowance for loan losses.
- "Contingent Liabilities" consist of financial and performance guarantees, standby letters of credit and indemnity agreements.
- "OTC Derivatives" are credit exposures from over-the-counter derivative transactions that the Group has entered into. On the Group's balance sheet, these are included in trading assets and, for derivatives entered into for nontrading purposes, in other assets.
- "Tradable Assets" include bonds, loans and other fixed-income products that are in trading assets as well as in securities available for sale.

Although the Group considers them in monitoring credit exposures, the following are not included in the tables below: cash and due from banks, interest-earning deposits with banks, and accrued interest receivables amounting to € 29.5 billion at December 31, 2004 and € 29.4 billion at December 31, 2003; forward committed repurchase and reverse repurchase agreements of € 99.7 billion at December 31, 2004 and € 62.8 billion at December 31, 2003; and lending-related commitments of € 105.2 billion at December 31, 2004 and € 88.9 billion at December 31, 2003. At December 31, 2004, 86% of our lending-related commitments were extended to counterparties rated at the equivalent of investment-grade debt ratings from the major international rating agencies.

The following table breaks down the Group's main credit exposure categories according to the industry sector of the Group's counterparties.

Credit risk profile by industry sector	Loans		Contingent liabilities		OTC derivatives		Tradable assets		Total	
in € m.	**Dec. 31, 2004**	Dec. 31, 2003	**Dec. 31, 2004**	Dec. 31, 2003	**Dec. 31, 2004**	Dec. 31, 2003	**Dec. 31, 2004**	Dec. 31, 2003	**Dec. 31, 2004**	Dec. 31, 2003
Banks and insurance	7,787	10,521	4,921	4,990	44,450	46,597	51,406	62,480	108,564	124,588
Manufacturing	13,270	16,155	8,028	7,834	1,837	1,997	15,919	18,241	39,054	44,227
Households	57,076	54,937	1,372	862	285	357	–	–	58,733	56,156
Public sector	3,278	2,309	1,630	377	5,838	3,984	140,614	104,648	151,360	111,318
Wholesale and retail trade	10,288	11,824	2,274	2,454	684	691	3,062	3,589	16,308	18,558
Commercial real estate activities	14,102	13,606	313	722	763	300	1,755	1,447	16,933	16,075
Other	32,888[1]	38,875[1]	11,357	9,298	7,810	6,545	32,270	38,064	84,325	92,782
Total	**138,689**	**148,227**	**29,895**	**26,537**	**61,667**	**60,471**	**245,026**	**228,469**	**475,277**	**463,704**

[1] Includes lease financing.

In the following table, exposures have been allocated to regions based on the country of domicile of the Group's counterparties, irrespective of any affiliations the counterparties may have with corporate groups domiciled elsewhere.

Credit risk profile by region	Loans		Contingent liabilities		OTC derivatives		Tradable assets		Total	
in € m.	**Dec. 31, 2004**	Dec. 31, 2003	**Dec. 31, 2004**	Dec. 31, 2003	**Dec. 31, 2004**	Dec. 31, 2003	**Dec. 31, 2004**	Dec. 31, 2003	**Dec. 31, 2004**	Dec. 31, 2003
Eastern Europe	1,568	1,372	418	491	607	588	3,282	2,840	5,875	5,291
Western Europe	112,139	120,136	18,840	16,283	36,486	35,428	88,450	87,969	255,915	259,816
Africa	288	395	168	192	300	224	1,000	1,086	1,756	1,897
Asia-Pacific	8,258	7,176	2,656	2,624	6,892	7,072	57,680	36,019	75,486	52,891
North America	14,911	17,038	7,469	6,752	15,820	15,495	87,749	94,632	125,949	133,917
Central and South America	1,522	2,075	326	195	688	571	4,607	3,850	7,143	6,691
Other[1]	3	35	18	–	874	1,093	2,258	2,073	3,153	3,201
Total	**138,689**	**148,227**	**29,895**	**26,537**	**61,667**	**60,471**	**245,026**	**228,469**	**475,277**	**463,704**

[1] Includes supranational organizations and other exposures that have not been allocated to a single region.

[33] Fair Value of Financial Instruments

SFAS No. 107, "Disclosures about Fair Value of Financial Instruments" ("SFAS 107") requires the disclosure of fair value information about financial instruments, whether or not recognized in the balance sheet, for which it is practicable to estimate that value. Quoted market prices, when available, are used as the measure of fair value. In cases where quoted market prices are not available, fair values are based on present value estimates or other valuation techniques. These derived fair values are significantly affected by assumptions used, principally the timing of future cash flows and the discount rate. Because assumptions are inherently subjective in nature, the estimated fair values cannot be substantiated by comparison to independent market quotes and, in many cases, the estimated fair values would not necessarily be realized in an immediate sale or settlement of the instrument. The disclosure requirements of SFAS 107 exclude certain financial instruments and all nonfinancial instruments (e.g., franchise value of businesses). Accordingly, the aggregate fair value amounts presented do not represent management's estimation of the underlying value of the Group.

The following are the estimated fair values of the Group's financial instruments recognized on the Consolidated Balance Sheet, followed by a general description of the methods and assumptions used to estimate such fair values.

	Carrying amount		Fair value	
in € m.	**Dec 31, 2004**	Dec 31, 2003	**Dec 31, 2004**	Dec 31, 2003
Financial assets:				
Cash and due from banks	7,579	6,636	7,579	6,636
Interest-earning deposits with banks	18,089	14,649	18,100	14,660
Central bank funds sold and securities purchased under resale agreements and securities borrowed	189,551	185,215	189,610	185,351
Trading assets	373,147	345,371	373,147	345,371
Securities available for sale	20,335	24,631	20,335	24,631
Other investments	2,358	2,398	2,364	2,398
Loans (excluding leases), net	133,801	140,963	136,311	143,014
Other financial assets	67,830	53,812	67,992	53,812
Financial liabilities:				
Noninterest-bearing deposits	27,274	28,168	27,274	28,168
Interest-bearing deposits	302,195	277,986	302,040	278,262
Trading liabilities	169,606	153,234	169,606	153,234
Central bank funds purchased and securities sold under repurchase agreements and securities loaned	118,173	117,250	118,178	117,348
Other short-term borrowings	20,118	22,290	20,115	22,315
Other financial liabilities	60,598	72,132	60,550	72,126
Long-term debt	106,870	97,480	106,602	97,848

Methods and Assumptions

For short-term financial instruments, defined as those with remaining maturities of 90 days or less, the carrying amounts were considered to be a reasonable estimate of fair value. The following instruments were predominantly short-term:

Assets	Liabilities
Cash and due from banks	Interest-bearing deposits
Central bank funds sold and securities purchased under resale agreements and securities borrowed	Central bank funds purchased and securities sold under repurchase agreements and securities loaned
Interest-earning deposits with banks	Other short-term borrowings
Other financial assets	Other financial liabilities

For those components of the above-listed financial instruments with remaining maturities greater than 90 days, fair value was determined by discounting contractual cash flows using rates which could be earned for assets with similar remaining maturities and, in the case of liabilities, rates at which the liabilities with similar remaining maturities could be issued as of the balance sheet date.

Trading assets (including derivatives), trading liabilities and securities available for sale are carried at their fair values.

For short-term loans and variable rate loans which reprice within 90 days, the carrying value was considered to be a reasonable estimate of fair value. For those loans for which quoted market prices were available, fair value was based on such prices. For other types of loans, fair value was estimated by discounting future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities. In addition, the specific loss component of the allowance for loan losses, including recoverable amounts of collateral, was considered in the fair value determination of loans. Other investments consist primarily of investments in equity instruments (excluding, in accordance with SFAS 107, investments accounted for under the equity method).

Other financial assets consisted primarily of accounts receivable, accrued interest receivable, cash and cash margins with brokers and due from customers on acceptances.

Noninterest-bearing deposits do not have defined maturities. Fair value represents the amount payable on demand as of the balance sheet date.

Other financial liabilities consisted primarily of accounts payable, accrued interest payable, accrued expenses and acceptances outstanding.

The fair value of long-term debt was estimated by using market quotes, as well as discounting the remaining contractual cash flows using a rate at which the Group could issue debt with a similar remaining maturity as of the balance sheet date.

The fair value of commitments to extend credit was estimated by using market quotes. On this basis, at December 31, 2004, the fair value of commitments to extend credit approximated the allowance for these commitments of € 107 million.

[34] Litigation

WorldCom Litigation. Deutsche Bank AG and Deutsche Bank Securities Inc., the Group's U.S. broker-dealer subsidiary ("DBSI"), are defendants in more than 40 actions filed in federal and state courts arising out of alleged material misstatements and omissions in the financial statements of WorldCom Inc. DBSI was a member of the syndicate that underwrote WorldCom's May 2000 and May 2001 bond offerings, which are among the bond offerings at issue in the actions. Deutsche Bank AG, London branch was a member of the syndicate that underwrote the sterling and Euro tranches of the May 2001 bond offering. Plaintiffs are alleged purchasers of these and other WorldCom debt securities. The defendants in the various actions include certain WorldCom directors and officers, WorldCom's auditor and members of the underwriting syndicates for the debt offerings. Plaintiffs allege that the offering documents contained material misstatements and/or omissions regarding WorldCom's financial condition. The claims against DBSI and Deutsche Bank AG are made under federal and state statutes (including securities laws), and under various common law doctrines. The largest of the actions against Deutsche Bank AG and DBSI is a class action litigation in the U.S. District Court in the Southern District of New York, in which the class plaintiffs are the holders of a significant majority of the bonds at issue. On March 10, 2005, Deutsche Bank AG and DBSI reached a settlement agreement, subject to court approval, resolving the class action claims asserted against them, for a payment of approximately U.S.$ 325 million. The settlement of the class action claims does not resolve the individual actions brought by investors who chose to opt out of the federal class action. The financial effects of the class action settlement are reflected in our 2004 consolidated financial statements.

Philipp Holzmann AG. Philipp Holzmann AG ("Holzmann") is a major German construction firm which filed for insolvency in March 2002. The Group had been a major creditor bank and holder of an equity interest of Holzmann for many decades, and, from April 1997 until April 2000, a former member of Deutsche Bank AG's Board of Managing Directors was the Chairman of its Supervisory Board. When Holzmann had become insolvent at the end of 1999, a consortium of banks led by Deutsche Bank participated in late 1999 and early 2000 in a restructuring of Holzmann that included the banks' extension of a credit facility, participation in a capital increase and exchange of debt into convertible bonds. In March 2002, Holzmann and several of its subsidiaries, including in particular imbau Industrielles Bauen GmbH ("imbau"), filed for insolvency. As a result of this insolvency, the administrators for Holzmann and for imbau and a group of bondholders have informed the Group they may assert claims against the Group because of its role as lender to the Holzmann group prior to and after the restructuring and as leader of the consortium of banks which supported the restructuring. The purported claims include claims that amounts repaid to the banks constituted voidable preferences that should be returned to the insolvent entities and claims of lender liability resulting from the banks' support for an allegedly infeasible restructuring. Although the Group is in ongoing discussions, the Group cannot exclude that some of the parties may file lawsuits against it. To date, the administrator for imbau filed a lawsuit against the Group in August 2004 alleging that payments received by the Group in respect of a loan made to imbau in 1997 and 1998 and in connection with a real estate transaction that was part of the restructuring constituted voidable preferences that should be returned to the insolvent entity. Additionally, Gebema N.V. filed a lawsuit in 2000 seeking damages against the Group alleging deficiencies in the offering documents based on which Gebema N.V. had invested in equity and convertible bonds of Holzmann in 1998.

Due to the nature of its business, the Group is involved in litigation, arbitration and regulatory proceedings in Germany and in a number of jurisdictions outside Germany, including the United States, arising in the ordinary course of business. Such matters are subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. Although the final resolution of any such matters could have a material effect on the Group's consolidated operating results for a particular reporting period, the Group believes that it should not materially affect its consolidated financial position.

[35] Terrorist Attacks in the United States

As a result of the terrorist attacks in the United States on September 11, 2001, several of the Group's office buildings as well as a leased property were severely damaged or destroyed. Costs incurred by the Group as a result of the terrorist attacks include, but are not limited to, write-offs of fixed assets, expenses incurred to replace fixed assets that were damaged, relocation expenses, and expenses incurred to secure and maintain the damaged properties. The Group has and continues to make claims for these costs through its insurance policies.

During 2003, the Group reached a settlement with two of its four insurers. As of December 31, 2004, the Group has partially settled with the other two insurers, including a tri-party agreement in which the Lower Manhattan Development Corporation (LMDC) purchased the land at 130 Liberty Street for U.S.$ 90 million and will pay for the demolition of the building on the property, subject to a demolition cap agreement that establishes an amount above which costs will be borne by the two insurers. The remaining claim with these two insurers has been directed to a binding arbitration process for resolution.

As of December 31, 2004, the Group received payments from the four insurers totaling U.S.$ 747 million. These proceeds for the settled portions of its claims exceeded the total amount of the net receivable on the balance sheet for asset write-offs, environmental, consulting, and other costs. As a result, the Group recorded a benefit of € 51 million arising from the net insurance reimbursements and sale of the property at 130 Liberty Street. For the years ended December 31, 2003 and 2002, no losses were recorded by the Group.

[36] Supplementary Information to the Consolidated Financial Statements According to § 292a HGB

As a condition for the exemption under § 292a HGB, group accounts following U.S. GAAP must be prepared in conformity with the disclosure requirements of the European Union. The Consolidated Financial Statements of Deutsche Bank are in accordance with the Directives 83/349/EWG and 86/635/EWG with regard to the following information. These supplementary comments and disclosures do not refer definitely to items of our p&l or balance sheet formats according to U.S. GAAP. E.g. the item "Loans and advances to customers" is composed inter alia of partial amounts of loans, net, securities borrowed, securities purchased under resale agreements, and other assets.

Treasury Bills and Other Bills Eligible for Refinancing with Central Banks

in € m.	**Dec 31, 2004**	Dec 31, 2003
Treasury bills and similar securities[1]	56,211	45,482
Other bills eligible for refinancing with central banks	326	483
Total	**56,537**	**45,965**

[1] Prior year amounts have been restated.

Loans and Advances to Credit Institutions and Customers

in € m.	**Dec 31, 2004**	Dec 31, 2003
Loans and advances to credit institutions	**103,785**	**91,805**
Repayable on demand	46,928	21,994
Remaining maturity of		
up to three months	41,528	52,693
more than three months and up to one year	6,944	6,564
more than one year and up to five years	5,010	5,816
more than five years	3,375	4,738
Loans and advances to customers	**301,475**	**300,108**
Remaining maturity of		
up to three months	198,392	191,154
more than three months and up to one year	19,691	22,169
more than one year and up to five years	34,615	38,185
more than five years	48,777	48,600

Debt Securities and Other Fixed-income Securities

in € m.	**Dec 31, 2004**	Dec 31, 2003
Issued by public-sector issuers[1]	58,696	47,446
Issued by other issuers	123,326	128,209
Total	**182,022**	**175,655**

[1] Prior year amounts have been restated.

Structure and Development of Other Investments

in € m.	Equity method investments	Other equity investments	Total
Acquisition cost			
as of Jan 1, 2004	6,043	2,569	8,612
impairment	(16)	(58)	(74)
change in the group of consolidated companies	120	(21)	99
effects of exchange rate changes	(92)	(50)	(142)
additions	1,533	402	1,935
transfers	4	(36)	(32)
disposals	(2,083)	(332)	(2,415)
as of Dec 31, 2004	5,509	2,474	7,983
Amortization			
as of Jan 1, 2004	42	–	42
change in the group of consolidated companies	15	–	15
effects of exchange rate changes	(1)	–	(1)
additions	–	–	–
transfers	–	–	–
disposals	(9)	–	(9)
as of Dec 31, 2004	47	–	47
Book values			
as of Dec 31, 2004	5,462	2,474	7,936

Shareholdings in banks held at equity amounted to € 2,503 million (2003: € 2,544 million). Other equity investments included participating interests in the amount of € 1,062 million (2003: € 1,133 million), of which € 11 million (2003: € 12 million) related to investments in banks.

The list of shareholdings is deposited with the Commercial Register in Frankfurt am Main, but can also be ordered free of charge.

Loans from and Advances and Liabilities to Participating Interests and Investments Held at Equity

Loans from and advances to participating interests and investments held at equity, trading assets related to these investees as well as debt securities available for sale issued by these investees amounted to € 4,541 million (2003: € 5,979 million).

Liabilities to participating interests and investments held at equity as well as trading liabilities related to these investees were € 3,234 million (2003: € 1,869 million).

Intangible Assets and Premises and Equipment

Land and buildings with a book value totaling € 1,923 million (2003: € 2,178 million) were used within the scope of our own activities.

in € m.	Goodwill	Other intangible assets	Premises and equipment	**Total**
Cost of acquisition/manufacture				
as of Jan 1, 2004	8,999	1,179	9,694	19,872
impairment	–	(19)	(19)	(38)
change in the group of consolidated companies	94	68	344	506
effects of exchange rate changes	(542)	(92)	(185)	(819)
additions	–	30	792	822
transfers	–	–	(26)	(26)
disposals	–	(34)	(1,611)	(1,645)
as of Dec 31, 2004	8,551	1,132	8,989	18,672
Amortization/depreciation				
as of Jan 1, 2004	2,264	57	3,908	6,229
change in the group of consolidated companies	(2)	–	(33)	(35)
effects of exchange rate changes	(89)	(4)	(65)	(158)
additions	–	24	650	674
transfers	–	–	2	2
disposals	–	(14)	(698)	(712)
as of Dec 31, 2004	2,173	63	3,764	6,000
Book value				
as of Dec 31, 2004	6,378	1,069	5,225	12,672

Subordinated Assets

The total amount of subordinated assets was € 3,141 million (2003: € 1,198 million).

Liabilities to Credit Institutions and Customers

in € m.	**Dec 31, 2004**	Dec 31, 2003
Amounts owed to credit institutions	**272,676**	**238,393**
Repayable on demand	175,034	145,241
With agreed maturity date or period of notice		
up to three months	72,602	68,239
more than three months and up to one year	10,800	8,762
more than one year and up to five years	7,150	8,309
more than five years	7,090	7,842
Savings deposits	**25,374**	**27,315**
With agreed period of notice		
up to three months	18,633	19,009
more than three months and up to one year	4,927	6,256
more than one year and up to five years	1,788	2,026
more than five years	26	24
Other liabilities to customers	**283,882**	**274,312**
Repayable on demand	140,301	117,083
With agreed maturity date or period of notice		
up to three months	114,624	136,064
more than three months and up to one year	9,670	7,096
more than one year and up to five years	11,355	7,893
more than five years	7,932	6,176
Debt securities issued	**79,818**	**74,664**
Other liabilities evidenced by paper	**35,587**	**42,335**
Remaining maturity of		
up to three months	14,743	19,950
more than three months and up to one year	17,743	18,599
more than one year and up to five years	2,288	2,921
more than five years	813	865

Provisions

in € m.	**Dec 31, 2004**	Dec 31, 2003
Provisions for pensions and similar obligations	733	893
Provisions for taxes	6,677	5,317
Provisions in insurance business	7,617	8,834
Other provisions	6,472	6,279
Total	**21,499**	**21,323**

Subordinated Liabilities

The following table shows the significant subordinated liabilities:

Currency	Amount	Issuer/type	Interest rate	Maturity
EUR	1,100,000,000.–	Deutsche Bank AG, bond of 2003	5.13%	Jan 31, 2013
EUR	1,000,000,000.–	Deutsche Bank AG, bond of 2003	5.33%	Sep 19, 2023
EUR	750,000,000.–	Deutsche Bank Finance N.V., Curaçao, callable note of 2002	5.38%	Mar 27, 2012
U.S.$	500.000.000,–	Deutsche Bank Finance N.V., Curaçao, callable note of 2002	var. 3.05%	Mar 27, 2012
U.S.$	1,100,000,000.–	Deutsche Bank Financial Inc., Dover/USA, “Yankee”-bond of 1996	6.70%	Dec 13, 2006
U.S.$	550,000,000.–	Deutsche Bank Financial Inc., Dover/USA, medium-term note of 2000	7.50%	Apr 25, 2009
U.S.$	650,000,000.–	DB Capital Funding LLC I, Wilmington/USA, issue proceeds passed on to Deutsche Bank AG	7.87%	Jun 30, 2009
U.S.$	800,000,000.–	Deutsche Bank Financial Inc., Dover/USA, “Yankee”-bond of 2003	5.38%	Mar 2, 2015
EUR	1,000,000,000.–	Deutsche Bank AG, bond of 2004	var. 3.88%	Jan 16, 2014
EUR	500.000.000,–	Deutsche Bank AG, bond of 2004	var. 2.48%	Sep 20, 2016

For the above subordinated liabilities there is no premature redemption obligation on the part of the issuers. In case of liquidation or insolvency, the claims and interest claims resulting from these liabilities are subordinate to those claims of all creditors of the issuers that are not also subordinated. These conditions also apply to the subordinated borrowings not specified individually.

Foreign Currency

The table shows the effects of exchange rate changes on the balance sheet:

in € m.	**Dec 31, 2004**	Dec 31, 2003
Foreign currency assets	543,900	402,900
thereof U.S.$	316,100	232,500
Foreign currency liabilities (excluding capital and reserves)	467,100	433,200
thereof U.S.$	285,100	258,100
Change in total assets owing to parity changes for foreign currencies[1]	(47,100)	(61,800)
thereof due to U.S.$	(31,800)	(41,500)

[1] Based on the asset side.

Trust Activities

Trust assets:

in € m.	**Dec 31, 2004**	Dec 31, 2003
Interest-earning deposits with banks	1,008	640
Securities available for sale	6,461	1,374
Loans	6,676	2,959
Others	3,618	6,884
Total	**17,763**	**11,857**

Trust liabilities:

in € m.	Dec 31, 2004	Dec 31, 2003
Deposits	13,914	9,695
Short-term borrowings	1,468	0
Long-term debt	851	779
Others	1,530	1,383
Total	**17,763**	**11,857**

Interest Revenues

Interest revenues include interest income from debt securities available for sale and other investments in the amount of € 509 million (2003: € 588 million).

Dividend Income from Securities Available for Sale and Other Investments

Dividend income from securities available for sale and other investments amounted to € 300 million (2003: € 386 million). Included in this figure is dividend income on equity securities available for sale in the amount of € 238 million (2003: € 278 million).

Commission Income

Commissions receivable amounted to € 12,171 million (2003: € 11,817 million) and commissions payable to € 2,665 million (2003: € 2,485 million), especially in securities business and for asset management.

The following administration and agency services were provided for third parties: custodian, asset management, administration of trust assets, referral of mortgages, insurance policies and property finance agreements, as well as mergers & acquisitions.

Staff Costs

in € m.	2004	2003
Wages and salaries	8,512	8,824
Social security costs	1,710	1,671
thereof: those relating to pensions	496	491
Total	**10,222**	**10,495**

Other Operating Income and Expenses

Other income from ordinary activities consisted above all of net income from real estate, net income from investment companies as well as income from derivatives used as hedges.

Other current expenses from ordinary activities consisted, among other things, of additions to provisions not relating to lending or securities business, expenses for residential property maintenance of Deutsche Wohnen AG, Eschborn, and other taxes.

Result from Financial Investments

in € m.	2004	2003
Result from securities available for sale	235	20
Result from other investments[1]	21	(100)
Total	**256**	**(80)**

[1] Excluding investments held at equity and investments held by designated investment companies.

Extraordinary Items

There are no extraordinary items to be reported for 2004 and 2003.

Board of Managing Directors and Supervisory Board

In 2004, the total compensation of the Board of Managing Directors was € 25,101,614 (2003: € 28,005,459), thereof € 20,901,900 (2003: € 23,693,460) for variable components. Former members of the Board of Managing Directors of Deutsche Bank AG or their surviving dependents received € 17.918.080 (2003: € 31,218,859). In addition to a fixed payment of € 1,124,620 (2003: € 736,117), the Supervisory Board received dividend-related emoluments totaling € 979,910 (2003: € 1,354,264).

Provisions for pension obligations to former members of the Board of Managing Directors and their surviving dependents totaled € 171,093,311 (2003: € 173,794,918).

At the end of 2004, loans and advances granted and contingent liabilities assumed for members of the Board of Managing Directors amounted to € 5,100 (2003: € 95,000) and for members of the Supervisory Board of Deutsche Bank AG to € 400,900 (2003: € 473,000).

Staff

The average number of effective staff employed in 2004 was 66,115 (2003: 69,440) of whom 27,981 (2003: 29,786) were women. Part-time staff is included in these figures proportionately. An average of 37,913 (2003: 38,420) staff members worked abroad.

Other Publications

The list of mandates gives details of mandates in Germany and abroad. It can be obtained free of charge.

Reconciliation Comments

Differences in accounting and measurement methods in the Consolidated Financial Statements: U.S. GAAP compared to German Commercial Code (HGB).

In contrast to German reporting, U.S. Generally Accepted Accounting Principles (U.S. GAAP) seek creditor protection by providing relevant information rather than by conservative reporting and valuation rules. The different objective of U.S. GAAP leads to different accounting and valuation methods or to different reporting in the Consolidated Financial Statements:

Trading Assets. Trading assets include securities held for trading purposes and positive market values from outstanding derivative financial instruments. They are carried at fair value on the balance sheet with the changes in fair value reported in trading revenues. This leads to the recognition of earnings which are qualified as unrealized gains under German law. Furthermore, positive market values from derivative financial instruments are not recognized on the balance sheet under the German Commercial Code.

Netting in trading activities. Trading assets and trading liabilities are netted if there is an enforceable master netting agreement. Similarly, positive and negative market values from derivative financial instruments with the same counterparty are netted under existing master netting agreements. Furthermore, long and short positions in a marketable security are also reported net (so-called “CUSIP/ISIN netting”).

Securities Available for Sale. Financial assets classified as securities available for sale are carried at fair value, whereby, unrealized gains and losses are reported within “shareholders’ equity” and realized gains and losses are recorded in earnings. Under the German Commercial Code these holdings are carried at lower-of-cost-or-market on the balance sheet.

Goodwill. Under U.S. GAAP, goodwill is not amortized but tested for impairment on an ongoing basis. Under the German Commercial Code and German Accounting Standards, goodwill is amortized over a period of up to 20 years.

Premises and Equipment

Tax bases. Premises and equipment are not reported based on the tax value in the U.S. GAAP financial statements. As a result, premises and equipment are usually carried at a higher value compared with statements prepared under the German Commercial Code.

Software costs. Certain costs for self-developed software are capitalized if the specific conditions of U.S. GAAP are fulfilled. Under the German Commercial Code, all software costs are expensed as incurred.

Trading Liabilities. Trading liabilities comprise short positions and negative market values from derivative financial instruments, unless they have been netted with trading assets. The German Commercial Code requires short positions to be reported under liabilities to banks and/or liabilities to customers. A negative market value from a derivative financial instrument is generally recognized as a provision for imminent losses from pending transactions, unless the negative market value offsets the synthetic compensatory valuation of another balance sheet item, which the derivative financial instrument is linked to (establishment of so-called "valuation units").

Provisions

for pension plans and similar obligations. Forecasted salary growth is taken into account in the actuarial calculation of pension provisions. Effects of plan amendments on the pension liability are deferred and not fully recognized in P&L immediately. Also, market interest rates are utilized.

In case of pension trusts whose designated trust assets serve solely to secure the long-term pension commitments made by the bank and therefore are segregated from the bank's other operating assets, the pension liabilities are offset with the designated plan assets for reporting purposes. The corresponding profit components are also offset. The German Commercial Code does not allow such offsetting for balance sheet and P&L reporting purposes.

Deferred Taxes. Deferred taxes are recorded in accordance with the balance sheet-related temporary differences concept whereby the carrying amounts of individual assets and liabilities in the balance sheet are compared with the values for tax purposes. Temporary differences between these values result in deferred tax assets or deferred tax liabilities. On the other hand, tax deferrals according to the German Commercial Code are only admissible as timing differences between commercial-law results and the profit to be calculated in accordance with tax regulations.

Own Bonds/Own Shares. Repurchased own bonds are extinguished. Differences between cost and issuing value are recognized in the statement of income.

Own shares (treasury shares) are deducted from shareholders' equity with their acquisition cost. Gains and losses are directly attributed to additional paid-in capital.

Minority Interests. Minority interests are reported as other liabilities.

Trust Business. In accordance with its economic content, trust business which the bank transacts in its own name, but for third-party account, is not reported on the face of the balance sheet.

[37] Corporate Governance

Deutsche Bank AG and its only German listed consolidated subsidiary, Deutsche Wohnen AG, have approved the Declaration of Conformity in accordance with § 161 of the German Corporation Act (AktG) and made it accessible to shareholders.

[38] Board of Managing Directors in the Reporting Year

Josef Ackermann
Spokesman

Clemens Börsig

Tessen von Heydebreck

Hermann-Josef Lamberti

Risk Report

Risk Management

The wide variety of our businesses requires us to identify, measure, aggregate and manage our risks effectively, and to allocate our capital among our businesses appropriately. We manage risk through a framework of risk principles, organizational structures and risk measurement and monitoring processes that are closely aligned with the activities of our Group Divisions.

Risk Management Principles

The following key principles underpin our approach to risk management:

- Our Board of Managing Directors provides overall risk management supervision for our consolidated Group as a whole. Our Supervisory Board regularly monitors our risk profile.
- We manage credit, market, liquidity, operational and business risks in a coordinated manner at all relevant levels within our organization.
- The structure of our risk management function is closely aligned with the structure of our Group Divisions.
- The risk management function is independent of our Group Divisions.

Risk Management Organization

Our Group Chief Risk Officer, who is a member of our Board of Managing Directors, is responsible for our credit, market, operational and business risk management activities within our consolidated Group. The Group Chief Risk Officer chairs our Group Risk Committee, which is responsible for planning, management and control of the aforementioned risks across our consolidated Group.

The Group Risk Committee has delegated some of its tasks to sub-committees, the most significant being the Group Credit Policy Committee. Among others it reviews credit policies, industry reports and country risk limit applications throughout the Group.

For each of our Group Divisions, risk management units are established with the mandate to:

- Ensure that the business conducted within each division is consistent with the risk appetite the Group Risk Committee has set;
- Formulate and implement risk policies, procedures and methodologies that are appropriate to the businesses within each division;
- Approve credit risk and market risk limits;
- Conduct periodic portfolio reviews to ensure that the portfolio of risks is within acceptable parameters; and
- Develop and implement risk management infrastructures and systems that are appropriate for each division.

Group Treasury is responsible for the management of liquidity risk. Our liquidity risk status as well as policies relating to the identification, measurement and management of liquidity risk are reviewed on a regular basis by our Group Asset and Liability Committee, which is chaired by the Board Member responsible for Treasury.

Our controlling, audit and legal departments support our risk management function. They operate independently both of the Group Divisions and of the risk management function. The role of the controlling department is to quantify the risk we assume and ensure the quality and integrity of our risk-related data. Our audit department reviews the compliance of our internal control procedures with internal and regulatory standards. Our legal department provides legal advice and support on topics including collateral arrangements and netting.

Categories of Risk

The most important risks we assume are specific banking risks and risks arising from the general business environment.

Specific Banking Risks

Our risk management processes distinguish among four kinds of specific banking risks: credit risk, market risk, liquidity risk and operational risk.

- **Credit risk** arises from all transactions that give rise to actual, contingent or potential claims against any counterparty, obligor or borrower (which we refer to collectively as “counterparties”). This is the largest single risk we face. We distinguish among three kinds of credit risk:
  - *Default risk* is the risk that counterparties fail to meet contractual payment obligations.
  - *Country risk* is the risk that we may suffer a loss, in any given country, due to any of the following reasons: a possible deterioration of economic conditions, political and social upheaval, nationalization and expropriation of assets, government repudiation of indebtedness, exchange controls and disruptive currency depreciation or devaluation. Country Risk includes transfer risk which arises when debtors are unable to meet their obligations owing to an inability to transfer assets to non-residents due to direct sovereign intervention.
  - *Settlement risk* is the risk that the settlement or clearance of transactions will fail. It arises whenever the exchange of cash, securities and/or other assets is not simultaneous.
- **Market risk** arises from the uncertainty concerning changes in market prices and rates (including interest rates, equity prices, foreign exchange rates and commodity prices), the correlations among them and their levels of volatility.
- **Liquidity risk** is the risk arising from our potential inability to meet all payment obligations when they come due.
- **Operational risk** is the potential for incurring losses in relation to employees, project management, contractual specifications and documentation, technology, infrastructure failure and disasters, external influences and customer relationships. This definition includes legal and regulatory risk, but excludes business risk.

Business Risk

Business risk describes the risk we assume due to potential changes in general business conditions, such as our market environment, client behavior and technological progress. This can affect our earnings if we fail to adjust quickly to these changing conditions.

Insurance Specific Risk

We are not engaged in any activities that result in insurance specific risk material to the Group.

Risk Management Tools

We use a comprehensive range of quantitative tools and metrics for monitoring and managing risks. Some of these tools are common to a number of risk categories, while others are tailored to the particular features of specific risk categories.

As a matter of policy, we continually assess the appropriateness and the reliability of our quantitative tools and metrics in light of our changing risk environment. The following are the most important quantitative tools and metrics we currently use to measure, manage and report our risk:

Expected Loss

We use expected loss as a measure of the default, transfer, and settlement risk elements of our credit risk. Expected loss is a measurement of the loss we can expect within a one-year period on our credit exposure, based on our historical loss experience. When calculating expected loss, we take into account credit risk ratings, collateral, maturities and statistical averaging procedures to reflect the risk characteristics of our different types of exposures and facilities. All parameter assumptions are based on statistical averages of our internal default and loss history as well as external benchmarks. We use expected loss as a tool of our risk management process and as part of our management reporting systems. We also use the applicable results of the expected loss calculations when establishing the other inherent loss allowance included in our financial statements. Applicable results in this context are those that are used to estimate losses inherent in loans and contingent liabilities that are not already considered in the specific loss component of our allowance or our allowance for smaller-balance standardized homogeneous loans.

Economic Capital

Economic capital measures the amount of capital we need to absorb very severe unexpected losses arising from our exposures. “Very severe” in this context means that economic capital is set at a level to cover with a probability of 99.98% the aggregated unexpected losses within one year. We calculate economic capital for the default risk, transfer risk and settlement risk elements of credit risk, for market risk, for operational risk and for general business risk. We use economic capital to show an aggregated view of our risk position from individual business lines up to our consolidated Group level. We also use economic capital (as well as goodwill and other non-amortizing intangibles) in order to allocate our book capital among our businesses. This enables us to assess each business unit’s risk-adjusted profitability, which is a key metric in managing our financial resources in order to optimize the value generated for our shareholders. In addition, we consider economic capital, in particular for credit risk, when we measure the risk-adjusted profitability of our client relationships.

Value-at-Risk

We use the value-at-risk approach to derive quantitative measures for our trading book market risks under normal market conditions. Our value-at-risk figures play a role in both internal and external (regulatory) reporting. For a given portfolio, value-at-risk measures the potential future loss (in terms of market value) that, under normal market conditions, will not be exceeded with a defined confidence level in a defined period. The value-at-risk for a total portfolio represents a measure of our diversified market risk (aggregated using pre-determined correlations) in that portfolio.

Stress Testing

We supplement our analysis of market risk with stress testing. We perform stress tests because value-at-risk calculations are based on relatively recent historical data and only purport to estimate risk up to a defined confidence level. Therefore, they only reflect possible losses under relatively normal market conditions. Stress tests help us determine the effects of potentially extreme market developments on the value of our market risk sensitive exposures. We use stress testing to determine the amount of economic capital we need to allocate to cover our market risk exposure under extreme market conditions.

Regulatory Risk Reporting

German banking regulators assess our capacity to assume risk in several ways, which are described in more detail in Note [22] of the consolidated financial statements.

Credit Risk

Credit risk makes up the largest part of our risk exposures. We measure and manage our credit risk following the below principles:

- In all our Group Divisions consistent standards are applied in the respective credit decision processes.
- The approval of credit limits for counterparties and the management of our individual credit exposures must fit within our portfolio guidelines and our credit strategies, and each decision also involves a risk-versus-return analysis.
- Every extension of credit or material change to a credit facility (such as its tenor, collateral structure or major covenants) to any counterparty requires credit approval at the appropriate authority level.
- We assign credit approval authorities to individuals according to their qualifications, experience and training, and we review these periodically.
- We measure and consolidate all our credit exposures to each obligor on a global consolidated basis that applies across our consolidated Group. We define an “obligor” as a group of individual borrowers that are linked to one another by any of a number of criteria we have established, including capital ownership, voting rights, demonstrable control, other indication of group affiliation; or are jointly and severally liable for all or significant portions of the credit we have extended.

Credit Risk Ratings

A primary element of the credit approval process is a detailed risk assessment of every credit exposure associated with an obligor. Our risk assessment procedures consider both the creditworthiness of the counterparty and the risks related to the specific type of credit facility or exposure. This risk assessment not only affects the structuring of the transaction and the outcome of the credit decision, but also influences the level of decision-making authority required to extend or materially change the credit and the monitoring procedures we apply to the ongoing exposure.

We have our own in-house assessment methodologies, scorecards and rating scale for evaluating the creditworthiness of our counterparties. Our granular 26-grade rating scale, which is calibrated on a probability of default measure based upon a statistical analysis of historical defaults in our portfolio, enables us to compare our internal ratings with common market practice and ensures comparability between different sub-portfolios of our institution. While we generally rate all our credit exposures individually, at times we rely on rating averages for measuring risk. When we assign our internal risk ratings, we compare them with external risk ratings assigned to our counterparties by the major international rating agencies, where possible.

Credit Limits

Credit limits set forth maximum credit exposures we are willing to assume over specified periods. They relate to products, conditions of the exposure and other factors. Our credit policies also establish special procedures (including lower approval thresholds and more senior approval personnel) for exceptional cases when we may assume exposures beyond established limits. These exceptions provide a degree of flexibility for unusual business opportunities, new market trends and other similar factors.

Monitoring Default Risk

We monitor all of our credit exposures on a continuing basis using the risk management tools described above. We also have procedures in place to identify at an early stage credit exposures for which there may be an increased risk of loss. Counterparties, that, on the basis of the application of our risk management tools, demonstrate the likelihood of problems, are identified well in advance so that we can effectively manage the credit exposure and maximize the recovery. The objective of this early warning system is to address potential problems while adequate alternatives for action are still available. This early risk detection is a tenet of our credit culture and is intended to ensure that greater attention is paid to such exposures. In instances where we have identified customers where problems might arise, the respective exposure is placed on a watchlist.

Loan Exposure Management Group

In 2003, we significantly modified our approach to managing risk in the corporate loan book within the Corporate and Investment Bank Group Division by creating the Loan Exposure Management Group (LEMG). As part of our overall framework of risk management, LEMG has assisted in managing credit risk within the investment-grade loan portfolio for all loans and lending-related commitments with an original maturity greater than 180 days (excluding medium-sized German companies). During 2004, this approach was extended to include loans and lending-related commitments to medium-sized investment- and noninvestment-grade German companies with an original maturity of greater than 360 days but excluding any legacy business.

Acting as a central pricing reference, LEMG provides the respective Corporate and Investment Bank Group Division businesses with an observed or derived capital market rate for loan applications; however, the decision of whether or not the business can enter into the loan remains with Credit Risk Management.

LEMG is concentrating on two primary initiatives within the new credit risk framework to further enhance risk management discipline, improve returns and use capital more efficiently:

– to reduce single-name and industry credit risk concentrations within the loan portfolio, and
– to manage credit exposures actively by utilizing techniques including loan sales, securitization via collateralized loan obligations, and single-name and portfolio credit default swaps.

LEMG's risk reduction activities are of increasing significance. As of year-end 2004, LEMG held credit derivatives including those embedded in credit linked notes with an underlying notional of € 18.5 billion. This position totaled € 14.0 billion as of December 31, 2003.

The credit derivatives used for our portfolio management activities are accounted for at fair value and do not qualify for hedge accounting under SFAS 133.

LEMG also mitigated the credit risk of € 7.2 billion of loans and lending commitments as of December 31, 2004 by synthetic collateralized loan obligations for which the first loss piece has been sold. This represents an increase of 125% compared to December 31, 2003, when € 3.2 billion of loans and lending commitments were included in synthetic collateralized loan obligations. Credit mitigation by way of synthetic collateralized loan obligations supported by financial guarantee contracts is especially important as it not only addresses the credit risk of the underlying positions but also eliminates the accounting asymmetry issue between the lending positions and credit default swaps, and allows us to manage the risk of illiquid positions.

Credit Exposure

We define our credit exposure as all transactions where losses might occur due to the fact that counterparties may not fulfill their contractual payment obligations. We calculate the gross amount of the exposure without taking into account any collateral, other credit enhancement or credit risk mitigating transactions. In the tables below, we show details about our main credit exposures categories, namely loans, contingent liabilities, over-the-counter ("OTC") derivatives and tradable assets:

– "Loans" are net loans as reported on our balance sheet but before deduction of our allowance for loan losses.
– "Contingent Liabilities" consist of financial and performance guarantees, standby letters of credit and indemnity agreements.
– "OTC Derivatives" are our credit exposures from over-the-counter derivative transactions that we have entered into. On our balance sheet, these are included in trading assets and, for derivatives entered into for nontrading purposes, in other assets.
– "Tradable Assets" include bonds, loans and other fixed-income products that are in our trading assets as well as in securities available for sale.

Although we consider them in monitoring our credit exposures, the following are not included in the tables below: cash and due from banks, interest-earnings deposits with banks, and accrued interest receivables amounting to € 29.5 billion at December 31, 2004 and € 29.4 billion at December 31, 2003; forward committed repurchase and reverse repurchase agreements of € 99.7 billion at December 31, 2004 and € 62.8 billion at December 31, 2003; and lending-related commitments of € 105.2 billion at December 31, 2004 and € 88.9 billion at December 31, 2003. At December 31, 2004, 86% of our lending-related commitments were extended to counterparties rated at the equivalent of investment-grade debt ratings from the major international rating agencies.

The following table breaks down our main credit exposure categories by geographical region. For this table, we have allocated exposures to regions based on the country of domicile of our counterparties, irrespective of any affiliations the counterparties may have with corporate groups domiciled elsewhere.

Credit risk profile by region	Loans		Contingent liabilities		OTC derivatives		Tradable assets		Total	
in € m.	**Dec 31, 2004**	Dec 31, 2003	**Dec 31, 2004**	Dec 31, 2003	**Dec 31, 2004**	Dec 31, 2003	**Dec 31, 2004**	Dec 31, 2003	**Dec 31, 2004**	Dec 31, 2003
Eastern Europe	1,568	1,372	418	491	607	588	3,282	2,840	5,875	5,291
Western Europe	112,139	120,136	18,840	16,283	36,486	35,428	88,450	87,969	255,915	259,816
Africa	288	395	168	192	300	224	1,000	1,086	1,756	1,897
Asia-Pacific	8,258	7,176	2,656	2,624	6,892	7,072	57,680	36,019	75,486	52,891
North America	14,911	17,038	7,469	6,752	15,820	15,495	87,749	94,632	125,949	133,917
Central and South America	1,522	2,075	326	195	688	571	4,607	3,850	7,143	6,691
Other[1]	3	35	18	–	874	1,093	2,258	2,073	3,153	3,201
Total	**138,689**	**148,227**	**29,895**	**26,537**	**61,667**	**60,471**	**245,026**	**228,469**	**475,277**	**463,704**

[1] Includes supranational organizations and other exposures that we have not allocated to a single region.

The following table breaks down our main credit exposure categories according to the industry sectors of our counterparties.

Credit risk profile by industry sector in € m.	Loans		Contingent liabilities		OTC derivatives		Tradable assets		Total	
	Dec 31, 2004	Dec 31, 2003	**Dec 31, 2004**	Dec 31, 2003	**Dec 31, 2004**	Dec 31, 2003	**Dec 31, 2004**	Dec 31, 2003	**Dec 31, 2004**	Dec 31, 2003
Banks and insurance	7,787	10,521	4,921	4,990	44,450	46,597	51,406	62,480	108,564	124,588
Manufacturing	13,270	16,155	8,028	7,834	1,837	1,997	15,919	18,241	39,054	44,227
Households	57,076	54,937	1,372	862	285	357	–	–	58,733	56,156
Public sector	3,278	2,309	1,630	377	5,838	3,984	140,614	104,648	151,360	111,318
Wholesale and retail trade	10,288	11,824	2,274	2,454	684	691	3,062	3,589	16,308	18,558
Commercial real estate activities	14,102	13,606	313	722	763	300	1,755	1,447	16,933	16,075
Other	32,888[1]	38,875[1]	11,357	9,298	7,810	6,545	32,270	38,064	84,325	92,782
Total	**138,689**	**148,227**	**29,895**	**26,537**	**61,667**	**60,471**	**245,026**	**228,469**	**475,277**	**463,704**

1 Includes lease financing.

We also classify our credit exposure under two broad headings: corporate credit exposure and consumer credit exposure.

- Our corporate credit exposure consists of all exposures not defined as consumer credit exposure.
- Our consumer credit exposure consists of our smaller-balance standardized homogeneous loans, primarily in Germany, Italy and Spain, which include personal loans, residential and nonresidential mortgage loans, overdrafts and loans to self-employed and small business customers of our private and retail business.

Corporate Credit Exposure

The following table breaks down our main corporate credit exposure categories according to the creditworthiness categories of our counterparties.

This table illustrates the continued reduction in our corporate loan book, which mainly took place in Germany and, to a lesser extent, in the U.S., as well as a general improvement in the credit quality of our lending-related credit exposures. The change in the creditworthiness of our corporate loan book in 2004 compared to 2003 is primarily a consequence of our enhanced credit discipline and the improved credit environment witnessed throughout the year. This is evidenced by the portion of our corporate loan book carrying an investment-grade rating increasing from 58% at December 31, 2003 to 60% at December 31, 2004 with a corresponding reduction in the portion of our corporate loan book being classified as sub-investment grade.

Creditworthiness category in € m.	Loans		Contingent liabilities		OTC derivatives		Tradable assets		Total	
	Dec 31, 2004	Dec 31, 2003	**Dec 31, 2004**	Dec 31, 2003	**Dec 31, 2004**	Dec 31, 2003	**Dec 31, 2004**	Dec 31, 2003	**Dec 31, 2004**	Dec 31, 2003
AAA–AA	12,363	12,167	3,209	2,992	27,885	27,014	133,839	126,010	177,296	168,183
A	10,852	13,871	8,045	5,627	18,194	17,195	32,217	33,383	69,308	70,076
BBB	22,794	26,265	10,242	7,886	10,087	11,750	38,264	32,676	81,387	78,577
BB	21,375	25,292	6,058	6,573	4,675	3,784	28,436	23,417	60,544	59,066
B	4,778	5,749	1,707	1,799	649	621	8,830	6,756	15,964	14,925
CCC and below	4,107	6,947	634	1,660	177	107	3,440	6,227	8,358	14,941
Total	**76,269**	**90,291**	**29,895**	**26,537**	**61,667**	**60,471**	**245,026**	**228,469**	**412,857**	**405,768**

Consumer Credit Exposure

The table below presents our total consumer credit exposure, consumer loan delinquencies in terms of loans that are 90 days or more past due, and net credit costs, which are the net provisions charged during the period, after recoveries. Loans 90 days or more past due and net credit costs are both expressed as a percentage of total exposure.

	Total exposure (in € m.)		90 days or more past due as a % of total exposure		Net credit costs as a % of total exposure	
	Dec 31, 2004	Dec 31, 2003	**Dec 31, 2004**	Dec 31, 2003	**Dec 31, 2004**	Dec 31, 2003
Consumer credit exposure Germany	47,395	45,167	2.20%	2.38%	0.42%	0.53%
Consumer and small business financing	10,060	10,550	2.48%	2.54%	1.36%	1.36%
Mortgage lending	37,335	34,617	2.12%	2.33%	0.17%	0.28%
Consumer credit exposure other Europe	15,025	12,769	1.21%	1.54%	0.47%	0.52%
Total consumer credit exposure	**62,420**	**57,936**	**1.96%**	**2.19%**	**0.43%**	**0.53%**

The volume of our consumer credit exposure rose by € 4.5 billion, or 7.7%, from 2003 to 2004, driven mainly by the inclusion of DB Bauspar AG in the homogeneous portfolio contributing € 1.4 billion and the growth of our portfolio in Italy (up by € 1.4 billion) and Spain (up by € 0.7 billion). Total net credit costs decreased from 0.53% of our total exposure in 2003 to 0.43% in 2004, driven by better customer performance. In Germany, loans delinquent by 90 days or more decreased from 2.38% to 2.20% reflecting decreased delinquencies in both consumer and small business financing as well as mortgage lending. The lower percentage of delinquent loans in other Europe is mainly a reflection of accelerated charge-offs in Poland and Italy due to refinement of processes and procedures.

Credit Exposure from Derivatives

To reduce our derivatives-related credit risk, we regularly seek the execution of master agreements (such as the International Swap Dealers Association contract for swaps) with our clients. A master agreement allows the offsetting of the obligations arising under all of the derivatives contracts that the agreement covers upon the counterparty's default, resulting in one single net claim against the counterparty (called "close-out netting"). We also enter into "payment netting" agreements under which we net non-simultaneous settlement of cash flows, reducing our principal risk. We frequently enter into these agreements in our foreign exchange business.

For internal credit exposure measurement purposes, we only apply netting when we believe it is legally enforceable for the relevant jurisdiction and counterparty. Also, we enter into collateral support agreements to reduce our derivatives-related credit risk. These collateral arrangements generally provide risk mitigation through periodic (usually daily) margining of the covered portfolio or transactions and termination of the master agreement if the counterparty fails to honor a collateral call. As with netting, when we believe the collateral agreement is enforceable we reflect this in our exposure measurement.

As the replacement values of our portfolios fluctuate with movements in market rates and with changes in the transactions in the portfolios, we also estimate the potential future replacement costs of the portfolios over their lifetimes or, in case of collateralized portfolios, over appropriate unwind periods. We measure our potential future exposure against separate limits, which can be a multiple of the credit limit. We supplement our potential future exposure analysis with stress tests to estimate the immediate impact of extreme market events on our exposures (such as event risk in our Emerging Markets portfolio).

Treatment of Default Situations under Derivatives

Unlike in the case of our standard loan assets, we generally have more options to manage the credit risk in our OTC derivatives when movement in the current replacement costs of the transactions and the behavior of our counterparty indicate that there is the risk that upcoming payment obligations under the transactions might not be honored. In these situations, we are frequently able to obtain additional collateral or terminate the transactions or the related master agreement.

When our decision to terminate transactions or the related master agreement results in a residual net obligation of the counterparty, we restructure the obligation into a nonderivative claim and manage it through our regular workout process. As a consequence, we do not show any nonperforming derivatives.

The following table shows the notional amounts and gross market values of OTC and exchange-traded derivative contracts we held for trading and nontrading purposes as of December 31, 2004.

Dec. 31, 2004 in € m.	Notional amount maturity distribution: Within one year	> 1 and ≤ 5 years	After five years	Total	Positive market value	Negative market value	Net market value
Interest-rate-related transactions:							
OTC products:							
FRAs	1,142,075	66,308	1,811	1,210,194	565	(884)	(319)
Interest rate swaps (single currency)	3,663,495	5,141,770	3,889,726	12,694,991	191,570	(189,289)	2,281
Purchased interest rate options	469,424	405,518	465,565	1,340,507	25,540	–	25,540
Written interest rate options	362,540	459,100	495,247	1,316,887	–	(27,674)	(27,674)
Other interest rate trades	–	–	–	–	–	–	–
Exchange-traded products:							
Interest rate futures	461,919	4,090	23	466,032	–	–	–
Purchased interest rate options	56,100	–	–	56,100	61	–	61
Written interest rate options	83,692	–	–	83,692	–	(38)	(38)
Sub-total	**6,239,245**	**6,076,786**	**4,852,372**	**17,168,403**	**217,736**	**(217,885)**	**(149)**
Currency-related transactions:							
OTC products:							
Forward exchange trades	413,924	24,583	2,339	440,846	7,466	(9,370)	(1,904)
Cross currency swaps	1,361,758	264,895	151,340	1,777,993	48,510	(44,234)	4,276
Purchased foreign currency options	355,334	32,650	4,414	392,398	9,098	–	9,098
Written foreign currency options	359,385	38,198	2,588	400,171	–	(9,001)	(9,001)
Exchange-traded products:							
Foreign currency futures	6,521	5	–	6,526	–	–	–
Purchased foreign currency options	907	–	–	907	20	–	20
Written foreign currency options	994	–	–	994	–	(16)	(16)
Sub-total	**2,498,823**	**360,331**	**160,681**	**3,019,835**	**65,094**	**(62,621)**	**2,473**
Equity/index-related transactions:							
OTC products:							
Equity forward	77	13	–	90	–	(20)	(20)
Equity/index swaps	50,538	38,652	4,881	94,071	2,812	(3,841)	(1,029)
Purchased equity/index options	56,387	81,177	6,998	144,562	13,104	–	13,104
Written equity/index options	58,335	89,942	12,028	160,305	–	(14,850)	(14,850)
Exchange-traded products:							
Equity/index futures	39,040	–	–	39,040	–	–	–
Equity/index purchased options	51,516	29,310	2,065	82,891	5,358	–	5,358
Equity/index written options	49,203	30,764	4,398	84,365	–	(5,398)	(5,398)
Sub-total	**305,096**	**269,858**	**30,370**	**605,324**	**21,274**	**(24,109)**	**(2,835)**
Credit derivatives	**35,501**	**400,964**	**111,455**	**547,920**	**10,036**	**(15,260)**	**(5,224)**
Other transactions:							
OTC products:							
Precious metal trades	22,499	22,772	4,017	49,288	2,743	(1,613)	1,130
Other trades	72,627	57,171	1,555	131,353	7,653	(6,794)	859
Exchange-traded products:							
Futures	8,801	112	8	8,921	–	–	–
Purchased options	4,830	–	–	4,830	381	–	381
Written options	5,279	–	–	5,279	–	(383)	(383)
Sub-total	**114,036**	**80,055**	**5,580**	**199,671**	**10,777**	**(8,790)**	**1,987**
Total OTC business	**8,423,899**	**7,123,713**	**5,153,964**	**20,701,576**	**319,097**	**(322,830)**	**(3,733)**
Total exchange-traded business	**768,802**	**64,281**	**6,494**	**839,577**	**5,820**	**(5,835)**	**(15)**
Total	**9,192,701**	**7,187,994**	**5,160,458**	**21,541,153**	**324,917**	**(328,665)**	**(3,748)**
Positive market values after netting agreements					**67,486**		

Country Risk

We manage country risk through a number of risk measures and limits, the most important being:

- *Total Counterparty Exposure.* All credit extended and OTC derivatives exposure to counterparties domiciled in a given country that we view as being at risk due to economic or political events ("country risk event"). It includes non-guaranteed subsidiaries of foreign entities and offshore subsidiaries of local clients.
- *Transfer Risk Exposure.* Credit risk arising where an otherwise solvent and willing debtor is unable to meet its obligations due to the imposition of governmental or regulatory controls restricting its ability either to obtain foreign exchange or to transfer assets to nonresidents (a "transfer risk event"). It includes all of our credit extended and OTC derivatives exposure from one of our offices in one country to a counterparty in a different country.
- *Highly-Stressed Event Risk Scenarios.* We use stress testing to measure potential market risk on our trading positions and view these as market risks.

Country Risk Ratings

Our country risk ratings represent a key tool in our management of country risk. They are established by an independent country risk research function within our Credit Risk Management function and include:

- *Sovereign Rating.* An estimate of the probability of the sovereign defaulting on its foreign or local currency obligations, respectively.
- *Transfer Risk Rating.* An estimate of the probability of a "transfer risk event" (usually as part of a country risk event).
- *Event Risk Rating.* For further details see "Market Risk" below.

All sovereign and transfer risk ratings are reviewed, at least annually, by the Group Credit Policy Committee. Our country risk research group also reviews, at least quarterly, our ratings for the major Emerging Markets countries. Ratings for countries that we view as particularly volatile, as well as all event risk ratings, are subject to continuous review.

We also regularly compare our internal risk ratings with the ratings of the major international rating agencies.

Country Risk Limits

We manage our exposure to country risk through a framework of limits. The bank specifically limits and monitors its exposure to Emerging Markets. For this purpose, Emerging Markets are defined as including all countries in Latin America (including the Caribbean), Asia (excluding Japan), Eastern Europe, the Middle East and Africa. Limits are reviewed at least annually, in conjunction with the review of country risk ratings. Country limits are set by either our Board of Managing Directors or by our Group Credit Policy Committee, pursuant to delegated authority.

Monitoring Country Risk

We charge our Group Divisions with the responsibility of managing their country risk within the approved limits. The regional units within Credit Risk Management monitor our country risk based on information provided by our controlling function. Our Group Credit Policy Committee also reviews data on transfer risk.

Country Risk Exposure

The following tables show the development of total Emerging Markets net counterparty exposure (net of collateral), and the utilized Emerging Markets net transfer risk exposure (net of collateral) by region.

Emerging Markets Net Counterparty Exposure in € m.	**Dec 31, 2004**	Dec 31, 2003
Total Net Counterparty Exposure	7,085	7,296
Total Net Counterparty Exposure (excluding OTC Derivatives)	5,089	5,329

Excluding irrevocable commitments and exposures to non-Emerging Markets bank branches.

Emerging Markets Net Transfer Risk Exposure in € m.	**Dec 31, 2004**	Dec 31, 2003
Africa	336	361
Asia (excluding Japan)	998	1,243
Eastern Europe	598	641
Latin America	790	938
Middle East	877	1,070
Total Emerging Markets Net Transfer Risk Exposure	**3,599**	**4,253**

Excluding irrevocable commitments and exposures to non-Emerging Markets bank branches.

At December 31, 2004, our net transfer risk exposure to Emerging Markets (excluding irrevocable commitments and exposures to non-Emerging Markets bank branches) amounted to € 3.6 billion, reduced by 15% or € 654 million from December 31, 2003.

Problem Loans

Our problem loans are comprised of nonaccrual loans, loans 90 days or more past due and still accruing and troubled debt restructurings. All loans where known information about possible credit problems of borrowers causes management to have serious doubts as to the ability of such borrowers to comply with the present loan repayment terms are included in our problem loans.

Additionally, as of December 31, 2004, the Group had € 83 million of loans held for sale that were non-performing. These amounts are not included in our total problem loans.

The following table presents the components of our 2004 and 2003 problem loans:

in € m.	**Dec 31, 2004**			Dec 31, 2003		
	Impaired loans[1]	Non-performing homogeneous loans	Total	Impaired loans[1]	Non-performing homogeneous loans	Total
Nonaccrual loans	3,401	1,098	4,499	4,980	1,062	6,042
Loans 90 days or more past due and still accruing	26	221	247	74	306	380
Troubled debt restructurings	89	–	89	201	–	201
Total problem loans	**3,516**	**1,319**	**4,835**	**5,255**	**1,368**	**6,623**

[1] Loans for which we determine that it is probable that we will be unable to collect all principal and interest due according to the contractual terms of the loan agreements.

The € 1.8 billion decrease in our total problem loans in 2004 is due to € 1.4 billion of gross charge-offs, a € 0.1 billion reduction as a result of exchange rate movements and a € 0.3 billion net reduction of problem loans. Included in the € 1.3 billion nonperforming smaller-balance standardized homogeneous loans, as of December 31, 2004, are € 1.2 billion of loans that are 90 days or more past due as well as € 0.1 billion of loans that are less than 90 days past due but in the judgment of management the accrual of interest should be ceased.

Our commitments to lend additional funds to debtors with problem loans amounted to € 201 million as of December 31, 2004, of which € 15 million had been committed to debtors whose loan terms have been modified in a troubled debt restructuring.

The following table illustrates our total problem loans split between German and non-German counterparties based on the country of domicile of our counterparty for the last two years.

in € m.	**Dec 31, 2004**	Dec 31,2003
Nonaccrual loans:		
German	3,146	3,448
Non-German	1,353	2,594
Total nonaccrual loans	**4,499**	**6,042**
Loans 90 days or more past due and still accruing:		
German	236	335
Non-German	11	45
Total loans 90 days or more past due and still accruing	**247**	**380**
Troubled debt restructurings:		
German	71	20
Non-German	18	181
Total troubled debt restructurings	**89**	**201**

Nonaccrual Loans

We place a loan on nonaccrual status if:

- the loan has been in default as to payment of principal or interest for 90 days or more and the loan is neither well secured nor in the process of collection, or
- the accrual of interest should be ceased according to management’s judgment as to collectibility of contractual cash flows.

When a loan is placed on nonaccrual status, any accrued but unpaid interest previously recorded is reversed against current period interest revenue. Cash receipts of interest on nonaccrual loans are recorded as either interest revenue or a reduction of principal according to management’s judgment as to collectibility of principal.

As of December 31, 2004, our nonaccrual loans totaled € 4.5 billion, a net decrease of € 1.5 billion, or 26%, from 2003. The net decrease in nonaccrual loans was mainly driven by charge-offs and net exposure reductions.

As of December 31, 2003, our nonaccrual loans totaled € 6.0 billion, a net decrease of € 4.1 billion, or 40%, from 2002. The net decrease in nonaccrual loans was due to charge-offs, deconsolidations, exchange rate movements, refinements in processes and procedures, net exposure reductions and improved credit quality.

Loans Ninety Days or More Past Due and Still Accruing

These are loans in which contractual interest or principal payments are 90 days or more past due but on which we continue to accrue interest. These loans are well secured and in the process of collection.

In 2004, our 90 days or more past due and still accruing interest loans decreased by € 133 million, or 35% to € 247 million. This decrease was mainly due to the placing of loans on nonaccrual status and charge-offs.

In 2003, our 90 days or more past due and still accruing interest loans totaled € 380 million, a net decrease of € 129 million, or 25% to 2002. This decrease was mainly due to the placing of loans on nonaccrual status.

Troubled Debt Restructurings

Troubled debt restructurings are loans that we have restructured due to a deterioration in the borrower’s financial position comprising concessions that we would not otherwise consider.

If a borrower performs satisfactorily for one year under a restructured loan, we no longer consider that borrower’s loan to be a troubled debt restructuring, unless at the time of restructuring the new interest rate was lower than the market rate for similar credit risks.

In 2004, the volume of troubled debt restructurings decreased by € 112 million or 56% to € 89 million as of December 31, 2004. This decrease is mainly due to the placing of loans on nonaccrual status and a debt for securities swap.

In 2003, our troubled debt restructurings remained materially unchanged compared with December 31, 2002.

Credit Loss Experience and Allowance for Loan Losses

We establish an allowance for loan losses that represents our estimate of probable losses in our loan portfolio. The responsibility for determining our allowance for loan losses rests with Credit Risk Management. The components of this allowance are:

Specific Loss Component

The specific loss component relates to all loans deemed to be impaired, following an assessment of the counterparty’s ability to repay. A loan is considered to be impaired when we determine that it is probable that we will be unable to collect all interest and principal due in accordance with the terms of the loan agreement. We determine the amount, if any, of the specific provision we should make, taking into account the present value of expected future cash flows, the fair value of the underlying collateral or the market price of the loan.

We regularly re-evaluate all credit exposures that have already been specifically provided for, as well as all credit exposures that appear on our watchlists.

Inherent Loss Component

The inherent loss component relates principally to all other loans we do not consider impaired but which we believe to have incurred some inherent loss on a portfolio basis and is comprised of:

Country Risk Allowance. We establish a country risk allowance for loan exposures in countries where according to management's judgment a "transfer risk event" is probable. We determine the percentage rates for our country risk allowance on the basis of historical loss experience and current market data, such as economic, political and other relevant factors affecting a country's financial condition. In making our decision we focus primarily on the transfer risk ratings that we assign to a country and the amount and type of collateral.

Smaller-Balance Standardized Homogeneous Loan Loss Allowance. Our smaller-balance standardized homogeneous portfolio includes smaller-balance personal loans, residential and nonresidential mortgage loans, overdrafts, loans to self-employed and small business customers of our private and retail business. These loans are evaluated for inherent loss on a collective basis, based on analyses of historical loss experience from each product type according to criteria such as past due status and collateral recovery values. The resulting allowance encompasses the loss inherent both in performing loans, as well as in nonperforming loans within the smaller-balance standardized homogeneous loan portfolio.

Other Inherent Loss Allowance. The other inherent loss allowance represents our estimate of losses inherent in our loan book that have not yet been individually identified, and reflects the imprecisions and uncertainties in estimating our loan loss allowances. This estimate of inherent losses excludes those exposures we have already considered when establishing our allowance for smaller-balance standardized homogeneous loans. It incorporates the expected loss results, which we generate as part of our economic capital calculations, outlined above.

Charge-off Policy

We take charge-offs based on Credit Risk Management's assessment when we determine that the loans are uncollectible. We generally charge off a loan when all economically sensible means of recovery have been exhausted. Our determination considers information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation, or that the proceeds from collateral will not be sufficient to pay the loan. For our smaller-balance standardized homogeneous loans we generally take charge-offs when a product specific past due status has been reached.

Allowance for Loan Losses

The following table illustrates the components of our allowance for loan losses by industry of the borrower, and the percentage of our total loan portfolio accounted for by those industry classifications, on the dates specified. The breakdown between German and non-German borrowers is based on the country of domicile of our borrowers.

in € m. (except percentages)	Dec 31, 2004		Dec 31, 2003	
German:				
Specific loan loss allowance:				
Banks and insurance	–	1%	38	3%
Manufacturing	271	5%	338	6%
Households (excluding mortgages)	55	11%	68	10%
Households – mortgages	17	19%	17	17%
Public sector	–	1%	–	1%
Wholesale and retail trade	161	3%	154	3%
Commercial real estate activities	345	8%	350	8%
Other	278	9%	378	9%
Specific German total	1,127		1,343	
Inherent loss allowance	417		472	
German total	**1,544**	**57%**	**1,815**	**57%**
Non-German:				
Specific loan loss allowance	527		1,128	
Inherent loss allowance	273		338	
Non-German total	**800**	**43%**	**1,466**	**43%**
Total allowance for loan losses	**2,345**	**100%**	**3,281**	**100%**
Total specific allowance	1,654		2,471	
Total inherent loss allowance	691		810	
Total allowance for loan losses	**2,345**		**3,281**	

Movements in the Allowance for Loan Losses

We record increases to our allowance for loan losses as an expense on our Consolidated Statement of Income. If we determine that we no longer require allowances we have previously established, we decrease our allowance and record the amount as a reduction of the provision on our Consolidated Statement of Income. Charge-offs reduce our allowance while recoveries increase the allowance without affecting the Consolidated Statement of Income.

The following table sets forth a breakdown of the movements in our allowance for loan losses for the periods specified.

in € m. (except percentages)	2004	2003
Allowance at beginning of year	**3,281**	**4,317**
Charge-offs		
German:		
Banks and insurance	3	3
Manufacturing	80	57
Households (excluding mortgages)	185	169
Households – mortgages	39	30
Public sector	–	–
Wholesale and retail trade	78	41
Commercial real estate activities	106	59
Lease financing	–	–
Other	231	217
German total	722	576
Non-German:		
Excluding lease financing	672	1,318
Lease financing only	–	–
Non-German total	672	1,318
Total charge-offs	**1,394**	**1,894**
Recoveries		
German:		
Banks and insurance	1	–
Manufacturing	12	7
Households (excluding mortgages)	37	48
Households – mortgages	–	–
Public sector	–	–
Wholesale and retail trade	12	6
Commercial real estate activities	3	2
Lease financing	–	–
Other	37	36
German total	102	99
Non-German:		
Excluding lease financing	50	67
Lease financing only	–	1
Non-German total	50	68
Total recoveries	**152**	**167**
Net charge-offs	**1,242**	**1,727**
Provision for loan losses	372	1,113
Other changes (currency translation and allowance related to acquisitions/divestitures)	(66)	(422)
Allowance at end of year	**2,345**	**3,281**
Percentage of total net charge-offs to average loans for the year	0.86%	1.04%

Our allowance for loan losses as of December 31, 2004 was € 2.3 billion, 29% lower than the € 3.3 billion at the end of 2003. The decrease in our allowance balance was principally due to charge-offs exceeding our net provisions.

Our gross charge-offs amounted to € 1.4 billion in 2004, a decrease of € 500 million, or 26%, from 2003 charge-offs. Of the charge-offs for 2004, € 945 million were related to our corporate credit exposure, mainly driven by our American and German portfolios, and € 449 million were related to our consumer credit exposure.

Our provision for loan losses in 2004 was € 372 million, a decrease of € 741 million or 67% from the prior year, reflecting the improved credit environment witnessed throughout the year, supported by some significant releases, and a continuation of our strict credit discipline. This amount was composed of both net specific and inherent loan loss provisions. In 2004, 73% of our provision related to our smaller-balance standardized homogeneous loan portfolio.

Our specific loan loss allowance was € 1.7 billion as of December 31, 2004, a decrease of € 817 million, or a 33% reduction from 2003. The change in our allowance includes a net specific loan loss provision of € 134 million, which includes a € 18 million net release for non-German clients. The provision was 85% lower than the previous year and was more than offset by net charge-offs of € 889 million. Notably, the specific loan loss allowance is the largest component of our total allowance for loan losses.

Our inherent loan loss allowance totaled € 691 million as of December 31, 2004, a decrease of € 119 million, or 15%, from the level at the end of 2003. A major driver of the net reduction was € 353 million net charge-offs in our smaller-balance standardized homogeneous loan portfolio, offset by € 270 million net provision. Furthermore, in 2004 we recorded a net reduction of € 35 million in our other inherent loss allowance.

Our allowance for loan losses as of December 31, 2003 was € 3.3 billion, 24% lower than the € 4.3 billion at the end of 2002. The decrease in our allowance balance was principally due to charge-offs exceeding our net provisions. This is as a result of exposures being provided largely in 2002 and subsequently written-off in 2003, predominantly in the telecommunications industry. Also, € 422 million of the overall reduction in our allowance for loan losses can be attributed both to exchange rate movements and to deconsolidations.

Our gross charge-offs amounted to € 1.9 billion in 2003, a decrease of € 834 million, or 31%, from 2002 charge-offs. Of the charge-offs for 2003, € 1.3 billion were related to our corporate credit exposure, mainly driven by our American and German portfolios, and € 579 million were related to our consumer credit exposure.

Our provision for loan losses in 2003 was € 1.1 billion, a decrease of 47% from the prior year, reflecting the overall improved credit quality of our corporate loan book as evidenced by the increase in the portion of our loans carrying an investment-grade rating. This amount was composed of both net specific and inherent loan loss provisions. The provision for the year was primarily due to specific loan loss provisions required against a wide range of industry sectors, the two largest being Utilities and Manufacturing and Engineering.

Our specific loan loss allowance was € 2.5 billion as of December 31, 2003, a decrease of € 673 million, or a 21% reduction from 2002. The change in our allowance includes a net specific loan loss provision of € 918 million, 70% of which related to non-German clients. The provision was 53% lower than the previous year and was more than offset by net charge-offs of € 1.2 billion. Notably, the specific loan loss allowance is the largest component of our total allowance for loan losses. Consequently, the net reduction in our specific loan loss allowance for 2003 is also driven by charge-offs exceeding our net provisions. This is a result of exposures being provided largely in 2002 and subsequently written-off in 2003, predominantly in the telecommunications industry. The overall reduction in our specific loan loss allowance can also be attributed to exchange rate movements and to deconsolidations.

Our inherent loan loss allowance totaled € 810 million as of December 31, 2003, a decrease of € 363 million, or 31%, from the level at the end of 2002. A major driver of the net reduction was € 506 million net charge-offs in our smaller-balance standardized homogeneous loan portfolio, which included € 240 million due to refinements of processes and procedures. The change also reflected a net provision for smaller-balance standardized homogeneous loans of € 308 million. Furthermore, in 2003 we recorded a net reduction of € 158 million in our other inherent loss allowance due to the ongoing reduction of our corporate loan exposure, including loan sales and deconsolidations, as well as the overall improved credit quality of our corporate loan book and effects from currency translations.

Non-German Component of the Allowance for Loan Losses

The following table presents an analysis of the changes in the non-German component of the allowance for loan losses. As of December 31, 2004, 34% of our total allowance was attributable to international clients.

in € m.	2004	2003
Allowance at beginning of year	**1,466**	**2,446**
Charge-offs	672	1,318
Recoveries	50	68
Net charge-offs	622	1,250
Provision for loan losses	25	590
Other changes (currency translation and allowance related to acquisitions/divestitures)	(69)	(320)
Allowance at end of year	**800**	**1,466**

Allowance for off-balance sheet positions

The following table presents an analysis of the changes in our allowance for off-balance sheet positions.

in € m.	2004	2003
Allowance at beginning of year	**416**	**485**
Provision for credit losses	(65)	(50)
Other changes (currency translation and allowance related to acquisitions/divestitures)	(6)	(19)
Allowance at end of year	**345**	**416**

Settlement Risk

Our trading activities may give rise to risk at the time of settlement of those trades. Settlement risk is the risk of loss due to the failure of a counterparty to honor its obligations to deliver cash, securities or other assets as contractually agreed.

For many types of transactions, we mitigate settlement risk by closing the transaction through a clearing agent, which effectively acts as a stakeholder for both parties, only settling the trade once both parties have fulfilled their sides of the bargain.

Where no such settlement system exists, as is commonly the case with foreign exchange trades, the simultaneous commencement of the payment and the delivery parts of the transaction is common practice between trading partners (free settlement). In these cases, we may seek to mitigate our settlement risk through the execution of bilateral payment netting agreements. We are also an active participant in industry initiatives to reduce settlement risks. Acceptance of settlement risk on free settlement trades requires approval from our credit risk personnel, either in the form of pre-approved settlement risk limits, or through transaction-specific approvals. We do not aggregate settlement risk limits with other credit exposures for credit approval purposes, but we take the aggregate exposure into account when we consider whether a given settlement risk would be acceptable.

Market Risk

Substantially all of our businesses are subject to the risk that market prices and rates will move and result in profits or losses for us. We distinguish among four types of market risk:

- Interest rate risk;
- Equity price risk;
- Foreign exchange risk; and
- Commodity price risk.

The interest rate and equity price risks consist of two components each. The general risk describes value changes due to general market movements, while the specific risk has issuer-related causes.

Market Risk Management Framework

We assume market risk in both our trading and our nontrading activities. We assume risk by making markets and taking positions in debt, equity, foreign exchange, other securities and commodities as well as in equivalent derivatives.

We use a combination of risk sensitivities, value-at-risk, stress testing and economic capital metrics to manage market risks and establish limits. Economic capital is the metric we use to describe and aggregate all our market risks, both in trading and nontrading portfolios. Value-at-risk is a common metric we use in the management of our trading market risks.

Our Board of Managing Directors and Group Risk Committee, supported by Group Market Risk Management, which is part of our independent risk management function, set a Group-wide value-at-risk limit for the market risks in the trading book. Group Market Risk Management sub-allocates this overall limit to our Group Divisions. Below that, limits are allocated to specific business lines and trading portfolio groups and geographical regions.

Our value-at-risk disclosure for the trading businesses is based on our own internal value-at-risk model. In October 1998, the German Banking Supervisory Authority (now the BaFin) approved our internal value-at-risk model for calculating market risk capital for our general and specific market risk. It confirmed its approval in 2000 and the approval was renewed in 2002.

Our value-at-risk disclosure is intended to ensure consistency of market risk reporting for internal risk management, for external disclosure and for regulatory purposes. The overall value-at-risk limit for our Corporate and Investment Bank Group Division was € 80 million in the time period from January 1 to March 9, 2004 and € 90 million from March 10 to December 31, 2004 (with a 99% confidence level, as we describe below, and a one-day holding period). For the respective periods the value-at-risk limit for our consolidated Group trading positions was € 82 million and € 92 million. Four temporary excesses to the Group limit were approved by our Board of Managing Directors in 2004.

Specifics of Market Risk Reporting under German Banking Regulations

German banking regulations stipulate specific rules for market risk reporting, which concern in particular the consolidation of entities, the calculation of the overall market risk position, as well as the determination of which assets are trading assets and which are nontrading assets:

Consolidation. For German regulatory purposes we do not consolidate entities other than credit institutions, financial services institutions, financial enterprises or bank service enterprises. However, we do consolidate a number of these companies under U.S. GAAP. These companies include our insurance companies and certain investment companies, which manage their market risks independently pursuant to their respective regulations. At year-end 2004, these companies held € 10.0 billion of nontrading assets, whilst the amount of trading assets held was not material.

Overall Market Risk Position. We do not include in our market risk disclosure the foreign exchange risk arising from currency positions that German banking regulations permit us to exclude from market risk reporting. These are currency positions which are fully deducted from, or covered by, equity capital recognized for regulatory reporting as well as shares in affiliated companies that we record in foreign currency and value at historical cost (structural currency positions). At year-end 2004, these positions had a total book value of € 12.3 billion and were denominated mainly in U.S. dollars (64%), pounds sterling (17%) and Japanese yen (8%).

Definition of Trading Assets and Nontrading Assets. We hold assets that are included in the value-at-risk of the trading units even though they are not trading assets under U.S. GAAP. These assets typically consist of tradable loans and money market loans and are assigned primarily to our Global Corporate Finance and Global Markets business divisions. At year-end 2004, € 2.1 billion of loans were classified as trading assets for regulatory reporting. Conversely, we also have positions that are classified as nontrading assets for regulatory reporting even though they are trading assets under U.S. GAAP. At year-end 2004, these positions included derivatives classified as non-qualifying hedges under U.S. GAAP with a total positive and negative market value of € 1.1 billion and € 1.5 billion, respectively.

Value-at-Risk Analysis

The value-at-risk approach derives a quantitative measure for our trading book market risks under normal market conditions, estimating the potential future loss (in terms of market value) that will not be exceeded in a defined period of time and with a defined confidence level. The value-at-risk measure enables us to apply a constant and uniform measure across all of our trading businesses and products. It also facilitates comparisons of our market risk estimates both over time and against our daily trading results.

We calculate value-at-risk for both internal and regulatory reporting using a 99% confidence level, in accordance with BIS rules. For internal reporting, we use a holding period of one day. For regulatory reporting, the holding period is ten days.

We believe that our value-at-risk model takes into account all material risk factors assuming normal market conditions. Examples of these factors are interest rates, equity prices, foreign exchange rates and commodity prices, as well as their implied volatilities. The model incorporates both linear and, especially for derivatives, nonlinear effects of the risk factors on the portfolio value. The statistical parameters required for the value-at-risk calculation are based on a 261 trading day history (corresponding to at least one calendar year of trading days) with equal weighting being given to each observation. We generally calculate value-at-risk using the Monte Carlo simulation technique and assuming that changes in risk factors follow a normal or logarithmic normal distribution. However, we still utilize a variance-covariance approach to calculate specific interest rate risk for some portfolios, such as in our integrated credit trading and securitization businesses.

To determine our aggregated value-at-risk, we use historically observed correlations between the different general market risk classes. However, when aggregating general and specific market risks, we assume that there is zero correlation between them.

Back-Testing

We use back-testing in our trading units to verify the predictive power of the value-at-risk calculations. In back-testing, we compare actual income as well as hypothetical daily profits and losses under the buy-and-hold assumption (in accordance with German regulatory requirements) with the estimates from our value-at-risk model.

A back-testing committee meets on a quarterly basis to discuss back-testing results of the Group as a whole and of individual businesses. The committee consists of risk managers, risk controllers and business area controllers. They analyze performance fluctuations and assess the predictive power of our value-at-risk model, which in turn allows us to improve the risk estimation process.

Stress Testing and Economic Capital

While value-at-risk, calculated on a daily basis, supplies forecasts for potential large losses under normal market conditions, we also perform stress tests in which we value our trading portfolios under extreme market scenarios not covered by the confidence interval of our value-at-risk model.

The quantification of market risk under extreme stress scenarios forms the basis of our assessment of the economic capital that we estimate is needed to cover the market risk in all of our positions. Underlying risk factors (market parameters) applicable to the different products are stressed, meaning that we assume a sudden change, according to pre-defined scenarios. We derive the stress scenarios from historic worst case scenarios adjusted for structural changes in current markets.

For example, we calculate country-specific event risk scenarios for all Emerging Markets and assess these event risk results daily. A committee reviews the country risk ratings and scenario loss limits bi-weekly.

In addition to the country-specific event risk scenarios for Emerging Markets, we also run regular market stress scenarios on the positions of every major portfolio. This is done weekly for the trading portfolios and monthly for the nontrading portfolios.

Our stress test scenarios include:

- Price and volatility risks for interest rates, equity prices, foreign exchange and commodity prices for industrialized countries. This covers both trading and nontrading securities and investments, as well as trading book derivatives portfolios and includes many basis risks.
- Emerging Markets’ risks, including equity price declines, strong interest rate movements and currency devaluations.
- Credit spread risks for bonds, credit derivatives and traded loans of both industrialized and Emerging Markets countries.
- Underwriting risks in debt and equity capital markets.

We calculate economic capital by aggregating losses from those stress scenarios using correlations that reflect stressed market conditions (rather than the normal market correlations used in the value-at-risk model).

In 2004, we continued to refine and improve our stress testing processes and their parameterization. Our economic capital usage for market risk arising from the trading units totaled € 1.6 billion at year-end 2004 (and on average € 1.5 billion for all of December 2004), compared with € 1.0 billion at year-end 2003. However, a substantial part of the increase in trading market risk economic capital is related to our refined stress testing parameterization introduced in 2004. Applying the previously implemented parameters to year-end 2004 data on a pro forma basis leads to a year-on-year increase in trading market risk economic capital of € 0.2 billion instead of € 0.6 billion.

Limitations of Our Proprietary Risk Models

Although we believe that our proprietary market risk models are of a high standard, we are committed to their ongoing development and allocate substantial resources to reviewing and improving them.

Our stress testing results and economic capital estimations are necessarily limited by the number of stress tests executed and that not all downside scenarios can be predicted and simulated. While the risk managers have used their best judgment to define worst case scenarios based upon the knowledge of past extreme market moves, it is possible for our market risk positions to lose more value than even our economic capital estimates.

Our value-at-risk analyses should also be viewed in the context of the limitations of the methodology we use and are therefore not maximum amounts that we can lose on our market risk positions. The limitations of the value-at-risk methodology include the following:

- The use of historical data as a proxy for estimating future events may not capture all potential events, particularly those that are extreme in nature.
- The assumption that changes in risk factors follow a normal or logarithmic normal distribution. This may not be the case in reality and may lead to an underestimation of the probability of extreme market movements.
- The use of a holding period of one day (or ten days for regulatory value-at-risk calculations) assumes that all positions can be liquidated or hedged in that period of time. This assumption does not fully capture the market risk arising during periods of illiquidity, when liquidation or hedging in that period of time may not be possible. This is particularly the case for the use of a one-day holding period.
- The use of a 99% confidence level does not take account of, nor makes any statement about, any losses that might occur beyond this level of confidence.
- We calculate value-at-risk at the close of business on each trading day. We do not subject intra-day exposures to intra-day value-at-risk calculations.
- Value-at-risk does not capture all of the complex effects of the risk factors on the value of positions and portfolios and could, therefore, underestimate potential losses. For example, the way sensitivities are represented in our value-at-risk model may only be exact for small changes in market parameters.

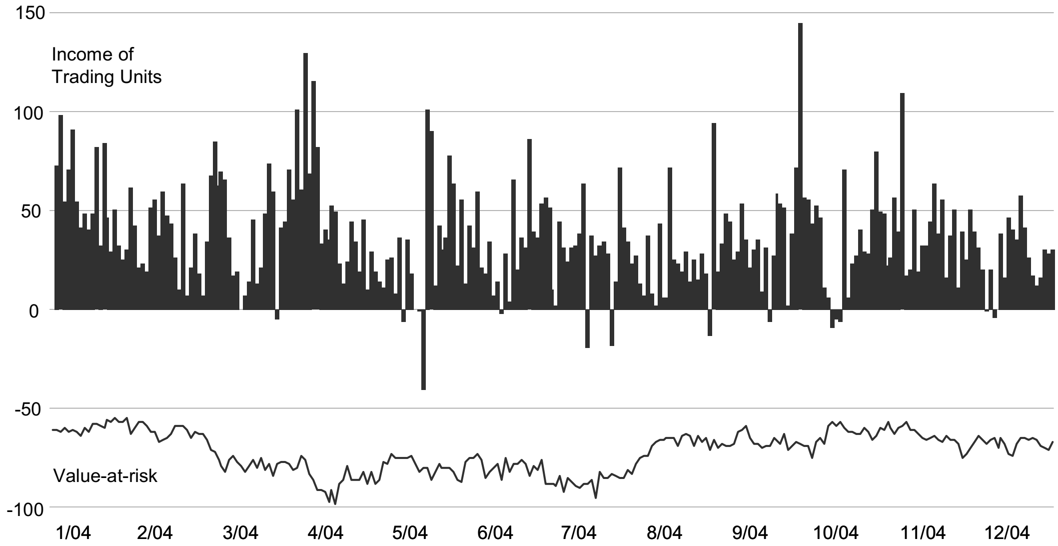
The aggregate value-at-risk estimates for our trading market risk are conservative risk estimates when measured against our back-testing procedures (as shown by the number of hypothetical buy-and-hold portfolio losses against the predicted value-at-risk). However, we acknowledge the limitations in the value-at-risk methodology by supplementing the value-at-risk limits with other position and sensitivity limit structures, as well as with stress testing, both on individual portfolios and on a consolidated basis.

Value-at-Risk of the Trading Units of Our Corporate and Investment Bank Group Division
The following table shows the value-at-risk (with a 99% confidence level and a one-day holding period) of the trading units of our Corporate and Investment Bank Group Division. Our trading market risk outside of these units is immaterial. “Diversification effect” reflects the fact that the total value-at-risk on a given day will be lower than the sum of the values-at-risk relating to the individual risk classes. Simply adding the value-at-risk figures of the individual risk classes to arrive at an aggregate value-at-risk would imply the assumption that the losses in all risk categories occur simultaneously.

Value-at-risk of Trading Units	Total		Diversification effect		Interest rate risk		Equity price risk		Foreign exchange risk		Commodity price risk	
in € m.	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Average	71.6	48.4	(38.4)	(33.5)	61.7	45.9	30.8	21.9	10.6	7.7	7.0	6.4
Maximum	97.9	72.1	(61.5)	(57.3)	91.1	64.1	45.1	37.0	25.9	17.5	10.8	16.7
Minimum	54.5	32.3	(28.1)	(21.9)	39.7	27.6	19.9	13.0	2.9	3.2	3.8	3.3
Year-end	66.3	60.0	(39.8)	(33.8)	41.1	52.6	42.6	27.3	17.2	6.8	5.1	7.1

The following graph shows the daily aggregate value-at-risk of our trading units in 2004, including diversification effects, and actual incomes of the trading units throughout the year.

Income of Trading Units and Value-at-risk in 2004
in € m.



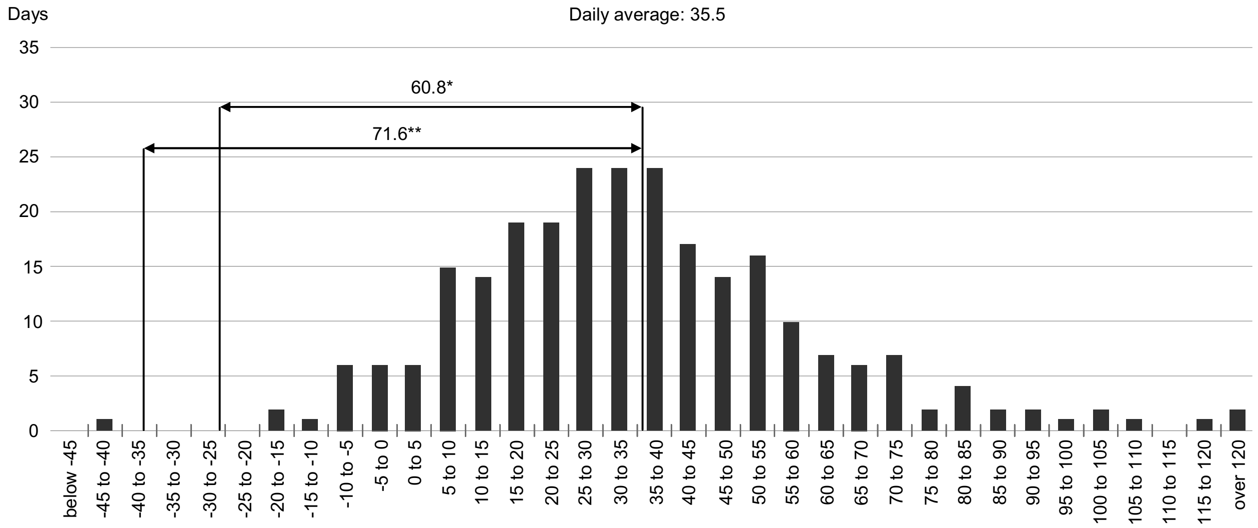
The higher value-at-risk levels in the middle of the year were mainly the result of increased position taking and smaller diversification benefits. Our value-at-risk levels at the beginning and at the end of 2004 were similar to the level at year-end 2003. In 2003 our value-at-risk increased over the year from an average of € 37.3 million in the first quarter to an average of € 62.6 million in the fourth quarter, which is higher than the average for the full year 2003.

Our trading units achieved a positive income for over 93% of the trading days in 2004 (over 96% in 2003). On no trading day in either year did they incur an actual loss that exceeded the value-at-risk estimate for that day.

Also, there was no hypothetical buy-and-hold loss that exceeded our value-at-risk estimate for the trading units as a whole in 2004 and 2003. This is below the expected two to three outliers a year that a 99% confidence level value-at-risk model ought to predict, showing that our risk estimates are conservative.

The following histogram shows the distribution of actual daily income of our trading units in 2004. The histogram indicates the number of trading days on which we reached each level of trading income shown on the horizontal axis in millions of euro.

Daily Income of Trading Units in 2004
in € m.



* 99th percentile of actual daily income distribution.
** Average value-at-risk (confidence level 99%; one-day holding period).

In addition to our back-testing, the comparison of the distribution of actual daily income with the average value-at-risk also enables us to ascertain the reasonableness of our value-at-risk estimate. The histogram shows that the distribution of our trading units' actual daily income produces a 99th percentile of only € 60.8 million below the average daily income level of € 35.5 million, which is less than the average value-at-risk estimate of € 71.6 million.

Market Risk in Our Nontrading Portfolios

The market risk in our nontrading portfolios constitutes the largest portion of the market risk of our consolidated Group.

Assessment of Market Risk in Our Nontrading Portfolios

We assess the market risk in our nontrading portfolios through the use of stress testing procedures that are particular to each risk class and which consider, among other factors, large historically observed market moves as well as the liquidity of each asset class. This assessment forms the basis of our economic capital estimates which enable us to actively monitor and manage the nontrading market risk positions using a methodology which is consistent with that used for the trading market risk positions. As an example, for our industrial holdings we apply individual price shocks between 24% and 37%, which are based on historically observed market moves. In addition, we consider value reductions between 10% and 15% to reflect liquidity constraints. For private equity exposures, all our positions are stressed using our standard credit risk economic capital model as well as market price shocks up to 100%, depending on the individual asset. See also section "Risk Management Tools – Economic Capital" and "Market Risk – Stress Testing and Economic Capital."

We do not use value-at-risk as the primary metric to assess the market risk in our nontrading portfolios because of the nature of these positions as well as the lack of transparency of some of the pricing.

Nontrading Market Risk by Risk Class

The biggest market risk in our nontrading portfolios is equity price risk which is further discussed below. The vast majority of the interest rate and foreign exchange risks arising from our nontrading asset and liability positions has been transferred through internal hedges to our Global Finance business line within our Corporate and Investment Bank Group Division and is thus managed on the basis of value-at-risk as reflected in our trading value-at-risk numbers.

Nontrading Market Risk by Group Division

There is nontrading market risk held and managed in each of our Group Divisions. The nontrading market risk in our Corporate Investments Group Division remains by far the biggest in the Group and is mainly incurred through industrial holdings, other corporate investments and private equity investments. Our Private Clients and Asset Management Group Division primarily assumes nontrading market risk through its proprietary investments in real estate, mutual funds and hedge funds, which support the client asset management businesses. In our Corporate and Investment Bank Group Division, which has the smallest amount of nontrading market risk, the most significant part arises from a few strategic investments.

Carrying Value and Economic Capital Usage for Our Nontrading Portfolios

The below table shows the carrying values and economic capital usages separately for our major industrial holdings, other corporate investments (which include EUROHYPO AG and Atradius N.V.) and alternative assets. Our economic capital usage for these nontrading asset portfolios totaled € 3.9 billion at year-end 2004, which is € 1.0 billion or 21% below our economic capital usage at year-end 2003. This decrease reflects the continued reduction of our alternative assets portfolios and our industrial holdings, mainly driven by sales of private equity primary funds, venture portfolio assets and real estate investments as well as by the reduction of our capital share in DaimlerChrysler AG. In our total economic capital figures no diversification benefits between the different asset categories (e.g., between industrial holdings, private equity, real estate, etc.) are taken into account.

Nontrading Portfolios	Carrying Value		Economic Capital Usage	
in € bn.	**Dec 31, 2004**	Dec 31, 2003	**Dec 31, 2004**	Dec 31, 2003[1]
Major Industrial Holdings	5.5	6.4	1.2	1.3
Other Corporate Investments	5.2	5.4	1.8	1.8
Alternative Assets	2.6	4.3	0.9	1.8
Private Equity	1.1	2.0	0.6	1.3
Real Estate	1.3	2.0	0.2	0.4
Hedge Funds	0.2	0.3	0.1	0.1
Total	**13.3**	**16.1**	**3.9**	**4.9**

[1] To ensure consistency with the 2004 asset categorization, € 0.2 billion economic capital for certain alternative assets has been reassigned to other corporate investments.

We define alternative assets as direct investments in private equity (including venture capital, mezzanine debt and leveraged buy-out funds), real estate principal investments (including mezzanine debt), and hedge funds. Our alternative assets portfolio continues to be dominated by real estate and private equity investments and is well diversified. Approximately half of our private equity investments were held in funds managed by external managers.

We carry private equity, venture capital and real estate investments on our balance sheet at their costs of acquisition (less write-downs, if applicable) or fair value. In certain circumstances, depending on our ownership percentage or management rights, we apply the equity method of accounting to our investments. In some situations, we consolidate investments made by the private equity business. We account for our investments in leveraged buy-out funds using the equity method and carry hedge fund investments at current market value.

Management of Our Nontrading Portfolios

To ensure a coordinated investment strategy, a consistent risk management process and appropriate portfolio diversification, our Group Corporate Investments/Alternative Assets Governance Committee supervises all of our nontrading asset portfolios. Our Global Head of Group Market Risk Management is also the Chief Risk Officer for Corporate Investments and alternative assets and is a member of the committee. The committee defines investment strategies, determines risk-adjusted return requirements, sets limits and allocates economic capital among the alternative assets classes. It approves policies, procedures and methodologies for managing alternative assets risk and receives monthly portfolio reports showing performance, estimated market values, economic capital estimates and risk profiles of the portfolios. The committee also oversees the portfolio of industrial holdings and other corporate investments held in our Corporate Investments Group Division.

The following table shows the total shares of capital and market values of our major industrial holdings which were directly and/or indirectly attributable to us at year-end 2004 and 2003. Our Corporate Investments Group Division, which is responsible for administering and restructuring our industrial holdings portfolio, currently plans to continue selling most of its publicly listed holdings over the next few years, subject to the legal environment and market conditions.

Major industrial holdings		Share of capital (in %)		Market value (in € m.)	
Name	Country of domicile	**Dec 31, 2004**	Dec 31, 2003	**Dec 31, 2004**	Dec 31,2003
DaimlerChrysler AG	Germany	10.4	11.8	3,706	4,445
Allianz AG	Germany	2.5	2.5	935	965
Linde AG	Germany	10.0	10.0	544	509
Südzucker AG	Germany	4.8	4.8	128	126
Fiat S.p.A.	Italy	1.0	1.0	59	61
DEUTZ AG	Germany	4.5	10.5	12	31
Other	N/M	N/M	N/M	106	242
Total				**5,490**	**6,379**

N/M – Not meaningful

Liquidity Risk

Liquidity Risk Management safeguards the ability of the bank to meet all payment obligations when they come due. Our liquidity risk management framework has been instrumental in maintaining adequate liquidity and a healthy funding profile during the year 2004.

Liquidity Risk Management Framework

Group Treasury is responsible for the management of liquidity risk. Our liquidity risk management framework is designed to identify, measure and manage the liquidity risk position. The underlying policies are reviewed on a regular basis by the Group Asset and Liability Committee and finally approved by the Board Member responsible for Group Treasury. The policies define the methodology which is applied to the Group, its branches and its subsidiaries.

Our liquidity risk management approach starts at the intraday level (operational liquidity) managing the daily payment queue, forecasting cash flows and our access to Central Banks. It then covers tactical liquidity risk management dealing with the access to unsecured funding sources and the liquidity characteristics of our asset inventory (Asset Liquidity). Finally, the strategic perspective comprises the maturity profile of all assets and liabilities (Funding Matrix) on our balance sheet and our Issuance Strategy.

We have developed a cash flow based reporting tool (Lima System) which provides daily liquidity risk information to global and regional management.

Our liquidity position is subject to stress testing and scenario analysis to evaluate the impact of sudden stress events. The scenarios are either based on historic events, case studies of liquidity crises or models using hypothetical events.

Short-term Liquidity

Our reporting tool tracks cash flows on a daily basis over an eighteen months horizon. This scheme allows management to assess our short-term liquidity position in any location, region and globally on a by-currency, by-product, and by-division basis. The system captures all of our cash flows from transactions on our balance sheet, as well as liquidity risks resulting from off-balance sheet transactions. We model products that have no specific contractual maturities using statistical methods to capture the actual behavior of their cash flows. Liquidity outflow limits (MCO Limits), which have been set to limit cumulative global and regional net cash outflows, are monitored on a daily basis and ensure our access to liquidity.

Unsecured Funding

Unsecured funding is a finite resource. Total unsecured funding represents the amount of external liabilities, which we take from the market irrespective of instrument, currency or tenor. Unsecured funding is measured on a regional basis by currency and aggregated to a global utilization report. The Group Asset and Liability Committee has set limits by business divisions to protect our access to unsecured funding at attractive levels.

Asset Liquidity

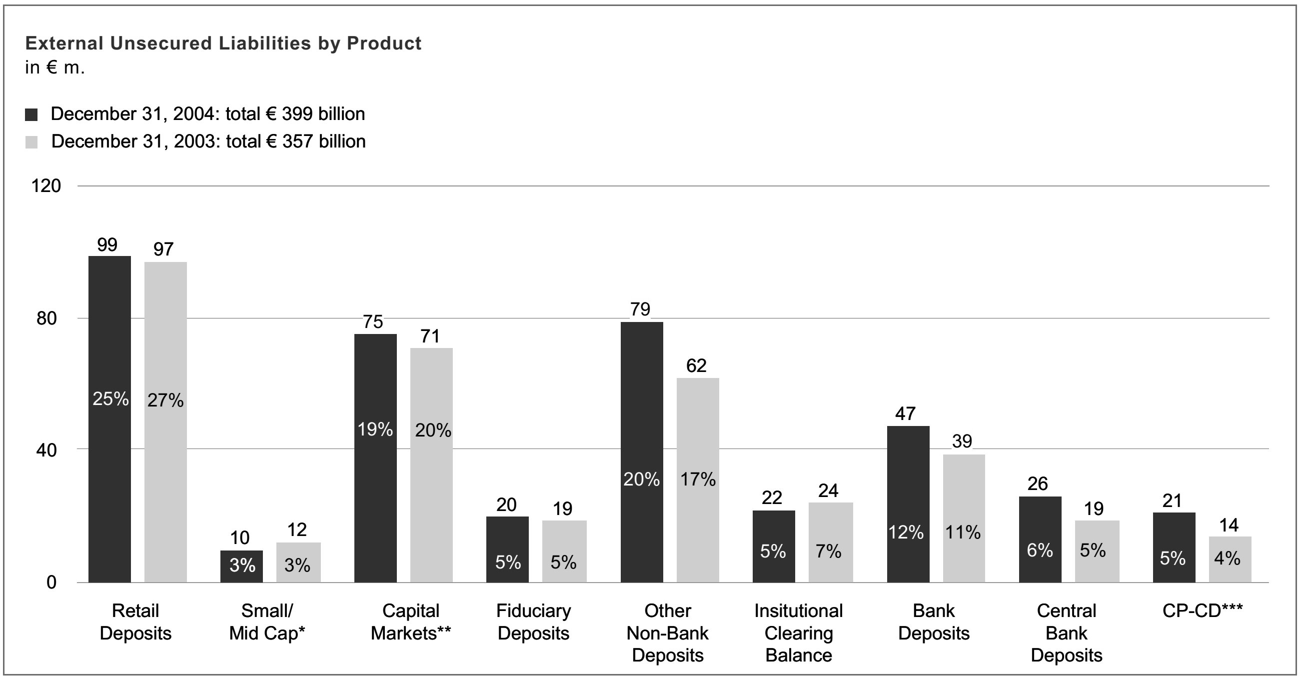
The Asset Liquidity component tracks the volume and booking location within our consolidated inventory of unencumbered, liquid assets which we can use to raise funds either in the repurchase agreement markets or by selling the assets. Securities inventories include a wide variety of different securities. In a first step, we segregate illiquid and liquid securities in each inventory. Subsequently we assign liquidity values to different classes of liquid securities.

The liquidity of these assets is an important element in protecting us against short-term liquidity squeezes. In addition, we maintained a € 27.2 billion portfolio of highly liquid securities in major currencies around the world to supply collateral for cash needs associated with clearing activities in euro, U.S. dollar and other major currencies.

Funding Diversification

Diversification of our funding profile in terms of investor types, regions, products and instruments is an important element of our liquidity risk management framework. Our core funding resources, such as retail, small/mid-cap and fiduciary deposits as well as long-term capital markets funding, form the cornerstone of our liability profile. Customer deposits, funds from institutional investors and interbank funding are additional sources of funding. We use interbank deposits primarily to fund liquid assets.

The following chart shows the composition of our external unsecured liabilities as of December 31, 2004 and December 31, 2003 both in euro billion and as a percentage of our total unsecured liabilities.



* Small/Mid Cap: refers to deposits by small and medium-sized German corporates.
** Capital Markets: harmonization of the definition of Capital Markets issuances resulted in the exclusion of issuances under our X-markets product label.
*** CP-CD: Commercial Paper/Certificates of Deposit.

Funding Matrix

We have mapped all funding relevant assets and liabilities into time buckets corresponding to their maturities to compile a maturity profile (Funding Matrix). Given that trading assets are typically more liquid than their contractual maturities suggest, we have divided them into liquid assets (assigned to the time bucket one year and under) and illiquid assets (assigned in equal installments to time buckets two to five years). We have taken assets and liabilities from the retail bank that show a behavior of being renewed or prolonged regardless of capital market conditions (mortgage loans and retail deposits) and assigned them to time buckets reflecting the expected prolongation. Wholesale banking products are included with their contractual maturities.

The Funding Matrix identifies the excess or shortfall of assets over liabilities in each time bucket and thus allows us to identify and manage open liquidity exposures. We have also developed a tool, which enables us to predict whether any excess or shortfall will grow or decline over time. The Funding Matrix is a key input parameter for our annual capital market issuance plan, which upon approval of the Group Asset and Liability Committee establishes issuing targets for securities by tenor, volume and instrument.

The Funding Matrix indicates that at year-end 2004 we were structurally long funded.

Stress Testing and Scenario Analysis

We employ stress testing and scenario analysis to evaluate the impact of sudden stress events on our liquidity position. The scenarios are either based on historic events (such as the stock market crash of 1987, the U.S. liquidity crunch of 1990 and the terrorist attacks of September 11, 2001) or modeled using hypothetical events. The latter include internal scenarios such as operational risk events, merger or acquisition, a rating downgrade of the bank by 1 and 3 notches respectively as well as external scenarios such as a market risk event, Emerging Markets crises, systemic shock and prolonged global recession. Under each of these scenarios we assume that all maturing loans to customers will need to be rolled over and require funding whereas rollover of liabilities will be partially impaired resulting in a funding gap. We then model the steps we would take to counterbalance the resulting net shortfall in funding needs. Action steps would include selling assets, switching from unsecured to secured funding and adjusting the price we would pay for liabilities (gap closure).

This analysis is fully integrated within the existing liquidity risk management framework. We track contractual cash flows per currency and product over an eight-week horizon (the most critical time span in a liquidity crisis) and apply the relevant stress case to each product. Asset Liquidity complements the analysis.

Our stress testing analysis provides guidance as to our ability to generate sufficient liquidity under critical conditions and is a valuable input parameter when defining our target liquidity risk position. The analysis is performed monthly. The following report is illustrative for our stress testing results as of December 31, 2004. For each scenario, the table shows what our maximum funding gap would be over an eight-week horizon after occurrence of the triggering event. We analyze whether the risk to our liquidity would be immediate and whether it would improve or worsen over time. We determine how much liquidity we believe we would have been able to generate at the time to close the gap.

Scenario	Funding gap[1] (in € bn.)	Liquidity impact	Gap closure[2] (in € bn.)
Market risk	9.1	Gradually increasing	96.0
Emerging markets	13.5	Gradually increasing	98.8
Prolonged global recession	19.2	Gradually increasing	101.6
Systemic shock	13.8	Immediate, duration 2 weeks	101.5
DB downgrade to A1/P1 (short term) and A1/A+ (long term)	11.2	Gradually increasing	96.0
Operational risk	10.2	Immediate, duration 2 weeks	96.0
Merger & Acquisition	35.8	Gradually increasing, pay-out in week 6	96.0
DB downgrade to A2/P2 (short term) and A3/A- (long term)	52.3	Gradually increasing	103.1

1 Funding gap after assumed partially impaired rollover of liabilities.
2 Maximum liquidity generation based on counterbalancing and asset liquidity opportunities.

With the increasing importance of liquidity management in the financial industry, we consider it important to contribute to financial stability by regularly addressing central banks, supervisors, rating agencies, and market participants on liquidity risk-related topics. We participate in a number of working groups regarding liquidity and participate in efforts to create industry-wide standards that are appropriate to evaluate and manage liquidity risk at financial institutions.

In addition to our internal liquidity management systems, the liquidity exposure of German banks is regulated by the German Banking Act and regulations issued by the BaFin. We are in compliance with all applicable liquidity regulations.

Operational Risk

The Basel Committee on Banking Supervision in 2004 published the final version of the new capital adequacy framework which is broadly known as “Basel II” and the EU Commission published the draft of its equivalent Capital Adequacy Directive which is currently going through EU parliamentary procedures. Discussions between the banking industry and the regulators are continuing with regard to specific issues as well as interpretation of both the new accord and directive. On the basis of this regulatory discussion we define operational risk as the potential for incurring losses in relation to employees, project management, contractual specifications and documentation, technology, infrastructure failure and disasters, external influences and customer relationships. This definition includes legal and regulatory risk, but excludes business risk.

Organizational Set-up

Operational Risk Management is an independent risk management function within Deutsche Bank. The Chief Risk Officer for Credit and Operational Risk with Group-wide responsibility reports directly to the Group Chief Risk Officer. The Global Head of Operational Risk Management reports to the Chief Risk Officer for Credit and Operational Risk and both are represented on the Group Risk Committee. The Operational Risk Management Committee is a permanent sub-committee of the Group Risk Committee and is composed of the Operational Risk Management team. It is our main decision making committee for all operational risk management matters and approves group standards for identification, assessment, reporting and monitoring of operational risk.

Operational Risk Management is responsible for defining the operational risk framework and related policies while the responsibility for implementing the framework as well as the day-to-day operational risk management lies with our Business Divisions. Based on this business partnership model we ensure a close monitoring and high awareness for operational risk. Operational Risk Management is structured into regional and functional teams: the regional teams ensure consistent implementation of the overall operational risk management framework and pro-active management of operational risks and the functional teams focus on the development and implementation of the operational risk management toolset and reporting, monitoring regulatory requirements, value-added analysis and the setting of loss thresholds.

Managing Our Operational Risk

It is our objective to pro-actively manage operational risks on a Group-wide basis. For this reason we have implemented a Group-wide consistent operational risk framework that enables us to determine our operational risk profile and to define risk mitigating measures and priorities.

In order to efficiently manage the operational risk we have developed and implemented four different infrastructure elements:

– We perform bottom-up operational risk ‘‘self-assessments’’ using the db-SAT tool. This results in a specific operational risk profile for the business lines clearly highlighting the areas with high risk potential.
– We collect losses arising from operational risk events in our db-Incident Reporting System database.
– We capture and monitor qualitative operational risk indicators in our tool db-Score returning early warning signals.
– We capture action points resulting from risk assessments or db-Score in db-Track. Within db-Track we will monitor the progress of the operational risk action points on an ongoing basis.

The calculation of economic capital for operational risk for December 31, 2004 is based on a statistical model using internal and external loss data with certain top-down adjustments. In 2005, we plan to further develop our economic capital calculation for operational risk and implement a process compatible with the advanced measurement approach under “Basel II”.

Based on the organizational set-up, the systems in place to identify and manage the operational risk and the support of control functions responsible for specific operational risk types (e.g. Compliance, Business Continuity Management) we seek to optimize operational risk. Future operational risks – identified through forward looking analysis – are managed via mitigation strategies such as the development of back-up systems and emergency plans. Where appropriate, we purchase insurance against operational risks.

Overall Risk Position

The table below shows the overall risk position of the Group at year-end 2004 and 2003 as measured by the economic capital calculated for credit, market, business and operational risk; it does not include liquidity risk.

Economic capital usage in € m.	**Dec 31, 2004**	Dec 31, 2003
Credit risk	5,971	7,363
Market risk	5,476	5,912
Trading market risk	1,581	972
Nontrading market risk	3,895	4,940
Diversification benefit across credit and market risk	(870)	(1,152)
Sub-total credit and market risk	10,577	12,123
Business risk	381	1,117
Operational risk	2,243	2,282
Total economic capital usage	**13,201**	**15,522**

To determine our overall (nonregulatory) risk position, we generally add the individual economic capital estimates for the various types of risk. When aggregating credit and market risk, however, we consider the diversification benefit across these risk types, which we estimate as € 870 million as of December 31, 2004 and € 1.2 billion as of December 31, 2003. The diversification benefit across all risk types has not yet been calculated.

On December 31, 2004 our economic capital usage totaled € 13.2 billion, which is € 2.3 billion or 15% below the € 15.5 billion economic capital usage as of December 31, 2003.

The reduction in credit risk economic capital primarily reflects the overall reduction in our lending-related credit exposures as well as the improved credit quality of our loan book. The reduction in total market risk economic capital is mainly caused by the decrease in nontrading market risk from alternative assets as well as lower risk from industrial holdings, which was partially offset by the increase in trading market risk economic capital. However, a substantial part of the increase in trading market risk economic capital is related to our refined stress testing parameterization introduced in 2004. Applying the previously implemented parameters to year-end 2004 data on a pro forma basis leads to a year-on-year increase in trading market risk economic capital of € 0.2 billion compared to the € 0.6 billion increase shown in the table. The reduction in business risk economic capital reflects an improved market outlook and our increasing ability to adjust costs in a market downturn.

The allocation of economic capital may change from time to time to reflect refinements in our risk measurement methodology.

Statement by the Board of Managing Directors

The Board of Managing Directors of Deutsche Bank AG is responsible for the Consolidated Financial Statements. They have been prepared in accordance with accounting principles generally accepted in the United States of America and thus fulfil the conditions of § 292a German Commercial Code for exemption from preparation of consolidated financial statements in accordance with German commercial law. In addition, the disclosure requirements of the European Union are satisfied.

The responsibility for correct accounting requires an efficient internal management and control system and a functioning audit apparatus. Deutsche Bank's internal control system is based on written communication of policies and procedures governing structural and procedural organization, enlarged risk controlling for default and market risks as well as the segregation of duties. It covers all business transactions, assets and records. Deutsche Bank's audit is carried out in accordance with the extensive audit plans covering all divisions of the Group and also including compliance with the organizational terms of reference.

KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft audited the Consolidated Financial Statements in accordance with German auditing regulations, and in supplementary compliance with auditing standards generally accepted in the United States of America and issued an unqualified opinion. KPMG Deutsche Treuhand-Gesellschaft and the Audit Department of Deutsche Bank had free access to all documents needed in the course of their audits for an evaluation of the Consolidated Financial Statements and for an assessment of the appropriateness of the internal control system.

Frankfurt am Main, March 15, 2005
Deutsche Bank AG

Josef Ackermann

Clemens Börsig

Tessen von Heydebreck

Hermann-Josef Lamberti

Independent Auditors' Report

We have audited the consolidated financial statements, comprising the balance sheet, the income statement, the statement of comprehensive income and the statements of changes in shareholders' equity and cash flows as well as the notes to the financial statements prepared by Deutsche Bank AG for the business year from January 1, 2004 to December 31, 2004. The preparation and the content of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America 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 (German Institute of Auditors), and in supplementary compliance with the 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. 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 accounting principles generally accepted in the United States of America.

Our audit, which also extends to the structured presentation of additional disclosures with regard to the Group's position required by Article 36 of the 7th EU Directive prepared by the Company's management for the business year from January 1, 2004 to December 31, 2004, has not led to any reservations. In our opinion on the whole the structured presentation, together with the other disclosures in the consolidated financial statements, 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 structured presentation of additional disclosures with regard to the Group's position for the business year from January 1, 2004 to December 31, 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 am Main, March 16, 2005
KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Wiedmann
Wirtschaftsprüfer

Becker
Wirtschaftsprüfer

Report of the Supervisory Board

In advising the Board of Managing Directors and monitoring its management of business, the Board of Managing Directors informed us regularly, without delay and comprehensively, and presented to us all matters that required the Supervisory Board's decision. Between the meetings, the Board of Managing Directors kept us informed in writing on important operations. As in preceding years, individual members of the Group Executive Committee reported on the developments in their business divisions at the meetings of the Supervisory Board.

The Board of Managing Directors regularly reported on business policies and other fundamental issues relating to management, corporate planning, strategy, the bank's financial development and earnings situation, the bank's risk management as well as transactions that were of significant importance to the bank. Current topics and decisions were also dealt with individually in regular discussions between the Spokesman of the Board of Managing Directors and the Chairman of the Supervisory Board. Furthermore, we obtained regular reports on the trial proceedings in the Mannesmann case, on the status of the proceedings of Dr. Kirch against the bank and Dr. Breuer, as well as on the actions for rescission and to obtain information filed in connection with the General Meetings 2003 and 2004.

Extensive discussions were held on the bank's growth prospects as a global services provider, on the organic further development of the business divisions, on the consolidation of support functions as part of our Business Realignment Program, comprised of various initiatives with extensive strategic and financial impacts, as well as on additional investments in our core lines of business. We intend to achieve our return on equity target in 2005 through a uniform client coverage model, the controlled rise in credit volumes, increased cross-selling, as well as an integrated global presence and regional client focus, while maintaining strict cost, capital and risk discipline. By aligning our management structure to our strategic emphases and by strengthening our management in the regions, we aim to increase the bank's operating revenues, in order to become the leading provider of financial solutions for demanding clients, creating exceptional value for our shareholders and people.

Meetings of the Supervisory Board

At the first meeting of the year on February 4, 2004, we discussed the development of business in 2003, the key figures of the Annual Financial Statements for 2003 and the corporate planning for the years 2004 to 2006.

On March 19, 2004, we approved the Annual Financial Statements for 2003, which were thus established. Furthermore, discussions were held on the Corporate Governance Report and the Compliance Report, the resolution proposals for the agenda of the General Meeting 2004 were approved, and we discussed the Group's risk management. At this meeting, two members of the Group Executive Committee, Anshu Jain and Jürgen Fitschen, reported on developments in their business divisions as well as in Asia.

At our meeting on July 29, 2004, we arranged to receive information on the development of business in the first half of 2004 and discussed the implementation of the appraisal of the efficiency of the Supervisory Board in 2003. The member of the Group Executive Committee responsible for the Private Wealth Management Business Division, Pierre de Weck, reported on the current developments in his business division. Furthermore, Terms of Reference were approved for the Credit and Market Risk Committee, which was renamed the Risk Committee.

At the Supervisory Board's last meeting of the year on October 28, 2004, discussions focused on the development of business in the first nine months and, in particular, on the bank's strategy and new structure. The Board of Managing Directors explained the alignment of the Group's management structure to the new strategic emphases and, especially, the strengthened regional management. In addition, the bank's Human Resources Report on staff development and succession planning was discussed.

All members of the Supervisory Board participated in at least half of the Supervisory Board meetings during their period of office in the year 2004.

Corporate Governance
We discussed the implementation of the requirements of the German Corporate Governance Code and the U.S. Sarbanes-Oxley Act at several of the Supervisory Board, Chairman's Committee and Audit Committee meetings. These discussions led to a series of changes in the terms of reference for the Supervisory Board and its committees. In July, we discussed the implementation of the recommendations of the appraisal of the activities of the Supervisory Board which was conducted in 2003. We also issued Terms of Reference for the Risk Committee. All of the terms of reference for the Supervisory Board and its committees as well as for the Board of Managing Directors are published on Deutsche Bank's website (www.deutsche-bank.com) under the heading "Corporate Governance". Two meetings were "executive meetings" of the Supervisory Board, i.e. they took place without the Board of Managing Directors, as suggested in No. 3.6 of the German Corporate Governance Code. The Declaration of Conformity pursuant to § 161 German Stock Corporation Act (AktG), last issued by the Supervisory Board and Board of Managing Directors in 2003, was renewed in October 2004.

As required by the Sarbanes-Oxley Act, the Chairman's Committee together with the Board of Managing Directors issued a Code of Ethics for Senior Financial Officers.

A comprehensive presentation of the bank's corporate governance, including the text of the Declaration of Conformity issued on October 28, 2004, can be found on the following pages and on our website in the Internet at www.deutsche-bank.com/corporate-governance.

The Committees of the Supervisory Board
The Supervisory Board received regular reports on the work of its committees.

The Chairman's Committee met five times during the reporting period. At its meetings, the Committee handled issues relating to the Board of Managing Directors, the determination of the variable compensation components for the Board of Managing Directors in 2003, the terms of reference for the Supervisory Board and its committees, new Terms of Reference for the Risk Committee and a Code of Ethics for Senior Financial Officers, the succession planning for the Board of Managing Directors, and the process of selecting new Supervisory Board members.

At its six meetings, the Credit and Market Risk Committee, which was renamed the Risk Committee on July 29, 2004, discussed exposures subject to mandatory approval under German law and the Articles of Association as well as all major loans and loans entailing increased risks. Where necessary, the Risk Committee gave its approval. Apart from credit, liquidity, country and market risks, the Committee also discussed operational, legal and reputational risks extensively. Furthermore, global industry portfolios were presented according to a specified plan and discussed at length.

The Audit Committee met five times in 2004. Representatives of the bank's auditor also attended its meetings. Subjects covered were the audit and approval of the Annual Financial Statements and Consolidated Financial Statements, the Form 20-F for the SEC, the quarterly financial statements, relations with the auditor, the proposal for the election of the auditor for the business year 2004, the auditor's remuneration and the audit mandate, including certain focal points for the audit as well as the control of the auditor's independence. The Audit Committee is convinced that there are no conflicts of interest on the part of the bank's auditor. As in the preceding years, the Committee extensively discussed the effects of the U.S. Sarbanes-Oxley Act on the Audit Committee's working procedures and, when necessary, passed resolutions or recommended resolutions for the Supervisory Board. The Audit Committee had reports submitted to it regularly on the work of Internal Audit as well as on legal and reputational risks.

Meetings of the Mediation Committee, established pursuant to the regulations of the Co-Determination Act, were not necessary in 2004.

Conflicts of Interest and their Handling
The Risk Committee dealt with the loan approvals required pursuant to § 15 of the German Banking Act. Supervisory Board members who were also board members of the respective borrowing company when the resolutions were taken did not participate in this.

The Supervisory Board was kept informed regularly on Dr. Kirch's lawsuits against Deutsche Bank and Dr. Breuer, and discussed further courses of action. The Supervisory Board also resolved, without

Dr. Breuer participating in the voting, to commission an external attorney to advise the Supervisory Board in all matters of relevance for the Supervisory Board arising from these proceedings and assigned a direct contact partner on the Supervisory Board for this attorney.

As a party involved, Dr. Breuer did not participate in the discussion and approval of the resolution by the Chairman’s Committee, in accordance with the resolution of the Board of Managing Directors, that the bank cover the legal fees in another lawsuit in which a complaint was filed, and later withdrawn, against the bank and Dr. Breuer.

Annual Financial Statements

Representatives of the bank’s auditor attended the Financial Statements Meeting of the Supervisory Board and commented on questions raised.

KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, the auditor of the Annual Financial Statements elected at last year’s General Meeting, has audited the accounting, the Annual Financial Statements and the Management Report for 2004 as well as the Consolidated Financial Statements with the related Notes and Management Report for 2004. The audits led in each case to an unqualified opinion. After inspecting the reports of the auditor of the Annual Financial Statements, we agreed with the results of these audits.

Today, we established the Annual Financial Statements prepared by the Board of Managing Directors and approved the Consolidated Financial Statements. We agree with the proposal for the appropriation of profits and with the payment of a dividend of € 1.70 per no par value share entitled to dividend payment.

Personnel Issues

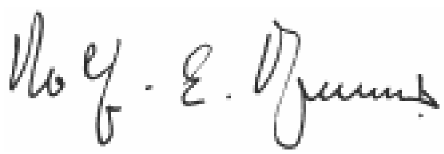
There were no personnel changes on the Board of Managing Directors during the reporting period.

Dr. Michael Otto left the Supervisory Board on July 29, 2004, and Dr. Ulrich Cartellieri on November 28, 2004. Dr. Karl-Gerhard Eick, Deputy Chairman of the Board of Management of Deutsche Telekom AG, was appointed new member of the Supervisory Board by resolution of the register court with effect from August 3, 2004. Professor Dr. Paul Kirchhof, former Federal Constitutional Court judge and professor at the Ruprecht-Karls-University of Heidelberg, was appointed new member of the Supervisory Board by resolution of the register court with effect from November 30, 2004. The two appointments are to be confirmed by the next General Meeting on May 18, 2005.

We thank Dr. Otto and Dr. Cartellieri for their commitment and constructive assistance to the company and the Board of Managing Directors during the preceding years.

The Supervisory Board thanks the Board of Managing Directors and the bank’s employees for their great personal dedication.

Frankfurt am Main, March 18, 2005
The Supervisory Board



Dr. Rolf-E. Breuer
Chairman

Board of Managing Directors and Supervisory Board

Board of Managing Directors

The Board of Managing Directors is responsible for managing the company. Its members are jointly accountable for the management of the company. The duties, responsibilities and procedures of our Board of Managing Directors and the committees installed by the Board are specified in its Terms of Reference, which are available on our Internet website (www.deutsche-bank.com/corporate-governance).

The following paragraphs show information on the current members of the Board of Managing Directors. The information includes their ages as of December 31, 2004, the year in which they were appointed and the year in which their term expires, their current positions or area of responsibility and their principal business activities outside our company.

To assist us in avoiding conflicts of interest, the members of our Board of Managing Directors have generally undertaken not to assume chairmanships of supervisory boards of companies outside our consolidated group.

Dr. Josef Ackermann
Age: 56
First Appointed: 1996
Term Expires: 2006
Dr. Josef Ackermann joined Deutsche Bank as a member of the Board of Managing Directors in 1996. On May 22, 2002, Dr. Ackermann assumed his current position as Spokesman of the Board of Managing Directors and Chairman of our Group Executive Committee.

Dr. Ackermann engages in the following principal business activities outside our company: He is a member of the supervisory boards of Bayer AG, Deutsche Lufthansa AG, Linde AG and Siemens AG (second deputy chairman).

In February 2003, the Düsseldorf Public Prosecutor filed charges against Dr. Ackermann and other former members of the Supervisory Board and of the Board of Managing Directors of Mannesmann AG with the Düsseldorf District Court. The complaint contained allegations of a breach of trust in connection with payments to former members of the Management Board and other managers of Mannesmann following the takeover of Mannesmann by Vodafone in spring 2000. On September 19, 2003, the District Court in Düsseldorf *(Landgericht Düsseldorf)* accepted the case and ordered a trial which commenced on January 21, 2004. At the close of the trial on July 22, 2004, the District Court acquitted Dr. Ackermann as well as all the other defendants. The Düsseldorf Public Prosecutor filed notice of appeal with the Federal Supreme Court (*Bundesgerichtshof*). Our Supervisory Board has declared that it supports Dr. Ackermann’s defense and that it views the charges in question to be unjustified.

Dr. Clemens Börsig
Age: 56
First Appointed: 2001
Term Expires: 2010
Dr. Clemens Börsig joined our Board of Managing Directors in January 2001. He has worked with us since 1999, when he joined us as our Chief Financial Officer. He is also our Chief Risk Officer and responsible for our corporate governance.

Dr. Börsig engages in the following principal business activities outside our company: He is a supervisory board member at Heidelberger Druckmaschinen AG and deputy chairman of the supervisory board of EUROHYPO AG since September 2004. He also holds a nonexecutive directorship at Foreign & Colonial Eurotrust Plc.

Dr. Tessen von Heydebreck
Age: 59
First Appointed: 1994
Term Expires: 2006
Dr. Tessen von Heydebreck joined our Board of Managing Directors in 1994. From 1994 to 1996, he was a deputy member of the Board of Managing Directors. Dr. von Heydebreck is our Chief Administrative Officer.

Dr. von Heydebreck engages in the following principal business activities outside our company: He is a supervisory board member at BASF AG, Duerr AG and BVV Versicherungsverein des Bankgewerbes a.G. and was a supervisory board member of Deutsche Euroshop AG until June 2004 and Gruner + Jahr AG & Co. KG until August 2004. He held a nonexecutive directorship at EFG Eurobank Ergasias S.A. until May 2004.

Hermann-Josef Lamberti
Age: 48
First Appointed: 1999
Term Expires: 2009
Hermann-Josef Lamberti joined our Board of Managing Directors in 1999. He joined us in 1998 as an executive vice president. Mr. Lamberti is our Chief Operating Officer.

Mr. Lamberti engages in the following principal business activities outside our company: He is a member of the supervisory board or similar bodies of Schering AG, Fiat S.p.A., Carl Zeiss Stiftung until June 2004, Carl Zeiss AG from July 2004, e-millennium 1 GmbH & Co. KG (chairperson), Euroclear plc and Euroclear Bank S.A. until December 2004 and Euroclear S.A./N.V. since January 2005.

Group Executive Committee

The Group Executive Committee, established in 2002, is a body that is not required by the Stock Corporation Act. It comprises the members of the Board of Managing Directors, the Business Heads of our Group Divisions, CIB and PCAM, and, as of September 21, 2004, a representative for the management of our regions. The Group Executive Committee serves as a tool to coordinate our businesses and regions.

The responsibilities of the Group Executive Committee are as follows:

- Provide ongoing information to the Board of Managing Directors on business developments and particular transactions;
- Regular review of our business segments;
- Consultation with and furnishing advice to the Board of Managing Directors on strategic decisions; and
- Preparation of decisions to be made by the Board of Managing Directors.

On September 21, 2004, the Board of Managing Directors appointed a member of the Group Executive Committee “Head of Regions” to whom the current regional CEOs will report. This new role aims to strengthen the regional management functions around the globe thus improving the cooperation between the regions and the global businesses for the benefit of our customers.

Supervisory Board

The Supervisory Board appoints, supervises and advices the Board of Managing Directors and is directly involved in decisions of fundamental importance to the bank. The Chairman of the Supervisory Board coordinates work within the Supervisory Board. The duties, procedures and committees of our Supervisory Board are specified in its Terms of Reference, which are available on our Internet website (www.deutsche-bank.com/corporate-governance).

The members representing our shareholders were elected at the Annual Shareholders’ Meeting on June 10, 2003, and the members representing our employees were elected on May 8, 2003. The following table shows information on the current members of our Supervisory Board. The information includes their ages as of December 31, 2004, the years in which they were first elected or appointed, the years when their terms expire, their principal occupations and their memberships on other companies' supervisory boards, other nonexecutive boards.

Member	Principal occupation	Supervisory board memberships and other directorships
Dr. rer.oec. Karl-Hermann Baumann Age: 69 First elected: 1998 Term expires: 2008	Member of the Supervisory Board; Chairman of the supervisory board of Siemens AG 2005, Munich, until January 2005	**Supervisory board memberships:** E.ON AG; Linde AG; Schering AG; ThyssenKrupp AG until January 2005
Dr. Rolf-E. Breuer Age: 67 First elected: 2002 Term expires: 2008	Chairman of the Supervisory Board	**Supervisory board memberships:** Bertelsmann AG; Deutsche Börse AG (chairman); E.ON AG; Compagnie de Saint-Gobain S.A.; Kreditanstalt für Wiederaufbau (KfW); Landwirtschaftliche Rentenbank **Other experience:** President of the Association of German Banks; German Financial Supervisory Authority (Administrative Council)
Dr. Karl-Gerhard Eick Age: 50 Appointed by the court: 2004 Term expires: 2008	Member of the Supervisory Board; Deputy Chairman of the board of managing directors of Deutsche Telekom AG, Bonn	**Supervisory board memberships:** DeTe Immobilien Deutsche Telekom Immobilien und Service GmbH; T-Mobile International AG; T-Online International AG; T-Systems International GmbH; GMG Generalmietgesellschaft mbH (chairman); Sireo Real Estate Asset Management GmbH (chairman); FC Bayern München AG
Heidrun Förster* Age: 57 First elected: 1993 Term expires: 2008	Deputy Chairperson of the Supervisory Board; Chairperson of the staff council of Deutsche Bank Privat- und Geschäftskunden AG, Berlin	
Klaus Funk* Age: 57 First elected: 1999 Term expires: 2008	Member of the Supervisory Board; Chairman of the staff council of Deutsche Bank Privat- und Geschäftskunden AG, Frankfurt am Main	
Ulrich Hartmann Age: 66 First elected: 2003 Term expires: 2008	Member of the Supervisory Board; Chairman of the supervisory board of E.ON AG, Düsseldorf	**Supervisory board memberships:** Deutsche Lufthansa AG, Hochtief AG; IKB Deutsche Industriebank AG (chairman); Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft **Other nonexecutive directorships:** ARCELOR; Henkel KGaA (member of the shareholders' committee)
Sabine Horn* Age: 43 First elected: 1998 Term expires: 2008	Member of the Supervisory Board; Deutsche Bank AG	
Rolf Hunck* Age: 59 First elected: 2003 Term expires: 2008	Member of the Supervisory Board; Deutsche Bank AG	**Supervisory board memberships:** Deutsche Bank Trust AG; Fibula Finanz AG; HCI Kapital AG since January 2005
Sir Peter Job Age: 63 Appointed by the court: 2001 Term expires: 2008	Member of the Supervisory Board	**Supervisory board memberships:** Bertelsmann AG **Other nonexecutive directorships:** GlaxoSmithKline Plc (GSK); Schroders Plc; Tibco Software Inc.; Instinet Inc.; Shell Transport and Trading Plc

Member	Principal occupation	Supervisory board memberships and other directorships
Prof. Dr. Henning Kagermann Age: 57 First elected: 2000 Term expires: 2008	Member of the Supervisory Board; Chairman and CEO of SAP AG, Walldorf	**Supervisory board memberships:** DaimlerChrysler Services AG; Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft
Ulrich Kaufmann* Age: 58 First elected: 1988 Term expires: 2008	Member of the Supervisory Board; Chairman of the staff council of Deutsche Bank AG, Düsseldorf	
Prof. Dr. Paul Kirchhof Age: 61 Appointed by the court: 2004 Term expires: 2008	Member of the Supervisory Board; Professor, Ruprecht-Karls-University, Heidelberg	**Supervisory board memberships:** Allianz Lebensversicherungs-AG
Henriette Mark* Age: 47 First elected: 2003 Term expires: 2008	Member of the Supervisory Board; Chairperson of the staff council of Deutsche Bank AG, Munich and Southern Bavaria	
Margret Mönig-Raane* Age: 56 First elected: 1996 Term expires: 2008	Member of the Supervisory Board; Vice President of the Unified Services Union (ver.di Vereinte Dienstleistungs-gewerkschaft), Berlin	**Other nonexecutive directorships:** BHW Holding AG (member of the advisory board); Kreditanstalt für Wiederaufbau (KfW) (administrative council)
Gabriele Platscher* Age: 47 First elected: 2003 Term expires: 2008	Member of the Supervisory Board; Deutsche Bank Privat- und Geschäftskunden AG	**Supervisory board memberships:** Deutsche Bank Privat- und Geschäftskunden AG, BVV Versicherungsverein des Bankgewerbes a.G.
Karin Ruck* Age: 39 First elected: 2003 Term expires: 2008	Member of the Supervisory Board; Deutsche Bank AG	**Supervisory board memberships:** Deutsche Bank Privat- und Geschäftskunden AG
Tilman Todenhöfer Age: 61 Appointed by the court: 2001 Term expires: 2008	Member of the Supervisory Board; Managing Partner of Robert Bosch Industrietreuhand KG, Stuttgart	**Supervisory board memberships:** Robert Bosch GmbH; Robert Bosch Int. Beteiligungen AG (president of the board of administration); Carl Zeiss AG since July 2004 (chairman); Schott AG since July 2004 (chairman)
Dipl.-Ing. Dr.-Ing. E.h. Jürgen Weber Age: 63 First elected: 2003 Term expires: 2008	Member of the Supervisory Board; Chairman of the supervisory board of Deutsche Lufthansa AG, Cologne	**Supervisory board memberships:** Allianz Lebensversicherungs-AG, Bayer AG, Deutsche Post AG; Thomas Cook AG (chairman), Voith AG; Loyalty Partner GmbH (chairman); Tetra Laval Group
Dipl.-Ing. Albrecht Woeste Age: 69 First elected: 1993 Term expires: 2008	Member of the Supervisory Board; Chairman of the Shareholders' Committee of Henkel KGaA Düsseldorf	**Supervisory board memberships:** Henkel KGaA (chairman); Allianz Lebensversicherungs AG **Other nonexecutive directorships:** IKB Deutsche Industriebank (member of the advisory board); R. Woeste & Co. GmbH & Co KG (chairman of the advisory board)
Leo Wunderlich* Age: 55 First elected: 2003 Term expires: 2008	Member of the Supervisory Board; Chairman of the staff council of Deutsche Bank	

* Employee-elected member of the Supervisory Board.

Dr. Michael Otto was a member of the Supervisory Board until July 29, 2004 and was replaced by Dr. Karl-Gerhard Eick. Dr. Ulrich Cartellieri was a member of the Supervisory Board until November 28, 2004 and was replaced by Prof. Dr. Paul Kirchhof.

Standing Committees

The Supervisory Board has established the following four standing committees. The Report of the Supervisory Board provides information on the concrete work to the committees over the preceding year.

Committee	Meetings in 2004	Responsibilities	Members
Chairman's Committee	5	Prepares decisions by the Supervisory Board on the appointment and dismissal of members of the Board of Managing Directors, including long-term succession planning for the Board of Managing Directors; responsible for deciding the terms of the service contracts and other contractual arrangements between us and members of our Board of Managing Directors; for the approval of ancillary activities of members of the Board of Managing Directors; and for the statutorily required approval of certain contracts between us and members of the Supervisory Board and Board of Managing Directors; prepares Supervisory Board decisions with respect to corporate governance	Dr. Rolf-E. Breuer – Chairperson Dr. Ulrich Cartellieri until November 28, 2004 Heidrun Förster Ulrich Hartmann since November 28, 2004 Ulrich Kaufmann
Audit Committee	5	Mandates the independent auditors that the annual shareholders' meeting elects; sets the compensation of the independent auditor and may determine priorities for the audits; monitors the auditor's independence; reviews our interim reports and financial statements and discusses the audit report with the auditor; prepares the Supervisory Board's decision on the approval of the annual financial statements and the consolidated financial statements; discusses changes of accounting or auditing practices; arranges to be informed regularly about the work done by the internal audit; responsible for handling of complaints regarding accounting, internal accounting controls and auditing matters; approval of the engagement of non-audit services to our auditor	Dr. Karl-Hermann Baumann – Chairperson Dr. Rolf-E. Breuer Dr. Ulrich Cartellieri until November 28, 2004 Dr. Karl-Gerhard Eick since November 28, 2004 Heidrun Förster Sabine Horn Rolf Hunck
Risk Committee	6	Responsible for the treatment of loans which, pursuant to law or our Articles of Association, require a resolution of the supervisory board; approves investments in other companies of between 2% and 3% of our regulatory banking capital; the Board of Managing Directors provides this committee with information on legal and reputational risks, credit exposures and related circumstances which are of special importance due to the risks or liabilities attached to them or for any other reason	Dr. Rolf-E. Breuer – Chairperson Dr. Karl-Hermann Baumann Prof. Henning Kagermann Sir Peter Job – deputy member Ulrich Hartmann – deputy member
Mediation Committee	0	Responsible for making proposals to the Supervisory Board on the appointment or dismissal of members of the Board of Managing Directors in those cases where the Supervisory Board is unable to reach a two-thirds majority decision with respect to the appointment or dismissal	Dr. Rolf-E. Breuer – Chairperson Dr. Ulrich Cartellieri until November 28, 2004 Heidrun Förster Ulrich Hartmann since November 28, 2004 Henriette Mark

The duties, responsibilities and processes of the Chairman's Committee, the Risk Committee, and the Audit Committee are set out in separate terms of reference, which are available on our Internet website (www.deutsche-bank.com/corporate-governance).

Performance-related Compensation

Board of Managing Directors
The Chairman's Committee of the Supervisory Board has functional responsibility for determining the structure and size of the compensation of the members of the Board of Managing Directors. In particular, the Chairman's Committee determines salaries and other compensation elements for the Board of Managing Directors.

We have entered into service agreements with members of our Board of Managing Directors. These agreements established the following two principal elements of compensation:

Salary. The members of the Board of Managing Directors receive a salary which is disbursed in monthly installments. It is determined on the basis of an analysis of salaries paid to executive directors at a selected group of comparable international companies.

Cash Bonus. As part of the variable compensation we pay annual cash bonuses to members of our Board of Managing Directors based on achievement of the planned return on equity of the Group.

Mid-Term-Incentive ("MTI"). As further part of the variable compensation we grant a performance-based mid-term-incentive which reflects, for a rolling two year period, the ratio between our total shareholder return and the corresponding average figure for a peer group. The mid-term-incentive payment consists of a cash component (1/3) and equity-based awards (2/3) which contain long-term risk elements under the DB Global Partnership Plan.

The aggregate remuneration, including performance-based compensation, earned by the members of our Board of Managing Directors for the year ended December 31, 2004 was € 25,101,614. This aggregate remuneration was comprised of the following:

in €	**2004**
Salary	3,550,000
Bonuses, mid-term-incentive (cash and equity-based)	20,901,900
Other remuneration[1]	649,714
Total remuneration	**25,101,614**

[1] Insurance premiums, payments in kind and taxes.

The members of our Board of Managing Directors received as part of the mid-term-incentive share-based awards, the ultimate value of which to the members of the Board of Managing Directors will depend on the price of Deutsche Bank shares. The units of each portion of this share-based compensation are described below.

DB Equity Units. In February 2005, we awarded an aggregate of 138,713 deferred share awards to members of our Board of Managing Directors. These shares are scheduled to be delivered on August 1, 2008.

For further information on the terms of our DB Global Partnership Plan, pursuant to which DB Equity Units are issued, see Note [20] to the consolidated financial statements.

Pursuant to the service contracts we have entered into with each of the members of our Board of Managing Directors, the board members are entitled to receive certain transitional payments upon termination of their board membership. If a member is terminated other than for cause, he or she is entitled to receive a severance payment generally consisting of his or her base salary for the remaining term of the service contract, as well as an amount corresponding to the member's average annual bonus and MTI paid in the three years preceding the termination.

Our board members as of December 31, 2004 received the following remuneration for the year 2004:

Members of the Board of Managing Directors in €	Annual cash compensation		Equity-based MTI	Total Compensation
	Salary	Cash bonus/cash MTI	Value of share-based awards*	
Dr. Josef Ackermann	1,150,000	5,016,000	3,915,000	10,081,000
Dr. Clemens Börsig	800,000	2,235,300	1,755,000	4,790,300
Dr. Tessen v. Heydebreck	800,000	2,235,300	1,755,000	4,790,300
Hermann-Josef Lamberti	800,000	2,235,300	1,755,000	4,790,300

* The number of DB Equity Units granted to each member was determined by dividing such euro amounts by € 66.18, the closing price of our shares on the grant date (February 1, 2005). The number of DB Equity Units granted to each member was as follows: Dr. Josef Ackermann 59,157, Dr. Clemens Börsig 26,519, Dr. Tessen v. Heydebreck 26,519, and Hermann-Josef Lamberti 26,519.

In addition to the above amounts that we paid to members of the Board of Managing Directors in 2004, we paid former members of the Board of Managing Directors or their surviving dependents an aggregate of € 17,918,080 in 2004. During 2004 we set aside € 1,087,064 for pension, retirement or similar benefits for our Board of Managing Directors.

Supervisory Board

The compensation of Supervisory Board members is set forth in our Articles of Association, which our shareholders amend from time to time at their annual meetings. Such compensation provisions were last amended at our Annual General Meeting on June 10, 2003.

For 2004, the following compensation policies apply. The compensation generally consists of a fixed remuneration of € 30,000 per year (plus value-added tax (*Umsatzsteuer*)) and a dividend-based bonus of € 1,000 per year for every full or fractional € 0.05 increment by which the dividend we distribute to our shareholders exceeds € 0.15 per share. We increase both the fixed remuneration and the dividend-based bonus of each Supervisory Board member by 25% for each committee on which the Supervisory Board member sits, except that for the chair of a committee the rate of increment is 50% and if the committee chairman is not identical with the Supervisory Board chairperson the rate of increment is 75%. These amounts are based on the premise that the respective committee has met during the financial year. We pay the chairperson three times the total compensation of a regular member, and we pay the deputy chairperson one and a half times the total compensation of a regular member. The members of the Supervisory Board also receive an annual remuneration linked to our long-term success; this remuneration varies in size depending on how the ratio between the total return on our shares – based on share price development, dividend and capital actions – and the average total return of shares of a group of peer companies currently consisting of Citigroup Inc., Credit Suisse Group, J. P. Morgan Chase & Co., Merrill Lynch & Co. Inc. and UBS AG, has developed in the three financial years immediately preceding the year for which the remuneration is paid. If the ratio lies between –10% and +10% each member receives an amount of € 15,000; if our shares outperform the peer group by 10% to 20%, the payment increases to € 25,000; and in case of a more than 20% higher performance it rises to € 40,000. The members of the Supervisory Board receive a meeting fee of € 1,000 for each meeting of the Supervisory Board and its committees in which they take part. In addition, in our interest, the members of the Supervisory Board will be included in any financial liability insurance policy held in an appropriate amount by us, with the corresponding premiums being paid by us.

We also reimburse members of the Supervisory Board for all cash expenses and any value-added tax *(Umsatzsteuer)* they incur in connection with their roles as members of the Supervisory Board. Employee-elected members of the Supervisory Board also continue to receive their employee benefits. For Supervisory Board members who served on the board for only part of the year, we pay a fraction of their total compensation based on the number of months they served, rounding up or down to whole months.

We compensate our Supervisory Board members after the end of each fiscal year. In January 2005, we paid each Supervisory Board member the fixed portion of their remuneration for their services in 2004 and their meeting fees. The remuneration linked to our long-term success was defined to be zero. In addition, we will pay each of them for their services in 2004 a dividend-based bonus after the Annual General Meeting in May 2005. The following table shows the individual remuneration of the members of the Supervisory Board for their services in 2004 (excluding value-added tax), assuming that the Annual General Meeting in May 2005 approves the envisaged dividend of € 1.70 per share.

Members of the Supervisory Board	Compensation for fiscal year 2004			
in €	Fixed	Variable	Meeting fee	Total
Dr. Rolf-E. Breuer	127,500	131,750	20,000	279,250
Heidrun Förster	60,000	62,000	14,000	136,000
Dr. Karl-Hermann Baumann	60,000	62,000	15,000	137,000
Dr. Ulrich Cartellieri[3]	48,125	49,729	16,000	113,854
Dr. Karl-Gerhard Eick[2]	13,125	13,563	1,000	27,688
Klaus Funk	30,000	31,000	4,000	65,000
Ulrich Hartmann	38,125	39,396	8,000	85,521
Sabine Horn	37,500	38,750	9,000	85,250
Rolf Hunck	37,500	38,750	8,000	84,250
Sir Peter Job	37,500	38,750	9,000	85,250
Prof. Dr. Henning Kagermann	30,625	31,646	4,000	62,271
Ulrich Kaufmann	37,500	38,750	9,000	85,250
Prof. Dr. Paul Kirchhof[4]	2,500	2,583	–	5,083
Henriette Mark	30,000	31,000	4,000	65,000
Margret Mönig-Raane	30,000	31,000	4,000	65,000
Dr. Michael Otto[1]	17,500	18,083	3,000	38,583
Gabriele Platscher	30,000	31,000	4,000	65,000
Karin Ruck	30,000	31,000	4,000	65,000
Tilman Todenhöfer	30,000	31,000	4,000	65,000
Dipl.-Ing. Dr.-Ing. E.h. Jürgen Weber	30,000	31,000	4,000	65,000
Dipl.-Ing. Albrecht Woeste	30,000	31,000	4,000	65,000
Leo Wunderlich	30,000	31,000	4,000	65,000
Total	**817,500**	**844,750**	**152,000**	**1,814,250**

[1] Member until July 29, 2004.
[2] New member since August 3, 2004.
[3] Member until November 28, 2004.
[4] New member since November 30, 2004.

As mentioned above, most of the employee-elected members of the Supervisory Board are employed by us. In addition, Dr. Breuer and Dr. Cartellieri were formerly employed by us. The aggregate compensation we and our consolidated subsidiaries paid to such members as a group during the year ended December 31, 2004 for their services as employees or status as former employees (including retirement, pension and deferred compensation) was € 3,160,198.

During 2004 we set aside € 0.1 million for pension, retirement or similar benefits for the members of the Supervisory Board who are employed by us.

Share Plans

For a description of our employee share programs, please refer to Note [20] to the consolidated financial statements.

Reporting and Transparency

Directors' Share Ownership

Board of Managing Directors. As of February 28, 2005, the current members of our Board of Managing Directors held the following numbers of our shares, DB Equity Units and Performance Options:

Members of the Board of Managing Directors	Number of shares	Number of DB Equity Units	Number of Performance Options
Dr. Josef Ackermann	114,420	177,499	100,374
Dr. Clemens Börsig	10,250[1]	83,921	63,684
Dr. Tessen von Heydebreck	10,000	85,172	64,919
Hermann-Josef Lamberti	21,558	85,172	64,919
Total	**156,228**	**431,764**	**293,896**

[1] Excluding 150 Deutsche Bank shares, pooled in a family held partnership, in which Dr. Clemens Börsig has an interest of less than 25%.

The current members of our Board of Managing Directors held an aggregate of 156,228 of our shares on February 28, 2005, amounting to approximately 0.03% of our outstanding share capital on that date. No member of the Board of Managing Directors beneficially owns 1% or more of our outstanding shares.

The table below shows information regarding the 431,764 DB Equity Units held by the current members of our Board of Managing Directors as of February 28, 2005:

Number of DB Equity Units	Vesting Date	Delivery Date
58,827	February 1, 2004	August 1, 2005
14,707	August 1, 2005	August 1, 2005
95,853	February 1, 2005	August 1, 2006
23,963	August 1, 2006	August 1, 2006
79,759	February 1, 2006	August 1, 2007
19,940	August 1, 2007	August 1, 2007
110,970	February 1, 2007	August 1, 2008
27,743	August 1, 2008	August 1, 2008

The table below shows information regarding the 293,896 Performance Options held by the current members of our Board of Managing Directors as of February 28, 2005. All Performance Options were granted under the DB Global Partnership Plan. Each Performance Option is accompanied by a Partnership Appreciation Right.

Number of Performance Options	Strike Price in €	Vesting Date	Expiration Date
32,772	89.96	February 1, 2004	February 1, 2008
32,772	89.96	February 1, 2005	February 1, 2008
32,772	89.96	February 1, 2006	February 1, 2008
80,700	47.53	February 1, 2005	February 1, 2009
38,293	76.61	February 1, 2006	February 1, 2010
38,293	76.61	February 1, 2007	February 1, 2010
38,293	76.61	February 1, 2008	February 1, 2010

For more information on DB Equity Units, Performance Options and Partnership Appreciation Rights, all of which are granted under the DB Global Partnership Plan, see Note [20] to the consolidated financial statements.

Supervisory Board. As of February 28, 2005, the current members of our Supervisory Board held the following numbers of our shares, share grants under our employee share plans and options on our shares:

Members of the Supervisory Board	Number of Shares	Number of Share Grants	Number of Options
Dr. Rolf-E. Breuer	20,107	29,013	57,310
Dr. rer. oec. Karl-Hermann Baumann	–	–	–
Dr. Karl-Gerhard Eick	–	–	–
Heidrun Förster	500	10	200
Klaus Funk	150	10	200
Ulrich Hartmann	–	–	–
Sabine Horn	35	10	100
Rolf Hunck	124	9,267	986
Sir Peter Job	–	–	–
Prof. Dr. Henning Kagermann	–	–	–
Ulrich Kaufmann	55	10	200
Prof. Dr. Paul Kirchhof	–	–	–
Henriette Mark	238	10	200
Margret Mönig-Raane	–	–	–
Dr. Michael Otto	–	–	–
Gabriele Platscher	699	10	100
Karin Ruck	70	10	120
Tilman Todenhöfer	–	–	–
Dipl.-Ing. Dr.-Ing. E.h. Jürgen Weber	300	–	–
Dipl.-Ing. Albrecht Woeste	–	–	–
Leo Wunderlich	672	10	200
Total	**22,950**	**38,360**	**59,616**

As of February 28, 2005, the members of the Supervisory Board held 22,950 shares, amounting to 0.0044% of our outstanding share capital on that date. No member of the Supervisory Board beneficially owns 1% or more of our outstanding shares.

Some of the Supervisory Board members who are or were formerly employees received grants under our employee share plans entitling them to receive shares at specified future dates or granting them options to acquire shares at future dates. For a description of our employee share plans, please refer to Note [20] of the consolidated financial statements. Shares that have been delivered to such employees as a result of grants under the plans (including following the exercise of options granted thereunder), and that have not been disposed by them, are shown in the “Number of Shares” column in the table above, as are shares otherwise acquired by them. Shares granted under the plans that have not yet been delivered to such employees are shown in the “Number of Share Grants” column.

The share grants to Dr. Rolf-E. Breuer consist of 29,013 shares granted under the DB Global Partnership Plan as compensation during his prior service as Spokesman of our Board of Managing Directors, which are scheduled to be delivered to him on August 1, 2005. The share grants to Rolf Hunck include 9,257 shares granted under the Restricted Equity Units Plan as part of his compensation as an employee, which are scheduled to be delivered to him in portions on August 1, 2007, 2008 and 2009. The other grants reflected in the table were made to employee members of our Supervisory Board under the DB Global Share Plan 2004, and are scheduled to be delivered on November 1, 2005.

Dr. Rolf-E. Breuer holds a total of 57,310 Performance Options granted under the DB Global Partnership Plan as compensation during his prior service as Spokesman of our Board of Managing Directors. Dr. Breuer’s options have a strike price of € 89.96, vesting dates of February 1, 2004, 2005 and 2006, and an expiration date of February 1, 2008. Rolf Hunck holds a total of 726 Performance Options granted under the DB Global Partnership Plan as part of his compensation as an employee, which were received in February 2002 and have a strike price of € 89.96, vesting dates of February 1, 2004, 2005 and 2006, and an expiration date of February 1, 2008. Each Performance Option is accompanied by a Partnership Appreciation Right. Mr. Hunck also received 4,000 stock appreciation rights under the Stock Appreciation Rights Plan as part of his compensation as an employee, which were received in December 2000, have a strike price of € 86.50 and are exercisable from January 12, 2005 through January 5, 2007. The other options reflected in the table were acquired via the voluntary participation of employee members of our Supervisory Board in the DB Global Share Plan. DB Global Share Plan options issued in 2001 generally have a strike price of € 87.66, a vesting date of January 2, 2004 and an expiration date of November 13, 2007; those issued in 2002 generally have a strike price of € 55.39, a vesting date of January 2, 2005 and an expiration date of November 13, 2008; those issued in 2003 generally have a strike price of € 75.24, a vesting date of January 2, 2006 and an expiration date of December 11, 2009. All options are with respect to our ordinary shares.

Directors' Dealings

Since October 30, 2004, the amended German law on directors' dealings (Section 15a of the German Securities Trading Act (Wertpapierhandelsgesetz) requires persons discharging managerial responsibilities within an issuer of financial instruments to disclose their personal transactions in shares of the issuer and financial instruments based on them, especially derivatives, to the issuer and to the Federal Financial Supervisory Authority (BaFin). As previously, the duty of disclosure applies to the members of the Board of Managing Directors and of the Supervisory Board. Moreover, the duty of disclosure now also applies to persons who have regular access to inside information about the company and are empowered to make significant managerial decisions. The duty of disclosure also applies to persons and certain legal entities closely associated with a person discharging managerial responsibilities at Deutsche Bank.

In accordance with our policy and the German law, the transactions since January 1, 2004, were as follows (until February 28, 2005):

Date of Transaction	Name	Title of the Security or Right	WKN/ISIN	Type of Transaction	Quantity and Nominal	Price/ Currency	Comments
Members of the Board of Managing Directors							
28.2.2004	Dr. Josef Ackermann	New DB Shares	DB0G1Q/ DE000DB0G1Q4	Acquisition by exercise of options	57,420	€ 47.53	Purchase within the DB Global Partnership Plan
Members of the Supervisory Board							
17.2.2005	Gabriele Platscher	New DB Shares	DB0G1Q/ DE000DB0G1Q4	Acquisition by Exercise of options	100	€ 55.39	Purchase within the employees' share program
10.2.2005	Gabriele Platscher	DB Shares	514000 DE0005140008	Sell	100	€ 67.78	
24.11.2004	Klaus Funk	DB Shares	514000	Sell	50	€ 63.69	
10.11.2004	Ulrich Kaufmann	DB Shares	514000	Sell	118	€ 63.39	
8.11.2004	Klaus Funk	DB Shares	514000	Sell	150	€ 63.34	
2.11.2004	Rolf Hunck	DB Shares	514000	Sell	602	€ 60.96	
2.8.2004 to 6.8.2004	Rolf Hunck	DB Shares	514000	Sell	93.104	€ 55.44	Partial sale to pay for incidental income tax payable, as a result of share based remuneration (average price of the lower prices from 02.08.2004 – 06.08.2004)
2.8.2004 to 6.8.2004	Rolf Hunck	DB Shares	514000	Remuneration	196.09		Share based remuneration, based on the contract of employment. Gross: 196.09 shares Net: 102 (rounded)
3.5.2004	Sabine Horn	DB Shares	514000	Sell	258	€ 68.20	
6.2.2004	Rolf Hunck	DB Shares	514000	Sell	450	€ 65.38	
Other Executives							
3.2.2005	Detlef Bindert Group Treasurer	DB Shares	514000	Sell	4,000	€ 66.80	
16.12.2004	Detlef Bindert Group Treasurer	Eurex traded Option	DBK 1204	Buy Closing	20 Contracts	€ 0.34	

Related Party Transactions

We have business relationships with a number of the companies in which we own significant equity interests. We also have business relationships with a number of companies where members of our Board of Managing Directors also hold positions on boards of directors. Our business relationships with these companies cover many of the financial services we provide to our clients generally.

We believe that we conduct all of our business with these companies on terms equivalent to those that would exist if we did not have equity holdings in them or management members in common, and that we have conducted business with these companies on that basis in 2004 and prior years. None of these transactions is or was material to us.

Among our business with related party companies in 2004 there have been and currently are loans, guarantees and commitments. All of these lending-related credit exposures (excluding derivatives), which totaled € 3.5 billion (of which € 1.7 billion related to our equity method investment in EUROHYPO AG) as of February 28, 2005,

- were made in the ordinary course of business,
- were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons, and
- did not involve more than the normal risk of collectibility or present other unfavorable features.

We have not conducted material business with parties that fall outside of the definition of related parties, but with whom we or our related parties have a relationship that enables the parties to negotiate terms of material transactions that may not be available from other, more clearly independent, parties on an arm's-length basis.

EUROHYPO

Following an agreement in principle reached in 2001, in the third quarter of 2002 we merged our mortgage bank subsidiary, EUROHYPO AG Europäische Hypothekenbank der Deutsche Bank AG ("Eurohypo Old"), with the mortgage bank subsidiaries of Dresdner Bank AG and Commerzbank AG, to form the new EUROHYPO AG ("EUROHYPO"). After the merger, we contributed part of our London-based real estate investment banking business to EUROHYPO in December 2002. In January 2003, our German commercial real estate financing division in Germany and Dresdner Bank AG's U.S.-based real estate investment banking team were transferred to EUROHYPO Subsequent to these transactions, we owned 37.7% of the outstanding share capital of EUROHYPO.

Two members of the supervisory board of EUROHYPO, including the Deputy Spokesman, are employees of Deutsche Bank. Additionally, two members of the Board of Managing Directors of EUROHYPO, including the Spokesman, were members of the management board of Eurohypo Old prior to the merger.

Besides our equity stake, which had a book value of € 2.5 billion at December 31, 2004, we provide EUROHYPO with loans and commitments. Total loans and commitments (including derivative lines) as of December 31, 2004 were € 4.3 billion, of which € 2.2 billion were utilized at that date.

Deutsche Bank AG, Commerzbank AG and Dresdner Bank AG each granted EUROHYPO financial guarantees to protect EUROHYPO against losses resulting from loan loss provisions arising from loans each contributed to the new entity up to a fixed maximum amount for the period until December 31, 2006. While the maximum amount of the financial guarantees of Commerzbank AG and Dresdner Bank AG had already been utilized by the end of 2003, our financial guarantee, which had an initial maximum amount of € 283 million, is still in force with an unutilized amount of € 51 million as of December 31, 2004. Furthermore, we held fixed income securities issued by EUROHYPO, classified as securities available for sale, in the amount of € 665 million as of December 31, 2004.

Under the agreement in principle referred to above, Deutsche Bank, Commerzbank AG and Dresdner Bank AG have agreed to certain transfer restrictions regarding their shares in EUROHYPO which are in force until December 31, 2008, including preemptive rights.

In March 2004, the major shareholders waived their rights to a dividend payment in respect of the fiscal year 2003 and EUROHYPO announced that it had taken a decision in March 2004 to establish additional general banking reserves allowable under German accounting rules (HGB). We account for our investment in EUROHYPO under the equity method and as such recognize in our income statement our proportional share of the after-tax earnings or losses of EUROHYPO as reported applying U.S. GAAP. In November 2004, EUROHYPO's retail banking unit sold approximately 14,000 of its German nonperforming mortgage loans to a newly founded company, established for this purpose, of which EUROHYPO owns 33% and a Citibank-led consortium owns the balance.

Xchanging etb GmbH

Based on agreements reached in May 2004, we transferred our stake in etb to Xchanging etb GmbH (formerly Zweite Xchanging GmbH), which is located in Germany, and received in turn a 49% nonvoting capital stake in Xchanging etb GmbH. The remaining 51% is owned by Xchanging HoldCo No 3 Ltd (UK), a 100% subsidiary of Xchanging B.V. (NL) ('Xchanging'). Founded in 1998, Xchanging is an internationally positioned business process outsourcer and back office services provider, with locations in UK, France, Germany, the United States and Asia. etb is in general a provider for security settlement services we founded in 1999. The change of control was realized at May 31/June 1, 2004 when Xchanging took over management control and full operational responsibility for etb.

One of the four executive directors of Xchanging etb GmbH is an employee of Deutsche Bank Group (a supervisory board does not yet exist at Xchanging etb GmbH). Additionally, one member of the supervisory board of etb is an employee of ours. Furthermore, two members of the management board of etb were members of the management board of etb prior to the change of control when it was our wholly-owned subsidiary.

The arrangements with etb (under the control of Xchanging) include a 12-year service agreement. This agreement is aimed to reduce our costs for the agreed security settlement services while maintaining control over services provided as well as the desired quality and performance. It also ensures significant investments of Xchanging in order to enhance processes and etb's service delivery platform for additional new clients. In return for the services received, we provide services such as human resource, controlling, audit and corporate security to etb, as we did before the transfer. The volume of services received from etb in 2004 amounted to € 130 million while the volume of services provided to etb in 2004 amounted to € 43 million. We account for our investment in Xchanging etb GmbH under the equity method. Currently the Group intends to sell a 5% stake in Xchanging etb GmbH to a client of etb, who uses their services to a larger extent.

Related Party Nonaccrual Loans

Aside from our other shareholdings, we hold acquired equity interests in some of our clients arising from our efforts to protect our then-outstanding lending exposures to them.

The table below shows information on loans to related party companies that we have classified as nonaccrual as of December 31, 2004. As such, these nonaccrual loans may exhibit more than normal risk of collectibility or present other unfavorable features. The amounts outstanding disclosed for February 28, 2005 aggregate to € 61 million, down € 201 million or 77% from February 29, 2004. We hold a significant portion of the outstanding equity interests in customers B and D noted below and account for these equity interests in our financial statements using the equity method of accounting (as described in Note [1] to the consolidated financial statements). Our participating interests in customers A and C and Radio Movil Digital Americas, Inc. are 10% or more of their voting rights.

in € m.	Amount outstanding as of February 28, 2005	Largest amount outstanding January 1, 2004 to February 28, 2005	Nature of the loan and transaction in which incurred
Customer A	34	97	Comprised of a € 33 million real estate finance loan bearing interest at 6.27% per annum and guarantees which were honored after the company filed for liquidation bearing no interest. The loan is payable on demand and interest accrual has been stopped.
Customer B	8	9	Former sale and leaseback transaction bearing interest at 5.2% per annum, for which we have demanded repayment and stopped accruing interest.
Customer C	1	4	Cash loan payable on demand, bearing interest at 8% per annum, for which interest accrual has been stopped.
Customer D	3	3	Long term refinancing of non-recourse lease, bearing interest at 6.9% per annum, maturing June 2019, for which interest accrual has been stopped.
Radio Movil Digital Americas, Inc.	15	18	Cash loan payable on demand, bearing interest at 12% per annum, for which interest accrual has been stopped.

We have not disclosed the names of the customers referred to by letters above because we have concluded that such disclosure would conflict with applicable privacy laws, such as customer confidentiality and data protection laws, and such customers have not waived application of these privacy laws.

Auditing and Controlling

Audit Committee Financial Expert
Our Supervisory Board has determined that the following members of its Audit Committee are “audit committee financial experts”, as such term is defined by the regulations of the Securities and Exchange Commission issued pursuant to Section 407 of the Sarbanes-Oxley Act of 2002: Dr. rer.oec. Karl-Hermann Baumann, Dr. Rolf-E. Breuer and Dr. Karl-Gerhard Eick.

Code of Ethics
In response to Section 406 of the Sarbanes-Oxley Act of 2002, we have adopted a code of ethics that applies to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. A copy of this code of ethics is available on our Internet website at http://www.deutsche-bank.com/corporate-governance.

Principal Accounting Fees and Services
In accordance with German law, our principal accountants are appointed by our Annual General Meeting based on a recommendation of our Supervisory Board. The Audit Committee of our Supervisory Board prepares the board’s recommendation on the selection of the principal accountants. Subsequent to the principal accountants’ appointment, the Audit Committee awards the contract and in its sole authority approves the terms and scope of the audit and all audit engagement fees as well as monitors the principal accountants’ independence. At our 2003 and 2004 Annual General Meetings, our shareholders appointed KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, which had been our principal accountants for a number of years, as our principal accountants for the 2003 and 2004 fiscal years, respectively.

The table set forth below contains the aggregate fees billed for each of the last two fiscal years by our principal accountants in each of the following categories: (i) Audit Fees, which are fees for professional services for the audit of our annual financial statements or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for those fiscal years, (ii) Audit-Related Fees, which are fees for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements and are not reported as Audit Fees, (iii) Tax Fees, which are fees for professional services rendered for tax compliance, tax consulting and tax planning, and (iv) All Other Fees, which are fees for products and services other than Audit Fees, Audit- Related Fees and Tax Fees. These amounts exclude expenses and VAT.

Fee category in € m.	**2004**	2003
Audit Fees	40	32
Audit-Related Fees	6	12
Tax Fees	15	8
All Other Fees	–	1
Total Fees	**61**	**53**

Our Audit-Related Fees included fees for accounting advisory, due diligence relating to actual or contemplated acquisitions and dispositions, attestation engagements and other agreed-upon procedure engagements. Our Tax Fees included fees for services relating to the preparation and review of tax returns and related compliance assistance and advice, tax consultation and advice relating to Group tax planning strategies and initiatives and assistance with assessing compliance with tax regulations. Our Other Fees were incurred for project-related advisory services.

United States law and regulations in effect since May 6, 2003, and our own policies, generally require all engagements of our principal accountants be pre-approved by our Audit Committee or pursuant to policies and procedures adopted by it. Our Audit Committee has adopted the following policies and procedures for consideration and approval of requests to engage our principal accountants to perform non-audited services. Engagement requests must in the first instance be submitted to our Group Finance Committee, whose members consist of our Chief Financial Officer and senior members of our Controlling and Tax departments. If the request relates to services that would impair the independence of our principal accountants, the request must be rejected. Our Audit Committee has given its pre-approval for specified assurance, financial advisory and tax services, provided the expected fees for any such service do not exceed € 1 million. If the engagement request relates to such specified pre-approved services, it may be approved by the Group Finance Committee, which must thereafter report such approval to the Audit Committee. If the engagement request relates neither to prohibited non-audit services nor to pre-approved non-audit services, it must be forwarded by the Group Finance Committee to the Audit Committee for consideration. In addition, to facilitate the consideration of engagement requests between its meetings, the Audit Committee has delegated approval authority to several of its members who are “independent” as defined by the Securities and Exchange Commission and the New York Stock Exchange. Such members are required to report any approvals made by them to the Audit Committee at its next meeting.

Additionally, United States law and regulations in effect since May 6, 2003 permit the pre-approval requirement to be waived with respect to engagements for non-audit services aggregating no more than five percent of the total amount of revenues we paid to our principal accountants, if such engagements were not recognized by us at the time of engagement and were promptly brought to the attention of our Audit Committee or a designated member thereof and approved prior to the completion of the audit. In each of 2003 and 2004, the percentage of the total amount of revenue we paid to our principal accountants represented by non-audit services in each category that were subject to such a waiver was less than 5%.

Compliance with the German Corporate Governance Code

Declaration of Conformity 2004

The Board of Managing Directors and Supervisory Board issued a new Declaration of Conformity in accordance with § 161 German Stock Corporation Act (AktG) on October 28, 2004. It stated that Deutsche Bank AG complied with the recommendations of the "Government Commission of the German Corporate Governance Code" since its last Declaration of Conformity dated October 29, 2003 with the following exception:

– For the members of the Board of Managing Directors and of the Supervisory Board, there has been a directors and officers' liability insurance policy, without deductible (Code No. 3.8).

Deutsche Bank will act in conformity with the recommendations oft the "Government Commission of the German Corporate Governance Code" in the version dated May 21, 2003 with the following exception:

– For the members of the Board of Managing Directors and Supervisory Board, there is a directors and officers' liability insurance policy without a deductible (Code No. 3.8). This is actually a group insurance policy for a large number of staff members in Germany and abroad. Internationally, a deductible is unusual. A differentiation between board members and staff members does not appear to be appropriate.

The Declaration of Conformity is also published on our Internet website at www.deutsche-bank.com/corporate-governance, where you can also find a copy of the German Corporate Governance Code.

Statement on the Suggestions of the German Corporate Governance Code

Deutsche Bank voluntarily complies with the suggestions of the Code in the version dated May 21, 2003, with the following exceptions:

– The representatives appointed by Deutsche Bank to exercise shareholders' voting rights can be reached by those attending the General Meeting until just before voting commences. The representatives are reachable by those not attending until 12 noon on the day of the General Meeting using the instruction tool in the Internet (Code No. 2.3.3). In this manner, the risk of any technical disruptions directly before voting takes place can basically be excluded. The broadcast through the Internet also ends at the latest at this time, which means information useful for non-participants in forming an opinion can no longer be expected thereafter.

– Our broadcast of the General Meeting through the Internet (Code No. 2.3.4) covers the opening of the General Meeting by the Chairman and the report of the Board of Managing Directors. The shareholders are thus free to hold their discussions with management unencumbered by a public broadcast to a wide audience.

– Until now, all of the members of the Supervisory Board have been elected for a uniform period of office (Code No. 5.4.4). But according to § 9 (1) of the Articles of Association, it is possible to vary the periods of office in future elections.

Supervisory Board

Dr. Rolf-E. Breuer
– Chairman,
Frankfurt am Main

Heidrun Förster*
– Deputy Chairperson,
Deutsche Bank Privat- und
Geschäftskunden AG, Berlin

Dr. rer. oec.
Karl-Hermann Baumann
Munich

Dr. Ulrich Cartellieri
Frankfurt am Main
(until November 28, 2004)

Dr. Karl-Gerhard Eick
Deputy Chairman of the Board
of Management of
Deutsche Telekom AG, Bonn
(from August 3, 2004)

Klaus Funk*
Deutsche Bank Privat- und
Geschäftskunden AG,
Frankfurt am Main

Ulrich Hartmann
Chairman of the Supervisory
Board of E.ON AG, Düsseldorf

Sabine Horn*
Deutsche Bank AG,
Frankfurt am Main

Rolf Hunck*
Deutsche Bank AG, Hamburg

Sir Peter Job
London

Prof. Dr.
Henning Kagermann
Chairman and CEO of SAP AG,
Walldorf/Baden

Ulrich Kaufmann*
Deutsche Bank AG, Düsseldorf

Prof. Dr. Paul Kirchhof
University professor,
Ruprecht-Karls-Universität,
Heidelberg
(from November 30, 2004)

Henriette Mark*
Deutsche Bank AG, Munich

Margret Mönig-Raane*
Vice President of ver.di
Vereinte Dienstleistungs-
gewerkschaft, Berlin

Dr. Michael Otto
Chairman of the Board
of Management of
Otto (GmbH & Co. KG),
Hamburg
(until July 29, 2004)

Gabriele Platscher*
Deutsche Bank Privat- und
Geschäftskunden AG,
Braunschweig

Karin Ruck*
Deutsche Bank AG,
Bad Soden am Taunus

Tilman Todenhöfer
Managing Partner of Robert
Bosch Industrietreuhand KG,
Stuttgart

Dipl.-Ing. Dr.-Ing. E. h.
Jürgen Weber
Chairman of the
Supervisory Board of
Deutsche Lufthansa AG,
Hamburg

Dipl.-Ing. Albrecht Woeste
Chairman of the Supervisory
Board and Shareholders'
Committee of Henkel KGaA,
Düsseldorf

Leo Wunderlich*
Deutsche Bank AG,
Mannheim

* elected by the employees

Committees

Chairman's Committee
Dr. Rolf-E. Breuer
– Chairman
Dr. Ulrich Cartellieri
(until November 28, 2004)
Heidrun Förster*
Ulrich Hartmann
(from November 28, 2004)
Ulrich Kaufmann*

Mediation Committee
Dr. Rolf-E. Breuer
– Chairman
Dr. Ulrich Cartellieri
(until November 28, 2004)
Heidrun Förster*
Ulrich Hartmann
(from November 28, 2004)
Henriette Mark*

Audit Committee
Dr. rer. oec.
Karl-Hermann Baumann
– Chairman
Dr. Rolf-E. Breuer
Dr. Ulrich Cartellieri
(until November 28, 2004)
Dr. Karl-Gerhard Eick
(from November 28, 2004)
Heidrun Förster*
Sabine Horn*
Rolf Hunck*

Risk Committee
Dr. Rolf-E. Breuer
– Chairman
Dr. rer. oec.
Karl-Hermann Baumann
Dr. Ulrich Cartellieri
(until November 28, 2004)
Prof. Dr. Henning Kagermann
(from November 28, 2004)
Sir Peter Job
– Substitute Member
Ulrich Hartmann
– Substitute Member

* elected by the employees

Advisory Board

Werner Wenning
– Chairman
Chairman of the Board
of Managing Directors of
Bayer AG, Leverkusen

Dr. Kurt Bock
from June 2, 2004,
Member of the Group Board
BASF Aktiengesellschaft,
Ludwigshafen

Carl L. von Boehm-Bezing
Frankfurt am Main

Dr. Karl-Gerhard Eick
until July 31, 2004,
Deputy Chairman of the Board
of Management of
Deutsche Telekom AG, Bonn

Dr. Karl-Ludwig Kley
Member of the Executive Board
of Deutsche Lufthansa AG,
Cologne

Dr. Jürgen Krumnow
until October 31, 2004,
Frankfurt am Main

Francis Mer
from June 2, 2004,
Bourg-la-Reine

Dr. h. c. August Oetker
General Partner of
Dr. August Oetker KG, Bielefeld

Eckhard Pfeiffer
Houston

Dr. Bernd Pischetsrieder
Chairman of the Board of
Management of Volkswagen AG,
Wolfsburg

Dr. Wolfgang Reitzle
President and CEO of Linde AG,
Wiesbaden

Dr. rer. pol. Michael Rogowski
Chairman of the Supervisory
Board of J. M. Voith AG,
Heidenheim

Dr. Ronaldo H. Schmitz
Frankfurt am Main

Prof. Jürgen E. Schrempp
Chairman of the Board of
Management of
DaimlerChrysler AG, Stuttgart

Marcus Wallenberg
until December 31, 2004,
Executive Vice President
INVESTOR AB, Stockholm

Group Five-Year Record

Balance Sheet in € m.	**2004**	2003	2002	2001	2000
Total assets	840,068	803,614	758,355	918,222	928,994
Loans, net	136,344	144,946	167,303	259,838	274,660
Liabilities	814,164	775,412	728,364	878,029	885,311
Total shareholders' equity	25,904	28,202	29,991	40,193	43,683
Tier I risk-based capital (BIS)	18,727	21,618	22,742	24,803	23,504
Total risk-based capital (BIS)	28,612	29,871	29,862	37,058	39,343

Income Statement in € m.	**2004**	2003	2002	2001	2000
Net interest revenues	5,182	5,847	7,186	8,620	7,028
Provision for loan losses	372	1,113	2,091	1,024	478
Commissions and fee income	9,506	9,332	10,834	10,727	11,693
Trading revenues, net	6,186	5,611	4,024	6,031	7,625
Other noninterest revenues	1,044	478	4,503	4,163	8,133
Total net revenues	**21,546**	**20,155**	**24,456**	**28,517**	**34,001**
Compensation and benefits	10,222	10,495	11,358	13,360	13,526
Goodwill amortization/impairment and impairment of intangibles	19	114	62	871	771
Restructuring activities	400	(29)	583	294	125
Other noninterest expenses	6,876	6,819	8,904	12,189	12,710
Total noninterest expenses	**17,517**	**17,399**	**20,907**	**26,714**	**27,132**
Income before income tax expense (benefit) and cumulative effect of accounting changes	**4,029**	**2,756**	**3,549**	**1,803**	**6,869**
Income tax expense	1,437	1,327	372	434	2,643
Income tax expense (benefit) from the change in effective tax rate and the reversing effect	120	215	2,817	995	(9,287)
Cumulative effect of accounting changes, net of tax	–	151	37	(207)	–
Net income	**2,472**	**1,365**	**397**	**167**	**13,513**

Key figures	**2004**	2003	2002	2001	2000
Basic earnings per share	€ 5.02	€ 2.44	€ 0.64	€ 0.27	€ 22.00
Diluted earnings per share	€ 4.53	€ 2.31	€ 0.63	€ 0.27	€ 21.72
Dividends paid per share in period	€ 1.50	€ 1.30	€ 1.30	€ 1.30	€ 1.15
Return on average total shareholders' equity (post-tax)[1]	9.1%	4.7%	1.1%	2.3%	41.4%
Adjusted return on average active equity (post-tax)[2]	10.5%	5.2%	10.2%	7.1%	20.1%
Cost/income ratio[3]	79.9%	81.8%	78.8%	87.6%	76.5%
BIS core capital ratio (Tier I)	8.6%	10.0%	9.6%	8.1%	7.8%
BIS capital ratio (Tier I + II + III)	13.2%	13.9%	12.6%	12.1%	13.1%
Employees (full-time equivalent)	65,417	67,682	77,442	86,524	89,784

[1] Net income in 2001 and 2000 is adjusted for amortization of goodwill and other intangible assets.
[2] We calculate this adjusted measure of our return on average total shareholders' equity to make it easier to compare us to our competitors. We refer to this adjusted measure as our "adjusted return on average active equity". However, this is not a measure of performance under U.S. GAAP and you should not compare our ratio to other companies' ratios without considering the differences in calculation of the ratios. The principal items for which we adjust our ratio are the average unrealized net gains on securities available for sale, net of applicable tax effects. In addition we adjust our average total shareholders' equity for the effect of our paying a dividend once a year following its approval by the general shareholders' meeting. Net income used for this calculation is adjusted for the income tax expense from the change in effective tax rate and the reversing effect, for the effect of accounting changes, and in 2001, adjusted for the amortization of goodwill and other intangible assets.
[3] Total noninterest expenses (excluding amortization of goodwill and other intangible assets in 2001 and 2000) as a percentage of net interest revenues before provision for loan losses plus noninterest revenues (excluding amortization of negative goodwill in 2001).

Declaration of Backing[1]

Deutsche Bank AG ensures, except in the case of political risk, that the following companies are able to meet their contractual liabilities:

DB Investments (GB) Limited, London

Deutsche Asset Management International GmbH,
Frankfurt am Main
(formerly: Deutsche Asset Management GmbH)

Deutsche Asset Management Investmentgesellschaft mbH
vormals DEGEF Deutsche Gesellschaft für Fondsverwaltung mbH,
Frankfurt am Main

Deutsche Australia Limited, Sydney

Deutsche Bank Americas Holding Corp.,
New York/USA
(formerly: Deutsche Bank North America Holding Corp.)

Deutsche Bank Luxembourg S.A.,
Luxembourg

Deutsche Bank (Malaysia) Berhad,
Kuala Lumpur

Deutsche Bank Polska S.A., Warsaw

Deutsche Bank (Portugal), S.A., Lisbon
(formerly: Deutsche Bank de Investimento, S.A.)

Deutsche Bank Rt., Budapest

Deutsche Bank S.A., Buenos Aires

Deutsche Bank S.A. – Banco Alemão,
São Paulo

Deutsche Bank S.A./N.V., Brussels

Deutsche Bank, Sociedad Anónima Española,
Barcelona

Deutsche Bank Società per Azioni, Milan

Deutsche Bank (Suisse) S.A., Geneva

Deutsche Futures Singapore Pte Ltd., Singapore
(formerly: Deutsche Morgan Grenfell Futures Pte Ltd.)

Deutsche Morgan Grenfell Group plc, London

Deutsche Securities Asia Limited,
Hong Kong

Deutsche Securities Limited, Hong Kong
(formerly: Deutsche Morgan Grenfell Capital Markets Limited)

DWS Holding & Service GmbH,
Frankfurt am Main
(formerly: Deutsche Asset Management Europe GmbH)

DWS Investment GmbH, Frankfurt am Main
(formerly: DWS Deutsche Gesellschaft für Wertpapiersparen mbH)

DWS Investment S.A., Luxembourg
(formerly: DB Investment Management S.A.)

OOO Deutsche Bank, Moscow

Schiffshypothekenbank zu Lübeck
Aktiengesellschaft, Hamburg

[1] Companies with which a profit and loss transfer agreement exists are marked in the List of shareholdings.

Glossary

Adjusted return on average active shareholders' equity
An adjusted measure to make it easier to compare us to our competitors. The principal item for which we adjust our Return on equity is the aggregate unrealized gains and losses (including tax effect) in our portfolio of shareholdings in publicly-listed industrial companies. We include realized gains and losses (net of tax effect) in active equity from the time those shareholdings are sold and the related gains are employed by our businesses. → Return on average total shareholders' equity (RoE).

Alternative assets/investments
Direct investments in → Private equity, venture capital, mezzanine capital, real estate capital investments and investments in leveraged buyout funds, venture capital funds and → Hedge funds.

Asset-backed securities
Particular type of securitized payment receivables in the form of tradable securities. These securities are created by the repackaging of certain financial assets → (Securitization).

Back-testing
Back-testing is used to verify the predictive power of the → Value-at-risk model. Hypothetical daily profits and losses are compared with the estimates we had forecasted using the → Value-at-risk model.

Banking book
All risk positions that are not allocated to the → Trading book.

BIS capital ratio
Key figure for international banks expressing in % the ratio between their capital and their risk-weighted position for regulatory purposes. The minimum total capital ratio to be complied with is 8% and the minimum core capital ratio 4%.

BIS
Bank for International Settlements domiciled in Basel.

Broker/brokerage
Brokers accept orders to buy and sell securities from banks and private investors and execute them on behalf of the customer. For this activity, the broker usually receives a commission.

Buyout
Purchase (in full or in part) of a company or specific corporate activities.

Capital according to BIS
Capital recognized for regulatory purposes according to the Basel Capital Adequacy Accord of 1988 (last amended in January 1996) for international banks.
Total capital consists of:
– core capital or Tier I capital: primarily share capital, reserves and hybrid capital components,
– supplementary capital or Tier II capital: primarily participatory capital, long-term subordinated debt, unrealized gains on listed securities and other inherent loss allowances,
– Tier III capital: mainly short-term subordinated debt and excess Tier II capital.

Supplementary capital is limited to 100% of core capital and the amount of long-term subordinated debt that can be recognized as supplementary capital is limited to 50% of core capital.

Cash flow statement
Calculation and presentation of the cash flow generated or consumed by a company during a financial year as a result of its business, investing and financing activities, and reconciliation of holdings of cash and cash equivalents (cash reserve) at the beginning and end of a financial year.

Cash management
Refers to the management of liquid assets in dollars, euro and other currencies for companies and financial institutions to optimize financial transactions.

Clearing
The process of transmitting, reconciling and, in some cases, confirming payment orders.

Comprehensive income
Change of equity excluding transactions with shareholders (e.g. dividends, issuance of shares). It consists primarily of net income and → Other comprehensive income.

Confidence level
In the framework of the → Value-at-risk concept it is the level of probability that the loss stated by the → Value-at-risk will arise in the respective interval.

Cost/income ratio
In general: a ratio expressing a company's cost effectiveness which sets operating expenses in relation to operating income.
Here: sum of noninterest expenses as a percentage of the aggregate sum of net interest revenues and noninterest revenues.

Country risk
The risk that we may suffer a loss, in any given country, due to political and social unrest, nationalization and expropriation of assets, government repudiation of external indebtedness, exchange controls and currency depreciation or devaluation.

Credit default swap
An agreement between two parties whereby one party pays the other a fixed coupon over a specified term. The other party makes no payment unless a specified credit event such as a default occurs, at which time a payment is made and the swap terminates.

Credit derivatives
Financial instruments with which → Credit risk connected with loans, bonds or other risk-weighted assets or market risk positions is transferred to parties providing protection. This does not alter or re-establish the underlying credit relationship of the original risk-takers (parties selling the credit risks).

Credit risk
Risk that customers may not be able to meet their contractual payment obligations. Credit risk includes default risk, → Country risk and settlement risk.

Custody
Custody and administration of securities as well as additional securities services.

Deferred taxes
Tax charges and accruals allocated for payment in a later financial year. Deferred taxes reflect the temporary differences between assets and liabilities recognized for financial reporting purposes and such amounts recognized for income tax purposes.

Derivatives
Products whose value derives largely from the price, price fluctuations and price expectations of an underlying instrument (e.g. share, bond, foreign exchange or index). Derivatives include → Swaps, → Options and → Futures.

Earnings per share
Key figure determined according to → U.S. GAAP and expressing a company's net income in relation to the average number of common shares. Apart from basic earnings per share, diluted earnings per share must also be reported if the conversion and exercise of outstanding stock options, share awards and convertible bonds could increase the number of shares.

E-commerce
The total volume of all electronic data exchange in connection with commercial activities: information flows and transactions with products or services. E-commerce covers relations between companies, between companies and public authorities and between companies and private individuals. E-commerce uses various forms of data transmission (telephone, television, data networks).

Economic capital
A figure which states with a high degree of certainty the amount of equity capital we need at any given time to absorb unexpected losses arising from current exposures. It must be clearly distinguished from reported capital and reserves.

Emerging markets
Expanding markets in developing nations, primarily financial markets.

Equity capital markets
Primarily, activities connected with a company's IPO or the placement of new shares. It also covers the privatization of state-owned companies.

Equity method
Valuation method for investments in companies over which significant influence can be exercised regarding operating and financial policies. The pro-rata share of the company's net income (loss) increases (decreases) the carrying value of the investment affecting net income. Distributions decrease the carrying value of the investment without affecting net income.

Event risk scenarios
Scenarios representing important events, e.g. large movements in interest or exchange rates.

Expected loss
Measurement of the default loss to be expected in our loan portfolio within one year on the basis of historical loss data.

Exposure
The amount which the bank may lose in case of losses incurred due to risks taken, e.g. in case of a borrower's or counterparty's default.

Fair value
Amount at which assets or liabilities would be exchanged between knowledgeable, willing and independent counterparties. Fair value is often identical to market price.

Futures
Forward contracts standardized with respect to quantity, quality and delivery date, in which an instrument traded on the money, capital, precious metal or foreign exchange markets, is to be delivered or taken receipt of at an agreed price at a certain future time. Cash settlement is often stipulated for such contracts (e.g. futures based on equity indices) to meet the obligation (instead of delivery or receipt of securities).

General business risk
Risk arising from changes in general business conditions, such as market environment, client behavior and technological progress. These factors can affect our earnings if we are unable to adjust quickly to changes in them.

Goodwill
The amount which the buyer of a company pays, taking account of future earnings, over and above the → Fair value of the company's individually identifiable assets and liabilities.

Hedge accounting
Financial reporting of hedging relationships (formation of valuation units) which are subject to certain conditions.

Hedge fund
A fund whose investors are generally institutions and wealthy individuals. Hedge funds can employ strategies which mutual funds are not permitted to use. Examples include short selling, leveraging and → Derivatives. Since there is a legal restriction to a maximum of 100 investors in the U.S.A., the minimum investment is typically U.S.$ 1 million. Hedge fund returns are often uncorrelated with traditional investment returns.

IFRS (International Financial Reporting Standards)/previously IAS (International Accounting Standards)
Financial Reporting Rules of the International Accounting Standards Board to ensure globally transparent and comparable accounting and disclosure. Main objective is to present information that is useful in making economic decisions, mainly for investors.

Investment banking
Generic term for capital market-oriented business. This includes primarily the issuing and trading of securities and their → Derivatives, interest and currency management, corporate finance, M&A advisory, structured finance and → Private equity.

Late-stage private equity
Investments in unlisted companies which belong to the category of "more mature" corporate investment opportunities in terms of age and positive cash flow.

Liquidity risk
Risk to our earnings and capital arising from the bank's potential inability to meet matured obligations without incurring unacceptably high losses.

Management buyout
Purchase of a company's entire outstanding shares by its management, thereby ending the company's listing.

Market risk
Arises from the uncertainty concerning changes in market prices and rates (including interest rates, share prices, foreign exchange rates and commodity prices), the correlations among them and their levels of volatility.

Mark-to-market valuation
Valuation at current market prices. Applies, for instance, to trading activities (→ Trading revenues).

Mezzanine
Mezzanine investments consist primarily of investments in debt securities with an equity component. The debt securities typically rank below the issuer's bank debt but senior to other debt securities, preferred stock and common equity. The equity component usually consists of warrants.

Monte Carlo simulation
A Monte Carlo simulation is a model that calculates the gain or loss from a transaction by analyzing a large number of different market scenarios (e.g.10,000).

Netting agreements
Contracts between two parties that under certain circumstances – e.g. insolvency – mutual claims from outstanding business can be offset against each other. The inclusion of a legally binding netting agreement reduces the default risk from a gross to a net amount.

Operational risk
Potential for incurring losses in relation to employees, project management, contractual specifications and their documentation, technology, infrastructure failure and disasters, external influences and customer relationships. This definition includes legal and regulatory risk.

Option
Right to purchase (call option) or sell (put option) a specific underlying (e.g. security or foreign exchange) from or to a counterparty (option seller) at a predetermined price on or before a specific future date.

OTC derivatives
Nonstandardized financial instruments (→ Derivatives) not traded on a stock exchange, but directly between market participants (over the counter).

Other comprehensive income
Primarily includes unrealized gains and losses on foreign currency translation and on → Securities available for sale. These unrealized gains and losses are not included in net income but reported in accumulated other comprehensive income in shareholders' equity.

Passive asset management
This business includes funds that track a variety of financial indices worldwide. The objective of passive asset management is to create a portfolio that replicates the risk and total return characteristics of the relevant index while keeping the transaction costs associated with the trading of securities as low as possible.

Portfolio
In general: part or all of one or all categories of asset (e.g. securities, loans, equity investments or real estate). Portfolios are formed primarily to diversify risk.
Here: combination of similar transactions, especially in securities and/or → Derivatives, under price risk considerations.

Private banking
Business with investment-oriented and high net worth clients.

Private equity
Equity investment in non-listed companies. Examples are venture capital and buyout funds.

Probability of default
States the expected average probability of counterparty default, based on a statistical analysis of historical defaults in our → Portfolio.

Projected unit credit method
An accrued benefit valuation method, according to SFAS 87, used to determine the actuarial present value of an enterprise's defined benefit obligations and the related current service cost. This method takes into account the expected rates of salary increases, for instance, as the basis for future benefit increases. The rate used to discount post-employment benefit obligations is determined by reference to market yields at the balance sheet date on high quality corporate bonds.

Rating
External: standardized evaluation of issuers' credit standing and debt instruments, carried out by specialized agencies.
Internal: detailed risk assessment of every → Exposure associated with an obligor.

Registered shares
Shares registered in a person's name. As required under joint stock company law, that person is registered in the share register with several personal details and the number of shares owned. Only those persons entered in the share register are deemed to be shareholders of the company and are entitled, for instance, to exercise rights at the General Meeting.

Relationship management
In general: together with product specialists, qualified relationship managers look after selected corporate customers in a defined market segment.
Here: a coverage approach in national and international business with corporate customers.

Repo (repurchase agreement)
An agreement to repurchase securities sold (genuine repurchase agreement where the asset remains the seller's property). From the buyer's viewpoint, the transaction is a reverse repo.

Return on average total shareholders' equity (RoE)
In general: ratio showing the income situation of a company, setting profit (net income) in relation to capital employed.
Here: net income as a percentage of average capital employed over the year → Adjusted return on average active shareholders' equity.

Risk position according to BIS
The risk position according to → BIS is made up of risk-weighted assets, comprising above all the counterparty risks in the → Banking book and the → Trading book, and the market risk equivalent for interest, foreign exchange, equity and commodity price risks.
While the risk-weighted assets are calculated on the basis of regulatory standard methods, the market risk equivalent corresponds to 12.5 times our → Value-at-risk figure (99% → Confidence level and ten days holding period), which is calculated on the basis of our regulatorily recognized internal models and scaled up with a bank-specific multiplier (at least 3).

Sarbanes-Oxley-Act (SOX)
U.S. capital market law passed in 2002 to strengthen corporate governance and restore investor confidence in response to a number of major corporate and accounting scandals. Legislation establishes new or enhanced standards ranging from additional Corporate Board responsibilities to criminal penalties for all companies that have listed their shares on a U.S. stock exchange.

Securities available for sale
Securities which are not held for trading purposes and (in case of debt securities) are not held to maturity. They are reported in the balance sheet at their → Fair value. Changes in → Fair value are generally reported in → Other comprehensive income in shareholders' equity. Declines in → Fair value below their amortized cost that are deemed to be other than temporary and realized gains and losses are reported in the consolidated statement of income.

Securitization
In general: rights evidenced by securities (e.g. shares or bonds).
Here: replacing loans or financing various kinds of claims by issuing securities (such as bonds or commercial paper).

Segment information
Disclosure of a company's assets and income, broken down by activity (division) and geographical area (region).

Shareholder value
Management concept that focuses strategic and operational decision-making on the steady growth of a company's value. The guiding principle is that only returns above the cost of capital add value for shareholders.

Swaps
In general: exchange of one payment flow for another.
Interest rate swap: exchange of interest payment flows in the same currency with different terms and conditions (e.g. fixed or floating).
Currency swap: exchange of interest payment flows and principal amounts in different currencies.

Trading book
A bank-regulatory term for positions in financial instruments, shares and tradable claims held by a bank which are intended for resale in the short term to benefit from price and interest rate fluctuations. This also includes business that is closely associated with trading book positions (e.g. for hedging purposes). Risk positions not belonging to the trading book are shown in the → Banking book.

Trading revenues
Balance of realized and unrealized gains and losses on the positions held in the trading portfolio and net interest revenues on → Derivatives held for trading purposes. Trading generally reflects frequent buying and selling, i.e. the positions are taken with the objective of generating profits on short-term differences in price.

Trust preferred securities
Hybrid capital instruments characterized by profit-related interest payments. Under banking regulations they are part of core capital if interest payments are not accumulated in case of losses (non cumulative trust preferred securities) and if the instruments do not have a stated maturity date or if they are not redeemable at the option of the holder. Otherwise they are included in supplementary capital (e.g. cumulative trust preferred securities).

U.S. GAAP (United States Generally Accepted Accounting Principles)
U.S. accounting principles drawn up by the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants (AICPA). In addition, the interpretations and explanations furnished by the Securities and Exchange Commission (SEC) are particularly relevant for companies listed on the stock exchange. As in the case of → IFRS the main objective is to provide decision useful information, especially for investors.

Value-at-risk
Value-at-risk measures, for a given → Portfolio, the potential future loss (in terms of market value) that, under normal market conditions, will not be exceeded in a given period and with a given → Confidence level.

Impressum/Publications

Deutsche Bank Aktiengesellschaft
Taunusanlage 12
Germany
60262 Frankfurt am Main
Telephone: +49 69 9 10-00
deutsche.bank@db.com

Investor Relations:
+49 69 9 10-3 80 80
db.ir@db.com

The Annual Review 2004 and Financial Report 2004 on the Internet:
www.deutsche-bank.com/04

Cautionary statement regarding forward-looking statements

This report contains forward-looking statements. Forward-looking statements are statements that are not historical facts; they include statements about our beliefs and expectations. Any statement in this presentation that states our intentions, beliefs, expectations or predictions (and the assumptions underlying them) is a forward-looking statement. These statements are based on plans, estimates and projections as they are currently available to the management of Deutsche Bank. Forward-looking statements therefore speak only as of the date they are made, and we undertake no obligation to update publicly any of them in light of new information or future events.

By their very nature, forward-looking statements involve risks and uncertainties. A number of important factors could therefore cause actual results to differ materially from those contained in any forward-looking statement. Such factors include the conditions in the financial markets in Germany, in Europe, in the United States and elsewhere from which we derive a substantial portion of our trading revenues, potential defaults of borrowers or trading counterparties, the implementation of our Business Realignment Program, the reliability of our risk management policies, procedures and methods, and other risks referenced in our filings with the U.S. Securities and Exchange Commission. Such factors are described in detail in our SEC Form 20-F of 24 March 2005 in the section "Risk Factors." Copies of this document are available upon request or can be downloaded from www.deutsche-bank.com/ir

We will be happy to send you the following publications relating to the financial statements.
Please note that Deutsche Bank Group's annual report consists of two separate sections: Annual Review 2004 and Financial Report 2004.

Annual Review 2004
(German and English)

Financial Report 2004
(German and English)

Form 20-F 2004 (English)

Annual Financial Statements and Management Report of Deutsche Bank AG 2004
(German and English)

List of mandates 2004
(German and English)

List of shareholdings 2004
(German and English)

List of Advisory Council Members 2004
(German)

Corporate Social Responsibility – Report 2004
(German and English)

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Deutsche Bank AG
Leser-Service-PKS
60262 Frankfurt am Main
Germany

Financial Calendar for 2005/2006

April 29, 2005	Interim Report as at March 31, 2005
May 18, 2005	General Meeting in the Festhalle Frankfurt am Main (Exhibition Center)
May 19, 2005	Dividend payment
July 29, 2005	Interim Report as at June 30, 2005
October 28, 2005	Interim Report as at September 30, 2005
February 2, 2006	Publication of figures for the 2005 financial year
May 3, 2006	Interim Report as at March 31, 2006
June 1, 2006	General Meeting in the Festhalle Frankfurt am Main (Exhibition Center)
June 2, 2006	Dividend payment
August 1, 2006	Interim Report as at June 30, 2006
November 1, 2006	Interim Report as at September 30, 2006

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Annex 3
Annual Financial Statements and Management report of Deutsche Bank AG 2005

Management Report

Economic environment

The global economy proved to be highly robust in 2005, growing by 4.5%. Almost half of this global increase was attributable to China and the United States, which grew by 9.9% and 3.5% respectively. Gross domestic product (GDP) growth in Japan accelerated to 2.8%, while in the euro zone it slowed to 1.3%. Economic growth in the European Union stood at 1.5%. Only Germany - with just 0.9% - lagged well behind other countries' growth rates, as stagnant consumer spending proved particularly disappointing. The capital markets performed better than expected last year, while a mood of confidence returned to the international financial markets. The Nikkei index added 40% and the DAX rose by 27%. By contrast, the Dow Jones fell slightly by 0.6%, partly in response to continued interest rate hikes by the U.S. central bank.

Banks around the world reported solid results in 2005. Profits in the global banking industry rose sharply for the fourth year in succession, easily outperforming the record levels achieved in 2000 both in absolute terms and relative to assets and capital. Strong earnings growth coincided with effective cost controls and, even more importantly, a sharp fall in risk provisions, the latter reflecting both the extremely encouraging risk position and the significant improvement in risk management. The rise in banks' profits also extended to countries such as Germany where such growth had previously been subdued. Given the strong performance of the global capital markets, commission income and trading profits were the two key drivers of earnings growth. Net interest income also improved, albeit less than the other two sources of income as a result of the persistently stiff competition and a normalization of the interest environment. The strongest growth in net interest income came from consumer lending, especially in markets where real-estate prices rose sharply. By contrast, credit growth in the corporate sector remained subdued owing to companies' ample levels of liquidity and – in Europe – low volumes of capital spending. Costs rose slightly on average, although this essentially reflected larger business volumes and an increase in performance-related pay. Overall, however, cost discipline remained intact, with outsourcing and the industrialization of processes emerging as key issues for the banking industry in 2005.

Income Statement

The profit generated by Deutsche Bank AG for the 2005 financial year was influenced to a large extent by the high level of net income from financial transactions, which in turn was attributable to a change in the methods used to value trading activities. Given the dynamic developments in trading strategies, the growing complexity of trading products and the greater use of derivative financial instruments, the best practice methods used before - such as the portfolio approach and the zero-line approach – which generalize the principle of valuation unit to the portfolio level did not fully reflect the economic reality. In order to ensure that the presentation of our trading results reflects economic view, we have for the first time valued the financial instruments in our trading portfolios using a risk-adjusted mark-to-market approach. This approach requires an effective risk management process for our strictly limited, actively managed trading books and the application of accepted risk measurement methods. We comply with the prudence principle laid out in the German Commercial Code (HGB) by making an additional risk adjustment in the form of a value-at-risk discount. This adjustment is determined by the maximum potential future loss likely to occur under normal market conditions for a certain confidence level (probability) over a specified period. The risk-adjusted mark-to-market approach used for trading activities helps provide a much better insight into the bank's net assets, financial position and results of operations.

Further rise in net interest income

Having risen sharply in 2004 (by 11.0%), net interest income improved by 7.4% to € 6,308 million during the year under review. This increase was due to greater volumes in our lending and money market business and to larger securities portfolios resulting from the expansion of our trading activities. By contrast, interest income from shares in affiliated companies declined year on year owing to the lower capitalization of dividends paid by our subsidiaries.

Of the income from profit-pooling, profit-transfer and partial profit-transfer agreements totalling € 1,531 million (an increase of € 294 million), € 876 million relates to DB Capital Markets (Deutschland) GmbH, € 517 million to Deutsche Bank Privat- und Geschäftskunden AG, and € 77 million to DB Export-Leasing GmbH.

Net commission income raised to almost € 5 billion

At € 4,981 million, commission business made another solid contribution to the bank's profits, exceeding the prior-year figure by 18.8%. At least half of this increase is attributable to commissions from services rendered for subsidiaries. There were also improvements in the commissions earned from securities business, especially from the issuance and placement of equity shares, from the sale of mutual fund units, and from mergers and acquisitions (M&A). Commission income from loan processing and guarantees also performed encouragingly, rising by 18.9%. By contrast, commissions earned from agency business decreased year on year.

Net income from financial transactions influenced by one-off item

During the year under review we changed the valuation approach for our trading activities, adopting a risk-adjusted mark-to-market approach. The net income from financial transactions calculated under this method totalled € 10.1 billion; the majority of this amount (€ 6.6 billion) was attributable to the cumulative effect of changing the valuation method relating to years up to 2004.

Administrative expense

Administrative expense grew by € 1,115 million (11.7%) to € 10,660 million. The staff expenses included in this figure rose by 13.8% to € 6,131 million due to the increase in performance-related remuneration. On the other hand, the measures implemented as part of the bank's Business Realignment Program generated cost savings.

The number of employees fell by 1,098 to 27,101.

The table below gives a geographical breakdown of our staff:

	Dec 31, 2005	Dec 31, 2004	Change
Germany	13,230	14,361	– 1,131
Europe excl. Germany	7,278	7,954	– 676
Americas	2,211	2,408	– 197
Africa / Asia / Australia	4,382	3,476	+ 906
Total	**27,101**	**28,199**	**– 1,098**

The higher headcount in the Africa / Asia / Australia region is primarily attributable to the expansion of business in India.

The € 427 million increase in other administrative expenses by 11.0% to € 4,299 million is largely due to our greater utilization of services rendered by our subsidiaries. By contrast, the cost of consultancy services and rents for premises decreased.

Depreciation, amortization and write-downs of tangible and intangible assets came to € 230 million (2004: € 283 million).

The balance of other operating income/expenses resulted in a net expense of € 847 million. Other operating expenses include € 55 million in direct and indirect compensation paid in connection with the grundbesitz-invest open-ended real-estate fund.

Lower provisions needed for credit risks

Income from write-ups of claims and certain securities as well as from the release of provisions for possible loan losses is reported at € 72 million (2004: expense of € 158 million) after having been offset against expenses pursuant to section 340f (3) HGB. The year-on-year reduction in loan-loss provisions reflects the quality of our credit portfolio, our robust credit risk management and the benign lending environment.

Net income of € 216 million (2004: € 66 million) was earned on securities of the liquidity reserve (certain securities).

Operating profit

The change in the valuation method for our trading activities and the adoption of a risk-adjusted mark-to-market approach mentioned at the beginning of this report made a decisive contribution to the bank's strong operating profit of € 9,951 million.

Other income/expenses

Income from write-ups of participating interests, shares in affiliated companies and securities treated as fixed assets came to € 410 million after having been offset against expenses pursuant to section 340c (2) HGB.

Addition to the fund for general banking risks

We allocated € 3,475 million to the fund for general banking risks, which is reported as a separate item in the accounts. The fund is used to cover the particular risks faced by banks in their line of business. The fund for general banking risks also functions like capital and reserves and qualifies as core capital for regulatory purposes.

The extraordinary expenses of € 293 million relate to restructuring costs in connection with the Business Realignment Program. This program includes a number of initiatives designed to generate further earnings growth and cut costs.

Taxes

Income taxes of € 2,903 million were largely incurred by our foreign branches and essentially arose from the release of deferred tax assets owing to a change in the method used to value our trading activities and the adoption of a risk-adjusted mark-to-market approach that also impacts on taxation in Germany.

Net income boosted by one-off item

Net income came to € 3,672 million, driven by a change in the valuation method for financial instruments in our trading portfolios. Since our holdings of own shares were increased, we allocated € 1,741 million from our net income (including profit carried forward) to the reserve for own shares; we also allocated € 701 million to our other revenue reserves.

Proposed appropriation of profit: sharp dividend increase

Including the profit carried forward of € 56 million from 2004, the bank's distributable profit comes to € 1,286 million. We propose to our shareholders that this distributable profit be appropriated to pay a dividend of € 2.50 per share (2004: € 1.70). The total dividend payout was increased by € 403 million as a result of the higher dividend and by € 26 million owing to capital increases resulting from the exercise of option rights; however, this amount was reduced by € 68 million owing to the retirement of 40 million shares decided in January 2006 as part of the share buyback program.

From the income statement of Deutsche Bank AG:

in € m.	2005	2004	Change in € m.	Change in %
Interest income[1]	25,289	15,145	+ 10,144	+ 67.0
Current income[2]	6,029	5,637	+ 392	+ 7.0
Total interest income	31,318	20,782	+ 10,536	+ 50.7
Interest expenses	25,010	14,910	+ 10,100	+ 67.7
Net interest income	**6,308**	**5,872**	**+ 436**	**+ 7.4**
Commission income	6,164	5,479	+ 685	+ 12.5
Commission expenses	1,183	1,286	– 103	– 8.0
Net commission income	**4,981**	**4,193**	**+ 788**	**+ 18.8**
Net income from financial transactions	**10,097**	**498**	**+ 9,599**	
Wages and salaries	4,907	4,139	+ 768	+ 18.6
Compulsory social security contributions[3]	1,224	1,251	–27	– 2.2
Staff expenses	6,131	5,390	+ 741	+ 13.8
Other administrative expenses[4]	4,529	4,155	+ 374	+ 9.0
Administrative expense	**10,660**	**9,545**	**+ 1,115**	**+ 11.7**
Balance of other operating income/expenses	– 847	14	– 861	
Risk provisioning	– 72	158	– 230	
Operating profit	**9.951**	**874**	**+ 9,077**	
Balance of other income/expenses	**155**	**– 490**	**+ 645**	
Addition to the fund for general banking risks	**3,475**	**–**	**+ 3,475**	
Net income before taxes	**6,631**	**384**	**+ 6,247**	
Taxes	2,959	– 496	+ 3,455	
Net income	**3,672**	**880**	**+2,792**	
Profit carried forward from the previous year	56	45	+ 11	
	3,728	925	+ 2,803	
Withdrawal from revenue reserves	**–**	**648**	**– 648**	
– from the reserve for own shares	–	–	–	
– from other revenue reserves	–	648	– 648	
Allocations to revenue reserves	**2,442**	**648**	**+ 1,794**	
– to the reserve for own shares	1,741	648	+ 1,093	
– to other revenue reserves	701	–	+ 701	
Distributable profit	**1,286**	**925**	**+ 361**	**+ 39.1**

[1] From lending and money market business, fixed-income securities and government-inscribed debt
[2] From equity shares and other variable-yield securities, participating interests, shares in affiliated companies (including profit and loss transfer agreements) and leasing business
[3] Including expenses for pensions and other employee benefits
[4] Including standard depreciation of tangible assets

Balance sheet

The total assets of Deutsche Bank AG grew by € 576.9 billion during the year under review to € 1,429.3 billion. This jump is largely attributable to the first-time valuation of the trading portfolios using a risk-adjusted mark-to-market approach, which caused a sharp increase in the volume of sundry assets and sundry liabilities, especially as a result of the recognition of positive and negative fair values arising from derivative financial instruments.

Total credit extended

Total credit extended (excluding reverse repos and claims arising from securities lending and securities spot deals) grew by € 43.4 billion, or 24.0%, to € 224.4 billion. The expansion in volumes was almost exclusively attributable to our foreign branches, primarily owing to the increase in claims on the bank's own Group companies.

Credit totalling € 196.2 billion (increase of € 39.5 billion) was extended to corporate and institutional customers, while loans to private and small business clients came to € 5.6 billion (up by € 0.9 billion); loans to banks, which are reported under total credit extended, increased by € 2.4 billion to € 17.4 billion.

The table below gives a breakdown of the total credit extended (excluding reverse repos and claims arising from securities lending and securities spot deals):

			Change	
in € bn.	**Dec 31, 2005**	Dec 31, 2004	in € bn.	in %
Claims on customers	**206.6**	**165.6**	**+ 41.0**	**+ 24.8**
with a residual period of				
up to 5 years[1]	183.5	147.9	+ 35.6	+24.1
over 5 years	23.1	17.7	+ 5.4	+ 31.0
Discounts[2]	**0.4**	**0.4**	**–**	**– 1.4**
Loans to banks	**17.4**	**15.0**	**+ 2.4**	**+ 16.2**
with a residual period of				
up to 5 years[1]	15.4	14.0	+ 1.4	+ 10.2
over 5 years	2.0	1.0	+ 1.0	+ 97.7
Total	**224.4**	**181.0**	**+ 43.4**	**+ 24.0**

[1] Including those repayable on demand and those with an indefinite period
[2] Unless reported under claims

Claims on banks (excluding loans) increased by € 63.8 billion to € 201.4 billion, especially as a result of the growth in reverse repos and securities lending. These include claims of € 51.9 billion on the Group's own banks.

The total volume of reverse repos – including transactions concluded with customers – amounted to € 226.3 billion (a rise of € 58.0 billion).

Liabilities to banks increased by € 112.8 billion to € 458.3 billion as a result of higher balances on clearing accounts repayable on demand and short-term deposits. The deposits held by our Group banks totalled € 85.3 billion (a decrease of € 5.8 billion).

Securities

Holdings of bonds and other fixed-income securities amounted to € 188.9 billion (an increase of € 18.5 billion); these are mainly used for trading purposes.

Our holdings of equity shares and other variable-yield securities increased by € 21.7 billion to € 107.9 billion due to the growth in our trading activities.

Participating interests

The shareholdings reported under participating interests declined by € 0.5 billion to € 1.2 billion. Additions to our portfolio of participating interests amounted to € 0.3 billion; sales and other disposals came to € 0.8 billion.

Shares in affiliated companies

We increased our shares in affiliated companies by € 1.4 billion to € 34.3 billion. Additions - primarily in the form of capital contributions - amounted to € 2.3 billion; disposals amounted to € 0.9 billion, € 0.6 billion of which stemmed from transfers to other Group companies.

Own shares

The General Meeting on May 18, 2005 adopted a resolution to launch a further share buyback program, which allows up to 10% of our outstanding shares to be repurchased. We utilized this resolution to repurchase some of our own shares. At December 31, 2005, a total of 48.8 million of the bank's own shares had been repurchased under share buyback programs (December 31, 2004: 26.6 million shares). The Management Board adopted a resolution on January 24, 2006 to retire 40 million of the bank's own shares. This corresponds to 7.2% of its share capital.

Customer deposits

Customer deposits grew substantially by 21.8% to € 393.7 billion. Of the new deposits taken in 2005, € 38.9 billion were time deposits and € 31.1 billion were repayable on demand. Savings deposits also grew sharply by 17.3% to € 2.7 billion. Customer deposits included reverse repos of € 79.3 billion (increase of € 27.7 billion).

Liabilities in certificate form posted a net increase of € 36.3 billion to € 113.9 billion. While other liabilities in certificate form (mainly certificates of deposit and other certificates) grew strongly by € 38.3 billion, the volume of bonds and notes issued declined by € 2.0 billion.

The table below gives a breakdown of the bank's liabilities:

in € bn.	Dec 31, 2005	Dec 31, 2004	Change in € bn.	Change in %
Liabilities to banks	**458.3**	**345.5**	**+ 112.8**	**+ 32.6**
repayable on demand	267.9	189.3	+ 78.6	+ 41.5
with agreed period or notice period	190.4	156.2	+ 34.2	+ 21.9
Liabilities to customers	**393.7**	**323.3**	**+ 70.4**	**+ 21.8**
savings deposits	2.7	2.2	+ 0.5	+ 17.3
other liabilities				
repayable on demand	180.1	149.1	+ 31.0	+ 20.9
with agreed period or notice period	210.9	172.0	+ 38.9	+ 22.6
Liabilities in certificate form	**113.9**	**77.6**	**+ 36.3**	**+ 46.7**
bonds and notes issued	21.1	23.1	– 2.0	– 8.7
other liabilities in certificate form	92.8	54.5	+ 38.3	+ 70.3
(thereof: money market instruments)	(35.3)	(15.4)	(+ 19.9)	(+ 129.4)

We increased our subordinated liabilities by a net € 3.4 billion to € 14.0 billion by issuing own bonds and notes.

Capital and reserves

The capital and reserves of Deutsche Bank AG (including the distributable profit, which rose by € 0.4 billion to € 1.3 billion) grew sharply. € 1.7 billion was added to the reserve for own shares owing to its larger holdings of its own shares compared with December 31, 2004; we allocated € 0.7 billion to the other revenue reserves. The exercise of option rights increased the bank's capital by a further € 0.5 billion. Taken together, its capital and reserves amounted to € 20.9 billion at December 31, 2005 (increase of € 3.3 billion). It should also be mentioned that the Management Board adopted a resolution at the end of January 2006 to retire 40 million of the bank's own shares that had been repurchased under the share buyback program. Once these shares have been retired, the bank's capital and reserves will amount to € 18.1 billion.

Regulatory capital and reserves as defined by the German Banking Act (KWG) totalled € 32.2 billion. These mainly consist of equity capital and reserves (as defined by the German Commercial Code), the fund for general banking risks, and subordinated liabilities recognized as supplementary capital (Tier II and Tier III capital).

Risk Report

Types of risk

Deutsche Bank AG is exposed to credit, market, liquidity, operational and business risks.

The risks of Deutsche Bank AG within the Group network

The impact of the above risks on Deutsche Bank AG cannot be isolated from the effects on Deutsche Bank's other separate legal entities. There are several reasons for this:

- The Group's internal structure according to Group Divisions is determined by its customers' needs, in other words by the framework dictated by the market. The external legal structure is determined by local legislation and therefore does not necessarily follow the internal structure. For example, local legislation can determine whether the Group's business in a certain country is handled by a branch of Deutsche Bank AG or by a separate subsidiary. However, the management has to monitor the risks in the bank's business – irrespective of whether it is transacted by a branch or a subsidiary.
- Adequate risk monitoring and management requires knowledge of the extent to which the Group's profit situation depends on the development of certain risk factors, i.e. on the creditworthiness of individual customers or securities issuers or on movements in market prices. The respective exposures therefore need to be analyzed across legal entities. Especially for the credit risk attached to a borrower, it is fairly irrelevant whether the credit exposure to a company is spread over several Group companies or concentrated on Deutsche Bank AG. Separate monitoring of the risk affecting Deutsche Bank AG alone would neglect the potential hazard facing the Group and, indirectly, Deutsche Bank AG – as the parent – if the company became insolvent.
- Individual risk factors are sometimes correlated, and in some cases they operate independently of each other. If estimates of the nature and extent of this correlation are available, the Group's management can greatly reduce the overall risk by diversifying its businesses across customer groups, issuers and countries. The risk correlation is also independent of the Group's legal and divisional structure. The management can therefore only optimize the risk-mitigating effects of diversification if it manages them Group-wide and across legal entities.

Risk management of Deutsche Bank AG within the Group network

For the reasons mentioned, the identification, monitoring and management of all risks in Deutsche Bank AG are integrated into the Group-wide risk management process. It goes without saying that Deutsche Bank AG complies with all legal and regulatory requirements.

Risk management organization

The Management Board provides overall risk management oversight for the consolidated Group as a whole. Our Group Chief Risk Officer, who is a member of our Management Board, is responsible for our credit, market, operational and business risk management activities within our consolidated Group. He chairs our Group Risk Committee, which is responsible for the management of the aforementioned risks across our consolidated Group. Group Treasury is responsible for the management of liquidity risk. The underlying policies are reviewed on a regular basis by the Group Asset and Liability Committee, which is chaired by the Board Member responsible for Treasury. The Group Reputational Risk Committee reviews and makes final determinations on all reputational risk issues, where escalation of such issues is deemed necessary by senior business and regional management, or required under other Group policies and procedures.

Risk management tools

Deutsche Bank uses a comprehensive range of quantitative tools and metrics for monitoring and managing risks. Some of these tools are common to a number of risk categories, while others are tailored to the particular features of specific risk categories. These quantitative tools and metrics generate the following kinds of information:

- Information that quantifies the susceptibility of the market value of single positions or portfolios to changes in market parameters (commonly referred to as sensitivity analysis).
- Information that measures aggregate risk using statistical techniques, taking into account the interdependencies and correlations between individual risks.
- Information that quantifies exposures to losses that could arise from extreme movements in market prices or rates, using scenario analysis to simulate crisis situations.

Deutsche Bank's policies and risk limits are aligned with such quantitative tools and metrics across the Group Divisions to effectively manage risks.

Figures prescribed by the regulatory authority

The risk position and capital and reserves must be calculated for regulatory assessment of the bank's capacity to assume risk.

Risk position

The risk position is the total risk the bank has assumed, which is calculated according to regulations by risk-weighting the assets for credit risk and market risk. The German Federal Financial Supervisory Authority permits us to use our proprietary value-at-risk approach to calculate the market risk component. The bank's risk position must be backed by capital such that the required regulatory capital ratios are maintained.

Regulatory capital and reserves

Regulatory capital and reserves consist of core capital (Tier I), supplementary capital (Tier II) and Tier III capital.

Information on the types of risk

The following sections give information on the types of risk.

Market risk

Deutsche Bank assumes market risk in both trading and nontrading activities. We employ different methods for the measurement of these risks, which are specifically tailored to the risk situation in the trading book or the nontrading book respectively. Value-at-risk is the most important metric we use in the management of our trading market risk while we assess the market risk in our nontrading portfolios primarily through the use of stress szenarios. The market risk of the Group is managed by the Group Risk Committee and those responsible for market risk management in the Group Divisions. We make use of a comprehensive risk limit structure by Business Division and region which is determined mainly by Group Market Risk Management.

Credit risk

All Group Divisions of Deutsche Bank AG assume credit risk. Group credit risk is managed via the Group Risk Committee and those responsible for risk management in the Group Divisions.

Liquidity risk

Liquidity risk management is the responsibility of Group Treasury. It is based on the analysis of all cash flows by business division, product, currency and location. The management process includes monitoring and limiting of aggregated cash outflows and funding. Diversification effects and customer concentration are observed. In addition we apply regular scenario analysis in order to determine potential liquidity stresses due to unexpected bank-specific or external events and how to compensate them.

Operational risk

Operational Risk Management is an independent risk management function within Deutsche Bank. The Chief Risk Officer for Credit and Operational Risk has appointed a Global Head of Operational Risk Management. He is a member of the Group Risk Committee and chairs the Operational Risk Management Committee. Operational Risk Management is responsible for defining the operational risk framework and related policies and provides the risk management toolset to the Business Divisions who are responsible for implementing the framework.

Reputational risk

Within our risk management processes, we define reputational risk as the threat that publicity concerning a transaction, counterparty or business practice involving a client will negatively impact the public's trust in our organization.

Business risk

Business risk describes the risk we assume due to potential changes in general business conditions, such as our market environment, client behavior and technological progress. This can affect our earnings if we fail to adjust quickly to these changing conditions.

Overall risk position according to supervisory law

From a regulatory point of view, the risk positions according to Principle I (risk-weighted assets of the banking book, default risk of the trading book and market risk equivalent) are as shown in the following table. Their calculation is based on the provisions of the German Banking Act (KWG), Principle I and the German Commercial Code (HGB). The table below shows the risk positions according to Principle I:

in € m.	**Dec 31, 2005**	Dec 31, 2004
Risk-weighted assets of the banking book	191,032	162,384
Market risk equivalent and default risk of the trading book	66,790	56,419
Total	**257,822**	**218,803**

Capital and reserves

Capital and reserves according to the German Banking Act and Principle I, which are calculated on the basis of the German Commercial Code, are as shown:

in € m.	**Dec 31, 2005**	Dec 31, 2004
Core capital (Tier I)	19,128	14,445
Supplementary capital (Tier II)	9,642	7,294
Items deducted pursuant to § 10 (6) German Banking Act and Principle I	(427)	(1,991)
Available Tier III capital	3,578	2,780
Total own funds according to Principle I	**31,921**	**22,528**
Liable capital ratio	14,8%	12.2%
Overall ratio	12,4%	10.3%

With an overall ratio of 12.4%, Deutsche Bank AG is well above the minimum ratio of 8% prescribed by the German Banking Act.

Outlook

The Global Economy

In the last months of 2005 business confidence in the industrialised nations improved strongly, paving the way for a good start to 2006, when the global economy is expected to grow by approximately 4%. However, the U.S. economy may see GDP growth slowing to around 3% in 2006 as higher interest rates dampen the stimulus from mortgage refinancing and fiscal policy turns neutral. In Asia, growth is again expected to be fuelled by strong GDP growth, of over 9%, in the Chinese economy, while in Japan the upswing should continue due to the structural improvements in the corporate sector. In the Eurozone, GDP growth should approach 2%, as healthy corporate balance sheets and rising capacity utilisation drive stronger investment spending and slightly better employment growth supports private consumption. Germany's GDP should expand by around 1.75% in 2006, with international competitiveness boosted by robust exports and investment, while private consumption should pick up temporarily in anticipation of a rise in VAT in 2007.

The main risks to this global outlook stem from the possibility of further geopolitical tensions. Risk factors include further political instability, the possibility of terrorist activity and rises in energy prices. Moreover, global liquidity has driven prices of financial assets to levels which are only partly justified by the economic fundamentals. A stronger-than-expected tightening of monetary policies could result in a substantial correction, which could cause weaker consumption and investment spending, notably in the U.S. economy. Another risk, albeit difficult to assess, is the potential spread of the avian flu virus.

The Banking Industry

The global economy's positive start to 2006 created the preconditions for continued strong profitability of the banking industry. However, a normalisation of the interest rate environment and an anticipated slowing of the world economy will make further earnings growth more difficult to sustain during the course of 2006 and beyond, even if the overall environment remains favorable. Growth of net interest income in consumer lending is expected to slow, as continued margin pressure will no longer be compensated for by the strong lending growth, especially in mortgage and consumer loans, witnessed in 2004 and 2005. Corporate lending volumes are expected to pick up, not least in Germany, reflecting increased investment and M&A activity, but margins will be constrained by strong competition. With the upcoming implementation of the Basle II capital framework starting in January 2007, banks may have to maintain higher levels of capital for bank regulatory purposes, which could increase their financing costs.

A favorable capital markets environment will stimulate both corporate activity and demand for investment management services. Consequently, non-interest income is expected to grow slightly faster than interest income, while an upturn in volatility could prove favourable for both commission and trading income. Well-diversified investment banking franchises will benefit most from these developments.

Consolidation in the banking sector appears set to continue in the United States, Europe and Germany. A number of large commercial banks, insurance companies and other broad-based financial services firms have merged with other financial institutions. On the back of their enhanced size and competitive position, these institutions aim to increase their market share and make the most of scale economies, which could result in pricing pressure in some markets and products.

Cost disciplines are likely to be maintained, with banks aiming to hold any increase in costs to levels below the growth rates of earnings. Credit risk may also have a larger impact on bank profitability in 2006-7, notably in sub-investment grade exposure and lending to marginal households, which are most susceptible to interest rate increases. Consequently, banks' provisioning levels are expected to rise modestly, particularly in markets such as the U.S. and the UK, where consumer debt levels are high. The impact of credit risk on the banking industry is likely to be mitigated to some extent now that credit risk is distributed more widely across the financial system by credit derivatives, default swaps and other credit risk transfer instruments. Overall, the impact of the negative factors is predicted to be modest over 2006 as a whole, but may accelerate toward the end of the year. Obviously, adverse external events could accelerate this pattern.

The Deutsche Bank AG

In this environment, Deutsche Bank is well-positioned to continue to deliver profitable growth. With strong positions in our core businesses, we are well-placed to take advantage of growth in specific regions and product areas; our management of cost, risk and capital will continue to be an important element of our success; and our future financial objectives are clearly defined.

Deutsche Bank derives significant proportions of revenues from capital market-related activity, which, by its nature, is liable to fluctuate depending on market conditions. As a result, a planning horizon of 1–3 years, shorter than for some other industries, is appropriate.

Deutsche Bank is strongly positioned in its core businesses: corporate and investment banking, and private clients and asset management. The outlook for these businesses is positive. In all core businesses, Deutsche Bank's strong positioning and significant investment in the world's main financial hubs and in key emerging markets, in Asia-Pacific and other regions, provides rich opportunities to take advantage of regional economic growth.

As we grow our core businesses, we consider both organic growth and growth via incremental acquisition. As in most industries, growth by acquisition may involve integration and implementation risks, such as client attrition, loss of key personnel, and failure to meet projected financial benefits. Deutsche Bank rigorously assesses all investments against strict criteria of strategic logic, financial impact, and value to shareholders.

We also expect to sustain our cost discipline, as we see the results of our Business Realignment Program, which was largely completed during 2005, deliver operating cost savings in 2006 and beyond. We will continue to seek ways to improve the cost position and efficiency in all our businesses. Nevertheless, staff numbers are expected to increase gradually as we invest in business growth.

We will continue to pursue tight risk management. In respect of market risk, we continue to exercise tight control of both value at risk and economic capital usage. Risk positions may rise as we take advantage of market conditions or in fulfilling our clients' requirements. In respect of credit risk, we anticipate moderate impact on the corporate side, as we continue our use of loan hedging techniques as part of our ongoing loan exposure management strategy. On the consumer side, we continue our strategy of expanding our consumer finance business which contemplates a measured rise in credit risk.

On the back of increased regulation and supervision in recent years, regulators, counterparties, and others have sought to subject financial services providers to increasing responsibilities and liabilities. As a result, we need to devote additional resources to address these requirements and our exposure to legal risks such as litigation, regulation proceedings has increased, in particular in the U.S. We may settle such proceedings prior to a final judgment or determination pursuant to which our liability is established and quantified. We may do so to avoid continuing cost, management efforts or negative business, regulatory or reputational consequences of continuing to contest liability, even when we believe we have valid defenses to liability. We may also do so when the potential economic, business, regulatory or reputational consequences of failing to prevail would be disproportionate to the cost of settlement. Furthermore, we may, for similar reasons, reimburse counterparties for losses incurred by them even in situations where we do not believe that we are legally compelled to do so. The ongoing financial impact of legal risks might be considerable but is impossible to estimate with confidence.

Sound capital management will continue to play an important role in Deutsche Bank's future performance. During 2005, Deutsche Bank generated significant capital from improved earnings, and deployed this capital to support growth in business volumes, while simultaneously returning significant capital to shareholders through sustained share buyback programs and by a recommended 47% rise in our dividend to € 2.50 per share. Going forward, we aim to continue to generate, and deploy, capital both to grow core businesses and to reward shareholders in this fashion.

Overall, we are confident that Deutsche Bank has the right strategy, the right growth dynamics, the right cost and risk discipline as well as the right capital management to achieve these objectives. We enjoy leading franchises in our key businesses areas, and have proven our ability to perform both in favorable and in challenging conditions. Based on our current outlook for the global economy and the world's capital markets, we are confident of maintaining, in 2006, the good progress of 2005.

Balance Sheet

of Deutsche Bank AG at December 31, 2005

Assets in € m.				**Dec 31, 2005**	Dec 31, 2004
Cash reserve					
a) cash on hand			18		14
b) balances with central banks			2,736		5,454
thereof: with Deutsche Bundesbank	1,297				(2,971)
				2,754	5,468
Debt instruments of public-sector entities and bills of exchange eligible for refinancing at central banks					
a) Treasury bills, discountable Treasury notes and similar debt instruments of public-sector entities			8,251		4,058
thereof: eligible for refinancing at Deutsche Bundesbank	1,269				(35)
b) bills of exchange			390		393
thereof: eligible for refinancing at Deutsche Bundesbank	294				(318)
				8,641	4,451
Claims on banks					
a) repayable on demand			105,510		70,599
b) other claims			113,311		82,029
				218,821	152,628
thereof: reverse repos	64,745				(47,889)
Claims on customers				457,316	317,167
thereof: secured by mortgage charges	3,107				3,477
loans to or guaranteed by public-sector entities	3,218				3,472
reverse repos	161,575				120,456
Bonds and other fixed-income securities					
a) money market instruments					
aa) of public-sector issuers		1,325			6,448
ab) of other issuers		4,207			5,802
thereof: eligible as collateral for Deutsche Bundesbank advances	110				(49)
			5,532		12,250
b) bonds and notes					
ba) of public-sector issuers		79,396			82,661
thereof: eligible as collateral for Deutsche Bundesbank advances	47,914				(57,256)
bb) of other issuers		101,542			73,508
thereof: eligible as collateral for Deutsche Bundesbank advances	11,177				(11,501)
			180,938		156,169
c) own debt instruments			2,396		1,988
nominal amount	2,577				(1,726)
				188,866	170,407
Equity shares and other variable-yield securities				107,901	86,235
Participating interests				1,156	1,645
thereof: in banks	332				(334)
in financial services institutions	258				(293)
Shares in affiliated companies				34,319	32,941
thereof: in banks	5,690				(5,400)
in financial services institutions	1,078				(1,055)
Assets held on a trust basis				941	2,457
thereof: loans on a trust basis	537				(460)
Intangible assets				582	604
Tangible assets				650	702
Own shares (calculatory par value € 125 million)				3,355	1,613
Sundry assets				401,374	71,703
Tax deferral				1,276	3,039
Prepaid expenses				1,389	1,402
Total Assets				**1,429,341**	**852,462**

Liabilities and Shareholders' Equity in € m.				**Dec 31, 2005**	Dec 31, 2004
Liabilities to banks					
a) repayable on demand			267,908		189,315
b) with agreed period or notice period			190,359		156,189
				458,267	345,504
thereof:					
repos	54,657				(40,310)
Liabilities to customers					
a) savings deposits					
aa) with agreed notice period of three months		1,912			1,437
ab) with agreed notice period of more than three months		749			832
			2,661		2,269
b) other liabilities					
ba) repayable on demand		180,155			149,072
bb) with agreed period or notice period		210,927			172,004
			391,082		321,076
				393,743	323,345
thereof:					
repos	79,344				(51,681)
Liabilities in certificate form					
a) bonds and notes issued			21,069		23,069
b) other liabilities in certificate form			92,787		54,522
				113,856	77,591
thereof:					
money market instruments	35,330				(15,400)
own acceptances and promissory notes in circulation	655				(11)
Liabilities held on a trust basis				941	2,457
thereof: loans on a trust basis	537				(460)
Sundry liabilities				412,301	64,821
Deferred income				543	703
Provisions					
a) provisions for pensions and similar obligations			2,995		2,886
b) provisions for taxes			2,019		1,910
c) other provisions			6,292		5,080
				11,306	9,876
Subordinated liabilities				14,016	10,591
Fund for general banking risks				3,475	–
Capital and reserves					
a) subscribed capital			1,420		1,392
conditional capital € 198 m. (Dec 31, 2004: € 275 m.)					
b) capital reserve			11,647		11,159
c) revenue reserves					
ca) statutory reserve		13			13
cb) reserve for own shares		3,355			1,613
cc) other revenue reserves		3,172			2,472
			6,540		4,098
d) distributable profit			1,286		925
				20,893	17,574
Total Liabilities and Shareholders' Equity				**1,429,341**	**852,462**
Contingent liabilities					
a) contingent liabilities from rediscounted bills of exchange			–		–
b) liabilities from guarantees and indemnity agreements (see also pages 26 and 27)			36,734		30,511
c) liability arising from the provision of collateral for third-party liabilities			64		29
				36,798	30,540
Other obligations					
a) repurchase obligations under agreements to sell securities with an option to repurchase them			–		–
b) placement and underwriting obligations			120		32
c) irrevocable credit commitments			104,017		82,021
				104,137	82,053

Income Statement

of Deutsche Bank AG for the year ended December 31, 2005

Expenses in € m.				**2005**	2004
Interest expenses				25,010	14,910
Commission expenses				1,183	1,286
Administrative expenses					
a) staff expenses					
aa) wages and salaries	4,907				4,139
ab) compulsory social security contributions and expenses for pensions and other employee benefits	1,224				1,251
		6,131			5,390
thereof: for pensions	440				(539)
b) other administrative expenses		4,299			3,872
				10,430	9,262
Depreciation, amortization and write-downs of and value adjustments to tangible and intangible assets				230	283
Other operating expenses				977	280
Write-downs of and value adjustments to claims and certain securities as well as additions to provisions for possible loan losses				–	158
Expenses from assumption of losses				2	42
Addition to the fund for general banking risks				3,475	–
Extraordinary expenses				293	481
Income taxes				2,903	– 550
Other taxes, unless reported under other operating expenses				56	54
Net income				3,672	880
Total Expenses				**48,231**	**27,086**

		2005	**2004**
Net income		3,672	880
Profit carried forward from the previous year		56	45
		3,728	925
Withdrawal from revenue reserves			
– from reserve for own shares	–		–
– from other revenue reserves	–		648
		–	648
Allocations to revenue reserves			
– to reserve for own shares	1,741		648
– to other revenue reserves	701		–
		2,442	648
Distributable profit		**1,286**	**925**

Income in € m.		**2005**	2004
Interest income from			
a) lending and money market business	21,480		12,280
b) fixed-income securities and government-inscribed debt	3,809		2,865
		25,289	15,145
Current income from			
a) equity shares and other variable-yield securities	4,249		3,068
b) participating interests	49		38
c) shares in affiliated companies	193		1,284
		4,491	4,390
Income from profit-pooling, profit-transfer and partial profit-transfer agreements		1,531	1,237
Commission income		6,164	5,479
Net income from financial transactions		10,097	498
Income from write-ups of claims and certain securities as well as from the release of provisions for possible loan losses		72	–
Income from write-ups of participating interests, shares in affiliated companies and securities treated as fixed assets		410	33
Other operating income		137	304
Extraordinary income		40	0
Total Income		**48,231**	**27,086**

Notes to the Accounts

The annual financial statements of Deutsche Bank AG for the 2005 financial year have been prepared in accordance with the regulations of the Bank Accounting Directives Act (sections 340 ff. of the German Commercial Code (HGB), Statutory Order on Banks' Accounts (RechKredV)); company-law regulations have been complied with. For the sake of clarity, the figures are reported in millions of euros (€).

In the 2005 annual financial statements of Deutsche Bank AG, trading portfolios have been accounted for the first time using a risk-adjusted mark-to-market approach. The figures for the previous year have not been adjusted.

Basis of presentation

Accounting policies for:

Claims

Claims on banks and customers are generally reported at their nominal amount or at acquisition cost. Necessary value adjustments are deducted.

Securities

Holdings of bonds and other fixed-income securities and of equity shares and other variable-yield securities that do not form part of the trading portfolio are accounted for using the strict lower-of-cost-or-market principle applicable to current assets, i.e. at acquisition cost or market value (if lower) or fair value (if lower).

Bonds and other fixed-income securities as well as equity shares and other variable-yield securities are reported at fair value if they are held for trading purposes. The methods used to value trading activities are described in a separate section.

Trading activities

For the year 2005 all our trading portfolios are for the first time valued using the risk-adjusted mark-to-market approach based on fair values of financial instruments in trading portfolios. The method used to value financial instruments at fair value includes valuation adjustments for close-out costs, liquidity risk and counterparty risk. The positive and negative fair values of derivative financial instruments held for trading purposes are reported under sundry assets or sundry liabilities. In order to take account of any remaining realization risk, the result of the fair-value measurement is reduced by a value-at-risk adjustment, which is reported under sundry liabilities. The calculation of the value-at-risk adjustment is based on a holding period of 10 days and a confidence level of 99%.

Participating interests, shares in affiliated companies and tangible assets

Participating interests and shares in affiliated companies as well as tangible assets and intangible assets acquired for a consideration are reported at their acquisition or manufacturing cost less any depreciation or amortization. Write-downs are made for any impairments that are likely to be permanent.

Securities, participating interests and shares in affiliated companies are – if only temporary impaired – written up to their original values pursuant to the requirement of section 280 (2) HGB. Low-value assets are written off in the year in which they are acquired.

The offsetting option available under section 340c (2) HGB has been utilized.

Liabilities

Liabilities are recognized at their repayment or nominal amounts. Bonds issued at a discount and similar liabilities are reported at their net present value.

Provisions

Provisions for pensions and similar obligations are recognized in accordance with actuarial principles; in Germany, pension provisions are calculated under the entry-age normal method, pursuant to section 6a of the German Income Tax Act, using a discount rate of 6%.

Provisions for taxes and other provisions are accrued in accordance with the principles of prudent commercial judgement in the amount of contingent liabilities or anticipated losses from pending transactions.

Risk provisioning

Provisioning for possible loan losses comprises value adjustments and provisions for all discernible credit and country risks, for inherent default risks and the provision for general banking risks.

Provision for credit risks is made in accordance with prudent criteria in the amount of the anticipated default.

The transfer risk for loans to borrowers in foreign states (country risk) is assessed using a rating system that takes account of the economic, political and regional situation. Provision is made in accordance with prudent criteria for cross-border exposures to certain countries.

Provision is made for inherent credit risk in the form of general value adjustments in accordance with commercial-law principles. In addition, general banking risks are provisioned pursuant to section 340f HGB. The option available under section 340f (3) HGB has been utilized.

Currency translation

Currency translation is consistent with the principles set forth in section 340h HGB.

Assets denominated in foreign currency and treated as fixed assets, but not separately covered in the same currency, are shown at historical cost. Other assets and liabilities denominated in foreign currency and outstanding cash deals are translated at the middle spot rate at the balance sheet date, and forward exchange deals at the forward rate at the balance sheet date.

Expenses and income resulting from currency translation have been recognized in the income statement pursuant to section 340h (2) HGB.

The items on the balance sheets and the income statement of foreign branches are translated into euros at mid-rates at the respective balance sheet dates (closing-rate method). Differences resulting from the translation of balance sheet items within the bank - with the exception of exchange-rate losses on the translation of the capital allocated to our branches outside Germany (including gains and losses carried forward) - are reported as sundry assets or sundry liabilities without profit and loss impact.

Notes to the balance sheet

The marketable securities in the following balance sheet positions are classified as follows:

	listed		unlisted	
in € m.	**Dec 31, 2005**	Dec 31, 2004	**Dec 31, 2005**	Dec 31, 2004
Bonds and other fixed-income securities	172,686	144,475	16,180	25,932
Equity shares and other variable-yield securities	101,049	80,739	2,960	1,581
Participating interests	21	–	0	0
Shares in affiliated companies	–	–	47	47

The item 'Equity shares and other variable-yield securities' (€ 107,901 million) includes € 3,468 million (December 31, 2004: € 3,086 million) in investment fund units that may only be used to meet pension liabilities to employees and retirees in Germany.

Bonds and other fixed-income securities include securities of € 182,780 million that are held for trading purposes and recognized at fair value. Equity shares and other variable-yield securities include securities of € 103,130 million that are held for trading purposes and recognized at fair value.

The following schedule shows the changes in fixed assets:

	Acquisition/manufacturing costs			Depreciation/amortization, write-downs and value adjustments			Book values	
in € m.	**Balance at Jan 1, 2005**	Additions	Disposals	Cumulative	thereof current year	thereof disposals	**Balance at Dec 31, 2005**	Balance at Dec 31, 2004
Intangible assets	795	16	–	229	57	–	582	604
Tangible assets	2,108	139	278	1,319	198	263	650	702
land and buildings	49	2	3	13	2	1	35	35
office furniture and equipment	2,004	137	275	1,276	186	262	590	632
leased equipment	55	–	–	30	10	–	25	35
			Changes					
Participating interests			– 489				1,156	1,645
Shares in affiliated companies			+ 1,378				34,319	32,941
Equity shares and other variable-yield securities			+ 6				28	22

The option to combine financial investments pursuant to section 34 (3) RechKredV has been utilized. Exchange rate changes at foreign branches resulting from currency translation at closing rates have been recognized in acquisition/manufacturing costs (balance at January 1, 2005) and in cumulative depreciation/amortization, write-downs and value adjustments. Land and buildings with a total book value of € 15 million were used as part of our own activities.

Subordinated assets

Subordinated assets are reported as follows:

in € m.	**Dec 31, 2005**	Dec 31, 2004
Claims on banks	1,149	1,135
Claims on customers	410	399
Bonds and other fixed-income securities	739	990
Equity shares and other variable-yield securities	13	9

Intangible assets

The goodwill reported under intangible assets is amortized over its estimated useful life of between five and 15 years.

Sundry assets

Sundry assets primarily comprise positive fair values of € 398,481 million from derivative financial instruments held for trading purposes. They also include margin payments on swaps, checks, matured bonds and entitlements to tax rebates from the tax authorities.

Tax deferral

The deferred tax assets reported pursuant to section 274 (2) HGB decreased to € 1,276 million in 2005. They correspond to the probable tax benefit arising from the differences between commercial-law and tax-law gains and losses based on country-specific tax rates.

Sundry liabilities

Sundry liabilities primarily comprise negative fair values of € 410,707 million from derivative financial instruments held for trading purposes. Under this item we also report the value-at-risk adjustment, accrued but not yet matured interest on subordinated liabilities as well as translation adjustment losses.

Subordinated liabilities

There are no early-redemption obligations on the part of Deutsche Bank AG for subordinated liabilities. In the event of liquidation or insolvency, the claims and interest claims arising from these liabilities are subordinate to the non-subordinated claims of all creditors of Deutsche Bank AG. These conditions also apply to subordinated borrowings not specified individually.

Interest expenses for all subordinated liabilities totalled € 565 million. Accrued but not yet matured interest of € 263 million included in this figure is reported under sundry liabilities.

Material subordinated liabilities:

Currency	Amount	Issuer/type	Interest rate	Maturity
€	750,000,000	Deutsche Bank AG (taken over from Deutsche Bank Finance N.V., Curaçao/Netherlands Antilles, in 2005; formerly issue proceeds passed on to us)	5.38%	27.3.2012
€	1,100,000,000	Deutsche Bank AG bond of 2003	5.13%	31.1.2013
€	1,000,000,000	Deutsche Bank AG bond of 2004	3.88%	16.1.2014
€	750,000,000	Deutsche Bank AG bond of 2005	2.69%	22.9.2015
€	500,000,000	Deutsche Bank AG bond of 2004	2.78%	20.9.2016
€	500,000,000	Deutsche Bank AG bond of 2005	3.63%	9.3.2017
€	1,000,000,000	Deutsche Bank AG registered bond of 2003	5.33%	19.9.2023
€	300,000,000	Deutsche Bank AG registered bond of 2003	6.15%	2.12.2033
€	900,000,000	Deutsche Bank AG registered bond of 2005	6.00%	28.1.2035
€	300,000,000	Deutsche Bank AG registered bond of 2005	7.00%	27.6.2035
U.S.$	1,100,000,000	Deutsche Bank Financial Inc., Dover/U.S.A., issue proceeds passed on to us	6.70%	13.12.2006
U.S.$	318,000,000	DB Capital LLC I, Wilmington/U.S.A., issue proceeds passed on to us	4.02%	30.3.2009
U.S.$	550,000,000	Deutsche Bank Financial Inc., Dover/U.S.A., issue proceeds passed on to us	7.50%	25.4.2009
U.S.$	250,000,000	Deutsche Bank AG (taken over from Deutsche Bank Finance N.V., Curaçao/Netherlands Antilles, in 2005; formerly issue proceeds passed on to us)	4.56%	30.4.2009
U.S.$	650,000,000	DB Capital Funding LLC I, Wilmington/U.S.A., issue proceeds passed on to us	7.87%	30.6.2009
U.S.$	500,000,000	Deutsche Bank AG (taken over from Deutsche Bank Finance N.V., Curaçao/Netherlands Antilles, in 2005; formerly issue proceeds passed on to us)	5.02%	27.3.2012
U.S.$	800,000,000	Deutsche Bank Financial Inc., Dover/U.S.A., issue proceeds passed on to us	5.38%	2.3.2015
GBP	225,000,000	Deutsche Bank AG bond of 2004	5.25%	15.12.2015

Own shares

In the course of 2005, the bank and its affiliated companies bought 641,591,937 Deutsche Bank shares at prevailing market prices and sold 642,228,626 Deutsche Bank shares at prevailing market prices for trading purposes. The purchase of own shares was based on the authorizations given by the General Meetings on June 2, 2004 and May 18, 2005 pursuant to section 71 (1) number 7 of the German Joint Stock Corporation Act (AktG), whose restrictions were complied with for every share purchase and sale. The authorization given on June 2, 2004 expired once the authorization of May 18, 2005 became effective. The average purchase price was € 69.82 per share; the average selling price was € 69.79 per share. The resulting loss was reported under operating profit.

The bank's own shares bought and sold for trading purposes during 2005 corresponded to roughly 116% of its share capital. The largest holding on any one day was 1.72% and the average daily holding 0.05% of its share capital.

The bank was authorized by the General Meeting resolution of May 18, 2005 to purchase own shares amounting to up to 10 per cent of its share capital on or before October 31, 2006 pursuant to section 71 (1) number 8 of the German Joint Stock Corporation Act. Together with the bank's own shares - purchased for trading purposes or for other reasons - that are either in the company's possession or attributable to it at any one time pursuant to sections 71a ff. of the German Joint Stock Corporation Act, the shares purchased on the basis of this authorization must not at any time exceed 10 per cent of the company's share capital; compliance with these limits was monitored on a timely basis. The shares may be purchased either through the stock market or by means of a public offering to all shareholders. If the shares are purchased through the stock market, the price paid for them must not be more than 10 per cent above or more than 20 per cent below the average share price quoted (closing price quoted for Deutsche Bank shares in the Xetra trading system or in a similar successor system replacing the Xetra system on the Frankfurt Stock Exchange) on the last three trading days prior to the obligation to purchase the shares. If the shares are purchased through a public offering, the price paid for them must not be more than 10 per cent below or more than 15 per cent above the average share price quoted (closing price quoted for Deutsche Bank shares in the Xetra trading system or in a similar successor system replacing the Xetra system on the Frankfurt Stock Exchange) on the last three trading days prior to the date on which the offering is made public. If, when a public offering is made, the volume of shares offered exceeds the intended repurchase volume, acceptance of the offering must be proportionate to the volume of shares offered in each case. It is possible to allow preferential acceptance of small numbers of up to 50 shares per shareholder for the purchase of Deutsche Bank shares on offer.

The Management Board was authorized, with the consent of the Supervisory Board, to sell the purchased shares other than through the stock market or by means of an offering to all shareholders provided this is done against a contribution in kind, excluding shareholders' pre-emptive rights, for the purpose of acquiring companies or holdings in companies. Furthermore, the Management Board was authorized, when selling the bank's purchased own shares by means of an offering to all shareholders, to grant the holders of the warrants, convertible bonds and convertible profit-sharing rights issued by the bank, pre-emptive rights to the shares to the extent to which they would be entitled after having exercised the option or conversion right. Shareholders' pre-emptive rights are excluded for these cases and to this extent. The Management Board was also authorized to exclude shareholders' pre-emptive rights if the shares are to be issued as staff shares to employees and retired employees of the bank and of affiliated companies, or if they are to be used to fulfil option rights or purchase rights or purchase obligations related to shares of the bank granted to employees of the bank or of affiliated companies.

Furthermore, the Management Board was authorized to sell the shares to third parties against cash payment, excluding shareholders' pre-emptive rights, unless the purchase price of the shares is substantially lower than their market price at the time they are sold. This authorization may only be utilized if it is ensured that the number of shares sold as a result of this authorization together with shares issued from authorized capital, excluding shareholders' pre-emptive rights, pursuant to section 186 (3) sentence 4 of the German Joint Stock Corporation Act does not exceed 10 per cent of the company's share capital available at the time the shares are issued or sold.

The Management Board was also authorized to retire shares purchased as a result of this authorization without requiring any further resolution to be adopted by the General Meeting. The authorization for the bank to purchase its own shares, which was given by the General Meeting on June 2, 2004 and was valid until November 30, 2005, expired as soon as the authorization of May 18, 2005 came into effect.

At the end of 2005, Deutsche Bank AG held none of its own shares pursuant to section 71 (1) number 7 of the German Joint Stock Corporation Act. Its holdings pursuant to section 71 (1) number 8 of the German Joint Stock Corporation Act amounted to 48,787,224 shares, or 8.80% of its share capital. The bank's total holdings of its own shares at the balance sheet date required a reserve for these shares in the amount of their carrying value of € 3,354,502,761.76. On December 31, 2005, 1,456,812 (end of 2004: 2,508,186) Deutsche Bank shares, i.e. 0.26% (end of 2004: 0.46%) of our share capital, were pledged to the bank and its affiliated companies as security for loans.

Changes in subscribed, authorized and conditional capital

The bank's subscribed capital is divided into 554,535,270 registered no par value shares. This number increased by 10,681,024 in 2005 as a result of the shares issued to staff under stock option programs.

Excluding holdings of the bank's own shares, the number of shares outstanding at December 31, 2005 was 505,748,046 (end of 2004: 516,649,808); the average number of shares outstanding in the period ended December 31, 2005 was 516,817,869.

The Management Board adopted a resolution on January 24, 2006 to retire 40,000,000 of the own shares held in treasury. This was officially recorded in the Commercial Register on February 15, 2006.

The following table shows the changes in subscribed, authorized and conditional capital:

in €	Subscribed capital	Authorized capital	Authorized capital excl. shareholders' pre-emptive rights	Conditional capital (yet to be utilized)
Balance at Dec 31, 2004	**1,392,266,869.76**	**554,000,000.00**	**30,000,000.00**	**275,200,000.00**
Exercise of option rights issued to members of the Management Board and executives of Deutsche Bank AG and to members of the managements and executives of affiliated companies under the 2003 Global Partnership Plan	24,779,051.52			- 24,779,051.52
Exercise of option rights issued to employees of the Deutsche Bank Group under the 2002 Global Share Plan	2,564,369.92			- 2,564,369.92
Expiry of the possibility to issue further option rights under the 2003 Global Partnership Plan				- 45,501,040.64
Expiry of the possibility to issue further option rights under Global Share Plans				- 499,041.28
Expiry of option rights issued to members of the Management Board and executives of Deutsche Bank AG and to members of the managements and executives of affiliated companies under Global Partnership Plans				- 3,690,785.28
Expiry of option rights issued to employees of the Deutsche Bank Group under Global Share Plans				- 510,796.80
Expiry of the General Meeting resolution of June 9, 2000			- 30,000,000.00	
Balance at Dec 31, 2005	**1,419,610,291.20**	**554,000,000.00**	**0.00**	**197,654,914.56**

Authorizations given by the General Meeting

The General Meeting granted the Management Board the following authorizations to increase the share capital - with the consent of the Supervisory Board - through the issue of new shares as follows:

Authorized capital

- by up to a total of € 128,000,000 against cash payments or contributions in kind, on one or more occasions on or before April 30, 2006, with pre-emptive rights generally being granted to shareholders; however, pre-emptive rights can be excluded if a capital increase against contributions in kind was made for the purpose of acquiring companies or holdings in companies (General Meeting resolution of May 17, 2001);
- by up to a total of € 100,000,000 against cash payments, on one or more occasions on or before April 30, 2007; shareholders' general pre-emptive rights can be excluded unless the issue price of the new shares is substantially lower than the market price of the shares already listed at the time the issue price is fixed (General Meeting resolution of May 22, 2002);
- by up to a total of € 128,000,000 against cash payments or contributions in kind, on one or more occasions on or before April 30, 2008, with pre-emptive rights generally being granted to shareholders; however, pre-emptive rights can be excluded if a capital increase against contributions in kind was made for the purpose of acquiring companies or holdings in companies (General Meeting resolution of June 10, 2003);
- by up to a total of € 150,000,000 against cash payments, on one or more occasions on or before April 30, 2009, with pre-emptive rights generally being granted to shareholders (General Meeting resolution of June 2, 2004);

- by up to a total of € 48,000,000 against cash payments, on one or more occasions on or before April 30, 2009; shareholders' general pre-emptive rights can be excluded unless the issue price of the new shares is substantially lower than the market price of the shares already listed at the time the issue price is fixed (General Meeting resolution of June 2, 2004).

In all cases, pre-emptive rights may be excluded for broken amounts and to grant pre-emptive rights to holders of issued warrants, convertible bonds and convertible profit-sharing rights.

Conditional capital

- The Management Board was allowed, as a result of the authorization of May 17, 2001 and with the consent of the Supervisory Board, to issue up to 12,000,000 option rights on Deutsche Bank shares to employees of the Deutsche Bank Group on or before December 31, 2003. Their issue price, performance target and exercise periods were the same as those for the issue of option rights to executives. The conditional capital amounted to € 10,000,000. Option rights on shares amounting to € 6,425,792 had not yet been exercised under this authorization at December 31, 2005.

The Management Board was authorized, with the consent of the Supervisory Board, to issue option rights on shares of Deutsche Bank AG to members of the Management Board and executives of Deutsche Bank AG and to members of the managements and executives of affiliated companies. The authorizations contain the following conditions:

- General Meeting resolution of May 17, 2001: issue of up to 20,000,000 option rights on or before May 10, 2003; granted in two annual tranches, neither of which must exceed 70% of the total volume (conditional capital of € 51,200,000);
- General Meeting resolution of May 22, 2002: issue of up to 25,000,000 option rights on or before May 20, 2005; granted in annual tranches, none of which must exceed 60% of the total volume (conditional capital of € 64,000,000); € 45,501,040.64 of this amount expired during the period ended December 31, 2005.

Option rights on shares amounting to € 41,229,122.56 had not yet been exercised under these authorizations at December 31, 2005.

Each option right entitles the holder, against payment of the issue price, to purchase one no par value share of Deutsche Bank AG. If the option is exercised, the issue price of one share represents its exercise price plus a premium of 20%. The exercise price corresponds to the average closing price quoted for Deutsche Bank shares in the Xetra trading system on the Frankfurt Stock Exchange over the last 10 trading days prior to the date on which the option rights are issued. The exercise of option rights is subject to the waiting period for their first-time exercise and exercise periods.

The conditional capital is increased only to the extent that the holders of issued option rights exercise their pre-emptive rights and that the bank does not fulfil the option rights by transferring ownership of its own shares or by making a cash payment.

The Management Board was authorized by the General Meeting on June 2, 2004 to issue bearer or registered participatory certificates on one or more occasions on or before April 30, 2009 and, instead of or in addition to participatory certificates, to issue bonds with warrants and/or convertible bonds for a term of up to 20 years on one or more occasions. Bearer warrants may be attached to the participatory certificates, or they may be linked to a conversion right for the bearer. The holders of bonds with warrants and the holders of convertible bonds may be granted option rights and conversion rights respectively to new shares of Deutsche Bank AG subject to the conditions of bonds with warrants and convertible bonds. The total amount of participatory certificates, bonds with warrants, and convertible bonds issued under this authorization must not exceed € 6,000,000,000 in total (conditional capital of € 150,000,000).

The conditional capital is increased only to the extent that these rights are exercised or that the bondholders obliged to exercise their conversion rights meet their conversion obligations.

Changes in capital and reserves

in € m.		
Balance at Dec 31, 2004		**17,574**
Distribution in 2005		– 869
Profit carried forward		– 56
Capital increase through exercise of options		
– increase in subscribed capital	28	
– allocation to capital reserve	488	516
Revenue reserves		
– allocation to reserve for own shares	1,741	
– allocation to other revenue reserves	701	2,442
Distributable profit for 2005		1,286
Balance at Dec 31, 2005		**20,893**

Regulatory capital and reserves pursuant to the German Banking Act totalled € 32.2 billion.

Reserves within the meaning of section 10 (2b) sentence 1 number 7 of the German Banking Act, which form part of regulatory capital and reserves, amounted to € 14 million for Deutsche Bank AG and € 1,084 million for the Deutsche Bank Group.

Contingent liabilities

Liabilities from guarantees and indemnity agreements, as reported on the balance sheet, are broken down as follows:

in € m.	**Dec 31, 2005**	Dec 31, 2004
Guarantees	20,528	17,196
Letters of credit	3,354	2,934
Credit liabilities	12,852	10,381

Other obligations

The irrevocable credit commitments shown on the balance sheet (€ 104,017 million) include commitments of € 94,724 million for loans and discounts in favor of non-banks.

Sundry obligations

Payment obligations under rental agreements and leases amount to € 1,478 million with residual maturities of up to 18 years. These obligations include € 440 million owed to affiliated companies. There are also further obligations of € 2.9 billion to purchase goods and services largely resulting from outsourcing projects.

Liabilities for possible calls on not fully paid-up shares in public and private limited companies and other shares amounted to € 70 million at the end of 2005. Joint liabilities pursuant to section 24 of the German Private Limited Companies Act (GmbHG) amounted to € 20 million. Where other joint liabilities exist, the credit standing of the co-shareholders is impeccable in all cases.

In connection with our participating interest in Liquiditäts-Konsortialbank GmbH, Frankfurt am Main, there is an obligation to pay further capital of up to € 70 million and a pro rata contingent liability to fulfil the capital obligations of other shareholders belonging to Bundesverband deutscher Banken e.V., Berlin.

Liabilities for possible calls on other shares totalled € 13 million at December 31, 2005.

Pursuant to section 5 (10) of the Statute of the Deposit Guarantee Fund we have undertaken to indemnify Bundesverband deutscher Banken e.V., Berlin, for any losses incurred through measures taken in favor of banks majority-held or controlled by Deutsche Bank.

Pursuant to section 3 (1a) of the Statute of the Deposit Guarantee Fund for Banks' Building and Loan Associations, Deutsche Bank AG has also undertaken to indemnify Fachverband für Bank-Bausparkassen e.V. for any losses incurred through measures taken in favor of Deutsche Bank Bauspar AG, Frankfurt am Main.

As part of the business activities of our foreign branches, collateral security of € 1.3 billion was required by statutory regulations.

Obligations arising from transactions on futures and options exchanges and toward clearing houses for which securities were pledged as collateral amounted to € 1.4 billion at December 31, 2005.

There are contingent liabilities totalling € 53 million in connection with the resale of the trading company Klöckner & Co. AG, Duisburg.

Furthermore, there remain other obligations totalling € 197 million arising from third-party put options.

Declaration of backing[1]

Deutsche Bank AG ensures, except in the case of political risk, that the following companies are able to meet their contractual liabilities:

DB Investments (GB) Limited, London

Deutsche Asset Management International GmbH, Frankfurt am Main

Deutsche Asset Management Investmentgesellschaft mbH vormals DEGEF Deutsche Gesellschaft für Fondsverwaltung mbH, Frankfurt am Main

Deutsche Australia Limited, Sydney

Deutsche Bank Americas Holding Corp., New York/USA

Deutsche Bank Luxembourg S.A., Luxembourg

Deutsche Bank (Malaysia) Berhad, Kuala Lumpur

Deutsche Bank Polska S.A., Warsaw

Deutsche Bank (Portugal), S.A., Lisbon

Deutsche Bank Rt., Budapest

Deutsche Bank S.A., Buenos Aires

Deutsche Bank S.A. – Banco Alemão, São Paulo

Deutsche Bank S.A./N.V., Brussels

Deutsche Bank, Sociedad Anónima Española, Barcelona

Deutsche Bank Società per Azioni, Milan

Deutsche Bank (Suisse) S.A., Geneva

Deutsche Futures Singapore Pte Ltd., Singapore

Deutsche Morgan Grenfell Group plc, London

Deutsche Securities Asia Limited, Hong Kong

Deutsche Securities Limited, Hong Kong

DWS Holding & Service GmbH, Frankfurt am Main

DWS Investment GmbH, Frankfurt am Main

DWS Investment S.A., Luxembourg

OOO Deutsche Bank, Moscow

Schiffshypothekenbank zu Lübeck Aktiengesellschaft, Hamburg

[1] Companies with which a profit and loss transfer agreement exists are marked in the List of Shareholdings.

Maturity structure of claims

in € m.	Dec 31, 2005	Dec 31, 2004
Other claims on banks	**113,311**	**82,029**
with a residual period of		
up to three months	72,428	47,778
more than three months and up to one year	27,496	24,833
more than one year and up to five years	9,924	7,495
more than five years	3,463	1,923
Claims on customers	**457,316**	**317,167**
with a residual period of		
up to three months	348,103	231,257
more than three months and up to one year	36,835	30,521
more than one year and up to five years	48,792	34,032
more than five years	23,130	20,598
with an indefinite period	456	759

Of the bonds and other fixed-income securities of € 188,866 million, € 25,598 million mature in 2006.

Maturity structure of liabilities

in € m.	Dec 31, 2005	Dec 31, 2004
Liabilities to banks with agreed period or notice period	**190,359**	**156,189**
with a residual period of		
up to three months	149,181	111,706
more than three months and up to one year	14,499	15,705
more than one year and up to five years	15,524	20,495
more than five years	11,155	8,283
Savings deposits with agreed notice period of more than three months	**749**	**832**
with a residual period of		
up to three months	339	354
more than three months and up to one year	242	284
more than one year and up to five years	165	190
more than five years	3	4
Other liabilities to customers with agreed period or notice period	**210,927**	**172,004**
with a residual period of		
up to three months	143,453	117,495
more than three months and up to one year	19,646	11,869
more than one year and up to five years	35,034	29,544
more than five years	12,794	13,096
Other liabilities in certificate form	**92,787**	**54,522**
with a residual period of		
up to three months	25,999	13,115
more than three months and up to one year	21,771	10,685
more than one year and up to five years	26,911	27,318
more than five years	18,106	3,404

Of the bonds and notes issued of € 21,069 million, € 5,194 million mature in 2006.

Prepaid expenses and deferred income

The prepaid expenses of € 1,389 million include a balance of € 908 million pursuant to section 250 (3) HGB. The deferred income of € 543 million contains € 65 million in balances pursuant to section 340e (2) HGB.

Trust business

	Assets held in trust			Liabilities held in trust	
in € m.	**Dec 31, 2005**	Dec 31, 2004	in € m.	**Dec 31, 2005**	Dec 31, 2004
Claims on banks	342	1,935	Liabilities to banks	5	9
Claims on customers	534	456	Liabilities to customers	936	2,448
Equity shares and other variable-yield securities	50	52			
Participating interests	15	14			
Total	**941**	**2,457**	**Total**	**941**	**2,457**

Information on affiliated, associated and related companies

	Affiliated companies		Associated and related companies	
in € m.	**Dec 31, 2005**	Dec 31, 2004	**Dec 31, 2005**	Dec 31, 2004
Claims on banks	55,660	47,897	707	389
Claims on customers	224,593	183,670	301	759
Bonds and other fixed-income securities	1,388	1,341	876	1,070
Positive fair value of derivatives held for trading purposes (incl. in sundry assets)	12,803	–	–	–
Liabilities to banks	85,274	91,062	190	751
Liabilities to customers	120,112	116,038	665	872
Liabilities in certificate form	1,241	521	–	–
Subordinated liabilities	5,662	5,769	–	–
Negative fair value of derivatives held for trading purposes (incl. in sundry liabilities)	8,336	–	–	–

Shareholdings

The complete list of our shareholdings is filed with the Commercial Register in Frankfurt am Main. It can be obtained free of charge from Deutsche Bank AG, Frankfurt am Main.

Assets pledged as collateral

Assets in the stated amounts were pledged as collateral for the liabilities shown below:

in € m.	**Dec 31, 2005**	Dec 31, 2004
Liabilities to banks	19,742	14,142
Liabilities to customers	677	395

Transactions subject to sale and repurchase agreements

The book value of assets reported on the balance sheet and sold subject to a repurchase agreement in the amount of € 106,218 million related exclusively to securities sold under repo agreements.

Foreign currencies

The total amount of assets denominated in foreign currency was the equivalent of € 817,008 million at the balance sheet date; the total value of liabilities was the equivalent of € 784,092 million.

Forward transactions

Forward transactions outstanding at the balance sheet date consisted mainly of the following types of business:

- interest rate-linked transactions
  forward deals linked to debt instruments, forward rate agreements, interest rate swaps, interest futures, option rights in certificate form, option deals and option contracts linked to interest rates and indices;
- exchange rate-linked transactions
  foreign exchange and precious metal forwards, cross-currency swaps, option rights in certificate form, option deals and option contracts linked to foreign exchange and precious metals, foreign exchange and precious metal futures;
- other transactions
  equity forwards and futures, index futures, option rights in certificate form, option deals and option contracts linked to equities and indices.

The above types of transaction are concluded almost exclusively to hedge interest rate, exchange rate and market price fluctuations in trading activities.

Fair value of derivatives

in € m.	Notional amount	Positive fair value	Negative fair value
OTC products			
interest rate-linked transactions	23,413,980	258,745	– 262,282
exchange rate-linked transactions	3,268,519	46,003	– 46,654
equity- and index-linked transactions	688,941	34,976	– 41,259
credit derivatives	2,021,979	23,368	–26,069
other transactions	308,610	27,758	– 25,623
Exchange-traded products			
interest rate-linked transactions[1]	105,250	0	0
exchange rate-linked transactions[1]	4	0	0
equity- and index-linked transactions	215,582	9,191	–10,213
other transactions	304	7	– 51
Total	**30,023,169**	**400,048**	**– 412,151**

[1] Because cash settlements are paid on a daily basis, the fair values of interest rate- and exchange rate-linked transactions are zero or virtually zero.

The positive fair values of € 400,048 million and the negative fair values of € 412,151 million comprise trading derivatives and derivatives held for hedging purposes. The positive and negative fair values of trading derivatives are reported under sundry assets and sundry liabilities.

Notes to the income statement

Income by geographical market

The total amount of interest income, of current income from equity shares and other variable-yield securities, participating interests and shares in affiliated companies, of commission income, of net income from financial transactions and of other operating income is spread across various regions as shown by the following breakdown pursuant to section 34 (2) RechKredV:

in € m.	**2005**	2004
Germany	13,143	10,860
Europe excl. Germany	23,739	10,695
Americas	6,299	2,075
Africa / Asia / Australia	2,997	2,186
Total	**46,178**	**25,816**

Net income from financial transactions

Net income from financial transactions comes to € 10,097 million for the 2005 financial year; the majority of this amount (€ 6.6 billion) was attributable to the cumulative effect of changing the valuation method relating to years up to 2004.

Administrative and agency services provided for third parties

The following administrative and agency services were provided for third parties: custody services; referral of mortgages, insurance policies and housing finance contracts; administration of assets held in trust, and asset management.

Other administrative expenses

The table below gives a breakdown of the fees charged by our auditors for the 2005 financial year:

Category in € m.	**2005**
Audit fees	12
Fees for audit-related services	3
Fees for tax advice	1
Total	**16**

Other operating income

At € 137 million, other operating income consists mainly of € 25 million in realized foreign exchange gains on the transfer of profits and losses of branches outside Germany, € 39 million from the sale of loans and € 7 million from leasing.

Other operating expenses

Other operating expenses of € 977 million include € 390 million in litigation costs, the allocation of € 153 million to provisions for guarantees, € 76 million from the sale of loans, € 60 million for operational risks, € 55 million in direct and indirect compensation paid in connection with the grundbesitz-invest open-ended real-estate fund, € 51 million for insurance premiums, and € 42 million in currency translation adjustments on capital allocated to branches outside Germany (including gains and losses carried forward).

Extraordinary expenses and extraordinary income

The extraordinary expenses of € 293 million relate to restructuring costs in connection with the Business Realignment Program. The extraordinary income of € 40 million relates to the release of restructuring provisions accrued in 2004.

Other information

Management Board and Supervisory Board

In 2005, the total remuneration paid to the Management Board came to € 28,716,908.69, € 24,560,000 of which represented variable forms of compensation.

Former members of the Management Board of Deutsche Bank AG or their surviving dependants received € 17,318,338.74. In addition to a fixed payment of € 1,124,620 (including VAT), the Supervisory Board received dividend-related remuneration totalling € 1,485,670.

Provisions for pension obligations to former members of the Management Board or their surviving dependants totalled € 191,854,101.

At the end of 2005, loans and advances granted and contingent liabilities assumed for members of the Management Board amounted to € 885,200 and for members of the Supervisory Board of Deutsche Bank AG to € 427,300.

The members of the Management Board and the Supervisory Board are listed on pages 34 and 35.

The List of Mandates mentions all directorships held in Germany and abroad and is filed with the Commercial Register in Frankfurt am Main. Both the List of Mandates and the Corporate Governance Report can be obtained free of charge from Deutsche Bank AG, Frankfurt am Main.

Employees

The average number of full-time equivalent staff employed during the year under review was 25,927 (2004: 26,732), 9,911 of whom were women. Part-time employees are included proportionately in these figures. An average of 13,274 (2004: 13,409) staff members worked at branches outside Germany.

Corporate governance

The bank has issued and made available to its shareholders the declaration prescribed by section 161 AktG.

Frankfurt am Main, March 8, 2006

Deutsche Bank Aktiengesellschaft
The Management Board

Josef Ackermann	Clemens Börsig
Tessen von Heydebreck	Hermann-Josef Lamberti

Independent Auditors' Report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of the Deutsche Bank AG for the business year from January 1, 2005 to December 31, 2005. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with section 317 HGB (Handelsgesetzbuch; German Commercial Code) and the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (German Institute of Auditors). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the internal control system relating to the accounting system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of Deutsche Bank AG in accordance with principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, March 8, 2006

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Nonnenmacher	Becker
Wirtschaftsprüfer	Wirtschaftsprüfer

Management Board

Josef Ackermann
Chairman

Clemens Börsig

Tessen von Heydebreck

Hermann-Josef Lamberti

Supervisory Board

Dr. Rolf-E. Breuer
– Chairman,
Frankfurt am Main

Heidrun Förster*
– Deputy Chairperson,
Deutsche Bank Privat- und
Geschäftskunden AG,
Berlin

Dr. rer. oec.
Karl-Hermann Baumann
Munich
(until May 18, 2005)

Dr. Karl-Gerhard Eick
Deputy Chairman of the Board
of Management of
Deutsche Telekom AG,
Cologne

Klaus Funk*
Deutsche Bank Privat- und
Geschäftskunden AG,
Frankfurt am Main
(until February 1, 2006)

Ulrich Hartmann
Chairman of the Supervisory
Board of E.ON AG,
Düsseldorf

Sabine Horn*
Deutsche Bank AG,
Frankfurt am Main

Rolf Hunck*
Deutsche Bank AG,
Hamburg

Sir Peter Job
London

Prof. Dr.
Henning Kagermann
Chairman and CEO of SAP AG,
Walldorf/Baden

Ulrich Kaufmann*
Deutsche Bank AG, Düsseldorf

Peter Kazmierczak*
Deutsche Bank AG,
Essen
(from February 1, 2006)

Prof. Dr. Paul Kirchhof
University professor,
Ruprecht-Karls-University
Heidelberg,
Heidelberg

Henriette Mark*
Deutsche Bank AG,
Munich

Margret Mönig-Raane*
Vice President of ver.di
Vereinte Dienstleistungs-
gewerkschaft,
Berlin

Prof. Dr. jur. Dr.-Ing. E.h.
Heinrich von Pierer
Chairman of the Supervisory
Board of Siemens AG,
Erlangen
(from May 18, 2005)

Gabriele Platscher*
Deutsche Bank Privat- und
Geschäftskunden AG,
Braunschweig

Karin Ruck*
Deutsche Bank AG,
Bad Soden am Taunus

Tilman Todenhöfer
Managing Partner of Robert
Bosch Industrietreuhand KG,
Stuttgart

Dipl.-Ing. Dr.-Ing. E. h.
Jürgen Weber
Chairman of the
Supervisory Board of
Deutsche Lufthansa AG,
Hamburg

Dipl.-Ing. Albrecht Woeste
Chairman of the Supervisory
Board and Shareholders'
Committee of Henkel KGaA,
Düsseldorf

Leo Wunderlich*
Deutsche Bank AG,
Mannheim

* elected by the employees

Committees

Chairman's Committee
Dr. Rolf-E. Breuer
– Chairman
Heidrun Förster*
Ulrich Hartmann
Ulrich Kaufmann*

Mediation Committee
Dr. Rolf-E. Breuer
– Chairman
Heidrun Förster*
Ulrich Hartmann
Henriette Mark*

Audit Committee
Dr. Karl-Gerhard Eick
– Chairman from May 18, 2005
Dr. rer. oec
Karl-Hermann Baumann
– Chairman
(until May 18, 2005)
Dr. Rolf-E. Breuer
Heidrun Förster*
Sabine Horn*
Rolf Hunck*
Sir Peter Job
(from May 18, 2005)

Risk Committee
Dr. Rolf-E. Breuer
– Chairman
Dr. rer. oec.
Karl-Hermann Baumann
(until May 18, 2005)
Sir Peter Job
Prof. Dr. Henning Kagermann
Ulrich Hartmann
– Substitute Member
(until May 18, 2005)
Prof. Dr. jur. Dr.-Ing. E.h.
Heinrich von Pierer
– Substitute Member
(from May 18, 2005)
Tilmann Todenhöfer
– Substitute Member
(from May 18, 2005)

* elected by the employees

Advisory Board

Werner Wenning
– Chairman
Chairman of the Board
of Managing Directors of
Bayer AG, Leverkusen

Dr. Kurt Bock
Member of the Group Board
BASF Aktiengesellschaft,
Ludwigshafen

Carl L. von Boehm-Bezing
Frankfurt am Main

Dr. Karl-Ludwig Kley
Member of the Executive Board
of Deutsche Lufthansa AG,
Cologne

Francis Mer
Bourg-la-Reine

Alexey A. Mordashov
Chairman of the Board
of Directors, Severstal;
Director General, Company
Severstal-Group, Cherepovets
(from February 13, 2006)

Dr. h. c. August Oetker
General Partner of
Dr. August Oetker KG, Bielefeld

Eckhard Pfeiffer
Houston

Dr. Bernd Pischetsrieder
Chairman of the Board of
Management of
Volkswagen AG, Wolfsburg

Dr. Wolfgang Reitzle
President and CEO of
Linde AG, Wiesbaden

Dr. rer. pol. Michael Rogowski
Chairman of the Supervisory
Board of J. M. Voith AG,
Heidenheim

Håkan Samuelsson
President and CEO. of
MAN Aktiengesellschaft,
Munich
(from January 1, 2006)

Maria-Elisabeth Schaeffler
Partner and Chairman of the
Supervisory Board of
INA-Holding Schaeffler KG,
Herzogenaurach
(from May 18, 2005)

Dr. Ronaldo H. Schmitz
Frankfurt am Main
(until May 18, 2005)

Prof. Jürgen E. Schrempp
Munich
(until July 29, 2005)

Dr. Cezary Stypulkowski
President and CEO of PZU SA,
Warsaw
(from January 1, 2006)

Jürgen R. Thumann
President, BDI – Federation of
German Industries,
Chairman of the
Shareholders' Committee
Heitkamp & Thumann KG,
Düsseldorf
(from May 18, 2005)

Dr. Dieter Zetsche
Chairman of the Board of
Management and Head of
Mercedes Car Group of
DaimlerChrysler AG, Stuttgart
(from October 1, 2005)

Annex 4
Interim Report
as of March 31, 2006

Deutsche Bank – The Group at a Glance

	Three months ended	
	Mar 31, 2006	Mar 31, 2005
Share price at period end	€ 94.25	€ 66.55
Share price high	€ 96.19	€ 69.90
Share price low	€ 81.17	€ 63.35
Basic earnings per share	€ 3.76	€ 2.36
Diluted earnings per share[1]	€ 3.30	€ 2.09
Average shares outstanding, in m., basic	455	468
Average shares outstanding, in m., diluted	519	509
Return on average total shareholders' equity (after tax)	22.4%	16.7%
Adjusted return on average active equity (after tax)	25.4%	19.2%
Pre-tax return on average total shareholders' equity	34.2%	27.0%
Pre-tax return on average active equity	39.7%	30.2%
Cost/income ratio	67.3%	71.5%
	in € m.	in € m.
Total revenues	7,990	6,583
Provision for loan losses	10	94
Total noninterest expenses	5,375	4,706
Income before income tax expense and cumulative effect of accounting changes	2,605	1,783
Net income	1,710	1,103
Underlying revenues	7,839	6,456
Provision for credit losses	4	81
Operating cost base	5,302	4,526
Underlying pre-tax profit	2,515	1,837
Underlying pre-tax return on average active equity	38.4%	31.1%
Underlying cost/income ratio	67.6%	70.1%
	Mar 31, 2006 in € bn.	Dec 31, 2005 in € bn.
Total assets	1,035	992
Loans, net	157	151
Shareholders' equity	30.8	29.9
BIS core capital ratio (Tier I)	8.8%	8.7%
	Number	Number
Branches	1,587	1,588
thereof in Germany	834	836
Employees (full-time equivalent)	64,103	63,427
thereof in Germany	26,247	26,336
Long-term rating		
Moody's Investors Service, New York	Aa3	Aa3
Standard & Poor's, New York	AA–	AA–
Fitch Ratings, New York	AA–	AA–

The reconciliation of average active equity, underlying measures and ratios from reported figures is provided on pages 42 and 43 of this report.

[1] Including numerator effect of assumed conversions. The effect for the three months ended March 31, 2006 and 2005 was € 0.00 and € (0.08), respectively.

Due to rounding, numbers presented throughout this document may not add up precisely to the totals we provide and percentages may not precisely reflect the absolute figures.

Dear Shareholders,

Deutsche Bank's performance in the first quarter 2006 was truly outstanding. This was the most profitable first quarter in Deutsche Bank's history, significantly better even than the very strong result in the same quarter of 2005. The world's capital markets performed strongly; levels of corporate activity, above all in Europe, remained high, with positive momentum in Germany; and demand for investment management solutions was robust. In this environment, all our core businesses performed exceptionally. We reaped full benefits from our strategic positioning, our focused investments in growth businesses and markets, and from the success of our business realignment initiatives which are now almost complete.

Revenues of Deutsche Bank Group for the quarter were € 8.0 billion, up 21% versus the first quarter 2005. Pre-tax profit was € 2.6 billion, up 46%, while net income rose 55% to € 1.7 billion. Pre-tax return on average active equity, per target definition, was 40%, significantly above 33% in the first quarter 2005, even with a higher equity base. Diluted earnings per share rose by 58% to € 3.30.

The Corporate and Investment Bank (CIB) recorded its best-ever quarter, with underlying pre-tax profits rising 33% to € 2.1 billion. Our Sales & Trading businesses turned in an outstanding result, with best-ever revenues in both debt and equity. We reaped the benefits of synergies from the integration of all our trading platforms, and from our commitment to higher-value solutions for our clients, including credit products and derivatives. Revenues from Sales & Trading Equities grew 90%, reflecting growth in all major regions and most core businesses. We also took good advantage of selective opportunities in proprietary trading, but once again without compromising our strict discipline in market risk. Our Corporate Finance business leveraged our pre-eminent European franchise in strong markets, winning highly competitive mandates for a large number of the region's highest-profile transactions and building a strong deal pipeline. Our transaction banking business, after a highly successful 2005, continued to record substantial profit growth, contributing further to the diversification and quality of CIB's earnings.

In Private Clients and Asset Management (PCAM) underlying pre-tax profit rose 37% to € 558 million, driven above all by the strength of our investment management business lines. We captured net inflows of € 12 billion, which helped increase our total invested assets to € 885 billion, laying a firm basis for future revenue growth. Our Asset and Wealth Management segment grew underlying pre-tax profits by 46%, reflecting continued progress with our reorganisation of Asset Management in recent months, and the benefits of our investments in Private Wealth Management. Private & Business Clients produced the best quarterly profits ever, boosted by strong growth in both investment services and consumer finance, while our latest investment projects in China and India proceeded according to plan.

We maintained our vigorous commitment to cost, risk and capital discipline. The underlying cost/income ratio improved by two percentage points to 68% versus the first quarter 2005. We were also able to grow revenues without significant rises in risk positions, while problem loans, both in absolute terms and as a proportion of our loan book, fell to their lowest levels for more than five years. By the end of the quarter, we had repurchased 28.3 million shares within the 4th buyback program, or 52% of the total repurchase capacity authorised under that program. Our capital position remained strong, with the Tier 1 capital ratio rising to 8.8%, close to the top of our target range of 8-9%. We will ask our shareholders at the upcoming Annual General Meeting for authorization of a new buyback program.

We moved decisively to address issues related to the temporary closure of one of our real estate funds in Germany, which was widely covered by the media. On receipt of the report of independent valuation experts, we swiftly re-opened the fund and offered prompt and fair compensation to any investors who had experienced losses from the revaluation, having made provision for the cost of this compensation already in 2005. In the meantime the actual price for the funds is higher again than before the temporary close. At all stages, we successfully and equitably balanced the interests of our clients with those of our shareholders.

In early April we communicated several senior management changes. Rolf-E. Breuer announced his decision to stand down as Chairman of the Supervisory Board. Rolf-E. Breuer's career at Deutsche Bank spans 50 years, during which he served both as Spokesman of the Management Board and Supervisory Board Chairman. His contribution has been exceptional, and on behalf of all my colleagues, I wish to express sincere gratitude for his long and most distinguished service of our bank. The Supervisory Board proposed, for election at the Annual General Meeting, Clemens Boersig, our Chief Financial and Risk Officer, as Rolf-E. Breuer's successor. It also appointed two additional Management Board members: Hugo Banziger as new Chief Risk Officer, and Anthony Di Iorio, as new Chief Financial Officer. Both elections reflect the strength in depth of our international management team, and our continued commitment to a strong and independent Controlling and Risk Management.

In the current operating environment, Deutsche Bank is very well positioned for continued success. The Business Realignment Program strengthens our growth prospects. In all key regions of the world, our strategy of focused investments in our core businesses is paying rich rewards. Our U.S. platform continues to flourish in a strong domestic economy and robust market. Our investments in key emerging markets – Asia, the Middle East, Russia and Latin America – continue to prosper in dynamic local environments. Our strength in Europe positions us well for the growing momentum of the European capital markets.

Last but not least, as the leading bank in Germany, we reap, more than any of our competitors, the benefits of improved business confidence of our domestic and international clients in our home market.

All of us at Deutsche Bank feel very proud of these outstanding quarterly results. My colleagues and I remain absolutely committed to sustaining, and building on our profitable growth strategy and continuing to deliver superior value to you, our shareholders.

We also look forward to welcoming many of you at our Annual General Meeting on 1st of June in the Frankfurt Festhalle.

Yours sincerely,

Josef Ackermann
Chairman of the Management Board and
the Group Executive Committee

Frankfurt am Main, May 2006

Discussion of Results

Deutsche Bank reported income before income taxes for the first quarter 2006 of € 2.6 billion, up 46% versus € 1.8 billion in the first quarter 2005. Net income was € 1.7 billion, up 55% versus € 1.1 billion in the prior year first quarter. Reported pre-tax return on average active equity was 40%, up ten percentage points versus 30% in the first quarter 2005. Pre-tax return on average active equity per our target definition, which excludes restructuring expenses and substantial gains from sale of industrial holdings, was also 40%, up by seven percentage points versus the first quarter 2005. Diluted earnings per share were € 3.30, up 58% versus the first quarter 2005.

Group Highlights

Net revenues for the quarter were € 8.0 billion, up 21% versus the first quarter 2005. In the Corporate and Investment Bank (CIB), revenues in sales and trading rose 37% to € 4.4 billion, with best-ever quarterly revenues both in Sales & Trading (Debt and other Products) and Sales & Trading (Equity). Revenues in Sales & Trading (Debt and other Products) rose 19% to € 2.8 billion, while Sales & Trading (Equity) rose 90% to € 1.6 billion, reflecting growth in all major regions and most core businesses. Revenues in Origination rose 18% to € 468 million, while revenues in Advisory rose 58% to € 180 million, reflecting high levels of corporate activity in Europe, notably in Germany. Revenues in Private Clients and Asset Management (PCAM) rose 14% to € 2.3 billion, driven by strong business flows from both investment management and consumer lending products in Private & Business Clients (PBC), together with continued momentum in Asset and Wealth Management (AWM). Revenues in this division grew 18% compared to the first quarter 2005, with the current quarter including higher gains on asset sales in Real Estate Asset Management.

Provision for credit losses, which includes provisions for both loan losses and off-balance sheet positions (the latter reported in noninterest expenses), was € 4 million for the first quarter 2006, compared to € 81 million in the first quarter 2005. This reduction primarily reflected recoveries and releases owing to a series of successful workouts in CIB, while the level of new provisions was low due to the high quality of the loan book and a benign credit environment. Problem loans at the end of the first quarter were € 3.6 billion, down from € 3.9 billion at the end of the previous quarter, while the ratio of problem loans to total loans fell to 2.2%, the lowest level for more than five years. The ratio of loan loss allowances to problem loans rose to 51%.

Noninterest expenses for the quarter were € 5.4 billion, up 14% versus the first quarter 2005. The reported cost/income ratio improved by four percentage points to 67%, versus 71% in the first quarter 2005. Restructuring expenses were € 42 million during the quarter, compared to € 168 million in the first quarter 2005. The operating cost base, which excludes restructuring expenses and other items, was € 5.3 billion, up 17% versus the first quarter 2005. The underlying cost/income ratio improved by two percentage points to 68%, versus 70% in the first quarter 2005, reflecting sustained cost discipline in a period of strong business performance. Compensation costs rose 21% to € 3.6 billion, reflecting higher performance-related compensation. The ratio of compensation costs to revenues remained stable compared to the previous year. Non-compensation costs rose 10% to € 1.7 billion, reflecting higher business volumes and continued investments in growth initiatives.

Income before income taxes for the quarter was € 2.6 billion, up 46% versus the first quarter 2005. Reported pre-tax return on average active equity was 40%, up ten percentage points from 30% in the first quarter 2005. Per our target definition (which excludes restructuring expenses of € 42 million in the current quarter and of € 168 million in the first quarter last year), pre-tax return on average active equity was also 40%, up seven percentage points from 33% in the first quarter 2005.

Net income for the quarter was € 1.7 billion, up 55% versus the first quarter 2005. Net income includes € 46 million of cumulative effects of accounting changes, net of tax, resulting primarily from the adoption of SFAS 123(R), which requires the adjustment of accrued compensation costs to reflect expected forfeitures. Diluted earnings per share were € 3.30, up 58% versus € 2.09 in the first quarter 2005. The effective tax rate was 36% compared to 38% in the first quarter 2005.

The BIS Tier 1 capital ratio rose to 8.8% at the end of the quarter, from 8.7% at the end of the previous quarter. This ratio thus remains at the upper end of our target range of 8-9%. During the quarter we repurchased 12.1 million shares, or 2.3% of the total shares issued, for a consideration of € 1.1 billion, as part of our fourth share buyback program. By the end of the first quarter, repurchases under this program reached a cumulative total of 28.3 million shares at an average price of € 84.84 per share. This represents 5.5% of total shares issued, and 52% of the total repurchase capacity of this program. At the 2006 Annual General Meeting on June 1st, management will seek shareholder approval for a new buyback authorization of up to 10% of shares issued.

Group Headcount (on a full-time equivalent basis) saw a net rise of 676 during the quarter, reflecting investments in business expansion, notably in Europe and key emerging markets. As part of the bank's investment in PBC's distribution platform, 215 additional full time equivalent posts were created in Germany.

Business Segment Review

Corporate and Investment Bank Group Division (CIB)
In CIB, underlying pre-tax profit was € 2.1 billion for the first quarter 2006, an increase of € 528 million, or 33%, from € 1.6 billion in the first quarter 2005. Income before income taxes, which also includes restructuring expenses of € 22 million in the first quarter 2006 and € 122 million in the first quarter of the previous year, improved by € 628 million, or 43%, to € 2.1 billion. This record performance was driven by higher revenues, which grew by € 1.1 billion, or 25%, to € 5.7 billion.

Corporate Banking & Securities (CB&S)
Deutsche Bank's Sales & Trading businesses posted record revenues in both Debt and other products and in Equity. The Origination and Advisory businesses also registered substantial year-on-year growth. Most businesses continued to demonstrate strong earnings momentum, thanks to growing customer demand for capital markets products and a favourable trading environment, together with ongoing benefits from the Business Realignment Program, as illustrated by the integration of the Debt and Equity sales and trading platforms.

Sales & Trading (Debt and other products) generated revenues of € 2.8 billion in the first quarter 2006, an increase of 19% over its previous record performance in the first quarter 2005. Revenue growth was significant in the credit businesses, driven by increasing customer activity in credit derivatives and securitized products and by profitable capital structure arbitrage opportunities. Deutsche Bank's foreign exchange business, which *Euromoney* ranked #1 in the world for the second consecutive year with a market share of over 19%, increased revenues substantially against a background of higher volatility in G10 currencies. Emerging markets debt trading showed good revenue growth primarily due to a stronger performance in Latin America. Net revenues in interest rate products were lower due to reduced customer activity in duration management and structured investment products. In addition, earnings in the commodities business did not benefit significantly from the volatility in energy prices during the quarter, reflecting the bank's relatively low exposure to this sector.

Sales & Trading (Equity) generated record quarterly revenues of € 1.6 billion, an increase of 90% over the first quarter 2005. All business lines experienced significant earnings growth with net revenues substantially higher in equity derivatives, emerging markets and prime services. These business lines benefited from increasing activity across all major customer types and geographies and tighter alignment with our fixed income franchise. In addition, trading volumes in cash equities grew significantly across all regions while favourable market conditions during the quarter also contributed to a strong performance in proprietary trading.

Origination and Advisory generated revenues of € 648 million in the first quarter 2006, an increase of € 138 million, or 27%, from the same period last year. Origination (Debt) revenues were driven by acquisition financing and market share gains in syndicated loans (source: *Dealogic*) in a rising interest rate environment. Origination (Equity) revenues increased as a result of a strong IPO market. We performed strongly in European IPOs and gained market share in the Americas, Europe and Japan, while Advisory revenues surged by more than 50% reflecting a strong increase in M&A activity and market share gains in the Americas, Europe and Asia Pacific excluding Japan (source: *Dealogic*). In Europe, we advised on six of the top ten largest deals announced in the first quarter of 2006 (source: *Thomson Financial*).

Loan Products revenues were € 169 million for the first quarter 2006, a 56% decrease on the same period last year. The decrease was primarily due to mark-to-market losses on credit default swaps used to hedge our investment-grade loan exposure. While credit spreads widened in the comparative period of 2005, the first quarter of 2006 saw overall spread tightening with particular impact on selected industry sectors of the hedge portfolio of our Loan Exposure Management Group.

CB&S recorded a net release of € 56 million in provision for credit losses in the first quarter 2006, compared to a net charge of € 8 million for the comparative quarter last year. Approximately half of the improvement was attributable to a recovery relating to one borrower, with the remainder reflecting other successful workouts giving rise to recoveries as well as provision releases. The level of new provisions remained low, supported by the continued benign credit environment and tight credit discipline.

The operating cost base in CB&S was € 3.2 billion in the first quarter 2006, a 26% increase over the same period last year, driven by higher performance-related compensation in line with the development of operational performance. The underlying cost/income ratio improved to 63%, versus 64% in the first quarter 2005. Noninterest expenses in the first quarter included € 14 million restructuring charges representing CB&S' share of the Business Realignment Program.

Underlying pre-tax profit in CB&S was € 1.9 billion in the quarter, up 34% versus the first quarter 2005.

Global Transaction Banking (GTB)

Transaction Services revenues were € 535 million in the first quarter 2006, an increase of € 48 million, or 10%, versus the same period in 2005. Trust & Securities Services revenues grew significantly as a result of strong new business and transaction volumes in Structured Finance Services and Domestic Custody. Cash Management earnings were also higher from both the Corporate and the Financial Institution businesses.

GTB recorded a net release of € 16 million in provision for credit losses in the first quarter 2006, compared to a net release of € 4 million for the comparative quarter last year, reflecting the benign credit conditions.

GTB's operating cost base in the first quarter 2006 was € 364 million, a 6% increase from the comparative period last year, mainly reflecting higher transaction-related expenses as well as increased performance-related compensation in line with the improved operational performance. Noninterest expenses included restructuring charges of € 7 million in the current quarter and of € 15 million in the first quarter 2005, representing GTB's share of the Business Realignment Program.

Underlying pre-tax profit was € 187 million in the quarter, up 25% versus the first quarter 2005.

Private Clients and Asset Management Group Division (PCAM)
In PCAM, underlying pre-tax profit in the first quarter was a record € 558 million, up 37% versus the first quarter 2005. Income before income taxes, after taking into account restructuring charges of € 20 million, was € 538 million in the first quarter 2006, up 49% or € 176 million versus the first quarter 2005 (which reflected restructuring expenses of € 45 million). Underlying revenues were € 2.3 billion, up € 280 million or 14% versus the first quarter 2005 while the operating cost base of € 1.7 billion increased € 119 million or 8%.

During the first quarter 2006, PCAM's invested assets grew by € 18 billion to € 885 billion compared to € 867 billion at year end 2005. The growth was largely attributable to net new assets of € 12 billion, including net inflows of € 8 billion in the European retail asset management business and of € 4 billion in Private Wealth Management (PWM). The remaining net increase in invested assets was attributable to market appreciation, in part offset by foreign exchange rate movements.

Asset and Wealth Management Corporate Division (AWM)
In AWM, underlying revenues in the first quarter were € 1.0 billion, up € 157 million or 18% versus the first quarter 2005. Portfolio/fund management revenues (AM) increased 14%, primarily reflecting higher management fees, particularly in the retail business in Germany corresponding to the aforementioned growth in invested assets, as well as higher levels of performance fees in the Real Estate businesses. These increases were partly offset by a decline of revenues subsequent to the sale of a substantial part of our UK- and Philadelphia-based AM businesses in the second half of 2005. Portfolio/fund management revenues (PWM) increased 17% primarily reflecting strong performance increases in client portfolios and continued net inflows of invested assets. Brokerage revenues were up 15% versus the first quarter 2005, mainly due to higher transaction-based flow revenues from increased client activity in strong financial markets. Loan/deposit revenues increased 23%, driven by higher margin loan and time deposit volumes. Revenues from Other products grew 50%, to € 119 million, primarily due to higher gains from investment sales in the Real Estate business, predominantly in the Asia-Pacific region.

The operating cost base was € 794 million in the current quarter, up 10% or € 75 million versus the first quarter 2005, mainly driven by higher performance-related compensation and marketing expenses related to the re-branding campaign in the U.S. of Scudder as DWS Scudder. Partly offsetting these increases was the favourable impact of the aforementioned sale of businesses.

AWM's underlying pre-tax profit was € 238 million, its second best ever quarterly result and an increase of € 75 million, or 46%, versus the first quarter 2005.

Private & Business Clients (PBC)
PBC achieved record results in the first quarter of 2006 both in terms of revenues and profitability. Underlying revenues of € 1.3 billion grew by € 123 million or 11% versus the first quarter 2005, driven by higher returns from investment management products and consumer finance. Portfolio/fund management and brokerage revenues grew significantly by 47% and 20%, respectively, supported by favourable conditions in Germany and in other European countries with increased customer activity and strong business volumes. Our diversified range of investment products, including offerings using Deutsche Bank's Global Markets and Asset Management expertise, combined with our well-established distribution channels enabled us to take full advantage of this positive market environment. Loan/deposit revenues grew by 7% versus the first quarter 2005. Loan revenues showed robust growth reflecting our strategy of expanding consumer lending. Deposit revenues also increased, due to higher volumes and margins.

Provision for credit losses of € 80 million was essentially unchanged compared to the first quarter 2005. The impact of higher loan volumes was offset as both the rate and the aging of delinquent loans improved in the current quarter.

The operating cost base of € 875 million in the first quarter 2006 was up 5% versus the first quarter of the previous year. The cost increase remained moderate despite continuing growth initiatives, with staff increases mainly in Germany, India and Poland.

PBC's underlying pre-tax profit increased to a new quarterly record of € 321 million, up 31% compared to the first quarter 2005.

Corporate Investments Group Division (CI)

CI reported an underlying pre-tax profit of € 2 million in the first quarter 2006, an improvement of € 47 million from an underlying loss of € 44 million in the first quarter 2005. CI's income before income taxes was € 135 million in the first quarter 2006. Included were net gains and significant equity pick-ups from investments of € 126 million, of which a gain of € 85 million resulted from the sale of our remaining stake in EUROHYPO AG. In the first quarter 2005 income before taxes of € 69 million included a net gain of € 80 million on the sale of our stake in Südzucker AG.

The book value of CI's alternative assets was further reduced to € 1.1 billion at March 31, 2006 compared to € 1.4 billion at December 31, 2005.

Report of Independent Registered Public Accounting Firm

To the Supervisory Board of Deutsche Bank Aktiengesellschaft

We have reviewed the accompanying condensed consolidated balance sheet of Deutsche Bank Aktiengesellschaft and subsidiaries (Deutsche Bank Group) as of March 31, 2006, and the related consolidated statements of income, comprehensive income, consolidated statements of changes in shareholders' equity, and cash flows for the three month periods ended March 31, 2006 and 2005. These condensed consolidated financial statements are the responsibility of Deutsche Bank Group's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying condensed consolidated financial statements for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Deutsche Bank Group as of December 31, 2005, and the related consolidated statements of income, shareholders' equity and comprehensive income, and cash flows for the year then ended (not presented herein); and in our report dated March 9, 2006, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2005, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft Wirtschaftsprüfungsgesellschaft

Frankfurt am Main (Germany), May 2, 2006

Consolidated Statement of Income (unaudited)

Income Statement

in € m.	Three months ended Mar 31, 2006	Mar 31, 2005
Interest revenues	12,485	8,907
Interest expense	10,881	7,464
Net interest revenues	**1,604**	**1,443**
Provision for loan losses	10	94
Net interest revenues after provision for loan losses	**1,594**	**1,349**
Commissions and fees from fiduciary activities	937	809
Commissions, broker's fees, markups on securities underwriting and other securities activities	1,286	918
Fees for other customer services	656	607
Trading revenues, net	2,970	2,411
Net gains on securities available for sale	42	110
Net income from equity method investments	271	132
Other revenues	224	153
Total noninterest revenues	**6,386**	**5,140**
Compensation and benefits	3,624	2,998
Net occupancy expense of premises	250	245
Furniture and equipment	42	40
IT costs	373	378
Agency and other professional service fees	271	182
Communication and data services	158	147
Other expenses	615	548
Goodwill impairment/impairment of intangibles	–	–
Restructuring activities	42	168
Total noninterest expenses	**5,375**	**4,706**
Income before income tax expense and cumulative effect of accounting changes	**2,605**	**1,783**
Income tax expense	941	649
Reversal of 1999/2000 credits for tax rate changes	–	31
Income before cumulative effect of accounting changes, net of tax	**1,664**	**1,103**
Cumulative effect of accounting changes, net of tax	46	–
Net income	**1,710**	**1,103**

Earnings per Share (EPS)

in €	Three months ended Mar 31, 2006	Mar 31, 2005
Earnings per common share:		
Basic:		
Income before cumulative effect of accounting changes, net of tax	3.66	2.36
Cumulative effect of accounting changes, net of tax[1]	0.10	–
Net income	**3.76**	**2.36**
Diluted:		
Income before cumulative effect of accounting changes, net of tax[2]	3.21	2.09
Cumulative effect of accounting changes, net of tax[1]	0.09	–
Net income	**3.30**	**2.09**
Number of shares in m.		
Denominator for basic earnings per share – weighted-average shares outstanding	454.7	467.7
Denominator for diluted earnings per share – adjusted weighted-average shares after assumed conversions	518.5	509.1

[1] Related to SFAS 123(R), the cumulative effect of accounting changes, net of tax, was € 0.09 on basic EPS and € 0.08 on diluted EPS as of March 31, 2006. Related to EITF 05-5, the cumulative effect of accounting changes, net of tax, was € 0.01 on basic and diluted EPS each as of March 31, 2006.

[2] Including numerator effect of assumed conversions. The effect for the three months ended March 31, 2006 and 2005 was € 0.00 and € (0.08), respectively.

Consolidated Statement of Comprehensive Income (unaudited)

in € m.	Three months ended Mar 31, 2006	Mar 31, 2005
Net income	**1,710**	**1,103**
Other comprehensive income:		
Reversal of 1999/2000 credits for tax rate changes	–	31
Unrealized gains (losses) on securities available for sale:		
Unrealized net gains arising during the period, net of tax and other	215	59
Net reclassification adjustment for realized net (gains) losses, net of applicable tax and other	(101)	(97)
Unrealized net gains (losses) on derivatives hedging variability of cash flows, net of tax	(38)	(4)
Foreign currency translation:		
Unrealized net gains (losses) arising during the period, net of tax	(276)	378
Net reclassification adjustment for realized net (gains) losses, net of tax	–	(1)
Total other comprehensive income (loss)	**(200)**	**366**
Comprehensive income	**1,510**	**1,469**

Consolidated Balance Sheet

Assets

in € m.	**Mar 31, 2006** (unaudited)	Dec 31, 2005
Cash and due from banks	6,931	6,571
Interest-earning deposits with banks	15,893	11,963
Central bank funds sold and securities purchased under resale agreements	118,288	130,993
Securities borrowed	111,638	101,125
Bonds and other fixed-income securities	271,446	260,469
Equity shares and other variable-yield securities	106,312	99,479
Positive market values from derivative financial instruments	79,795	75,354
Other trading assets	14,001	13,091
Total trading assets	471,554	448,393
Securities available for sale	22,881	21,675
Other investments	4,492	7,382
Loans, net	156,638	151,355
Premises and equipment, net	4,924	5,079
Goodwill	7,051	7,045
Other intangible assets, net	1,180	1,198
Other assets	113,050	99,382
Total assets	**1,034,520**	**992,161**

Liabilities and Shareholders' Equity

in € m.	**Mar 31, 2006** (unaudited)	Dec 31, 2005
Noninterest-bearing deposits	27,815	30,005
Interest-bearing deposits	346,113	350,782
Total deposits	373,928	380,787
Bonds and other fixed-income securities	84,702	81,294
Equity shares and other variable-yield securities	32,344	28,473
Negative market values from derivative financial instruments	93,193	84,580
Total trading liabilities	210,239	194,347
Central bank funds purchased and securities sold under repurchase agreements	181,639	143,524
Securities loaned	9,406	24,581
Other short-term borrowings	18,381	20,549
Other liabilities	88,521	81,377
Long-term debt	117,326	113,554
Obligation to purchase common shares	4,319	3,506
Total liabilities	**1,003,759**	**962,225**
Common shares, no par value, nominal value of € 2.56	1,325	1,420
Additional paid-in capital	14,186	11,672
Retained earnings	21,822	22,628
Common shares in treasury, at cost	(1,022)	(3,368)
Equity classified as obligation to purchase common shares	(4,319)	(3,506)
Share awards	–	2,121
Accumulated other comprehensive income (loss)		
Deferred tax on unrealized net gains on securities available for sale relating to 1999 and 2000 tax rate changes in Germany	(2,164)	(2,164)
Unrealized net gains on securities available for sale, net of applicable tax and other	2,612	2,498
Unrealized net gains (losses) on derivatives hedging variability of cash flows, net of tax	(29)	9
Minimum pension liability, net of tax	(8)	(8)
Foreign currency translation, net of tax	(1,642)	(1,366)
Total accumulated other comprehensive loss	(1,231)	(1,031)
Total shareholders' equity	**30,761**	**29,936**
Total liabilities and shareholders' equity	**1,034,520**	**992,161**

Consolidated Statement of Changes in Shareholders' Equity
(unaudited)

	Three months ended	
in € m.	**Mar 31, 2006**	Mar 31, 2005
Common shares		
Balance, beginning of year	1,420	1,392
Common shares issued under share-based compensation plans	7	12
Retirement of common shares	(102)	–
Balance, end of period	1,325	1,404
Additional paid-in capital		
Balance, beginning of year	11,672	11,147
Reclassification from share awards – common shares issuable	3,456	–
Reclassification from share awards – deferred compensation	(1,335)	–
Net change in share awards in the reporting period	188	–
Common shares issued under share-based compensation plans	194	167
Tax benefits related to share-based compensation plans	10	–
Other	1	–
Balance, end of period	14,186	11,314
Retained earnings		
Balance, beginning of year, as previously reported	22,628	19,814
Effects of changes in accounting principles	13	–
Balance, beginning of year	22,641	19,814
Net income	1,710	1,103
Net gains on treasury shares sold	141	64
Retirement of common shares	(2,667)	–
Other	(3)	1
Balance, end of period	21,822	20,982
Common shares in treasury, at cost		
Balance, beginning of year	(3,368)	(1,573)
Purchases of shares	(9,320)	(8,650)
Sale of shares	8,896	8,311
Retirement of shares	2,769	–
Treasury shares distributed under share-based compensation plans	1	3
Balance, end of period	(1,022)	(1,909)
Equity classified as obligation to purchase common shares		
Balance, beginning of year	(3,506)	(3,058)
Additions	(813)	(814)
Deductions	–	–
Balance, end of period	(4,319)	(3,872)
Share awards – common shares issuable		
Balance, beginning of year	3,456	2,965
Reclassification to additional paid-in capital	(3,456)	–
Deferred share awards granted, net	–	904
Deferred shares distributed	–	(3)
Balance, end of period	–	3,866
Share awards – deferred compensation		
Balance, beginning of year	(1,335)	(1,452)
Reclassification to additional paid-in capital	1,335	–
Deferred share awards granted, net	–	(904)
Amortization of deferred compensation, net	–	362
Balance, end of period	–	(1,994)
Accumulated other comprehensive loss		
Balance, beginning of year	(1,031)	(3,331)
Reversal of 1999/2000 credits for tax rate changes	–	31
Change in unrealized net gains on securities available for sale, net of applicable tax and other	114	(38)
Change in unrealized net gains/losses on derivatives hedging variability of cash flows, net of tax	(38)	(4)
Foreign currency translation, net of tax	(276)	377
Balance, end of period	(1,231)	(2,965)
Total shareholders' equity, end of period	**30,761**	**26,826**

Consolidated Statement of Cash Flows (unaudited)

in € m.	Three months ended Mar 31, 2006	Mar 31, 2005
Net income	**1,710**	**1,103**
Adjustments to reconcile net income to net cash used in operating activities:		
Provision for loan losses	10	94
Restructuring activities	8	84
Gain on sale of securities available for sale, other investments, loans and other	(231)	(198)
Deferred income taxes, net	(60)	312
Impairment, depreciation and other amortization and accretion	(111)	489
Cumulative effect of accounting changes, net of tax	46	–
Share of net income from equity method investments	(183)	(117)
Net change in:		
Trading assets	(22,193)	(11,268)
Other assets	(13,070)	(8,023)
Trading liabilities	15,820	2,176
Other liabilities	5,649	7,725
Other, net	169	(887)
Net cash used in operating activities	**(12,436)**	**(8,510)**
Net change in:		
Interest-earning deposits with banks	(3,668)	(2,911)
Central bank funds sold and securities purchased under resale agreements	12,921	(7,415)
Securities borrowed	(10,513)	(20,022)
Loans	(6,771)	(5,897)
Proceeds from:		
Sale of securities available for sale	3,303	1,659
Maturities of securities available for sale	1,240	1,088
Sale of other investments	2,828	662
Sale of loans	1,892	2,682
Sale of premises and equipment	87	36
Purchase of:		
Securities available for sale	(5,974)	(6,145)
Other investments	(290)	(503)
Loans	(1,142)	(1,855)
Premises and equipment	(95)	(167)
Net cash paid for business combinations/divestitures	(462)	–
Other, net	(54)	21
Net cash used in investing activities	**(6,698)**	**(38,767)**
Net change in:		
Deposits	(6,865)	19,384
Securities loaned and central bank funds purchased and securities sold under repurchase agreements	22,940	15,962
Other short-term borrowings	(2,168)	5,177
Issuances of long-term debt	14,994	15,782
Repayments and extinguishments of long-term debt	(9,296)	(8,485)
Common shares issued under share-based compensation plans	199	179
Purchases of treasury shares	(9,320)	(8,650)
Sale of treasury shares	9,033	8,380
Cash dividends paid	–	–
Other, net	71	33
Net cash provided by financing activities	**19,588**	**47,762**
Net effect of exchange rate changes on cash and due from banks	(94)	199
Net increase in cash and due from banks	360	684
Cash and due from banks, beginning of period	6,571	7,579
Cash and due from banks, end of period	6,931	8,263
Interest paid	11,082	6,994
Income taxes paid, net	502	298

Basis of Presentation

The accompanying consolidated financial statements as of March 31, 2006 and 2005 and for the three months then ended are unaudited and include the accounts of Deutsche Bank AG and its subsidiaries (collectively, the Deutsche Bank Group or the Company). In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the results of operations, financial position and cash flows have been reflected. Certain prior period amounts have been reclassified to conform to the current presentation. The results reported in these financial statements, which include supplementary information, should not be regarded as necessarily indicative of results that may be expected for the entire year. The financial statements included in this Interim Report should be read in conjunction with the consolidated financial statements and related notes included in the Company's 2005 Financial Report and SEC Form 20-F. Certain financial statement information that is normally included in annual financial statements prepared in accordance with U.S. GAAP has been condensed or omitted. Following is supplementary information on the impact of changes in accounting principles, segment information, supplementary information on the income statement, the balance sheet and other financial information.

Impact of Changes in Accounting Principles (unaudited)

FSP FIN 46(R)-6

In April 2006, the FASB issued FSP FIN 46(R)-6, “Determining the Variability to Be Considered in Applying FASB Interpretation No. 46(R)” (“FSP FIN 46(R)-6”). FSP FIN 46(R)-6 addresses whether certain arrangements associated with variable interest entities should be treated as variable interests or considered as creators of variability, and indicates that the variability to be considered shall be based on an analysis of the design of the entity. FSP FIN 46(R)-6 is required to be applied prospectively to all entities with which the Group first becomes involved and to all entities previously required to be analyzed under FIN 46(R) upon the occurrence of certain events, beginning the first day of the first reporting period after June 15, 2006. Early application is permitted for periods for which financial statements have not yet been issued. Retrospective application to the date of the initial application of FIN 46(R) is permitted but not required, however, if elected, it must be completed no later than the end of the first annual reporting period after July 15, 2006. We are currently evaluating the potential impact, if any, that the adoption of FSP FIN 46(R)-6 will have on our consolidated financial statements.

FSP FTB 85-4-1

In March 2006, the FASB issued FSP FTB 85-4-1, “Accounting for Life Settlement Contracts by Third-Party Investors” (“FSP FTB 85-4-1”). FSP FTB 85-4-1 requires that purchased life settlement contracts, which are contracts between the owner of a life insurance policy and a third party investor, are measured at either fair value or by applying the investment method, whereas previously such contracts were held at the lower of cash surrender value and cost. Under the investment method, a life settlement contract is initially recorded at the transaction price plus all initial direct external costs; continuing costs to keep the policy in force are capitalized; and a gain is only recognized when the insured dies. The fair value method or the investment method is permitted to be elected on an instrument-by-instrument basis, and the Group has elected to apply the fair value method to all life settlement contracts held as of January 1, 2006. A cumulative effect adjustment to beginning retained earnings of € 13 million has been recognized as of January 1, 2006.

SFAS 156

In March 2006, the FASB issued SFAS No. 156, “Accounting for Servicing of Financial Assets” (“SFAS 156”). SFAS 156 addresses the accounting for recognized servicing assets and servicing liabilities related to certain transfers of the servicer’s financial assets and for acquisitions or assumptions of obligations to service financial assets that do not relate to the financial assets of the servicer and its related parties. SFAS 156 requires that all recognized servicing assets and servicing liabilities are initially measured at fair value, and subsequently measured at either fair value or by applying an amortization method for each class of recognized servicing assets and servicing liabilities. SFAS 156 is effective in fiscal years beginning after September 15, 2006. The adoption of SFAS 156 is not expected to have a material impact on our consolidated financial statements.

SFAS 155
In February 2006, the FASB issued SFAS No. 155, "Accounting for Certain Hybrid Financial Instruments" ("SFAS 155"). SFAS 155 allows any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," to be carried at fair value in its entirety, with changes in fair value recognized in earnings. In addition, SFAS 155 requires that beneficial interests in securitized financial assets be analyzed to determine whether they are freestanding derivatives or contain an embedded derivative. SFAS 155 also eliminates a prior restriction on the types of passive derivatives that a qualifying special purpose entity is permitted to hold. SFAS 155 is applicable to new or modified financial instruments in fiscal years beginning after September 15, 2006, though the provisions related to fair value accounting for hybrid financial instruments can also be applied to existing instruments. The adoption of SFAS 155 is not expected to have a material impact on our consolidated financial statements.

EITF 05-5
In June 2005, the FASB ratified the consensus reached in EITF Issue No. 05-5, "Accounting for Early Retirement or Postemployment Programs with Specific Features (Such As Terms Specified in Altersteilzeit Early Retirement Arrangements)" ("EITF 05-5"). Under EITF 05-5 salaries, bonuses and additional pension contributions associated with certain early retirement arrangements typical in Germany (as well as similar programs) should be recognized over the period from the point at which the Altersteilzeit period begins until the end of the active service period. Previously, the Group had recognized the expense based on an actuarial valuation upon signature of the Altersteilzeit contract by the employee. The EITF also specifies the accounting for government subsidies related to these arrangements. EITF 05-5 is effective in fiscal years beginning after December 15, 2005. Upon adoption of EITF 05-5, the Group recognized a gain of € 4 million, net of taxes, as a cumulative effect of a change in accounting principle.

EITF 03-1, FSP EITF 03-1-1 and FSP FAS 115-1 and FAS 124-1
In March 2004, the FASB ratified the consensus reached in EITF Issue No. 03−1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments" ("EITF 03−1"). The decisions established a common approach to evaluating other-than-temporary impairment for equity securities accounted for at cost, and debt and equity securities available for sale. In September 2004, the FASB issued a final FASB Staff Position No. EITF 03−1−1 ("FSP EITF 03−1−1"), which delayed the effective date for the measurement and recognition guidance included in EITF 03−1. The disclosure requirements under EITF 03−1 were effective beginning December 31, 2004.

In June 2005, the FASB decided not to provide additional guidance on the meaning of other-than-temporary impairment, but directed its staff to issue FSP FAS 115−1 and FAS 124-1. The final FSP FAS 115−1 and FAS 124-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments," was issued in November 2005 and nullified certain provisions of EITF 03-1. FSP FAS 115-1 and FAS 124-1 requires reference to existing accounting guidance when assessing whether impairment is other-than-temporary.

FSP EITF 03-1-1, and hence the delay of the effective date for the measurement and recognition guidance included in EITF 03−1, was superseded with the final issuance of FSP FAS 115−1 and FAS 124-1, which is effective for fiscal years beginning after December 15, 2005. The adoption of FSP FAS 115−1 and FAS 124-1 did not have an impact on our consolidated financial statements.

SFAS 123 (Revised 2004)
In December 2004, the FASB issued SFAS No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123(R)"). SFAS 123(R) replaces SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"), and supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees". The new standard requires companies to recognize compensation cost relating to share-based payment transactions in their financial statements. That cost is to be measured based on the fair value of the equity or liability instruments issued. Starting January 1, 2003, we accounted for our share-based compensation awards under the fair value method prescribed under SFAS 123. The method was applied prospectively for all employee awards granted, modified or settled after January 1, 2003. Currently, we use a Black-Scholes option pricing model to estimate the fair value of stock options granted to employees and expect to continue to use this option valuation model upon the adoption of SFAS 123(R). SFAS 123(R) also includes some changes regarding the timing of expense recognition, the treatment of forfeitures and the re-measurement of liability classified awards at their current fair value. SFAS 123(R) indicates that it is effective for reporting periods beginning after June 15, 2005.

In March 2005, the SEC released Staff Accounting Bulletin No. 107, "Share-Based Payment" ("SAB 107"), which provides interpretive guidance related to the interaction between SFAS 123(R) and certain SEC rules and regulations. It also provides the SEC staff's views regarding valuation of share-based payment arrangements. In April 2005, the SEC amended the compliance dates for SFAS 123(R), to allow companies to implement the standard at the beginning of their next fiscal year, instead of the next reporting period beginning after June 15, 2005. Accordingly, the Group adopted SFAS 123(R) effective January 1, 2006. For transition purposes, the Group elected the modified prospective application method. Under this application method, SFAS 123(R) applies to new awards and to awards modified, repurchased, or cancelled after the required effective date.

Upon adoption in 2006, the Group recognized a gain of € 42 million, net of taxes, as a cumulative effect of a change in accounting principle. This effect relates to an adjustment of accrued compensation costs, which under SFAS 123(R) are required to be based on the estimated number of share-based payment awards to vest, with consideration of expected forfeitures. Under SFAS 123, the Group had accounted for forfeitures on an actual basis, and therefore had reversed compensation expense in the period an award was forfeited. Compensation expense for future awards granted in relation to annual bonuses, but which include a vesting period, will no longer be recognized in the applicable performance year as part of compensation earned for that year.

In addition, as a result of adopting SFAS 123(R), certain balance sheet amounts associated with share-based compensation costs have been reclassified within the equity section of the balance sheet. This change in presentation had no net effect on our total equity. Effective January 1, 2006, deferred compensation (representing unearned costs of share-based payments) and common shares issuable are presented on a net basis, with the net amount being reclassified into additional paid-in capital.

Prior to the adoption of SFAS 123(R), the Group had recognized compensation cost for all awards granted as a retention incentive over the vesting period. With the adoption of SFAS 123(R), the Group has accelerated the expense accrual for awards granted in February 2006 which, due to early retirement provisions, are determined to include a nominal, but nonsubstantive service period. The expense recognized for these awards was € 21 million. For awards granted prior to the adoption of SFAS 123(R), the accounting remains unchanged.

If compensation expense for such awards had previously been recognized on an accelerated basis, the additional compensation expense recognized for the years ended December 31, 2005, 2004 and 2003 would have been € 101 million, € 177 million and € 130 million, respectively. As a result of the accelerated recognition of compensation expense in the earlier years, the compensation expense recognized in the quarter ended March 31, 2006 for such awards would have been € 49 million less than the actual compensation expense.

On November 10, 2005, the FASB released the final FASB Staff Position No. FAS 123(R)-3, "Transition Election Related to Accounting for the Tax Effects of Share-Based Payment Awards" ("FSP FAS 123(R)-3"), which provides a practical transition election related to the calculation of excess tax benefits available to absorb tax deficiencies recognized subsequent to the adoption of SFAS 123(R) (that is, the additional paid-in-capital (APIC) pool). The Group has until December 31, 2006 to elect a transition method made available by this FSP and is in the process of evaluating the alternatives to calculate its APIC pool.

IFRS

Regulations regarding IFRS. In accordance with EU and German regulations, we will adopt International Financial Reporting Standards (IFRS) in our consolidated financial statements for fiscal years starting January 1, 2007 (with 2006 comparative figures).

We will also adopt IFRS as our basis of reporting in SEC filings. Financial statements prepared according to IFRS are accepted in SEC filings provided a reconciliation between U.S. GAAP and IFRS net income and shareholders' equity is disclosed as supplemental information.

IFRS project. We commenced preparations for the conversion to IFRS in 2004. A dedicated project team was assembled and separate work streams were established to handle the various aspects of the conversion. The objective of the project is to ensure a structured and well-considered approach to implementation. The project involves all business areas and group functions.

The project began with the identification of the differences between U.S. GAAP and IFRS to determine the key financial, business and system impacts. Accounting decisions were made where IFRS offers accounting choices. In addition, technical guidance was provided to business areas and group functions to ensure accurate and consistent application. This is in the process of being documented in an accounting and reporting manual.

In 2005, we made the key changes to required accounting and reporting procedures, and consolidation systems. Other system changes have been identified and will be implemented throughout 2006 to further automate the IFRS requirements.

The project is designed to ensure readiness for adoption of IFRS by all relevant parties and includes providing the necessary education.

The project is advancing according to plan and is being monitored via normal project controls and change management.

The main risks and uncertainties relate to financial and process impacts due to changing accounting standards. However, developments of both IASB and FASB standards are being closely monitored. In addition, we participate actively in the due process of standards development.

Main differences between IFRS and U.S. GAAP. Although IFRS and U.S. GAAP are similar in many ways and the IASB and FASB are committed to convergence, currently several differences remain for financial institutions, with the major differences relating to financial instrument classification and measurement, financial instruments recognition and derecognition, as well as consolidation assessments. However, future rule changes could have an impact on our opening IFRS balance sheet and thus the difference between U.S. GAAP and IFRS earnings or balance sheet amounts cannot be estimated at this time.

Segment Information (unaudited)

The Group's segment reporting follows the organizational structure as reflected in its internal management reporting systems, which are the basis for assessing the financial performance of the business segments and for allocating resources to the business segments.

Management responsibility has changed in the first quarter 2006 for certain sales and customer service functions which were previously reported within the Corporate Banking & Securities Corporate Division and have been transferred to the Global Transaction Banking Corporate Division. In addition, certain service functions have been transferred from the businesses to the central infrastructure group.

Prior periods have been restated to conform to the current year's presentation.

Effective February 27, 2006, the Group concluded the acquisition of the remaining 60% of United Financial Group (UFG), which was included in the corporate division Corporate Banking & Securities.

Segmental Results of Operations

Three months ended Mar 31, 2006 in € m. (except percentages)	Corporate and Investment Bank: Corporate Banking & Securities	Corporate and Investment Bank: Global Transaction Banking	Corporate and Investment Bank: Total	Private Clients and Asset Management: Asset and Wealth Management	Private Clients and Asset Management: Private & Business Clients	Private Clients and Asset Management: Total	Corporate Investments	Total Management Reporting
Net revenues	**5,146**	**535**	**5,681**	**1,052**	**1,275**	**2,327**	**160**	**8,168**
Underlying revenues	5,146	535	5,681	1,037	1,275	2,313	28	8,021
Provision for loan losses	(57)	(6)	(63)	(1)	78	78	(4)	10
Provision for off-balance sheet positions[1]	1	(9)	(9)	(0)	2	2	0	(7)
Provision for credit losses	**(56)**	**(16)**	**(72)**	**(1)**	**80**	**79**	**(3)**	**4**
Operating cost base	3,249	364	3,613	794	875	1,669	29	5,311
Minority interest	12	–	12	6	0	6	(1)	18
Restructuring activities	14	7	22	12	8	20	0	42
Goodwill impairment/impairment of intangibles	–	–	–	–	–	–	–	–
Policyholder benefits and claims	–	–	–	15	–	15	–	15
Provision for off-balance sheet positions[1]	1	(9)	(9)	(0)	2	2	0	(7)
Total noninterest expenses	**3,276**	**362**	**3,637**	**827**	**885**	**1,712**	**29**	**5,379**
Income before income taxes	**1,927**	**179**	**2,107**	**225**	**312**	**538**	**135**	**2,779**
Add (deduct):								
Net gains on securities available for sale/industrial holdings including hedging	–	–	–	–	–	–	(9)	(9)
Significant equity pick-ups/ net gains from investments[2]	–	–	–	–	–	–	(126)	(126)
Net gains from businesses sold/ held for sale	–	–	–	–	–	–	–	–
Net gains related to premises	–	–	–	–	–	–	2	2
Restructuring activities	14	7	22	12	8	20	0	42
Goodwill impairment/impairment of intangibles	–	–	–	–	–	–	–	–
Underlying pre-tax profit	**1,942**	**187**	**2,128**	**238**	**321**	**558**	**2**	**2,689**
Cost/income ratio in %	64	69	64	79	69	73	18	66
Underlying cost/income ratio in %	63	68	64	77	69	72	107	66
Assets[3]	918,141	21,067	924,987	36,237	85,822	122,017	14,938	1,026,899
Risk-weighted positions (BIS risk positions)	164,356	12,747	177,103	12,132	60,341	72,473	5,456	255,032
Average active equity	16,423	1,125	17,548	5,089	2,076	7,165	1,067	25,779
Pre-tax return on average active equity in %	47	64	48	18	60	30	51	43
Underlying pre-tax return on average active equity in %	47	66	49	19	62	31	1	42

[1] Provision for off-balance sheet positions is reclassified from “Noninterest expenses” to “Provision for credit losses”.
[2] Includes net gains/losses from significant equity method investments and other significant investments.
[3] The sum of corporate divisions does not necessarily equal the total of the corresponding group division because of consolidation items between corporate divisions, which are to be eliminated on the group division level. The same approach holds true for the sum of group divisions compared to Total Management Reporting, which include consolidation items between group divisions.

Three months ended Mar 31, 2005 in € m. (except percentages)	Corporate and Investment Bank			Private Clients and Asset Management			Corporate Invest-ments	Total Manage-ment Reporting
	Corporate Banking & Securities	Global Trans-action Banking	Total	Asset and Wealth Manage-ment	Private & Business Clients	Total		
Net revenues	**4,052**	**486**	**4,538**	**891**	**1,153**	**2,044**	**112**	**6,694**
Underlying revenues	4,052	486	4,538	880	1,153	2,033	(2)	6,570
Provision for loan losses	9	6	16	1	78	78	(0)	94
Provision for off-balance sheet positions[1]	(1)	(11)	(11)	(0)	(1)	(1)	(0)	(12)
Provision for credit losses	**8**	**(4)**	**4**	**0**	**77**	**77**	**(0)**	**81**
Operating cost base	2,582	342	2,924	719	831	1,550	42	4,516
Minority interest	10	–	10	(1)	0	(1)	1	10
Restructuring activities	107	15	122	34	11	45	0	168
Goodwill impairment/impairment of intangibles	–	–	–	–	–	–	–	–
Policyholder benefits and claims	–	–	–	11	–	11	–	11
Provision for off-balance sheet positions[1]	(1)	(11)	(11)	(0)	(1)	(1)	(0)	(12)
Total noninterest expenses	**2,698**	**346**	**3,045**	**762**	**842**	**1,603**	**43**	**4,691**
Income before income taxes	**1,345**	**134**	**1,478**	**129**	**233**	**362**	**69**	**1,909**
Add (deduct):								
Net gains on securities available for sale/industrial holdings including hedging	–	–	–	–	–	–	(87)	(87)
Significant equity pick-ups/ net gains from investments[2]	–	–	–	–	–	–	(27)	(27)
Net gains from businesses sold/ held for sale	–	–	–	–	–	–	–	–
Net (gains) on the sale of premises	–	–	–	–	–	–	–	–
Restructuring activities	107	15	122	34	11	45	0	168
Goodwill impairment/impairment of intangibles	–	–	–	–	–	–	–	–
Underlying pre-tax profit (loss)	**1,451**	**149**	**1,600**	**162**	**244**	**407**	**(44)**	**1,962**
Cost/income ratio in %	67	73	67	86	73	79	39	70
Underlying cost/income ratio in %	64	70	64	82	72	76	N/M	69
Assets (as of Dec 31, 2005)[3]	872,924	18,056	881,635	37,150	86,554	123,666	15,025	984,184
Risk-weighted positions (BIS risk positions)	135,737	11,665	147,402	12,415	55,450	67,865	10,099	225,366
Average active equity	11,455	1,329	12,784	4,837	1,713	6,551	3,328	22,663
Pre-tax return on average active equity in %	47	40	46	11	54	22	8	34
Underlying pre-tax return on average active equity in %	51	45	50	13	57	25	(5)	35

N/M – Not meaningful

[1] Provision for off-balance sheet positions is reclassified from “Noninterest expenses” to “Provision for credit losses”.

[2] Includes net gains/losses from significant equity method investments and other significant investments.

[3] The sum of corporate divisions does not necessarily equal the total of the corresponding group division because of consolidation items between corporate divisions, which are to be eliminated on the group division level. The same approach holds true for the sum of group divisions compared to Total Management Reporting, which include consolidation items between group divisions.

The following tables present the revenue components of the Corporate and Investment Bank Group Division and the Private Clients and Asset Management Group Division for the three and nine months ended March 31, 2006 and 2005:

Revenue Components of the Corporate and Investment Bank Group Division

	Three months ended	
in € m.	**Mar 31, 2006**	Mar 31, 2005
Origination (equity)	155	128
Origination (debt)	313	268
Total Origination	**468**	**396**
Sales & Trading (equity)	1,567	824
Sales & Trading (debt and other products)	2,826	2,380
Total Sales & Trading	**4,393**	**3,204**
Advisory	180	114
Loan products	169	381
Transaction services	535	486
Other products	(64)	(42)
Total	**5,681**	**4,538**

Revenue Components of the Private Clients and Asset Management Group Division

	Three months ended	
in € m.	**Mar 31, 2006**	Mar 31, 2005
Portfolio/fund management	729	623
Brokerage	546	463
Loan/deposit	634	586
Payments, account & remaining financial services	215	212
Other products	203	160
Total	**2,327**	**2,044**

Reconciliation of Segmental Results of Operations to Consolidated Results of Operations According to U.S. GAAP

	Three months ended					
	Mar 31, 2006			Mar 31, 2005		
in € m.	Total Management Reporting	Consolidation & Adjustments	Total Consolidated	Total Management Reporting	Consolidation & Adjustments	Total Consolidated
Net revenues	8,168	(179)	7,990	6,694	(110)	6,583
Provision for loan losses	10	–	10	94	–	94
Noninterest expenses	5,379	(5)	5,375	4,691	15	4,706
Income (loss) before income taxes[1]	**2,779**	**(174)**	**2,605**	**1,909**	**(125)**	**1,783**
Total assets	1,026,899	7,621	1,034,520	984,184[2]	7,977[2]	992,161[2]
Risk-weighted positions (BIS risk positions)	255,032	1,252	256,283	225,366	1,439	226,804
Average active equity	25,779	447	26,226	22,663	957	23,620

[1] Income before income tax expense and cumulative effect of accounting changes.
[2] As of December 31, 2005.

Consolidation & Adjustments includes adjustments for differences between accounting methods used for management reporting and U.S. GAAP, as well as adjustments related to activities that are outside the responsibility of the business segments ("Corporate Items").

In Consolidation & Adjustments, loss before income taxes was € 174 million compared to € 125 million in the first quarter 2005. The change over last year's first quarter was attributable to a higher negative impact from items outside of the responsibility of the business segments.

Information on the Income Statement (unaudited)

Net Interest and Trading Revenues

in € m.	Three months ended Mar 31, 2006	Mar 31, 2005
Net interest revenues	1,604	1,443
Trading revenues, net	2,970	2,411
Total net interest and trading revenues	**4,574**	**3,854**
Breakdown by Group Division/CIB product:		
Sales & Trading (equity)	1,157	588
Sales & Trading (debt and other products)	2,447	2,217
Total Sales & Trading	3,605	2,805
Loan products[1]	48	225
Transaction services	261	222
Remaining products[2]	21	1
Total Corporate and Investment Bank	3,935	3,253
Private Clients and Asset Management	736	694
Corporate Investments	(34)	(39)
Consolidation & Adjustments	(63)	(54)
Total net interest and trading revenues	**4,574**	**3,854**

[1] Includes the net interest spread on loans as well as the results of credit default swaps used to hedge our loan exposure.
[2] Includes net interest and trading revenues of origination, advisory and other products.

Pension and Other Postretirement Benefits

	Pension benefits		Postretirement benefits	
	Three months ended		Three months ended	
in € m.	**Mar 31, 2006**	Mar 31, 2005	**Mar 31, 2006**	Mar 31, 2005
Service cost	82	65	2	1
Interest cost	99	96	3	2
Expected return on plan assets	(103)	(97)	–	–
Actuarial loss recognized	17	11	0	–
Settlement/curtailment	(1)	2	–	–
Total defined benefit plans	**94**	**77**	**5**	**3**
Defined contribution plans	53	48	–	–
Net periodic benefit expense	**147**	**125**	**5**	**3**

As disclosed in the Financial Report 2005 on page 129 and in the 2005 SEC Form 20-F on page F-52, the Group expects to fund its defined benefit pension schemes in 2006 for a total of approximately € 300 million representing expected 2006 service costs.

Share-Based Compensation

Effective January 1, 2006, the Group adopted SFAS 123(R) using the modified prospective application method. Under this method, SFAS 123(R) applies to new awards and to awards modified, repurchased or cancelled after the required effective date.

SFAS 123(R) replaces SFAS 123 and supersedes APB Opinion No. 25. The Group adopted the fair-value-based method under SFAS 123 prospectively for all employee awards granted, modified or settled after January 1, 2003, excluding those related to the 2002 performance year. Prior to this, the Group applied the intrinsic-value-based provisions of APB Opinion No. 25.

The following table illustrates what the effect on net income and earnings per common share would have been for the three months ended March 31, 2005 if the Group had applied the fair value method to all share-based awards.

in € m.	Three months ended **Mar 31, 2005**
Net income, as reported	1,103
Add: Share-based compensation expense included in reported net income, net of related tax effects	149
Deduct: Share-based compensation expense determined under fair value method for all awards, net of related tax effects	(147)
Pro forma net income	**1,105**
Earnings per share:	
Basic – as reported	€ 2.36
Basic – pro forma	€ 2.36
Diluted – as reported[1]	€ 2.09
Diluted – pro forma[1]	€ 2.09

[1] Including numerator effect of assumed conversions. The effect for the three months ended March 31, 2005 was € (0.08).

Upon adoption of SFAS 123(R) in 2006, the Group recognized a gain of € 42 million, net of taxes, as a cumulative effect of a change in accounting principle. This effect relates to an adjustment of accrued compensation costs, which in accordance with SFAS 123(R) are based on the estimated number of share-based payment awards to vest, including the effect of expected forfeitures. Under SFAS 123, the Group had accounted for forfeitures on an actual basis, and therefore had reversed compensation expense in the period an award was forfeited.

The following table summarizes information on the Group's share-based compensation plans used for granting new awards. These plans, and those plans no longer used for granting new awards, are described in detail in our Financial Report 2005 on pages 116 through 119 and in our 2005 Form 20-F on pages F-40 through F-43.

Plan name	Eligibility	Service period*	Expense treatment	Equity or Equity Units	Performance Options/ Partnership Appreciation Rights
Share-based compensation plans					
Restricted Equity Units Plan	Select executives	4.5 years	[3]	X	
DB Global Partnership Plan					
DB Equity Units					
as bonus grants	Select executives	2 years	[2]	X	
as retention grants	Select executives	3.5 years	[3]	X	
Performance Options	Select executives[1]	4 years	[2]		X
Partnership Appreciation Rights	Select executives[1]	4 years	[2]		X
DB Share Scheme					
as bonus grants	Select employees	3 years	[2]	X	
as retention grants	Select employees	3 years	[3]	X	
DB Key Employee Equity Plan (DB KEEP)	Select executives	5 years	[3]	X	
DB Global Share Plan (since 2004)	All employees[4]	1 year	[3]	X	

* Approximate period after which all portions of the award are no longer subject to plan-specific forfeiture provisions.
[1] Performance Options and Partnership Appreciation Rights are granted as units.
[2] The value is recognized during the applicable performance year as part of compensation expense (until performance year 2004, since 2005 performance year is to be amortized over the requisite service period in accordance with SFAS 123(R)).
[3] The value is recognized on a straight-line basis over the requisite service period as part of compensation expense.
[4] A participant must have been working for the Group for at least one year and have had an active employment contract in order to participate.

Compensation Expense

Expense related to share awards is recognized on a straight line basis over the requisite service period. The service period usually begins on the grant date of the award and ends when the award is no longer subject to plan-specific forfeiture provisions. Awards are forfeited if a participant terminates employment under certain circumstances. Expected forfeitures are factored into the expense accrual calculation.

The Group recognized compensation expense related to its significant share-based compensation plans as follows.

	Three months ended	
in € m.	**Mar 31, 2006**	Mar 31, 2005
DB Global Partnership Plan	1	1
DB Global Share Plan	11	11
DB Share Scheme/Restricted Equity Units Plan/ DB KEEP[1]	247	239
Stock Appreciation Rights Plan[2]	28	16
Total	**287**	**267**

[1] Compensation expense for the three months ended March 31, 2006 included an acceleration expense of € 21 million for awards granted in February 2006, determined to include a non-substantive service period due to early retirement provisions.
[2] For the quarters ended March 31, 2006 and 2005, net (gains) losses of € (51) million and € 13 million, respectively, from non-trading equity derivatives, used to offset fluctuations in employee share-based compensation expense, were included.

The related total recognized tax benefit for the three months ended March 31, 2006 was approximately € 105 million and € 95 million for the three months ended March 31, 2005.

As of March 31, 2006, unrecognized compensation cost related to nonvested share-based compensation was € 1.7 billion, which is expected to be recognized over an average period of approximately 2 years 2 months.

The following is a summary of the activity in the Group's current compensation plans involving share and option awards for the quarter ended March 31, 2006 (amounts in thousands of shares, except exercise prices).

			DB Global Partnership Plan	
	DB Equity Units	Weighted-average grant date fair value per share	Performance Options[1]	Weighted-average exercise price[2]
Balance at December 31, 2005	**290**	**€ 57.38**	**16,105**	**€ 77.82**
Granted	93	€ 78.90	–	–
Issued	–	–	–	–
Exercised	–	–	(2,777)	€ 76.21
Forfeited	–	–	(17)	€ 89.39
Balance at March 31, 2006	**383**	**€ 62.62**	**13,311**	**€ 78.14**
Weighted-average remaining contractual life at:				
March 31, 2006			2 years 3 months	
December 31, 2005			2 years 4 months	

[1] All DB Global Partnership Performance Options are exercisable as of March 31, 2006.
[2] The weighted-average exercise price does not include the effect of the PARs for the DB Global Partnership Plan.

The following is a summary of the activity in the Group's compensation plans involving share awards (DB Share Scheme, DB Key Employee Equity Plan, Restricted Equity Units Plan and DB Global Share Plan (Since 2004)) for the quarter ended March 31, 2006. Expense for bonus awards, retention awards and DB Global Share Plan (Since 2004) is recognized over the requisite service period.

in thousands of shares	DB Share Scheme/ DB KEEP/ REU	Global Share Plan (Since 2004)	**Total**	Weighted-average grant date fair value per share
Balance at December 31, 2005	**64,952**	**534**	**65,486**	**€ 51.96**
Granted	11,383	–	11,383	€ 73.18
Issued	(26)	–	(26)	€ 52.44
Forfeited	(397)	(1)	(398)	€ 53.63
Balance at March 31, 2006	**75,912**	**533**	**76,445**	**€ 55.11**

The following is a summary of the Group's share-based compensation plans (for which there will be no future awards) for the quarter ended March 31, 2006 (amounts in thousands of shares, except strike and exercise prices).

	Stock Appreciation Rights Plans		DB Global Share Plan (2003 & 2002)		
	Units[1]	Weighted-average strike price	Shares	Performance Options[2]	Weighted-average exercise price
Balance at December 31, 2005	**7,107**	**€ 69.79**	**N/A**	**2,510**	**€ 69.77**
Granted	–	–	–	–	–
Issued	–	–	–	–	–
Exercised	(2,264)	€ 67.65	–	(312)	€ 71.23
Forfeited	–	–	–	(33)	€ 74.84
Expired	–	–	–	–	–
Balance at March 31, 2006	**4,843**	**€ 70.78**	**N/A**	**2,165**	**€ 69.48**
Weighted-average remaining contractual life at:					
March 31, 2006		10 months			3 years 3 months
December 31, 2005		1 year			3 years 6 months

N/A – Not applicable. Participant was fully vested for shares purchased under the DB Global Share Plan.
[1] The total payments made upon exercise for the three months ended March 31, 2006 was approximately € 56 million.
[2] All DB Global Share Performance Options are exercisable as of March 31, 2006.

The total intrinsic value of all Performance Options (DB Global Partnership Plan and DB Global Share Plan 2003 & 2002, not including the effect of the PARs for the DB Global Partnership Plan) exercised during the three months ended March 31, 2006 was approximately € 26 million and € 64 million for the three months ended March 31, 2005. The aggregate intrinsic value of outstanding Performance Options as of March 31, 2006 was € 229 million.

Settlement of PARs led to payments of approximately € 35 million in the first quarter of 2006.

The amount of cash received from exercise of options during the three months ended March 31, 2006 was € 234 million.

The tax benefits realized from Performance Option exercises (including PARs) during the first quarter 2006 was approximately € 10 million.

Funding Principles

Equity-based compensation programs are funded through shares that have previously been bought back in the market as well as through newly issued shares. Share-based compensation plans, where employees have the right to receive common shares of the Group at specified future dates, are covered by shares that have been bought back under the scope of the Bank's share buy-back programs prior to the award date. In contrast to share awards, exercised employee stock options are covered by issuing new shares using conditional capital. Based on the option rights granted and not exercised at March 31, 2006 capital still can be increased by approximately € 40 million.

Information on the Balance Sheet (unaudited)

Securities Available for Sale

in € m.	Mar 31, 2006 Fair value	Gross unrealized holding gains	Gross unrealized holding losses	Amortized cost	Dec 31, 2005 Fair value	Gross unrealized holding gains	Gross unrealized holding losses	Amortized cost
Debt securities	16,983	131	(137)	16,989	16,296	236	(56)	16,116
Equity securities	5,898	2,685	(7)	3,220	5,379	2,382	(6)	3,003
Total	**22,881**	**2,816**	**(144)**	**20,209**	**21,675**	**2,618**	**(62)**	**19,119**

Problem Loans

in € m.	Mar 31, 2006 Impaired loans	Non-performing homogeneous loans	Total	Dec 31, 2005 Impaired loans	Non-performing homogeneous loans	Total
Nonaccrual loans	2,193	1,093	3,286	2,444	1,106	3,550
Loans 90 days or more past due and still accruing	13	160	173	13	189	202
Troubled debt restructurings	106	0	106	119	–	119
Total problem loans	**2,312**	**1,253**	**3,565**	**2,576**	**1,295**	**3,871**

Allowance for Credit Losses

Allowance for loan losses in € m.	Three months ended Mar 31, 2006	Three months ended Mar 31, 2005
Balance, beginning of year	**1,928**	**2,345**
Provision for loan losses	10	94
Net charge-offs	**(132)**	**(136)**
Charge-offs	(216)	(172)
Recoveries	84	36
Allowance related to acquisitions/divestitures	–	–
Foreign currency translation	(5)	20
Balance, end of period	**1,801**	**2,323**

Allowance for off-balance sheet positions in € m.	Three months ended Mar 31, 2006	Three months ended Mar 31, 2005
Balance, beginning of year	**329**	**345**
Provision for off-balance sheet positions	(7)	(12)
Allowance related to acquisitions/divestitures	–	–
Foreign currency translation	(2)	4
Balance, end of period	**320**	**336**

Other Assets and Other Liabilities

in € m.	Mar 31, 2006	Dec 31, 2005
Other assets:		
Brokerage and securities related receivables	59,000	49,175
Loans held for sale, net	26,297	25,453
Other assets related to insurance business	1,180	1,149
Due from customers on acceptances	154	93
Accrued interest receivable	4,668	5,000
Tax assets	6,345	5,903
Other	15,406	12,609
Total other assets	**113,050**	**99,382**

in € m.	Mar 31, 2006	Dec 31, 2005
Other liabilities:		
Brokerage and securities related payables	48,330	42,528
Insurance policy claims and reserves	2,034	1,940
Acceptances outstanding	154	93
Accrued interest payable	4,483	4,684
Accrued expenses	6,670	9,584
Tax liabilities	8,068	7,215
Other	18,782	15,333
Total other liabilities	**88,521**	**81,377**

Long-term Debt

in € m.	Mar 31, 2006	Dec 31, 2005
Senior debt:		
Bonds and notes:		
Fixed rate	56,040	54,898
Floating rate	44,380	41,785
Subordinated debt:		
Bonds and notes:		
Fixed rate	9,968	9,830
Floating rate	6,938	7,041
Total	**117,326**	**113,554**

Liability for Restructuring Activities

	BRP restructuring liability established in			Total
in € m.	4th quarter 2004	2005	1st quarter 2006	
As of Dec 31, 2005	**6**	**178**	**–**	**184**
Additions	–	–	46	46
Utilization	(1)	(127)	(34)	(162)
Releases	(1)	(3)	–	(4)
Increases due to exchange rate fluctuations	–	(1)	–	(1)
As of Mar 31, 2006	**4**	**47**	**12**	**63**

Variable Interest Entities (VIEs)

The following table includes information on consolidated and significant non-consolidated VIEs under FIN 46(R).

Mar 31, 2006	Consolidated VIEs	Significant VIEs	
in € m.	Aggregated total assets	Aggregated total assets	Maximum exposure to loss
Commercial paper programs	820	30,162	27,310
Guaranteed value mutual funds	565	10,532	10,402
Asset securitization	12,739	–	–
Structured finance and other	14,474	5,078	755
Commercial real estate leasing vehicles, closed-end funds and real estate investment entities	768	730	56

Substantially all of the consolidated assets of the variable interest entities act as collateral for related consolidated liabilities. The holders of these liabilities have no recourse to the Group, except to the extent the Group guarantees the value of the mutual fund units that investors purchase. The maximum exposure to loss related to the significant non-consolidated guaranteed value mutual funds results from the above mentioned guarantees. The Group's maximum exposure to loss from the commercial paper programs that it has a significant interest in is equivalent to the contract amount of its liquidity facilities. The liquidity facilities create only limited credit exposure since the Group is not required to provide funding if the assets of the vehicle are in default.

Financial Instruments with Off-Balance Sheet Credit Risk

in € m.	**Mar 31, 2006**	Dec 31, 2005
Irrevocable commitments to extend credit		
For book claims and bills of exchange	129,488	130,492
For guarantees and letters of credit	1,263	1,209
Placement and underwriting commitments	880	896
Total irrevocable commitments to extend credit	131,631	132,597
Revocable commitments to extend credits	21,731	22,344
Total commitments to extend credit	**153,362**	**154,941**

Capital According to BIS

in € m.	Mar 31, 2006	Dec 31, 2005
Tier I		
Common shares	1,325	1,420
Additional paid-in capital[1]	14,186	11,672
Retained earnings, common shares in treasury, equity classified as obligation to purchase common shares, foreign currency translation[2]	14,839	16,508
Minority interests	641	622
Noncumulative trust preferred securities	4,198	3,587
Other (equity contributed on silent partnership interests)	–	–
Items deducted (principally goodwill and tax effect of available for sale securities)	(12,596)	(11,911)
Total core capital	**22,593**	**21,898**
Tier II		
Unrealized gains on listed securities (45% eligible)	1,204	1,182
Other inherent loss allowance	317	435
Cumulative preferred securities	1,158	1,178
Subordinated liabilities, if eligible according to BIS	9,069	9,193
Total supplementary capital	**11,748**	**11,988**
Total regulatory capital	**34,341**	**33,886**

[1] Share awards included at March 31, 2006.
[2] Share awards included at December 31, 2005.

BIS Risk Position and Capital Adequacy Ratios

in € m., unless stated otherwise	Mar 31, 2006	Dec 31, 2005
BIS risk position[1]	256,283	251,202
BIS capital ratio (Tier I + II + III)[2]	13.4%	13.5%
BIS core capital ratio (Tier I)	8.8%	8.7%

[1] Primarily comprised of credit risk weighted assets. Also includes market risk equivalent assets of € 10.9 billion and € 10.5 billion at March 31, 2006 and December 31, 2005, respectively.
[2] Currently we do not have Tier III capital components.

Litigation

Enron Litigation. Deutsche Bank AG and certain of its affiliates are collectively involved in more than 20 lawsuits arising out of their banking relationship with Enron Corp., its subsidiaries and certain Enron-related entities ("Enron"). These lawsuits include a series of purported class actions brought on behalf of shareholders of Enron, including the lead action captioned *Newby v. Enron Corp.* The consolidated complaint filed in Newby named as defendants, among others, Deutsche Bank AG, several other investment banking firms, a number of law firms, Enron's former accountants and affiliated entities and individuals and other individual defendants, including present and former officers and directors of Enron, and it purported to allege claims against Deutsche Bank AG under federal securities laws. On December 20, 2002, the Court dismissed all of the claims alleged in the *Newby* action against Deutsche Bank AG. Plaintiffs in *Newby* filed a first amended consolidated complaint on May 14, 2003 and reasserted claims against Deutsche Bank AG under federal securities laws and also added similar claims against its subsidiaries Deutsche Bank Securities Inc. ("DBSI") and Deutsche Bank Trust Company Americas ("DBTCA"). On March 29, 2004, the Court dismissed in part the claims alleged in the *Newby* action against the Deutsche Bank entities. Specifically, the Court dismissed the fraud claims, but did not dismiss the non-fraud claims. On July 26, 2005, the Court granted plaintiffs' motion for reconsideration of the partial dismissal of claims against the Deutsche Bank entities, and reinstated the fraud claims against the Deutsche Bank entities that had been dismissed on March 29, 2004. Plaintiffs' motion to certify a class of shareholders in *Newby* was argued before the Court on March 7 and 8, 2006, and is pending.

Also, an adversary proceeding has been brought by Enron in the bankruptcy court against, among others, Deutsche Bank AG and certain of its affiliates. In this adversary proceeding, Enron seeks damages from the Deutsche Bank entities, as well as the other defendants, for alleged aiding and abetting breaches of fiduciary duty by Enron insiders, aiding and abetting fraud and unlawful civil conspiracy, and also seeks return of alleged fraudulent conveyances and preferences and equitable subordination of their claims in the Enron bankruptcy. The Deutsche Bank entities' motion to partially dismiss the adversary complaint is pending.

In addition to *Newby* and the adversary proceeding described above, there are third-party actions brought by Arthur Andersen in Enron-related cases asserting contribution claims against Deutsche Bank AG, DBSI and many other defendants, and individual and putative class actions brought in various courts by Enron investors and creditors alleging federal and state law claims against the same entities named by Arthur Andersen, as well as DBTCA.

Tax-Related Products. Deutsche Bank AG, along with certain affiliates and employees (collectively referred to as "Deutsche Bank"), have collectively been named as defendants in more than 75 legal proceedings brought by investors in various tax-oriented transactions. Deutsche Bank provided financial products and services to these investors, who were advised by various accounting, legal and financial advisory professionals. The investors claimed tax benefits as a result of these transactions, and the United States Internal Revenue Service has rejected those claims. In these legal proceedings, the investors allege that, together with Deutsche Bank, the professional advisors improperly misled the investors into believing that the claimed tax benefits would be upheld by the Internal Revenue Service. The legal proceedings are pending in numerous state and federal courts and in arbitration, and claims against Deutsche Bank are alleged under both U.S. state and federal law. Many of the claims against Deutsche Bank are asserted by individual investors, while others are asserted on behalf of a putative investor class. No litigation class has been certified as against Deutsche Bank. The legal proceedings are currently at various pre-trial stages, including discovery.

The United States Department of Justice ("DOJ") is also conducting a criminal investigation of tax-oriented transactions that were executed from approximately 1997 through 2001. In connection with that investigation, DOJ has sought various documents and other information from Deutsche Bank and has been investigating the actions of various individuals and entities, including Deutsche Bank, in such transactions. In the latter half of 2005, DOJ brought criminal charges against numerous individuals based on their participation in certain tax-oriented transactions while employed by entities other than Deutsche Bank. In the latter half of 2005, DOJ also entered into a Deferred Prosecution Agreement with an accounting firm (the "Accounting Firm"), pursuant to which DOJ agreed to defer prosecution of a criminal charge against the Accounting Firm based on its participation in certain tax-oriented transactions provided that the Accounting Firm satisfied the terms of the Deferred Prosecution Agreement. On February 14, 2006, DOJ announced that it had entered into a Deferred Prosecution Agreement with a financial institution (the "Financial Institution"), pursuant to which DOJ agreed to defer prosecution of a criminal charge against the Financial Institution based on its role in providing financial products and services in connection with certain tax-oriented transactions provided that the Financial Institution satisfied the terms of the Deferred Prosecution Agreement. Deutsche Bank provided similar financial products and services in certain tax-oriented transactions that are the same or similar to the tax-oriented transactions that are the subject of the above-referenced criminal charges. Deutsche Bank also provided financial products and services in additional tax-oriented transactions as well. DOJ's criminal investigation is on-going.

Philipp Holzmann AG. Philipp Holzmann AG ("Holzmann") is a major German construction firm which filed for insolvency in March 2002. Deutsche Bank had been a major creditor bank and holder of an equity interest of Holzmann for many decades, and, from April 1997 until April 2000, a former member of Deutsche Bank AG's Management Board was the Chairman of its Supervisory Board. When Holzmann had become insolvent at the end of 1999, a consortium of banks led by Deutsche Bank participated in late 1999 and early 2000 in a restructuring of Holzmann that included the banks' extension of a credit facility, participation in a capital increase and exchange of debt into convertible bonds. In March 2002, Holzmann and several of its subsidiaries, including in particular imbau Industrielles Bauen GmbH ("imbau"), filed for insolvency. As a result of this insolvency, the administrators for Holzmann and for imbau and a group of bondholders have informed Deutsche Bank they are asserting claims against it because of its role as lender to the Holzmann group prior to and after the restructuring and as leader of the consortium of banks which supported the restructuring. The purported claims include claims that amounts repaid to the banks constituted voidable preferences that should be returned to the insolvent entities and claims of lender liability resulting from the banks' support for an allegedly infeasible restructuring. Although Deutsche Bank is in ongoing discussions, it cannot exclude that some of the parties may file lawsuits against it. To date, the administrator for imbau filed a lawsuit against Deutsche Bank in August 2004 alleging that payments received by Deutsche Bank in respect of a loan made to imbau in 1997 and 1998 and in connection with a real estate transaction that was part of the restructuring constituted voidable preferences that should be returned to the insolvent entity. Several bondholders filed a lawsuit against Deutsche Bank in December 2005 seeking damages because of its allegedly unlawful support of Holzmann's 1999/2000 restructuring. Additionally, Gebema N.V. filed a lawsuit in 2000 seeking damages against Deutsche Bank alleging deficiencies in the offering documents based on which Gebema N.V. had invested in equity and convertible bonds of Holzmann in 1998.

General. Due to the nature of its business, the Group is involved in litigation, arbitration and regulatory proceedings in Germany and in a number of jurisdictions outside Germany, including the United States, arising in the ordinary course of business. Such matters are subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. Although the final resolution of any such matters could have a material effect on the Group's consolidated operating results for a particular reporting period, the Group believes that it should not materially affect its consolidated financial position.

Other Information

Supervisory Board

Klaus Funk was a member of the Supervisory Board until February 1, 2006. Peter Kazmierczak, who was first elected in 2002 and resigned in 2003, followed him as his substitute for the remainder of the term of office.

Value-at-risk of Trading Units[1, 2]

in € m.	Total		Interest rate risk		Equity price risk		Foreign exchange risk		Commodity price risk	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
Average[3]	68.2	65.8	47.7	52.8	39.1	33.3	16.8	10.3	14.1	7.0
Maximum[3]	74.6	79.2	56.9	61.6	44.8	43.1	33.5	18.2	25.0	11.3
Minimum[3]	58.3	57.8	42.1	41.9	31.4	22.9	10.2	5.5	10.3	3.5
Period-end[4]	70.5	69.8	43.1	55.3	43.1	32.8	29.8	12.9	13.8	9.6

[1] All figures for 1-day holding period; 99% confidence level.
[2] Value-at-risk is not additive due to correlation effects.
[3] Amounts show the bands within which the values fluctuated during the period January 1 to March 31, 2006 and the year 2005, respectively.
[4] Figures for 2005 as of December 31, 2005; figures for 2006 as of March 31, 2006.

RoE Target Definition

During the implementation of our "transformation strategy" started in 2002, the Group disclosed its financial results on a U.S. GAAP basis and additionally on an underlying basis. After the completion of our transformation strategy, our underlying results and our reported U.S. GAAP results have substantially converged.

In light of this convergence, our pre-tax RoE target of 25% was defined as pre-tax income on a reported U.S. GAAP basis before restructuring charges and substantial gains from industrial holdings divided by average active equity.

Below is a table which reconciles our pre-tax U.S. GAAP results to the adjusted results used for target tracking purposes.

in € m., unless stated otherwise	Three months ended Mar 31, 2006	Three months ended Mar 31, 2005
Reported income before income taxes[1]	**2,605**	**1,783**
Add (deduct):		
Restructuring activities (Business Realignment Program-related)	42	168
Substantial gains from industrial holdings	–	–
Income before income taxes (target definition)	**2,647**	**1,951**
Average active equity	26,226	23,620
Pre-tax return on average active equity (target definition)	40.4%	33.0%

[1] Income before income tax expense and cumulative effect of accounting changes.

We continue to disclose the Group's underlying results to permit the reader to compare current results to those previously disclosed on an underlying basis. In addition, we continue to report the results of our business segments on an underlying basis because that is the measure used internally by management to monitor the financial performance of those segments.

Reconciliation of Reported to Underlying Results

This document contains non-U.S. GAAP financial measures, including underlying revenues, provision for credit losses, operating cost base, underlying pre-tax profit, average active equity and related ratios. Set forth below are

- definitions of such non-U.S. GAAP financial measures,
- reconciliation of such measures to the most directly comparable U.S. GAAP financial measures.

Definitions of Financial Measures

We use the following terms with the following meanings:

- *Underlying revenues*: Net revenues less specific revenue items as referred to in the respective tables net of policyholder benefits and claims (reclassified from noninterest expenses).
- *Provision for credit losses*: Provision for loan losses plus provision for off-balance sheet positions (reclassified from noninterest expenses).
- *Operating cost base*: Noninterest expenses less provision for off-balance sheet positions (reclassified to provision for credit losses), policyholder benefits and claims (reclassified to underlying revenues), minority interest, restructuring activities, goodwill impairment/impairment of intangibles and provisions relating to grundbesitz-invest in the fourth quarter of 2005.
- *Underlying pre-tax profit*: Income before income taxes less restructuring activities, goodwill impairment/impairment of intangibles, provisions relating to grundbesitz-invest in the fourth quarter of 2005 and specific revenue items as referred to in the respective tables.
- *Underlying cost/income ratio in %*: Operating cost base as a percentage of underlying revenues. *Cost/income ratio in %*, which is defined as total noninterest expenses as a percentage of total net revenues, is also provided.
- *Average active equity*: The portion of adjusted average total shareholders' equity that has been allocated to a segment pursuant to the Group's capital allocation framework. The overriding objective of this framework is to allocate adjusted average total shareholders' equity based on the respective goodwill and other intangible assets with indefinite useful lives as well as the economic capital of each segment. In the second quarter of 2005, the measurement of operational risk has been further refined as part of the bank's Basel II preparation for the Advanced Measurement Approach. This refinement resulted in no material change in the operational risk economic capital for the Group but a higher allocation of operational risk economic capital to CB&S and reductions in other segments.
- In determining the total amount of average active equity to be allocated, average total shareholders' equity is adjusted to exclude average unrealized net gains on securities available for sale, net of applicable tax and other, and average dividend accruals.
- *Adjusted return on average active equity (after tax) in %*: Net income (loss) less the reversal of 1999/2000 credits for tax rate changes and the cumulative effect of accounting changes, net of tax, (annualized) as a percentage of average active equity. *Underlying pre-tax return on average active equity in %*: Underlying pre-tax profit (annualized) as a percentage of average active equity. *Pre-tax return on average active equity in %*, which is defined as income before income taxes (annualized) as a percentage of average active equity, is also provided. These returns, which are based on average active equity, should not be compared to those of other companies without considering the differences in the calculation of such ratios. Our capital allocation framework does not allocate all average active equity to the segments. As a result, the weighted average of the segment pre-tax return on average active equity will be larger than the corresponding pre-tax return on average active equity of the Group.

- *Underlying equity turnover (based on average active equity) in %*: Underlying revenues (annualized) as a percentage of average active equity. *Equity turnover (based on average active equity) in %*: Net revenues (annualized) as a percentage of average active equity. *Equity turnover (based on average shareholders' equity) in %*: Net revenues (annualized) as a percentage of average shareholders' equity.
- *Underlying profit margin in %*: Underlying pre-tax profit as a percentage of underlying revenues. *Profit margin in %*: Income before income taxes as a percentage of net revenue.

Management uses these measures as part of its internal reporting system because it believes that such measures provide it with a more useful indication of the financial performance of the business segments. The Group discloses such measures to provide investors and analysts with further insight into how management operates our businesses and to enable them to better understand our results. The rationale for excluding certain items in deriving the measures above are provided in our SEC Form 20-F of March 23, 2006 on pages F-60 and F-61 and in our Financial Report 2005 on pages 137 to 139.

Reconciliation of Reported to Underlying Results

Set forth below are the reconciliations of non-U.S. GAAP financial measures to the most directly comparable U.S. GAAP financial measures.

	Three months ended		Change in %
in € m.	**Mar 31, 2006**	Mar 31, 2005	
Reported net revenues[1]	**7,990**	**6,583**	**21**
Add (deduct):			
Net gains on securities available for sale/ industrial holdings including hedging	(9)	(87)	(89)
Significant equity pick-ups/net gains from investments[2]	(126)	(27)	N/M
Net gains from businesses sold/held for sale	–	–	N/M
Net gains related to premises	2	–	N/M
Policyholder benefits and claims[3]	(18)	(15)	23
Underlying revenues	**7,839**	**6,456**	**21**
Reported provision for loan losses	**10**	**94**	**(89)**
Provision for off-balance sheet positions[4]	(7)	(12)	(46)
Provision for credit losses	**4**	**81**	**(95)**
Reported noninterest expenses	**5,375**	**4,706**	**14**
Add (deduct):			
Restructuring activities	(42)	(168)	(75)
Goodwill impairment/impairment of intangibles	–	–	N/M
Minority interest	(19)	(11)	72
Policyholder benefits and claims[3]	(18)	(15)	23
Provision for off-balance sheet positions[4]	7	12	(46)
Operating cost base	**5,302**	**4,526**	**17**
Reported income before income taxes[5]	**2,605**	**1,783**	**46**
Add (deduct):			
Net gains on securities available for sale/ industrial holdings including hedging	(9)	(87)	(89)
Significant equity pick ups/net gains from investments[2]	(126)	(27)	N/M
Net gains from businesses sold/held for sale	–	–	N/M
Net gains related to premises	2	–	N/M
Restructuring activities	42	168	(75)
Goodwill impairment/impairment of intangibles	–	–	N/M
Underlying pre-tax profit	**2,515**	**1,837**	**37**

N/M – Not meaningful
[1] Net interest revenues before provision for loan losses and total noninterest revenues.
[2] Includes net gains/losses from significant equity method investments and other significant investments.
[3] Policyholder benefits and claims are reclassified from “Noninterest expenses” to “Underlying revenues”.
[4] Provision for off-balance sheet positions is reclassified from “Noninterest expenses” to “Provision for credit losses”.
[5] Income before income tax expense and cumulative effect of accounting changes.

Reconciliation of Group Reported and Underlying Ratios

in € m.	Three months ended Mar 31, 2006	Mar 31, 2005	Change
Reconciliation of cost ratios			
Reported noninterest expenses	**5,375**	**4,706**	**14%**
Deduct:			
Compensation and benefits	3,624	2,998	21%
Non-compensation noninterest expenses	**1,751**	**1,708**	**3%**
Add (deduct):			
Restructuring activities	(42)	(168)	(75)%
Goodwill impairment/impairment of intangibles	–	–	N/M
Minority interest	(19)	(11)	72%
Policyholder benefits and claims	(18)	(15)	23%
Provision for off-balance sheet positions	7	12	(46)%
Non-compensation operating cost base	**1,678**	**1,528**	**10%**
Cost/income ratio	67.3%	71.5%	(4.2) ppt
Underlying cost/income ratio	67.6%	70.1%	(2.5) ppt
Compensation ratio	45.4%	45.5%	(0.1) ppt
Underlying compensation ratio	46.2%	46.4%	(0.2) ppt
Non-compensation ratio	21.9%	25.9%	(4.0) ppt
Underlying non-compensation ratio	21.4%	23.7%	(2.3) ppt
Reconciliation of profitability ratios			
Net income	**1,710**	**1,103**	**55%**
Add (deduct):			
Reversal of 1999/2000 credits for tax rate changes	–	31	N/M
Cumulative effect of accounting changes, net of tax	(46)	–	N/M
Adjusted net income	**1,664**	**1,134**	**47%**
Average shareholders' equity	**30,475**	**26,400**	**15%**
Add (deduct):			
Average unrealized gains on securities available for sale, net of tax and average deferred taxes relating to 1999 and 2000 tax rate changes in Germany	(2,644)	(1,739)	52%
Average dividend accruals	(1,605)	(1,041)	54%
Average active equity	**26,226**	**23,620**	**11%**
Return on average shareholders' equity (after tax)	22.4%	16.7%	5.7 ppt
Adjusted return on average active equity (after tax)	25.4%	19.2%	6.2 ppt
Pre-tax return on average shareholders' equity	34.2%	27.0%	7.2 ppt
Pre-tax return on average active equity	39.7%	30.2%	9.5 ppt
Underlying pre-tax return on average active equity	38.4%	31.1%	7.3 ppt
Equity turnover (based on average shareholders' equity)	104.9%	99.7%	5.2 ppt
Equity turnover (based on average active equity)	121.9%	111.5%	10.4 ppt
Underlying equity turnover (based on average active equity)	119.6%	109.3%	10.3 ppt
Profit margin	32.6%	27.1%	5.5 ppt
Underlying profit margin	32.1%	28.5%	3.6 ppt

ppt – percentage points N/M – Not meaningful

Impressum

Deutsche Bank Aktiengesellschaft
Taunusanlage 12
Germany
60262 Frankfurt am Main
Telephone: +49 69 9 10-00
deutsche.bank@db.com

Investor Relations:
in Frankfurt:
+49 69 9 10-3 80 80
db.ir@db.com

The Interim Report on the Internet:
www.deutsche-bank.com/1Q2006

Cautionary statement regarding forward-looking statements

This report contains forward-looking statements. Forward-looking statements are statements that are not historical facts; they include statements about our beliefs and expectations. Any statement in this presentation that states our intentions, beliefs, expectations or predictions (and the assumptions underlying them) is a forward-looking statement. These statements are based on plans, estimates and projections as they are currently available to the management of Deutsche Bank. Forward-looking statements therefore speak only as of the date they are made, and we undertake no obligation to update publicly any of them in light of new information or future events.

By their very nature, forward-looking statements involve risks and uncertainties. A number of important factors could therefore cause actual results to differ materially from those contained in any forward-looking statement. Such factors include the conditions in the financial markets in Germany, in Europe, in the United States and elsewhere from which we derive a substantial portion of our trading revenues, potential defaults of borrowers or trading counterparties, the implementation of our management agenda, the reliability of our risk management policies, procedures and methods, and other risks referenced in our filings with the U.S. Securities and Exchange Commission. Such factors are described in detail in our SEC Form 20-F of 23 March 2006 on pages 7 through 13 under the heading “Risk Factors”. Copies of this document are available upon request or can be downloaded from www.deutsche-bank.com/ir.

Financial Calendar for 2006/2007

June 1, 2006	General Meeting in the Festhalle Frankfurt am Main (Exhibition Center)
June 2, 2006	Dividend payment
August 1, 2006	Interim Report as at June 30, 2006
November 1, 2006	Interim Report as at September 30, 2006
May 8, 2007	Interim Report as at March 31, 2007
May 24, 2007	General Meeting in the Festhalle Frankfurt am Main (Exhibition Center)
May 25, 2007	Dividend payment
August 1, 2007	Interim Report as at June 30, 2007
October 31, 2007	Interim Report as at September 30, 2007

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Deutsche Bank Aktiengesellschaft

Frankfurt am Main, 15 May 2006