

Annual Financial Statements
and Management Report
of Deutsche Bank AG 2007



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Management Report

ECONOMIC ENVIRONMENT IN 2007

Overall, the global economy developed positively in 2007, posting above-average growth of 4.9 %. While the growth rate in emerging markets was sustained at nearly 8 %, there was a slowdown in the industrial nations and especially the U.S. Real GDP in the U.S. grew by an average of just 2.2 % in 2007 compared with 2.9 % in 2006. By contrast, the euro zone nearly managed to maintain its growth momentum at 2.7 %. In Germany, growth slowed to 2.5 % from 2.9 % in 2006, but remained strong despite the 3 percentage point VAT increase at the beginning of 2007.

The money and capital markets were dominated by the financial crisis in the second half of 2007. After climbing nearly $\frac{3}{4}$ of a percentage point to 5.30% by the middle of the year, US 10-year yields then fell by more than $1\frac{1}{4}$ percentage points to about 4% by the end of the year as a result of risk reappraisals, the flight to quality and burgeoning recession worries. Yield movements in Germany and the euro area were overall less pronounced, so by the end of 2007 German yields at the long end were some 25 basis points higher than those in the US. At the start of the year, by contrast, they were still 80 basis points lower than comparable US yields. Between September and the end of the year the Fed cut its key rate by one percentage point to 4.25% in order to avert the threat of a recession and in particular as a response to the turmoil in the money markets. The European Central Bank halted its rate hike cycle and – like the Fed – injected massive liquidity to defuse the financial crisis. Equity markets see-sawed even more violently than bond markets. After rallying from the correction in March until around the middle of the year and reaching a number of all-time-highs they then experienced several sharp falls and short-term recovery phases. Overall, the S&P 500 closed only slightly higher for the year, having fallen more than 6% from its high at the start of October. In 2006, however, the S&P 500 had gained more than 11%. The Dax was considerably more volatile, but followed the same general pattern as that of the S&P 500.

For the banking sector, the year 2007 featured two distinctively different halves: in the first six months, the benign environment of the previous years continued by and large even though there were first alert signals from the US real estate market. The world economy continued its strong expansion, capital market activities flourished until the summer and loan default rates rose in most cases only moderately.

North America's mortgage business constituted the most important exception: since 2006, more and more borrowers have encountered financial difficulties. At the same time, house prices have started to decline. Since the summer of 2007, this has led to increasing losses in the securitised loans segment, to rating downgrades, higher risk aversion and a loss of confidence in both the value of credit products and the creditworthiness of financial institutions in general. Capital market activities in many areas virtually came to a halt, or at least slowed noticeably. This was true in particular for issuance and trading of securitised assets, syndicated loans, M&A finance or the equity issuance business. All in all, many banks worldwide suffered heavy losses which induced some of them to raise new capital – often from new strategic investors.

The credit crisis also overshadowed the development of segments less related to capital markets. Despite a sliding market environment, corporate business and retail banking still performed better than investment banking. Demand for corporate financing declined considerably during the second half of the year as investments were postponed in anticipation of an economic slowdown. Increasing defaults of retail clients especially in the US but also in several European markets caused loss provisions to climb. Interest rate cuts by the US Federal Reserve and the end of the tightening cycle in Europe initially only brought limited relief at first.

INCOME STATEMENT

Deutsche Bank AG was faced with ample challenges in 2007. The subprime mortgage crisis in the United States caused severe turmoil in the global financial system, triggering a liquidity crunch in some markets. The bank performed well in these difficult market conditions mainly because of its strong competitive position and an efficient risk management, thereby demonstrating its strength and resilience, especially in such turbulent times.

The bank achieved a good result overall in 2007. Net income before taxes amounted to € 4.7 billion. We want our shareholders to benefit from this excellent result and will therefore propose to the General Meeting that the dividend be raised from € 4.00 to € 4.50 per share. This is a year-on-year increase of 12.5 % and means that our dividend has trebled since 2003.

FURTHER RISE IN NET INTEREST INCOME

As in previous years, net interest income continued its strong growth advancing by 8.1 % to € 10,935 million in 2007. It benefited from the expansion of lending and money market business as well as from the higher income generated from both fixed-income securities and government-inscribed debt as well as from equity shares and other variable-yield securities. Interest income from investments in affiliated companies also rose sharply by 25.3 % year-on-year.

Income from profit-pooling, profit-transfer and partial profit-transfer agreements totaled to € 1,369 million (a decrease of € 1,117 million). Included were € 719 million related to Deutsche Bank Privat- und Geschäftskunden AG and € 466 million to DB Capital Markets (Deutschland) GmbH. The corresponding figure for 2006 had been impacted significantly by one-off income generated by DB Capital Markets (Deutschland) GmbH as a result of the disposal of shares in EUROHYPO AG.

CONSISTENT CONTRIBUTION TO PROFITS BY COMMISSION BUSINESS

Net commission income grew by 4.5 % year-on-year, delivering another consistent contribution of € 5,666 million to the bank's profits. The largest proportion of this growth is attributable to commissions from services rendered for subsidiaries. There was also an 8.8 % increase in the commissions earned from securities business, especially from the brokerage and placement of equity shares and from mergers and acquisitions (M&A). By contrast, commissions earned from loan processing and asset management fell year-on-year.

SHARP RISE IN NET INCOME FROM FINANCIAL TRANSACTIONS

Despite difficult market conditions in the second half of the year, the bank's trading businesses achieved encouraging results overall. Net income from financial transactions rose by € 597 million, or 33.0 %, to € 2,407 million, primarily reflecting strong results from interest products.

STAFF EXPENSES AND OPERATING COSTS REDUCED

Total administrative expense was decreased by € 112 million, or 0.9 %, to € 11,962 million. Increases in administrative expenses resulting from business expansion were offset by changes in exchange rate effects, particularly in the U.S. dollar. Staff expenses decreased by 0.9 % to € 7,042 million, primarily reflecting lower performance-related compensation.

The number of employees increased by 2,748 to 30,526.

The table below gives a geographical breakdown of our staff:

	Dec 31, 2007	Dec 31, 2006	Change
Germany	12,345	12,366	(21)
Europe excl. Germany	8,903	7,705	+1,198
Americas	2,072	2,254	(182)
Africa / Asia / Australia	7,206	5,453	+1,753
Total	30,526	27,778	+2,748

Headcount increases in Europe excl. Germany and in Africa/Asia/Australia were largely attributable to the branches in the United Kingdom, Singapore and India.

Other administrative expenses fell by 1.1 % to € 4,695 million, primarily due to lower occupancy costs for premises and lower utilization of professional services.

Write-downs, depreciation and amortization of tangible and intangible assets came to € 226 million (2006: € 220 million).

The balance of other operating income and expenses resulted in a net expense of € 1,222 million, which includes write-downs and value adjustments for financial instruments caused by the subprime mortgage crisis.

HIGHER PROVISIONS NEEDED

Write-downs of and value adjustments to receivables and certain securities as well as additions to provisions for possible loan losses are reported at € 453 million (2006: income of € 433 million). € 77 million were charged to provisions for possible loan losses net of amounts received from previous write-downs of receivables; a net expense of € 376 million incurred on securities of the liquidity reserve (certain securities), which was largely due to value adjustments.

OPERATING PROFIT

The bank generated an operating profit of € 5,371 million during the year under review. This was a year-on-year decrease of 18.2 %, however the corresponding figure for 2006 had been boosted by the gain on the merger of DB Value GmbH with Deutsche Bank AG as well as higher income from profit-pooling resulting from disposal gain of shares of EUROHYPO AG.

OTHER INCOME/EXPENSES

Write-downs and value adjustments to participating interests, investments in affiliated companies and securities treated as fixed assets came to € 582 million after having been offset against income pursuant to Section 340c (2) HGB. The expenses contain mainly value adjustments to investments in affiliated companies that were written down to the lower fair value, applying the option under the German Commercial Code (HGB).

TAXES

Income taxes amounted to € 1,835 million in 2007. The year-on-year increase of € 1,216 million was essentially due to the fact that one-off items, such as the recognition of corporation tax credits in Germany and the release of tax provisions in various countries, had reduced the overall tax liability in 2006.

NET INCOME

The bank earned net income of € 2,757 million in 2007. Because our holdings of own shares were increased, we allocated € 244 million from our net income (including profit of € 94 million carried forward) to the reserve for the bank's own shares; we transferred € 220 million to our other revenue reserves.

PROPOSED APPROPRIATION OF PROFIT: DIVIDEND INCREASE

After the allocation to revenue reserves, the bank's distributable profit amounts to € 2,387 million. We will propose to our shareholders that this distributable profit be appropriated to pay a dividend of € 4.50 per share (2006: € 4.00). The total dividend payout was raised by € 263 million as a result of the higher dividend and by € 25 million owing to capital increases resulting from the exercise of stock options.

From the income statement of Deutsche Bank AG:

€ m.	2007	2006	Change	
			€ m.	%
Interest income ¹	38,841	32,670	+6,171	+18.9
Current income ²	9,019	8,573	+446	+5.2
Total interest income	47,860	41,243	+6,617	+16.0
Interest expenses	36,925	31,129	+5,796	+18.6
Net interest income	10,935	10,114	+821	+8.1
Commission income	7,355	6,723	+632	+9.4
Commission expenses	1,689	1,300	+389	+29.9
Net commission income	5,666	5,423	+243	+4.5
Net income from financial transactions	2,407	1,810	+597	+33.0
Wages and salaries	5,764	5,759	+5	+0.1
Compulsory social security contributions ³	1,278	1,348	(70)	(5.2)
Staff expenses	7,042	7,107	(65)	(0.9)
Other administrative expenses ⁴	4,920	4,967	(47)	(0.9)
Administrative expenses	11,962	12,074	(112)	(0.9)
Balance of other operating income/expenses	(1,222)	863	(2,085)	
Risk provisioning	453	(433)	+886	
Operating profit	5,371	6,569	(1,198)	(18.2)
Balance of other income/expenses	(717)	(1,625)	+908	
Net income before taxes	4,654	4,944	(290)	(5.9)
Taxes	1,897	664	+1,233	+185.1
Net income	2,757	4,280	(1,523)	(35.6)
Profit carried forward from the previous year	94	47	+47	
	2,851	4,327	(1,476)	
Allocations to revenue reserves	464	2,228	(1,764)	
– to the reserve for own shares	244	1,780	(1,536)	
– to other revenue reserves	220	448	(228)	
Distributable profit	2,387	2,099	+288	+13.7

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, investments in affiliated companies (including profit and loss transfer agreements) and leasing business

3 Including expenses for pensions and other employee benefits

4 Including depreciation on tangible assets

BALANCE SHEET

The total assets of Deutsche Bank AG amounted to € 1,886.8 billion at the end of 2007. Their growth of € 432.1 billion, or 29.7 %, was largely attributable to the increase in positive and negative fair values of derivative financial instruments, which are recognized as sundry assets and sundry liabilities, respectively. Most of these financial instruments are interest-, currency- or credit-related products. The growth in total assets was also caused by the expansion of total credit extended and by the bank's increase in securities holdings.

TOTAL CREDIT EXTENDED

The strong expansion in the volume of total credit extended – a trend that has been evident since 2005 – continued unabated during the year under review. Total credit extended (excluding reverse repos and receivables from securities lending and securities spot deals) grew by € 85.1 billion, or 31.0%, to € 360.0 billion. The growth in volumes was largely attributable to our foreign branches, partly owing to the increase in lending to the bank's Group companies.

Credit totaling € 306.2 billion (increase of € 62.7 billion) was extended to corporate and institutional customers, while loans to private and business clients came to € 5.6 billion (decrease of € 0.2 billion); the loans to banks included in the total credit extended doubled to € 42.1 billion.

The table below gives a breakdown of the total credit extended (excluding reverse repos and receivables from securities lending and securities spot deals):

€ bn.	Dec 31, 2007	Dec 31, 2006	Change	
			€ bn.	%
Claims on customers	317.5	253.9	+63.6	+25.0
with a residual period of				
up to 5 years ¹	290.5	226.3	+64.2	+28.4
over 5 years	27.0	27.6	(0.6)	(2.2)
Discounts²	0.4	0.5	(0.1)	(16.0)
Loans to banks	42.1	20.5	+21.6	+105.4
with a residual period of				
up to 5 years ¹	33.2	16.9	+16.3	+96.8
over 5 years	8.9	3.6	+5.3	+145.5
Total	360.0	274.9	+85.1	+31.0

¹ Including those repayable on demand and those with an indefinite period

² Unless reported under receivables

Receivables from banks (excluding loans) grew by € 28.8 billion to € 215.3 billion, primarily as a result of higher balances on clearing accounts repayable on demand with banks outside Germany and due to the increase in reverse repos. These include receivables of € 54.2 billion from the Group's own banks (rise of € 2.0 billion).

The total volume of reverse repos – including transactions concluded with customers – grew by € 26.5 billion to € 238.3 billion.

Liabilities to banks increased by € 38.4 billion to € 495.5 billion as a result of higher balances on accounts repayable on demand and the increased volume of short-term time deposits taken; our Group banks' deposits included in this figure amounted to € 101.7 billion (increase of € 7.8 billion).

SECURITIES

We continued to increase our holdings of securities; our holdings of bonds and other fixed-income securities grew by € 22.9 billion to € 230.4 billion, while our holdings of equity shares and other variable-yield securities expanded by € 13.2 billion to € 127.9 billion. The vast majority of these securities are held for trading purposes.

PARTICIPATING INTERESTS

The shareholdings reported as participating interests decreased by € 0.4 billion to € 0.9 billion. Acquisitions totaled € 0.2 billion, while sales and other disposals came to € 0.6 billion.

INVESTMENTS IN AFFILIATED COMPANIES

Investments in affiliated companies grew by € 0.5 billion to € 38.3 billion. The additions mainly relate to capital increases, including Taunus Corporation, Wilmington; however, there were also disposals, primarily arising from the merger of a financing company with Deutsche Bank AG. In addition investments in affiliated companies were written down to their lower fair value.

OWN SHARES

The General Meeting on May 24, 2007 adopted a resolution to launch a further share buyback program, which allows up to 10 % of our outstanding shares to be repurchased. In 2007 we utilized this resolution, as well as the resolution adopted at the General Meeting on June 1, 2006, to repurchase some of our own shares. At December 31, 2007 a total of 29.2 million of the bank's own shares were recorded including the own shares reported under trading assets (December 31, 2006: 25.9 million shares).

CUSTOMER DEPOSITS

Customer deposits expanded significantly by € 126.6 billion, or 32.2 %, to € 520.3 billion. Both, demand deposits (increase of € 80.3 billion, or 45.1 %) and time deposits (increase of € 44.5 billion, or 20.9 %) achieved high growth rates. Savings deposits also grew sharply by € 1.8 billion to € 5.1 billion. Customer deposits included reverse repos of € 98.8 billion (increase of € 22.1 billion).

Liabilities in certificate form increased by € 46.9 billion to € 189.1 billion. While the volume of money market instruments declined by € 9.0 billion, bonds and notes issued (increased by € 10.8 billion) and other liabilities in certificate form (increased by € 45.1 billion) grew significantly.

The table below gives a breakdown of the bank's liabilities:

€ bn.	Dec 31, 2007	Dec 31, 2006	Change	
			€ bn.	%
Liabilities to banks	495.5	457.1	+38.4	+8.4
repayable on demand	286.1	269.4	+16.7	+6.2
with agreed period or notice period	209.4	187.7	+21.7	+11.6
Liabilities to customers	520.3	393.7	+126.6	+32.2
savings deposits	5.1	3.3	+1.8	+58.5
other liabilities				
repayable on demand	258.3	178.0	+80.3	+45.1
with agreed period or notice period	256.9	212.4	+44.5	+20.9
Liabilities in certificate form	189.1	142.2	+46.9	+33.0
bonds and notes issued	33.4	22.6	+10.8	+47.9
other liabilities in certificate form	155.7	119.6	+36.1	+30.2
(thereof: money market instruments)	(26.6)	(35.6)	(-9.0)	(-25.5)

Subordinated liabilities remained unchanged at € 13.8 billion.

CAPITAL AND RESERVES

Including the distributable profit, which rose by € 0.3 billion to € 2.4 billion, the capital and reserves of Deutsche Bank AG amounted to € 23.2 billion (increase of € 1.2 billion). € 0.2 billion was added to the reserve for the bank's own shares owing to its larger holdings of its own shares compared with December 31, 2006; we allocated € 0.2 billion to the other revenue reserves. The exercise of option rights increased the bank's capital by a further € 0.5 billion.

The bank has utilized the option according to Section 2a of the German Banking Act (KWG) with respect to its regulatory capital and now calculates this capital base for the Deutsche Bank Group only (see page 23).

SUBSEQUENT EVENTS

In 2008, financial markets have continued to experience the exceptionally difficult conditions that began in the second half of 2007, and which have been reflected in considerably lower volumes of business activity in the areas most directly affected. Among the principally affected areas in which the Group does business were the leveraged finance markets. In particular, deteriorating prices in these markets have made it likely that the value of the Group's leveraged lending commitments will require further write-downs if market conditions fail to improve. As of December 31, 2007, we had total exposures of € 36.2 billion in our Leveraged Finance business. The financial effect of potential further adjustments on our 2008 results will depend on exposures and conditions at the respective balance sheet dates, and is therefore not estimable at this point in time.

COMPENSATION REPORT

The Compensation Report explains the principles applied in determining the compensation of the members of the Management Board and Supervisory Board of Deutsche Bank AG as well as the structure and amount of the Management Board and Supervisory Board members' compensation. This Compensation Report has been prepared in accordance with the requirements of Section 285 No. 9 of the German Commercial Code (HGB), German Accounting Standard (GAS) 17 "Reporting on Executive Body Remuneration", as well as the recommendations of the German Corporate Governance Code.

PRINCIPLES OF THE COMPENSATION SYSTEM FOR MANAGEMENT BOARD MEMBERS

The Chairman's Committee of the Supervisory Board is responsible for determining the structure and amount of compensation of the members of the Management Board. The structure of the Management Board's compensation is discussed and reviewed regularly by the Supervisory Board in full session on the basis of recommendations by the Chairman's Committee.

For the 2007 financial year, the members of the Management Board received compensation (including the performance-related components paid in 2008 for the 2007 financial year) for their service on the Management Board in a total amount of € 33,182,395 (2006: € 32,901,538). This aggregate compensation consisted of the following, primarily performance-related components:

in €	2007	2006
Non-performance-related components:		
Salary	3,883,333	4,081,111
Other benefits	466,977	526,369
Performance-related components	17,360,731	18,332,086
Components with long-term incentives	11,471,354	9,961,972
Total compensation	33,182,395	32,901,538

Figures relate to Management Board members active in the respective financial year

We have entered into service agreements with members of our Management Board. These agreements established the following principal elements of compensation:

NON-PERFORMANCE-RELATED COMPONENTS. The non-performance-related components comprise the salary and other benefits.

The members of the Management Board receive a salary which is determined on the basis of an analysis of salaries paid to executive directors at a selected group of comparable international companies. The salary is disbursed in monthly installments.

Other benefits comprise the monetary value of non-cash benefits such as company cars and driver services, insurance premiums, expenses for company-related social functions and security measures, including payments, if applicable, of taxes on these benefits.

PERFORMANCE-RELATED COMPONENTS. The performance-related components comprise a cash bonus payment and the mid-term incentive ("MTI"). The annual cash bonus payment is based primarily on the achievement of our planned

return on equity. As further part of the variable compensation, Management Board members receive a performance-related 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 selected group of comparable companies. The MTI payment consists of a cash payment (approximately one third) and equity-based compensation elements (approximately two thirds), which contain long-term risk components, which are discussed in the following paragraph.

COMPONENTS WITH LONG-TERM INCENTIVES. As part of their mid-term incentives, members of the Management Board receive equity-based compensation elements (DB Equity Units) under the DB Global Partnership Plan. The ultimate value of the equity-based compensation elements to the members of the Management Board will depend on the price of Deutsche Bank shares upon their delivery, so that these have a long-term incentive effect.

In February 2008, members of the Management Board active in 2007 were granted a total of 150,008 equity rights (DB Equity Units) for their performance in the 2007 financial year (2006: 86,499). With receipt subject to certain conditions, the shares from these rights will be delivered on August 1, 2011.

For further information on the terms of our DB Global Partnership Plan, pursuant to which these equity rights (DB Equity Units) are issued, see Note [31] to the consolidated financial statements.

MANAGEMENT BOARD COMPENSATION

The Management Board members active in 2007 received the following compensation components for their service on the Management Board for the years 2007 and 2006:

Members of the Management Board in €		Non-performance-related components		Performance-related components	Components with long-term incentives ¹	Total compensation
		Salary	Other benefits			
Dr. Josef Ackermann	2007	1,150,000	151,517	8,148,725	4,531,250	13,981,492
	2006	1,150,000	156,930	8,134,813	3,770,000	13,211,743
Dr. Hugo Bänziger ²	2007	800,000	73,451	2,713,368	2,031,250	5,618,069
	2006	528,889	40,359	1,615,194	1,117,278	3,301,720
Anthony Di Iorio ²	2007	800,000	50,806	2,713,368	2,031,250	5,595,424
	2006	528,889	35,217	1,615,194	1,117,278	3,296,578
Dr. Tessen von Heydebreck ³	2007	333,333	61,145	1,071,902	846,354	2,312,734
	2006	800,000	147,918	2,884,938	1,690,000	5,522,856
Hermann-Josef Lamberti	2007	800,000	130,058	2,713,368	2,031,250	5,674,676
	2006	800,000	94,390	2,884,938	1,690,000	5,469,328

1 The number of DB Equity Units granted in 2008 to each member was determined by dividing such euro amounts by € 76.47, the average Xetra closing price of the DB share during the last 10 trading days prior to February 5, 2008. As a result, the number of DB Equity Units granted to each member was as follows: Dr. Ackermann: 59,255, Dr. Bänziger: 26,562, Mr. Di Iorio: 26,562, Dr. von Heydebreck: 11,067, and Mr. Lamberti: 26,562. The number of DB Equity Units granted in 2007 to each member was determined by dividing such euro amounts by € 108.49, the closing price of our shares on February 1, 2007. As a result, the number of DB Equity Units granted to each member was as follows: Dr. Ackermann: 34,749, Dr. Bänziger: 10,298, Mr. Di Iorio: 10,298, Dr. von Heydebreck: 15,577, and Mr. Lamberti: 15,577.

2 Member of the Management Board since May 4, 2006.

3 Member of the Management Board until May 24, 2007.

Management Board members did not receive any compensation for mandates on boards of our Group's own companies.

The active members of the Management Board are entitled to a contribution-oriented pension plan which in its structure corresponds to the general pension plan for our employees. Under this contribution-oriented pension plan, a

personal pension account has been set up for each member of the Management Board. A contribution is made annually by us into this pension account. This annual contribution is calculated using an individual contribution rate on the basis of each member's base salary and bonus up to a defined ceiling and accrues interest, determined by means of an age-related factor, at an average rate of 6 % up to the age of 60. From the age of 61 on, the pension account is credited with an annual interest payment of 6 % up to the date of retirement. The annual payments, taken together, form the pension amount which is available to pay the future pension benefit. The pension may fall due for payment after a member has left the Management Board, but before a pension event (age limit, disability or death) has occurred. The pension right is vested from the start.

In 2007, service cost for the aforementioned pensions was € 354,291 for Dr. Ackermann, € 501,906 for Dr. Bänziger, € 345,271 for Mr. Di Iorio, € 94,980 for Dr. von Heydebreck and € 307,905 for Mr. Lamberti. In 2006, service cost for the aforementioned pensions was € 389,403 for Dr. Ackermann, € 112,893 for Dr. Bänziger, € 85,918 for Mr. Di Iorio, € 238,937 for Dr. von Heydebreck and € 338,710 for Mr. Lamberti.

As of December 31, 2007, the pension accounts of the current Management Board members had the following balances: € 3,782,588 for Dr. Ackermann, € 785,668 for Dr. Bänziger, € 414,094 for Mr. Di Iorio and € 3,770,174 for Mr. Lamberti. As of December 31, 2006, the pension accounts had the following balances: € 3,434,713 for Dr. Ackermann, € 158,668 for Dr. Bänziger, € 79,334 for Mr. Di Iorio and € 3,352,174 for Mr. Lamberti. The different sizes of the balances are due to the different length of services on the Management Board, the respective age-related factors, the different contribution rates and the individual pensionable compensation amounts. Dr. Ackermann and Mr. Lamberti are also entitled, in principle, after they have left the Management Board, to a monthly pension payment of € 29,400 each under a discharged prior pension entitlement.

If a current Management Board member leaves office he is entitled, for a period of six months, to a transition payment. Exceptions to this arrangement exist where, for instance, the Management Board member gives cause for summary dismissal. The transition payment a Management Board member would have received over this six months period, if he had left on December 31, 2007 or on December 31, 2006, was for Dr. Ackermann € 2,825,000 and for Dr. Bänziger, Mr. Di Iorio and Mr. Lamberti € 1,150,000, respectively.

If a Management Board member, whose appointment was in force at the beginning of 2006, leaves after reaching the age of 60, he is subsequently entitled, in principle, directly after the end of the six-month transition period, to payment of first 75 % and then 50 % of the sum of his salary and last target bonus, each for a period of 24 months. The transition payment ends no later than six months after the end of the General Meeting in the year in which the Board member reaches his 65th birthday.

Pursuant to the service agreements concluded with each of the Management Board members, they are entitled to receive a severance payment upon a premature termination of the appointment at our initiative, without us having been entitled to revoke the appointment or give notice of the service agreement for cause. The severance payment will be fixed by the Chairman's Committee according to its reasonable discretion and, as a rule, will not exceed the lesser of two annual compensation amounts and the claims to compensation for the remaining term of the contract (compensation calculated on the basis of the annual compensation (salary, bonus and MTI) for the previous financial year).

If a Management Board member's departure is in connection with a change of control, he is entitled to a severance payment. The severance payment will be fixed by the Chairman's Committee according to its reasonable discretion and, as a rule, will not exceed the lesser of three annual compensation amounts and the claims to compensation for the remaining term of the contract (compensation calculated on the basis of the annual compensation (salary, bonus and MTI) for the previous financial year).

MANAGEMENT BOARD SHARE OWNERSHIP

As of February 29, 2008 and February 28, 2007, respectively, 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 ¹	Number of Performance Options
Dr. Josef Ackermann	2008	275,421	192,945	–
	2007	232,903	176,208	–
Dr. Hugo Bänziger	2008	31,219	103,881	–
	2007	10,734	112,114	59,286
Anthony Di Iorio	2008	16,363	69,598	–
	2007	7,330	60,234	16,676
Hermann-Josef Lamberti	2008	74,445	86,491	–
	2007	55,385	78,989	30,697
Total	2008	397,448	452,915	–
Total	2007	306,352	427,545	106,659

¹ Including the Restricted Equity Units Dr. Bänziger and Mr. Di Iorio received in connection with their employment by us prior to their appointment as members of the Management Board. The DB Equity Units and Restricted Equity Units listed in the table have different vesting and allocation dates. As a result, the last equity rights will mature and be allocated on August 1, 2011.

The current members of our Management Board held an aggregate of 397,448 of our shares on February 29, 2008, amounting to approximately 0.07 % of our shares issued on that date. They held an aggregate of 306,352 of our shares on February 28, 2007, amounting to approximately 0.06 % of our shares issued on that date.

Members of the Management Board received Performance Options under the DB Global Partnership Plan in the years 2002 to 2004. Each Performance Options was accompanied by a Partnership Appreciation Right. No further Performance Options were granted after 2004. As of December 31, 2006 the current members of the Management Board held the following Performance Options:

	Exercise price in €	Number of Performance Options
Dr. Josef Ackermann	N/A	–
Dr. Hugo Bänziger	89.96	59,286
Anthony Di Iorio	89.96	6,854
	47.53	9,822
Hermann-Josef Lamberti	89.96	16,056
	76.61	14,641

N/A – Not applicable

All of the aforementioned Performance Options were exercised on May 25, 2007. The share price at exercise was € 111.46.

In 2007, compensation expense for long-term incentive components of compensation granted in the 2007 financial year and in prior years for their service on the Management Board was € 3,199,221 for Dr. Ackermann, € 403,758 for Dr. Bänziger, € 403,758 for Mr. Di Iorio, € 1,434,133 for Dr. von Heydebreck and € 1,434,133 for Mr. Lamberti. In 2006, the corresponding compensation expense for these components was € 3,210,564 for Dr. Ackermann, € 1,440,380 for Dr. von Heydebreck and € 1,440,380 for Mr. Lamberti. Dr. Bänziger and Mr. Di Iorio joined the Management Board only in 2006 and no expense was therefore recognized for long-term incentives granted for service on the Management Board in that year.

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 [31] to the consolidated financial statements.

PRINCIPLES OF THE COMPENSATION SYSTEM FOR SUPERVISORY BOARD MEMBERS

The principles of the compensation of the Supervisory Board members are 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 May 24, 2007. The amendment was due mainly to increased requirements, developments in the Bank and within the banking industry, business practices in Germany and among the Bank's European competitors as well as the provisions of the German Corporate Governance Code. For these reasons the fixed portion of compensation was doubled. The dividend-based compensation was reduced by more than 50 %, while the threshold above which dividend-based compensation is paid was raised significantly. The compensation component linked to our long-term performance was revised: the component previously linked to the total return of shares of a group of peer companies is now based on our average earnings per share (diluted) for the three previous financial years. A corresponding threshold was also fixed for this compensation component. In addition, the increased supervisory and advisory responsibilities on the committees of a complex, global financial services company are taken into account through significantly higher rates of increment for the chairperson and membership in the committees. The Chairman of the Supervisory Board previously received three times the total compensation of a regular Supervisory Board member as well as the respective rates of increment for his work in all committees. The new compensation provisions take account of his responsibility by awarding him four times the total compensation of a regular Supervisory Board member, but exclude any rates of increment for committee work.

The following provisions apply to the 2007 financial year: compensation generally consists of a fixed compensation of € 60,000 per year and a dividend-based bonus of € 100 per year for every full or fractional € 0.01 increment by which the dividend we distribute to our shareholders exceeds € 1.00 per share. The members of the Supervisory Board also receive annual remuneration linked to our long-term profit in the amount of € 100 each for each € 0.01 by which the average earnings per share (diluted) reported in the Bank's Financial Report in accordance with the accounting principles to be applied in each case on the basis of the net income figures for the three previous financial years exceed the amount of € 4.00.

These amounts increase by 100 % for each membership in a committee of the Supervisory Board. For the chairperson of a committee the rate of increment is 200 %. These provisions do not apply to the Mediation Committee formed pursuant to Section 27 (3) of the Co-determination Act. We pay the Supervisory Board Chairman four times the total compensation of a regular member, without any such increment for committee work, and we pay his deputy one and a half times the total compensation of a regular member. In addition, the members of the Supervisory Board receive a meeting fee of € 1,000 for each Supervisory Board and committee meeting in which they attend. Furthermore, 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 at present 19%) they incur in connection with their roles as members of the Supervisory Board. Employee representatives 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 part of their total compensation based on the number of months they served, rounding up to whole months.

The members of the Nomination Committee formed on October 30, 2007 waived all remuneration, including the meeting fee for such Nomination Committee.

SUPERVISORY BOARD COMPENSATION FOR FISCAL YEAR 2007

We compensate our Supervisory Board members after the end of each fiscal year. In January 2008, we paid each Supervisory Board member the fixed portion of their remuneration for their services in 2007 and their meeting fees. In addition, we will pay each Supervisory Board member a remuneration linked to our long-term performance as well as a dividend-based bonus, as defined in our Articles of Association, for their services in 2007. Assuming that the Annual General Meeting in May 2008 approves the proposed dividend of € 4.50 per share, the Supervisory Board will receive a total remuneration of € 6,022,084 (2006: € 3,388,583).

OTHER INFORMATION

INFORMATION PURSUANT TO SECTION 289 (4) OF THE GERMAN COMMERCIAL CODE AND EXPLANATORY REPORT

STRUCTURE OF THE SHARE CAPITAL

As at December 31 2007, Deutsche Bank's issued share capital amounted to € 1,357,824,256.00 consisting of 530,400,100 ordinary shares without par value. The shares are fully paid up and in registered form. Each share confers one vote.

RESTRICTIONS ON VOTING RIGHTS OR THE TRANSFER OF SHARES

Under Section 136 AktG the voting right of the affected shares is excluded by law. As far as the bank held own shares as of 31 December 2007 in its portfolio according to Section 71b AktG no rights could be exercised. We are not aware of any other restrictions on voting rights or the transfer of shares.

SHAREHOLDINGS WHICH EXCEED 10 PER CENT OF THE VOTING RIGHTS

The German Securities Trading Act (*Wertpapierhandelsgesetz*) requires any investor whose share of voting rights reaches, exceeds or falls below certain thresholds as the result of purchases, disposals or otherwise, must notify us and the German Federal Financial Supervisory Authority (BaFin) thereof. The lowest threshold is 3 per cent until January 20, 2007, thereafter 3 per cent. We are not aware of any shareholder holding directly or indirectly 10 per cent or more of the voting rights.

SHARES WITH SPECIAL CONTROL RIGHTS

Shares which confer special control rights have not been issued.

SYSTEM OF CONTROL OF ANY EMPLOYEE SHARE SCHEME WHERE THE CONTROL RIGHTS ARE NOT EXERCISED DIRECTLY BY THE EMPLOYEES

The employees, who hold Deutsche Bank shares, exercise their control rights directly in accordance with applicable law and the Articles of Association (*Satzung*).

RULES GOVERNING THE APPOINTMENT AND REPLACEMENT OF MEMBERS OF THE MANAGEMENT BOARD

Pursuant to the German Stock Corporation Act (Section 84) and the Articles of Association of Deutsche Bank (Section 6) the members of the Management Board are appointed by the Supervisory Board. The number of Management Board members is determined by the Supervisory Board. According to the articles of Association, the Management Board has at least three members. The Supervisory Board may appoint one member of the Management Board as Chairperson of the Management Board. Members of the Management Board may be appointed for a maximum term of up to five years. They may be re-appointed or have their term extended for one or more terms of up to a maximum of five years each. The German Co-Determination Act (*Mitbestimmungsgesetz*; Section 31) requires a majority of at least two thirds of the members of the Supervisory Board to appoint members of the Management Board. If such majority is not achieved, the Mediation Committee shall give, within one month, a recommendation for the appointment to the Management Board. The Supervisory Board will then appoint the members of the Management Board with the majority of its members. If such appointment fails, the Chairperson of the Supervisory Board shall have two votes in a new vote. If a required member of the Management Board has not been appointed, the Local

Court (Amtsgericht) in Frankfurt am Main shall, in urgent cases, make the necessary appointments upon motion by any party concerned (Section 85 of the German Stock Corporation Act).

Pursuant to the German Banking Act (Kreditwesengesetz) evidence must be provided to the Federal Financial Supervisory Authority (BaFin) and the Deutsche Bundesbank that the member of the Management Board has adequate theoretical and practical experience of the businesses of the Bank as well as managerial experience before the member is appointed (Sections 24 (1) No. 1 and 33 (2) of the Banking Act).

The Supervisory Board may revoke the appointment of an individual as member of the Management Board or as Chairperson of the Management Board for good cause. Such cause includes in particular a gross breach of duties, the inability to manage the Bank properly or a vote of no-confidence by the General Meeting, unless such vote of no-confidence was made for obviously arbitrary reasons.

If the discharge of a bank's obligations to its creditors is endangered or if there are valid concerns that effective supervision of the bank is not possible, the BaFin may take temporary measures to avert that risk. It may also prohibit members of the Management Board from carrying out their activities or impose limitations on such activities (Section 46 (1) of the Banking Act). In such case, the Local Court Frankfurt am Main shall, at the request of the BaFin appoint the necessary members of the Management Board, if, as a result of such prohibition, the Management Board does no longer have the necessary number of members in order to conduct the business (Section 46 (2) of the Banking Act).

RULES GOVERNING THE AMENDMENT OF THE ARTICLES OF ASSOCIATION

Any amendment of the Articles of Association requires a resolution of the General Meeting (Section 179 of the Stock Corporation Act). The authority to amend the Articles of Association in so far as such amendments merely relate to the wording, such as changes of the share capital as a result of the issuance of authorized capital, has been assigned to the Supervisory Board by the Articles of Association of Deutsche Bank (Section 20 (3)). Pursuant to the Articles of Association, the resolutions of the General Meeting are taken by a simple majority of votes and, in so far as a majority of capital stock is required, by a simple majority of capital stock, except where law or the Articles of Association determine otherwise (Section 20 (1)). Amendments to the Articles of Association become effective upon their entry in the Commercial Register (Section 181 (3) of the Stock Corporation Act).

POWERS OF THE MANAGEMENT BOARD TO ISSUE OR BUY BACK SHARES

Deutsche Bank's share capital may be increased by issuing new shares for cash and in some circumstances for non-cash consideration. As of December 31, 2007, Deutsche Bank had authorized but unissued capital of € 454,000,000 which may be issued at various dates through April 30, 2011 as follows.

Authorized capital	Expiration date
€ 128,000,000 ¹	April 30, 2008
€ 198,000,000	April 30, 2009
€ 128,000,000 ¹	April 30, 2011

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

The Annual General Meeting on May 24, 2007 authorized the Management Board to increase the share capital by up to a total of € 85,000,000 against cash payments. This additional authorized capital became effective upon its entry in the Commercial Register on February 14, 2008. The expiration date is April 30, 2012.

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.

The Annual General Meeting of May 24, 2007 authorized the Management Board pursuant to Section 71 (1) No. 7 of the Stock Corporation Act to buy and sell, for the purpose of securities trading, own shares of Deutsche Bank AG on or before October 31, 2008, at prices which do not exceed or fall short of the average of the share prices (closing auction prices of the Deutsche Bank share in Xetra trading and/or in a comparable successor system on the Frankfurt Stock Exchange) on the respective three preceding stock exchange trading days by more than 10 per cent. In this context, the shares acquired for this purpose may not, at the end of any day, exceed 5 per cent of the share capital of Deutsche Bank AG.

The Annual General Meeting of May 24, 2007 authorized the Management Board pursuant to Section 71 (1) No. 8 of the Stock Corporation Act to buy, on or before October 31, 2008, own shares of Deutsche Bank AG in a total volume of up to 10 per cent of the present share capital. Together with own shares acquired for trading purposes and/or for other reasons and which are from time to time in the company's possession or attributable to the company pursuant to Sections 71a sq. of the Stock Corporation Act, the own shares purchased on the basis of this authorization may not at any time exceed 10 per cent of the company's share capital. The own shares may be bought through the stock exchange or by means of a public purchase offer to all shareholders. The countervalue for the purchase of shares (excluding ancillary purchase costs) through the stock exchange may not be more than 10 per cent higher or more than 20 per cent lower than the average of the share prices (closing auction prices of the Deutsche Bank share in Xetra trading and/or in a comparable successor system on the Frankfurt Stock Exchange) on the last three stock exchange trading days before the obligation to purchase. In the case of a public purchase offer, it may not be more than 15 per cent higher or more than 10 per cent lower than the average of the share prices (closing auction prices of the Deutsche Bank share in Xetra trading and/or in a comparable successor system on the Frankfurt Stock Exchange) on the last three stock exchange trading days before the day of publication of the offer. If the volume of shares offered in a public purchase offer exceeds the planned buyback volume, acceptance must be in proportion to the shares offered in each case. The preferred acceptance of small quantities of up to 50 of the company's shares offered for purchase per shareholder may be provided for.

The Management Board has also been authorized to dispose, with the Supervisory Board's consent, of the purchased shares and of any shares purchased on the basis of previous authorizations pursuant to Section 71 (1) No. 8 of the Stock Corporation Act in a way other than through the stock exchange or by an offer to all shareholders, provided this is done against contribution in kind and excluding shareholders' pre-emptive rights for the purpose of acquiring companies or shareholdings in companies. In addition, the Management Board is authorized, in case it disposes of acquired own shares by offer to all shareholders, to grant to the holders of the warrants, convertible bonds and convertible participatory rights issued by the company pre-emptive rights to the extent that they would be entitled to such rights if they exercised their option and/or conversion rights. Shareholders' pre-emptive rights are excluded for these

cases and to this extent. The Management Board has also been authorized to exclude shareholders' pre-emptive rights in so far as the shares are to be used for the issue of staff shares to employees and retired employees of the company and of companies related to it, or in so far as they are to be used to service option rights on and/or rights or duties to purchase shares of the company granted to employees of the company and of companies related to it.

Furthermore, the Management Board has been authorized to sell the shares to third parties against cash payment with the exclusion of shareholders' pre-emptive rights if the purchase price is not substantially lower than the price of the shares on the stock exchange at the time of sale. Use may only be made of this authorization if it has been ensured that the number of shares sold on the basis of this authorization together with shares issued from authorized capital with the exclusion of shareholders' pre-emptive rights pursuant to Section 186 (3) sentence 4 of the Stock Corporation Act does not exceed 10 per cent of the company's share capital at the time of the issue and/or sale of shares.

The Management Board has also been authorized to cancel shares acquired on the basis of this authorization without the execution of this cancellation process requiring a further resolution by the General Meeting.

The Annual General Meeting of May 24, 2007 authorized the Management Board pursuant to Section 71 (1) No. 8 of the Stock Corporation Act to execute the purchase of shares under the resolved authorization also with the use of put and call options. The company may accordingly sell to third parties put options based on physical delivery and buy call options from third parties if it is ensured by the option conditions that these options are fulfilled only with shares which themselves were acquired subject to compliance with the principle of equal treatment. All share purchases based on put or call options are limited to shares in a maximum volume of 5 per cent of the actual share capital at the time of the resolution by the General Meeting on this authorization. The maturities of the options must end no later than on October 31, 2008.

The purchase price to be paid for the shares upon exercise of the options may not exceed by more than 10 per cent or fall short by more than 10 per cent of the average of the share prices (closing auction prices of the Deutsche Bank share in Xetra trading and/or in a comparable successor system on the Frankfurt Stock Exchange) on the last three stock exchange trading days before conclusion of the respective option transaction in each case excluding ancillary purchase costs, but taking into account the option premium received or paid.

To the sale and cancellation of shares acquired with the use of derivatives the general rules established by the General Meeting apply.

SIGNIFICANT AGREEMENTS WHICH TAKE EFFECT, ALTER OR TERMINATE UPON A CHANGE OF CONTROL OF THE COMPANY FOLLOWING A TAKEOVER BID

Significant agreements which take effect, alter or terminate upon a change of control of the company following a takeover bid have not been entered into.

AGREEMENTS FOR COMPENSATION IN CASE OF A TAKEOVER BID

If a member of the Management Board leaves the bank within the scope of a change of control, he receives a one-off compensation payment described in greater detail in the following Compensation Report.

If the employment relationship with certain executives with global or strategically important responsibility is terminated within a defined period within the scope of a change of control, without a reason for which the executives are responsible, or if these executives terminate their employment relationship because the company has taken certain measures leading to reduced responsibilities, the executives are entitled to a severance payment. The calculation of the severance payment is, in principle, based on 1.5 times to 2.5 times the total annual remuneration (base salary as well as variable – cash and equity-based – compensation) granted before change of control. Here, the development of total remuneration in the three calendar years before change of control is taken into consideration accordingly.

RISK REPORT

TYPES OF RISK

Deutsche Bank AG is exposed to a variety of risks, amongst them credit, market, liquidity, operational, reputational 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 conducted 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. For a more detailed discussion about the risk management within the Group network see the Group's risk report in the Group's Annual Report.

RISK MANAGEMENT ORGANIZATION

The Management Board provides overall risk and capital management oversight for the consolidated Group as a whole. Our Chief Risk Officer, who is a member of our Management Board, is responsible for our credit, market, liquidity, operational, legal, business and reputational risk management as well as capital management activities within our consolidated Group. In 2007, we merged the legal and compliance departments with the existing risk and capital management function to form an integrated legal, risk & capital function. Two functional committees are central to the legal, risk & capital function. The Capital and Risk Committee is chaired by our Chief Risk Officer, with the Chief Financial Officer being Vice-Chairman. The responsibilities of the Capital and Risk Committee include risk profile and capital planning, capital capacity monitoring and optimization of funding. Additionally, the Chief Risk Officer chairs our Risk Executive Committee, which is responsible for the management and control of the aforementioned risks across our consolidated Group.

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 amongst others 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 inter-dependencies 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.

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 apply different methods and metrics for the measurement of these risks. Value-at-risk is the primary 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 scenarios. The trading market risk of the Group is managed by the Risk Executive 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 Market Risk Management. The Capital and Risk Committee supervises our nontrading asset activity and is supported in this function by a dedicated Investment & Asset Risk Management team.

CREDIT RISK

All Group Divisions of Deutsche Bank AG assume credit risk. Group credit risk is managed via the Risk Executive Committee and those responsible for risk management in the Group Divisions.

LIQUIDITY RISK

Liquidity risk management is the responsibility of Treasury, previously called Treasury & Capital Management. 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 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. Operational Risk Management is an independent risk management function within Deutsche Bank. The Global Head of Operational Risk Management is a member of the Risk Executive Committee and reports to the Chief Risk Officer. The Operational Risk Management Committee, which is a permanent sub-committee of the Risk Executive Committee, is the main decision making committee for all operational risk matters. Operational Risk Management is responsible for defining the operational risk framework and related policies and provides the risk management toolset to the Business Divisions which 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. The Group Reputational Risk Committee, which is an official sub-committee of the Risk Executive 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.

BUSINESS RISK

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

FIGURES PRESCRIBED BY THE REGULATORY AUTHORITY

With the 7th KWG-amendment coming into effect at the beginning of 2007 we made use of the contingency in Section 2a para 6 KWG to abstain from the calculation of the Grundsatz I (solvability) and other regulatory requirements for the Deutsche Bank AG. The regulatory assessment of our solvability and hence the risk-bearing capacity is carried out at Deutsche Bank Group level. The principal measures for the assessment of the solvability according to the recommendations of the Basel Committee on Banking Supervision are the risk position and the regulatory capital.

RISK POSITION

The risk position comprises the total risk calculated according to regulatory regulations in the form of risk weighted 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 of our trading book. The following table presents the risk position of the Deutsche Bank Group based upon the recommendation of the Basel Committee on Banking Supervision.

in € m.	Dec 31, 2007	Dec 31, 2006
Risk-weighted positions	314,845	263,871
Market risk equivalent ¹	13,973	11,588
Risk Position	328,818	275,459

¹ A multiple of the Group's value-at-risk, calculated with a probability level of 99 % and a 10-day holding period.

REGULATORY CAPITAL

According to the recommendation of the Basel Committee on Banking Supervision the eligible regulatory capital to cover the risk position consists of core capital (Tier 1), supplementary capital (Tier 2) and Tier 3 capital. The components of the regulatory capital for the Deutsche Bank Group are as follows:

in € m. (except percentages)	Dec 31, 2007	Dec 31, 2006
Core capital (Tier 1)	28,320	23,539
Supplementary capital (Tier 2)	9,729	10,770
Available Tier 3 capital	–	–
Total regulatory capital	38,049	34,309
Core capital ratio (Tier 1)	8.6 %	8.5 %
Capital ratio (Tier 1 + 2 + 3)	11.6 %	12.5 %

With a capital ratio of 11.6 %, Deutsche Bank Group is well above the minimum capital ratio of 8 % prescribed by the BIS.

OUTLOOK

THE GLOBAL ECONOMY

The near-term outlook for the global economy is for somewhat slower growth than in recent years. After five years of 4.75% average growth, global GDP is likely to expand by approximately 4% in 2008. This development primarily reflects slowing momentum in the United States economy in the wake of the sub-prime mortgage crisis, driven by a significant correction in the real estate sector, reduced consumer spending on the back of tighter credit, and inflationary pressures caused by persistently high prices of oil and other commodities. After growing by 2.2% in 2007, the U.S. economy will likely expand by approximately 1.5% in 2008. The Federal Reserve has reacted by cutting interest rates, and the Government, by tax cuts to stimulate the economy. These moves may provide short-term stimulus, but they do not address structural issues in the U.S. economy, such as the low personal savings rate. The U.S. is expected to see growth of around 1.75% in 2009, but unemployment may continue to rise.

In Europe, the strong Euro represents an additional burden. Growth in the Eurozone, at just over 1.5%, will likely be approximately one percentage point lower than in 2007. In Europe's largest economy, Germany, the high growth rates of the past two years are unlikely to be sustained. After 2.5% in 2007, growth is expected to be nearer 1.5% in 2008 and 2009. In the absence of headwinds from fiscal policy, private consumption – benefiting from further improvements in the labor market – looks set to expand at the same rate as GDP for the first time in six years, making a strong contribution to growth.

The rest of the world will not fully escape the impact of economic slowdown in the U.S. In Asia, Latin America, Eastern Europe and the Middle East, growth in 2008 is forecast to be 0.5 to 0.75 percentage points lower than in 2007. Driven mainly by China and India, however, Asia's economic momentum will remain strong, thanks to structural progress. Real GDP growth in this region should be roughly 7.75% in 2008, down from 8.25% in 2007.

As a result of rising prices of oil, foodstuffs and other key commodities, inflation was noticeably higher in many industrialized countries at the end of 2007. Inflation exceeded 3% in the Euro-zone and 4% in the U.S. In 2008, price pressures should ease on the back of the economic slowdown. Inflation may, therefore, prevent the European Central Bank from joining the U.S. Federal Reserve on its course of monetary easing.

Risks for the global economy include more significant economic turbulence, sustained difficulties in global financial markets, geopolitical instability, and potential terrorist activities. These could lead to major volatility on the financial markets. Further increases in oil and other commodity prices and a persistence of the real estate and sub-prime mortgage crisis represent further risks to the global economy. These would bring with them the possibility of major dislocations in the financial sector, a recession in the U.S. and, as a result, a more significant weakening of the world economy.

THE BANKING INDUSTRY

The outlook for the banking industry will be influenced by both near-term and longer-term trends.

The wider impact of the U.S. sub-prime mortgage crisis will continue to weigh on both the world's financial markets and the banking industry worldwide, at least in the near term. Slower economic activity, turbulent financial markets, declining real estate prices and a more challenging credit environment could all adversely impact both corporate activity and private household finances, thereby impacting bank earnings.

Liquidity in short-term money markets and interbank markets became considerably tighter in the second half of 2007 and may remain so at least for the early part of 2008. The risk appetite of investors and lenders is likely to remain lower than in 2006 and the first half of 2007, which will impact the cost of credit in the financial system. As a result, volumes in certain areas of structured credit, and riskier types of debt securities, particularly securities backed by sub-prime mortgage assets, are likely to be very considerably lower. Some banks with exposure to the sub-prime mortgage sector, or to related products, including Collateralized Debt Obligations (CDOs), Residential Mortgage-Backed Securities, or to related sectors in the financial system, such as monoline insurers, saw their 2007 earnings and capital bases significantly impacted by write-downs on exposures in these areas, and could face further challenges if this environment persists.

In corporate banking, reduced risk appetite on the part of financial institutions may impact the financing of corporate activity, including takeover activity, particularly in situations requiring significant leverage. Furthermore, short-term volatility and financial market uncertainties may discourage issuance of new debt or equity. Against a backdrop of persistent investor nervousness, banks with substantial holdings of leveraged loans or loan commitments may also face challenges in placing these loans with investors. On the other hand, the global backlog of publicly-announced merger and acquisition activity, while lower than in early 2007, remains robust by historical standards, and corporate activity will remain strong in the faster-growing economies of Asia and energy-producing nations.

In retail banking, consumer and mortgage lending is likely to be impacted by more stringent risk criteria and a more challenging credit environment, particularly in mature markets with high household debt ratios and slowing or falling real estate prices. Equity market turbulence would also further discourage personal investors, impacting the sale of savings and investment products. In the majority of the emerging growth economies, however, growing personal affluence and the need to provide for retirement will positively impact both consumer lending and demand for savings and retirement products.

Banks continue to face regulatory changes arising in several areas, including the introduction of Basel II and the implementation of MiFID. Possible regulatory reactions to the recent financial market turmoil are not clearly foreseeable yet; however, in addition to self-regulatory measures, a tightening of the regulatory framework, and potential costs associated with compliance, cannot be ruled out.

Several longer-term trends, already evident in recent years, will continue to shape the outlook for the banking industry. Firstly, globalization will continue, as the world's economy becomes more integrated, trade barriers continue to fall, and fast-growing emerging economies gain in importance. Secondly, the world's capital markets will continue to grow as a means of financing commercial activity, in an environment where risk considerations constrain the expansion of bank balance sheets through traditional lending, and where investor appetite for capital market products remains high. Thirdly, invested assets continue to grow throughout the world, reflecting growing demand for private retirement funding in mature economies, and as new wealth is created in growth nations.

THE DEUTSCHE BANK AG

As a leading global investment bank with a substantial private client franchise, Deutsche Bank's outlook must be viewed in the context of the trends, both near-term and longer-term, described above. Furthermore, the outlook for Deutsche Bank is discussed in terms of the Deutsche Bank Group, as events in the group are all directly or indirectly relevant for the parent company.

In our Corporate and Investment Bank, volumes in areas of the financial markets most directly affected by market turbulence in 2007, notably structured credit and other sub-prime related areas, are likely to be considerably lower at least in the near term, for the reasons mentioned above, and by potential sustained uncertainties in global equity markets. Nevertheless, our Global Markets business benefits from a highly diversified business model, with substantial positions in emerging capital markets where the outlook for growth remains positive. Furthermore, volumes in 'flow' trading products, including foreign exchange and interest rate trading, have been high during the recent period of market turbulence and will likely continue to positively impact the outlook for Deutsche Bank's sales and trading business. Our Corporate Finance business would be negatively affected by any reduction in corporate activity and in debt and equity issuance, as mentioned above. This business would also be adversely impacted by sustained investor caution in respect of leveraged loans. Conversely, given our leading position in Europe, where we ranked first as measured by share of fee pool across equity issuance, debt issuance and M&A advisory services, we would be positively impacted by a 'flight to quality' on the part of corporate clients. Furthermore, sustained dynamism in the Asia-Pacific economies and energy-producing nations, and resulting corporate activity, positively impacts the outlook for our business. Our Global Transaction Banking business, with a strong position in Europe, will likely benefit from prior year investments in both mature and growth markets. However, revenues in some parts of this business would be impacted by lower interest rates.

In our Private Clients and Asset Management businesses, our near-term outlook is positively impacted by the integration of acquisitions made during 2006 and 2007, and by organic growth. Furthermore, the € 59 billion of net new invested assets which this business attracted during 2007 will positively impact future revenues. However, slowing economic momentum in mature economies, wariness of investors in the face of volatile equity markets, and a tighter credit environment may slow the momentum of our business with private clients. On the other hand, our investments in our network and in client acquisition in key Asian markets, notably China and India positively impact our business outlook, particularly in the longer term, as both economic conditions and investor activity remain dynamic in these markets.

Deutsche Bank strengthened its capital base in 2007, and write-downs or trading losses resulting from the market turbulence in the second half of the year were considerably lower at Deutsche Bank than at some other leading international banks. As a result, Deutsche Bank retains the potential and capital strength to continue to invest in business growth, gain market share, and thus strengthen its competitive position in core businesses. Deutsche Bank's outlook is also supported by a solid funding base, reflecting retail deposits and other high-quality sources of unsecured funding, with positive implications for access to liquidity.

In the longer term, Deutsche Bank's outlook is positively impacted by our positioning in relation to the longer-term trends shaping our environment. As globalization continues, Deutsche Bank's global network becomes an increasingly important source of advantage. We are present in 76 countries across the world, including all major emerging growth markets, and more than 70% of our revenues in 2007 came from outside Germany. Secondly, as the world's capital markets continue to grow, our investment banking franchise becomes an increasingly valuable asset, as does our presence in important emerging capital markets. Thirdly, as invested assets grow across the world, our asset gathering platform, also positions us for longer-term expansion in our asset gathering businesses.

As part of Phase 3 of our Management Agenda, which was launched in October 2006 for the group as a whole, we have stated our targets to deliver double-digit percentage growth in earnings per share and a sustainable pre-tax return on equity of 25% across the business cycle. Moreover, we have provided a "vision" under which we aim to deliver pre-tax profits (using our target definition) of Euro 8.4 billion in 2008. Beginning in the second half of 2007, financial markets have experienced exceptionally difficult conditions, which have been reflected in considerably lower volumes of business activity in the areas most directly affected and concerns about slowing economic and business momentum more generally. Among the principally affected areas in which we do business have been the leveraged finance and structured credit markets. In addition to causing reduced business activity and revenues in these and other areas, continuing difficult market conditions may require us to write down the carrying values of some of our portfolios of assets, including leveraged loans and loan commitments. Compensating for these negative effects on our profitability through performance in our other businesses may not be feasible, particularly if assumptions for continuing, albeit slower, economic growth in 2008 are not correct and less favorable economic conditions prevail. These circumstances would likely adversely affect our ability to achieve our pre-tax profitability objective.

CORPORATE AND INVESTMENT BANKING

Our Corporate Banking and Securities (CB&S) business comprises origination, sales and trading of debt, equity and other securities, along with M&A and other corporate advisory services. In our sales and trading businesses, market volumes will likely be very considerably lower in those areas most directly affected by the sub-prime crisis, including Residential Mortgage-Backed Securities (RMBS), Collateralised Debt Obligations (CDOs) and other areas of structured credit. On the other hand, both volumes and margins in 'flow' products, including foreign exchange, government bonds, interest rate swaps and money market instruments, have increased substantially since the middle of 2007 and positively impact CIB's business outlook. Furthermore, the outlook for our sales and trading businesses is positively impacted by prior year investments in growth areas, including commodities trading and emerging market securities. Market turbulence also presents opportunities to gain share in strategically-important businesses such as prime brokerage.

The outlook for our Corporate Finance business may be impacted by lower volumes in both debt and equity issuance, reflecting the aforementioned uncertain conditions on debt and equity markets. Our leveraged finance business will also be affected by the aforementioned caution on the part of investors, with conditions substantially less favorable than in 2006 and the first half of 2007, and lower levels of highly-leveraged transaction activity on the part of financial sponsors. These factors may not only result in lower volumes of new business origination in leveraged finance, but also impact earnings from write-downs of existing loans and loan commitments, while unsold funded loans may impact regulatory capital. On the other hand, our business outlook will be favorably impacted by the relatively robust condition of the corporate sector in key European markets including our home market, Germany; and by sustained momentum of corporate activity in high-growth emerging markets including Eastern Europe and Asia-Pacific.

The outlook for our Global Transaction Banking (GTB) business reflects several factors. The introduction of the Single European payments Area (SEPA) positively impacts our outlook, by creating the opportunity for a leading European Cash Management provider to serve clients in a changed environment. The outlook for our domestic custody and cash management businesses is positive, both in Germany and in fast-growing markets, including Asian markets. Continued growth in world trade positively impacts the outlook for our Trade Finance business; however, this may be somewhat counterbalanced by persistent weakness in the U.S. dollar exchange rate. In addition, a lower interest rate environment would adversely impact net interest income.

In the longer term, the outlook for CIB is supported by the aforementioned trend of growth in the world's capital markets, including capital markets in emerging growth regions. With a leading investment banking platform (as measured by net revenues), CIB is well-positioned to benefit from this trend.

PRIVATE CLIENTS AND ASSET MANAGEMENT

In Asset and Wealth Management (AWM), our near-term outlook is influenced by several factors. Revenues in our retail asset management business and our real estate asset management business, may be impacted by wariness on the part of private investors in the light of recent financial market turbulence, and by pressures on the real estate sector in some major markets. Fees could also be adversely impacted by corrections in major equity markets, which would impact the performance of invested assets. Conversely, prior year investments in both product development and distribution capacity, and the €27 billion of net new assets which Asset Management attracted during 2007 will positively impact the business outlook. In the medium and longer term, our Asset Management business is well positioned to profit from global trends, including the growth of private pensions in Europe, the creation of new wealth in emerging markets, the institutionalization of the alternative investments business, and outsourcing of investment management in the insurance sector. These trends will positively impact the outlook for Deutsche Bank's asset management business, given our strong franchise in Europe, our alternative investments platform, our investments in Asia including our partnership with Harvest Fund Management in China, together with a leading position (as measured by invested assets) in insurance asset management.

In Private Wealth Management (PWM), in the near term, the €13 billion of net new money captured in 2007, and prior years' investments in our platform, both positively impact the outlook. On the other hand, investor nervousness in the face of continued financial market turbulence could impact this momentum, and adversely affect investment performance. In the longer term, PWM's business outlook is positively impacted by the longer-term trend for growth in invested assets around the world, notably in fast-growing emerging markets and energy-producing nations, which have seen rapid creation of new wealth and an increase in the number of high-net-worth investors. Deutsche Bank's prior-year investments in capacity in these markets, notably in Asia, and sharpened focus on collaboration between PWM and the Corporate and Investment Bank, gives us the opportunity to take advantage of this trend.

For Private and Business Clients, the outlook in our home market, Germany, is positively impacted by prior year investments in distribution and in new products tailored to specific client segments. This includes the expansion of our branch network, addition of new employees and distribution partnerships. Furthermore, revenues in Germany are likely to be positively impacted by our recent acquisitions of Berliner Bank and norisbank. Berliner Bank gives us expanded presence in the Berlin area, while norisbank strengthens our consumer banking business. In European markets outside Germany, PBC's outlook is favorably impacted by investments which have expanded our operations and our distribution reach. In Poland, PBC's branch network has doubled since 2004 to 63 branches, while consumer finance is marketed through a network of 66 dedicated 'db-kredyt'-branded loan shops. In key Asian markets, PBC's outlook is favorably influenced by sustained economic growth, rising affluence and rising demand for banking services on the part of private customers. The outlook for PBC's business in these markets, predominantly China and India, is also positively impacted by PBC's recent investments. In India, PBC now serves more than 500,000 clients via 10 branches and through a network of financial agents. In China, PBC serves clients both via our partnership with Hua Xia bank, and directly, through three branches which provide customers with a comprehensive range of products. On the other hand, our brokerage business with retail investors could be negatively impacted by the aforementioned turbulent conditions on financial markets, and our consumer finance business by the possibility of a more difficult credit environment also alluded to above. Increased competitive pressure may also impact margins.

In the longer term, PBC's outlook is favorably impacted by the trend for growth in invested assets of private investors, both in response to growing requirements for private retirement planning and in response to growing personal wealth in both mature and emerging growth markets around the world.

Balance Sheet

Assets (€ m.)			Dec 31, 2007	Dec 31, 2006
Cash reserve				
a) cash on hand			20	21
b) balances with central banks			11,619	4,357
thereof: with Deutsche Bundesbank	9,238			(1,517)
			11,639	4,378
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			2,675	3,916
thereof: eligible for refinancing at Deutsche Bundesbank	1,494			(3,106)
b) bills of exchange			433	516
thereof: eligible for refinancing at Deutsche Bundesbank	0			(229)
			3,108	4,432
Receivables from banks				
a) repayable on demand			108,188	94,074
b) other receivables			149,193	112,924
thereof: reverse repos	79,892			206,998
			257,381	(61,891)
Receivables from customers			588,926	480,107
thereof: secured by mortgage charges	2,564			(3,019)
loans to or guaranteed by public-sector entities	5,816			(4,261)
reverse repos	158,377			(149,843)
Bonds and other fixed-income securities				
a) money market instruments				
aa) of public-sector issuers		1,006		468
ab) of other issuers		7,830		6,402
thereof: eligible as collateral for Deutsche Bundesbank advances	78			(508)
			8,836	6,870
b) bonds and notes				
ba) of public-sector issuers		87,709		77,482
thereof: eligible as collateral for Deutsche Bundesbank advances	40,937			(40,369)
bb) of other issuers		130,908		121,571
thereof: eligible as collateral for Deutsche Bundesbank advances	20,218			(16,793)
			218,617	199,053
c) own debt instruments			2,970	1,555
nominal amount	3,090			(1,824)
			230,423	207,478
Equity shares and other variable-yield securities			127,892	114,681
Participating interests			870	1,237
thereof: in banks	224			(172)
in financial services institutions	67			(1)
Investments in affiliated companies			38,323	37,858
thereof: in banks	6,035			(5,753)
in financial services institutions	1,417			(1,098)
Assets held in trust			1,034	845
thereof: loans on a trust basis	334			(335)
Intangible assets			530	577
Tangible assets			911	670
Own shares (notional par value € 75 million)			2,610	2,366
Sundry assets			621,595	391,142
Tax deferral			899	1,038
Prepaid expenses			627	857
Total Assets			1,886,768	1,454,664

Liabilities and Shareholders' Equity (€ m.)				Dec 31, 2007	Dec 31, 2006
Liabilities to banks					
a) repayable on demand			286,102		269,425
b) with agreed period or notice period			209,430		187,667
				495,532	457,092
thereof:					
repos	85,371				(55,728)
Liabilities to customers					
a) savings deposits					
aa) with agreed notice period of three months		2,953			2,156
ab) with agreed notice period of more than three months		2,185			1,086
			5,138		3,242
b) other liabilities					
ba) repayable on demand		258,296			178,045
bb) with agreed period or notice period		256,905			212,419
			515,201		390,464
				520,339	393,706
thereof:					
repos	98,844				(76,732)
Liabilities in certificate form					
a) bonds in issue			33,374		22,569
b) other liabilities in certificate form			155,751		119,639
				189,125	142,208
thereof:					
money market instruments	26,550				(35,648)
own acceptances and promissory notes in circulation	3,768				(1,291)
Liabilities held in trust				1,034	845
thereof: loans on a trust basis	334				(335)
Sundry liabilities				627,440	409,619
Deferred income				520	467
Provisions					
a) provisions for pensions and similar obligations			3,105		3,076
b) provisions for taxes			2,297		1,564
c) other provisions			6,936		6,872
				12,338	11,512
Subordinated liabilities				13,784	13,775
Fund for general banking risks				3,475	3,475
Capital and reserves					
a) subscribed capital			1,358		1,343
conditional capital € 156 m. (Dec 31, 2006: € 171 m.)					
b) capital reserve			12,973		12,524
c) revenue reserves					
ca) statutory reserve		13			13
cb) reserve for own shares		2,610			2,366
cc) other revenue reserves		3,840			3,620
			6,463		5,999
d) distributable profit			2,387		2,099
				23,181	21,965
Total Liabilities and Shareholders' Equity				1,886,768	1,454,664
Contingent liabilities					
a) contingent liabilities from rediscounted bills of exchange			–		–
b) liabilities from guarantees and indemnity agreements (see also pages 44 and 45)			52,434		39,291
c) liability arising from the provision of collateral for third-party liabilities			101		59
				52,535	39,350
Other obligations					
a) repurchase obligations under agreements to sell securities with an option to repurchase them			–		–
b) placement and underwriting obligations			–		162
c) irrevocable credit commitments			134,825		141,210
				134,825	141,372

Income Statement

Expenses (€ m.)		2007	2006
Interest expenses		36,925	31,129
Commission expenses		1,689	1,300
Administrative expenses			
a) staff expenses			
aa) wages and salaries	5,764		5,759
ab) compulsory social security contributions and expenses for pensions and other employee benefits	1,278		1,348
		7,042	7,107
thereof: for pensions	451		(520)
b) other administrative expenses		4,695	4,747
		11,737	11,854
Depreciation, amortization and write-downs of and value adjustments to tangible and intangible assets		226	220
Other operating expenses		1,849	639
Write-downs of and value adjustments to claims and certain securities as well as additions to provisions for possible loan losses		453	–
Write-downs of and value adjustments to participating interests, investments in affiliated companies and securities treated as fixed assets		582	1,553
Expenses from assumption of losses		140	19
Extraordinary expenses		2	92
Income taxes		1,835	619
Other taxes, unless reported under other operating expenses		62	45
Net income		2,757	4,280
Total Expenses		58,257	51,750

		2007	2006
Net income		2,757	4,280
Profit carried forward from the previous year		94	47
		2,851	4,327
Allocations to revenue reserves			
– to reserve for own shares	244		1,780
– to other revenue reserves	220		448
		464	2,228
Distributable profit		2,387	2,099

Income (€ m.)		2007	2006
Interest income from			
a) lending and money market business	32,504		27,588
b) fixed-income securities and government-inscribed debt	6,337		5,082
		38,841	32,670
Current income from			
a) equity shares and other variable-yield securities	7,098		5,601
b) participating interests	22		58
c) investments in affiliated companies	530		423
		7,650	6,082
Income from profit-pooling, profit-transfer and partial profit-transfer agreements		1,369	2,486
Commission income		7,355	6,723
Net income from financial transactions		2,407	1,810
Income from write-ups of receivables and certain securities as well as from the release of provisions for possible loan losses		–	433
Other operating income		627	1,507
Extraordinary income		8	39
Total Income		58,257	51,750

Notes to the Accounts

The annual financial statements of Deutsche Bank AG for the 2007 financial year have been prepared in accordance with the regulations of the Bank Accounting Directives Act (Sections 340 et seq. 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 (€).

BASIS OF PRESENTATION

Accounting policies for:

RECEIVABLES

Receivables from banks and customers are generally reported at their nominal amount or at acquisition cost. Necessary impairments are deducted. Loan receivables held for sale are reported at the lower of cost or market value. Loans held in trading portfolios are accounted for as described in the separate paragraph 'Trading Activities'.

SECURITIES

Holdings of bonds and other fixed-income securities as well as 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 rule applicable to current assets, pursuant to Section 253 (1) and (3) HGB. This means that the respective securities are carried at the lower of acquisition cost or market respectively attributable value.

Bonds and other fixed-income securities as well as equity shares and other variable-yield securities which are held for trading purposes are reported at fair value. The method used to account for trading activities is described separately.

EMBEDDED DERIVATIVES

Some hybrid contracts contain both a derivative and a non derivative component. In such cases, the derivative component is termed embedded derivative, with the non derivative component representing the host contract. Where the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract, and the hybrid contract itself is not carried at fair value through profit or loss, the embedded derivative is bifurcated and reported at fair value. Valuation differences, to the extent they are recognized, are reported as net income from financial transactions. The host contract is accounted for at amortized cost.

TRADING ACTIVITIES

Since 2005, trading portfolios have been accounted for using the risk-adjusted fair-value approach which is based on the fair value of the financial instruments in trading portfolios. The fair valuation of financial instruments 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 as sundry assets or sundry liabilities. In order to reflect any remaining realization risk, the result of the fair-value measurement is reduced by a value-at-risk adjustment, which is reported as sundry liabilities. The calculation of the value-at-risk adjustment is based on a holding period of ten days and a confidence level of 99 %.

Fair value is defined as the price at which a financial instrument could be exchanged in a current transaction between knowledgeable, willing parties, other than in a forced sale or liquidation. Where available, fair value is based on observable market prices and parameters or derived from such prices or parameters. The availability of observable data varies by product and market and may change over time. Where observable prices or inputs are not available, valuation techniques appropriate to the particular instrument are applied.

PARTICIPATING INTERESTS, INVESTMENTS IN AFFILIATED COMPANIES, TANGIBLE AND INTANGIBLE ASSETS

Since 2006, participating interests and investments in affiliated companies have been recognized either at cost or – utilizing the option available under Section 253 HGB – at their lower fair value. Participating interests and investments in affiliated companies are written up pursuant to the requirement to reinstate original values (Section 280 HGB). The offsetting option available under Section 340c (2) HGB has been utilized.

Tangible assets and acquired intangible assets are reported at their acquisition or manufacturing cost less any depreciation or amortization. Write-downs are made for any impairment that is likely to be permanent. Low-value assets are written off in the year in which they are acquired.

LIABILITIES

Liabilities are recognized at their repayment or nominal amounts. Bonds issued at a discount and similar liabilities are reported at their present value.

PROVISIONS

Provisions for pensions and similar obligations are recognized in accordance with actuarial principles; in Germany, pension provisions are calculated using the entry-age normal method, pursuant to Section 6a of the German Income Tax Act, and a discount rate of 6 %.

For fund-based defined-contribution pension plans set up for employees, the pension provisions are recognized as the sum of the fair value of the employees' defined-contribution plan assets and the present value of the risk premium. If this value is lower than the amount calculated under the entry-age normal method pursuant to Section 6a of the German Income Tax Act (EStG), the provision will be adjusted to reflect the higher amount.

Provisions for taxes and other provisions that have been set aside either for contingent liabilities or for onerous contracts are recognized according to the principles of prudent commercial judgement in accordance with Section 253 (1) HGB.

RISK PROVISIONING

Provisioning for possible loan losses comprises impairments and provisions for all identifiable credit and country risks, for inherent default risks and the provision for general banking risks.

Provisions for credit risks are reflected in accordance with the prudence principle at the amount of expected losses.

The transfer risk for loans to borrowers in foreign states (country risk) is assessed using a rating system that takes into account the economic, political and regional situation. When recognizing provisions for cross-border exposures to certain countries the prudence principle is applied.

Provisions for inherent credit risk are reflected 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 offsetting 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 foreign currency denominated assets and liabilities 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 statements 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 not affecting net income.

NOTES TO THE BALANCE SHEET

The marketable securities in the following balance sheet positions are classified as follows:

€ m.	listed		unlisted	
	Dec 31, 2007	Dec 31, 2006	Dec 31, 2007	Dec 31, 2006
Bonds and other fixed-income securities	198,974	182,327	31,449	25,151
Equity shares and other variable-yield securities	107,037	109,273	13,270	1,753
Participating interests	181	125	76	0
Investments in affiliated companies	0	0	115	47

Equity shares and other variable-yield securities (€ 127,892 million) include mutual fund units of € 3,489 million (December 31, 2006: € 3,583 million) that have been transferred to an independent trustee and may only be used to meet pension obligations toward staff members and retired employees in Germany and to meet liabilities for pre-retirement part-time employment.

Bonds and other fixed-income securities include securities of € 226,186 million (December 31, 2006: € 203,626 million) that are held for trading purposes and recognized at fair value. Equity shares and other variable-yield securities include securities of € 123,700 million (December 31, 2006: € 110,682 million) that are held for trading purposes and recognized at fair value.

The following schedule shows the changes in fixed assets:

€ m.	Acquisition/manufacturing costs			Depreciation/amortization, write-downs and value adjustments			Book values	
	Balance at Jan 1, 2007	Additions	Disposals	Cumulative	therein current year	therein disposals	Balance at Dec 31, 2007	Balance at Dec 31, 2006
Intangible assets	813	63	9	337	67	9	530	577
Tangible assets	1,856	457	114	1,288	159	83	911	670
land and buildings	116	159	1	21	7	0	253	101
office furniture and equipment	1,740	298	113	1,267	152	83	658	569
			Changes					
Participating interests			(367)				870	1,237
Investments in affiliated companies			+465				38,323	37,858
Equity shares and other variable-yield securities			+156				156	–

The option to combine financial assets 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, 2007) and in cumulative depreciation/amortization, write-downs and value adjustments. Land and buildings with a total book value of € 244 million were used as part of our own activities.

SUBORDINATED ASSETS

Subordinated assets are reported as follows:

€ m.	Dec 31, 2007	Dec 31, 2006
Receivables from banks	1,249	1,949
Receivables from customers	1,126	359
Bonds and other fixed-income securities	7,127	655
Equity shares and other variable-yield securities	1	17

INTANGIBLE ASSETS

The goodwill reported under intangible assets is amortized over its estimated useful life of between five and 15 years. Software classified as an intangible asset is amortized over its useful life.

SUNDRY ASSETS

Sundry assets primarily comprise positive fair values of € 609,980 million (December 31, 2006: € 384,431 million) from derivative financial instruments held for trading purposes. They also include margin payments on swaps, precious metals holdings, checks, matured bonds and claims on tax refunds from the tax authorities.

TAX DEFERRAL

The deferred tax assets reported pursuant to Section 274 (2) HGB amounted to € 899 million. 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 € 619,510 million (December 31, 2006: € 406,450 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, and 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 receivables and interest claims arising from these liabilities are subordinate to the non-subordinated receivables of all creditors of Deutsche Bank AG. These conditions also apply to subordinated liabilities not specified individually.

Interest expenses for all subordinated liabilities totaled € 682 million. Accrued but not yet matured interest of € 249 million included in this figure is reported under sundry liabilities.

Material subordinated liabilities:

Currency	Amount	Issuer/type	Interest rate	Maturity
€	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	4.99 %	22.9.2015
€	500,000,000	Deutsche Bank AG, bond of 2004	5.18 %	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 (DB Capital Funding LLC IV, Wilmington/USA, issue proceeds passed on to us)	5.33 %	19.9.2023
€	300,000,000	Deutsche Bank AG, registered bond of 2003 (DB Capital Funding LLC V, Wilmington/USA, issue proceeds passed on to us)	6.15 %	2.12.2033
€	900,000,000	Deutsche Bank AG, registered bond of 2005 (DB Capital Funding LLC VI, Wilmington/USA, issue proceeds passed on to us)	6.00 %	28.1.2035
€	300,000,000	Deutsche Bank AG, registered bond of 2005 (DB Capital Finance LLC I, Wilmington/USA, issue proceeds passed on to us)	7.00 %	27.6.2035
GBP	225,000,000	Deutsche Bank AG, bond of 2004	5.25 %	15.12.2015
U.S.\$	318,000,000	DB Capital LLC I, Wilmington/USA, issue proceeds passed on to us	7.06 %	30.3.2009
U.S.\$	550,000,000	Deutsche Bank Financial Inc., Dover/USA, 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)	5.30 %	30.4.2009
U.S.\$	650,000,000	DB Capital Funding LLC I, Wilmington/USA, issue proceeds passed on to us	7.87 %	30.6.2009
U.S.\$	225,000,000	DB Capital LLC V, Wilmington/USA, issue proceeds passed on to us	7.16 %	30.6.2010
U.S.\$	1,150,000,000	DB Capital Funding LLC IX, Wilmington/USA, issue proceeds passed on to us	6.63 %	20.8.2012
U.S.\$	350,000,000	Deutsche Bank AG, bond of 2004	5.21 %	17.2.2015
U.S.\$	800,000,000	Deutsche Bank Financial Inc., Dover/USA, issue proceeds passed on to us	5.38 %	2.3.2015
U.S.\$	800,000,000	Deutsche Bank AG, registered bond of 2006 (DB Capital Funding LLC VII, Wilmington/USA, issue proceeds passed on to us)	5.63 %	19.1.2036
U.S.\$	600,000,000	Deutsche Bank AG, registered bond of 2006 (DB Capital Funding LLC VIII, Wilmington/USA, issue proceeds passed on to us)	6.38 %	unlimited
U.S.\$	800,000,000	DB Contingent Capital LLC II, Wilmington/USA, issue proceeds passed on to us	6.55 %	unlimited
U.S.\$	805,000,000	DB Capital Funding LLC X, Wilmington/USA, issue proceeds passed on to us	7.35 %	unlimited

OWN SHARES

In the course of 2007, the bank or its affiliated companies bought 387,622,142 Deutsche Bank shares at prevailing market prices and sold 387,508,749 Deutsche Bank shares at prevailing market prices for trading purposes. The purchase of its own shares was based on the authorizations given by the General Meetings on June 1, 2006 and May 24, 2007 pursuant to Section 71 (1) number 7 of the German Stock Corporation Act (AktG), whose restrictions were complied with for every share purchase and sale. The authorization given on June 1, 2006 expired once the authorization of May 24, 2007 became effective. The average purchase price was € 102.61; the average selling price was € 102.41 per share. The resulting loss was recognized in the operating profit.

The bank's own shares bought and sold for trading purposes during 2007 corresponded to roughly 73 % of its share capital. The largest holding on any one day was 0.85 % and the average daily holding 0.15 % of its share capital.

The bank was authorized by the General Meeting resolution of May 24, 2007 to purchase its own shares amounting to up to 10 % of its share capital on or before October 31, 2008 pursuant to Section 71 (1) number 8 of the German 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 attributed to it pursuant to Sections 71a et seq. of the German Stock Corporation Act, the shares purchased on the basis of this authorization must not at any time exceed 10 % 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 % above or more than 20 % below the average share prices quoted (closing prices 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 % below or more than 15 % above the average share prices quoted (closing prices 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 contributions 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 attaching 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 Stock Corporation Act does not exceed 10 % 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 1, 2006 and was valid until October 31, 2007, expired as soon as the authorization of May 24, 2007 came into effect.

At the end of 2007, Deutsche Bank AG held 81,550 of its own shares pursuant to Section 71 (1) number 7 of the German Stock Corporation Act. This amounted to 0.02 % of its share capital. Its holdings pursuant to Section 71 (1) number 8 of the German Stock Corporation Act amounted to 29,110,528 shares, or 5.49 % 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 € 2,609,771,773.20. On December 31, 2007, 1,304,964 (end of 2006: 1,287,832) Deutsche Bank shares, i.e. 0.25 % (end of 2006: 0.25 %) 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 530,400,100 registered no-par-value shares. During the year under review, 5,632,091 shares were issued to staff under stock option programs.

Excluding holdings of the bank's own shares, the number of shares in issue at December 31, 2007 came to 501,208,022 (end of 2006: 498,822,703); the average number of shares in issue in the year under review was 495,825,752.

The following table shows the changes in subscribed, authorized and conditional capital:

€	Subscribed capital	Authorized capital	Conditional capital (yet to be utilized)
Balance at Dec 31, 2006	1,343,406,103.04	426,000,000.00	171,255,255.04
Expiry of the General Meeting resolution of May 22, 2002		(100,000,000.00)	
Increase pursuant to the General Meeting resolution of June 1, 2006		128,000,000.00	
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 Global Partnership Plans	13,668,712.96		(13,668,712.96)
Exercise of option rights issued to employees of the Deutsche Bank Group under Global Share Plans	749,440.00		(749,440.00)
Expiry of option rights issued to employees of the Deutsche Bank Group under Global Share Plans			(567,155.20)
Balance at Dec 31, 2007	1,357,824,256.00	454,000,000.00	156,269,946.88

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, 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 already listed shares at the time the issue price is fixed (General Meeting resolution of June 2, 2004);
- 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, 2011, 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 1, 2006);
- by up to a total of € 85,000,000 against cash payments, on one or more occasions on or before April 30, 2012; 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 already listed shares at the time the issue price is fixed (General Meeting resolution of May 24, 2007). This additional authorized capital became effective upon this entry in the Commercial Register on February 14, 2008.

In all cases, pre-emptive rights may be excluded for fractional 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 € 2,079,925.76 had not yet been exercised under this authorization by December 31, 2007. This conditional capital can no longer be utilized.

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).

Option rights on shares amounting to € 4,190,021.12 had not yet been exercised under these authorizations by December 31, 2007. This conditional capital can no longer be utilized.

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 warrant-linked bonds and/or convertible bonds for a term of no more than 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 warrant-linked bonds and convertible bonds may be granted option rights and conversion rights respectively to new shares of Deutsche Bank AG subject to the conditions governing warrant-linked bonds and convertible bonds. The total amount of participatory certificates, warrant-linked bonds 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

€ m.		
Balance at Dec 31, 2006		21,965
Distribution in 2007		(2,005)
Profit carried forward		(94)
Capital increase through exercise of options		
– increase in subscribed capital	15	
– allocation to capital reserve	449	464
Revenue reserves		
– allocation to reserve for own shares	244	
– allocation to other revenue reserves	220	464
Distributable profit for 2007		2,387
Balance at Dec 31, 2007		23,181

CONTINGENT LIABILITIES

Liabilities from guarantees and indemnity agreements, as reported on the balance sheet, are broken down as follows:

€ m.	Dec 31, 2007	Dec 31, 2006
Guarantees	31,986	24,343
Letters of credit	4,899	3,927
Credit liabilities	15,549	11,021

OTHER OBLIGATIONS

The irrevocable credit commitments shown on the balance sheet (€ 134,825 million) include commitments of € 126,017 million for loans and discounts in favor of non-banks. They also include irrevocable credit commitments of € 6.6 billion in the Leveraged Finance division. Provisions totaling € 163 million were made to cover these Leveraged Finance irrevocable credit commitments. These provisions reflect market risk effects attaching to commitments for such loans which, once they have been issued, are intended to be sold.

The irrevocable credit commitments as of December 31, 2006 were increased by € 6.6 billion to € 141,210 million.

SUNDRY OBLIGATIONS

Payment obligations under rental agreements and leases amount to € 1,119 million with residual maturities of up to 16 years. These obligations include € 61 million owed to affiliated companies. There are also purchase commitments of € 2.2 billion for goods and services, which include future payments for, among other things, services such as processing, information technology and custody.

Further payment obligations will continue to be incurred in connection with necessary construction measures required by the authorities to meet fire protection regulations as well as further related conversion and refurbishment measures – especially concerning internal technical installations – with respect to the Head Office building located at Taunusanlage 12, Frankfurt am Main.

Furthermore, Deutsche Bank AG entered into commitments to negotiate totaling € 11.9 billion in the Leveraged Finance division. Provisions amounting to € 203 million were set aside to cover these obligations. These provisions reflect market risk effects attaching to the aforementioned commitments to issue such loans which, once they have been issued, are intended to be sold.

Liabilities for possible calls on not fully paid-up shares in public and private limited companies and other shares amounted to € 43 million at the end of 2007. Joint liabilities pursuant to Section 24 of the German Private Limited Companies Act (GmbHG) amounted to € 5 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 totaled € 3 million at December 31, 2007.

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 € 2.7 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 € 19 billion at December 31, 2007.

There are contingent liabilities totaling € 45 million in connection with the resale of the trading company Klöckner & Co. AG, Duisburg.

DECLARATION OF BACKING¹

Deutsche Bank AG ensures, except in the case of political risk, that the following companies are able to meet their contractual liabilities:

Berliner Bank AG & Co. KG, Berlin	Deutsche Bank S.A. – Banco Alemão, São Paulo
DB Investments (GB) Limited, London	Deutsche Bank S.A./N.V., Brussels
Deutsche Asset Management International GmbH, Frankfurt am Main	Deutsche Bank, Sociedad Anónima Española, Barce- lona
Deutsche Asset Management Investmentgesellschaft mbH vormals DEGEF Deutsche Gesellschaft für Fondsverwaltung mbH, Frankfurt am Main	Deutsche Bank Società per Azioni, Milan
Deutsche Australia Limited, Sydney	Deutsche Bank (Suisse) S.A., Geneva
Deutsche Bank Americas Holding Corp., Wilmington	Deutsche Futures Singapore Pte Ltd., Singapore
Deutsche Bank (China) Co., Ltd., Beijing	Deutsche Morgan Grenfell Group plc, London
Deutsche Bank Luxembourg S.A., Luxembourg	Deutsche Securities Asia Limited, Hong Kong
Deutsche Bank (Malaysia) Berhad, Kuala Lumpur	Deutsche Securities Limited, Hong Kong
Deutsche Bank Polska S.A., Warsaw	DWS Holding & Service GmbH, Frankfurt am Main
Deutsche Bank (Portugal), S.A., Lisbon	DWS Investment GmbH, Frankfurt am Main
Deutsche Bank Rt., Budapest	DWS Investment S.A., Luxembourg
Deutsche Bank S.A., Buenos Aires	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 RECEIVABLES

€ m.	Dec 31, 2007	Dec 31, 2006
Other receivables from banks	149,193	112,924
with a residual period of		
up to three months	97,813	74,621
more than three months and up to one year	28,271	25,019
more than one year and up to five years	10,284	8,223
more than five years	12,825	5,061
Receivables from customers	588,926	480,107
with a residual period of		
up to three months	475,153	363,771
more than three months and up to one year	37,800	52,635
more than one year and up to five years	41,009	35,364
more than five years	27,192	27,579
with an indefinite period	7,772	758

Of the bonds and other fixed-income securities of € 230,423 million, € 46,092 million mature in 2008.

MATURITY STRUCTURE OF LIABILITIES

€ m.	Dec 31, 2007	Dec 31, 2006
Liabilities to banks with agreed period or notice period	209,430	187,667
with a residual period of		
up to three months	159,001	140,860
more than three months and up to one year	22,567	20,769
more than one year and up to five years	16,647	15,216
more than five years	11,215	10,822
Savings deposits with agreed notice period of more than three months	2,185	1,086
with a residual period of		
up to three months	878	450
more than three months and up to one year	1,162	442
more than one year and up to five years	143	192
more than five years	2	2
Other liabilities to customers with agreed period or notice period	256,905	212,419
with a residual period of		
up to three months	199,110	146,774
more than three months and up to one year	26,764	31,711
more than one year and up to five years	21,540	21,672
more than five years	9,491	12,262
Other liabilities in certificate form	155,751	119,639
with a residual period of		
up to three months	34,726	26,325
more than three months and up to one year	28,313	31,049
more than one year and up to five years	56,170	38,748
more than five years	36,542	23,517

Of the issued bonds and notes of € 33,374 million, € 4,236 million mature in 2008.

PREPAID EXPENSES AND DEFERRED INCOME

Prepaid expenses of € 627 million include a balance of € 206 million pursuant to Section 250 (3) HGB. Deferred income of € 520 million contains balances of € 29 million pursuant to Section 340e (2) HGB.

TRUST BUSINESS

€ m.	Assets held in trust		€ m.	Liabilities held in trust	
	Dec 31, 2007	Dec 31, 2006		Dec 31, 2007	Dec 31, 2006
Receivables from banks	36	46	Liabilities to banks	0	2
Receivables from customers	334	335	Liabilities to customers	1,034	843
Bonds and other fixed income securities	397	387			
Equity shares and other variable-yield securities	15	6			
Participating interests	47	12			
Sundry assets	205	59			
Total	1,034	845	Total	1,034	845

INFORMATION ON AFFILIATED, ASSOCIATED AND RELATED COMPANIES

€ m.	Affiliated companies		Associated and related companies	
	Dec 31, 2007	Dec 31, 2006	Dec 31, 2007	Dec 31, 2006
Receivables from banks	73,356	61,728	0	2
Receivables from customers	228,278	207,420	351	541
Bonds and other fixed-income securities	352	689	–	1,075
Positive fair value of derivatives held for trading purposes (incl. in sundry assets)	14,682	12,585	–	–
Liabilities to banks	100,980	93,902	492	30
Liabilities to customers	132,238	102,504	615	1,050
Liabilities in certificate form	902	1,590	–	–
Subordinated liabilities	7,418	5,831	–	–
Negative fair value of derivatives held for trading purposes (incl. in sundry liabilities)	12,226	10,101	–	–

SHAREHOLDINGS

The complete list of our shareholdings is published in the electronic Federal Gazette. 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:

€ m.	Dec 31, 2007	Dec 31, 2006
Liabilities to banks	24,193	20,957
Liabilities to customers	677	1,116

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 € 45,277 million related exclusively to securities sold under repo agreements.

FOREIGN CURRENCIES

The total amount of assets denominated in foreign currency was the equivalent of € 1,142,644 million at the balance sheet date; the total value of liabilities was the equivalent of € 1,046,331 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

€ m.	Notional amount	Positive fair value	Negative fair value
OTC products			
interest rate-linked transactions	36,700,156	331,145	340,918
exchange rate-linked transactions	4,404,533	69,693	71,878
equity- and index-linked transactions	824,545	48,125	54,286
credit derivatives	5,186,894	121,055	111,439
other transactions	442,030	25,719	24,918
Exchange-traded products			
interest rate-linked transactions ¹	71,506	0	0
exchange rate-linked transactions	0	0	0
equity- and index-linked transactions	377,821	16,406	17,942
other transactions	15,262	156	231
Total	48,022,747	612,299	621,612

¹ Because cash settlements are paid on a daily basis, the fair values of interest and exchange rate-linked transactions are zero or virtually zero.

The positive fair values of € 612,299 million and the negative fair values of € 621,612 million include trading derivatives and derivatives held for hedging purposes. The positive and negative fair values of trading derivatives are reported under sundry assets or 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 investments in affiliated companies, of commission income, of net income from financial transactions and of other operating income is originated across various regions as shown by the following breakdown pursuant to Section 34 (2) RechKredV:

€ m.	2007	2006
Germany	14,248	12,294
Europe excl. Germany	29,596	26,863
Americas	7,702	5,694
Africa / Asia / Australia	5,334	3,941
Total	56,880	48,792

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 following table shows the fees charged by our auditors for the 2007 financial year by category.

Category (€ m.)	2007	2006
Audit fees	13	13
Fees for audit-related services	3	3
Fees for tax advice	2	1
Total	18	17

OTHER OPERATING INCOME

Other operating income of € 627 million includes a gain of € 138 million from the refund of value added tax paid in prior years, the release of provisions of € 89 million, gains of € 66 million from hedging of equity based compensation, income of € 77 million from the resolution of legal proceedings as well as € 43 million from the appreciation of loans held for sale.

OTHER OPERATING EXPENSES

Other operating expenses of € 1,849 million primarily comprise valuation adjustments of € 1,161 million for loans held for sale and loan commitments, mainly in Leveraged Finance. These valuation adjustments include provisions

for irrevocable loan commitments of € 163 million and for commitments to negotiate of € 203 million. These provisions reflect market risk effects for commitments resulting in loans to be sold shortly after origination. Other operating expenses also include litigation-related expenses of € 144 million.

EXTRAORDINARY EXPENSES AND EXTRAORDINARY INCOME

Extraordinary expenses of € 2 million relate to subsequent charges in connection with the restructuring program announced in 2005. The extraordinary income of € 8 million relates to the release of restructuring provisions recognized in 2006.

OTHER INFORMATION

MANAGEMENT BOARD AND SUPERVISORY BOARD

The total remuneration paid to the Management Board is detailed on pages 10 to 15 of the Compensation Report. Former members of the Management Board of Deutsche Bank AG or their surviving dependants received € 33,479,343. In addition to a fixed payment of € 2,366,000 (excluding VAT, including meeting fee), the Supervisory Board received variable remuneration totaling € 3,656,084.

Provisions for pension obligations to former members of the Management Board or their surviving dependants totaled € 176,061,752.

As at December 31, 2007 the following shareholders reported a share of at least 3 % in the voting rights each pursuant to Section 21 of the German Securities Trading Act (WpHG): Barclays Bank PLC, London (3.10 % of Deutsche Bank AG's shares), AXA S.A., Paris (3.08 % of Deutsche Bank AG's shares) and UBS AG, Zurich (4.07 % of Deutsche Bank AG's shares).

At the end of 2007, loans and advances granted and contingent liabilities assumed for members of the Management Board amounted to € 2,186,400 and for members of the Supervisory Board of Deutsche Bank AG to € 1,713,528. Supervisory Board members paid back loans in 2007 totaling € 1.1 million.

The members of the Management Board and the Supervisory Board are listed on pages 55 and 56.

The List of Mandates includes all directorships held in Germany and abroad and is published in the electronic Federal Gazette. 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 reporting year was 28,013 (2006: 25,975), 10,378 of whom were women. Part-time employees are included proportionately in these figures based on their working hours. An average of 16,557 (2006: 14,295) staff members worked at branches outside Germany.

CORPORATE GOVERNANCE

The bank has issued the declaration prescribed by Section 161 AktG and made it available to its shareholders.

Frankfurt am Main, March 4, 2008

Deutsche Bank Aktiengesellschaft
The Management Board



Josef Ackermann



Hugo Bänziger



Anthony Di Iorio



Hermann-Josef Lamberti

RESPONSIBILITY STATEMENT BY THE MANAGEMENT BOARD

To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements of Deutsche Bank AG give a true and fair view of the assets, liabilities, financial position and profit or loss of Deutsche Bank AG, and the management report of Deutsche Bank AG includes a fair review of the development and performance of the business and the position of Deutsche Bank AG, together with a description of the principal opportunities and risks associated with the expected development of Deutsche Bank AG.

Frankfurt am Main, March 4, 2008



Josef Ackermann



Hugo Bänziger



Anthony Di Iorio



Hermann-Josef Lamberti

AUDITOR'S 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, 2007 to December 31, 2007. 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 § 317 HGB [„Handelsgesetzbuch“: „German Commercial Code“] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). 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 expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the 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 10, 2008

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Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft



Becker
Wirtschaftsprüfer



Bose
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Professor of International Economics
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FINANCIAL CALENDAR

2008

Apr 29, 2008	Interim Report as of March 31, 2008
May 29, 2008	Annual General Meeting in the Festhalle Frankfurt am Main (Exhibition Center)
May 30, 2008	Dividend payment
Jul 31, 2008	Interim Report as of June 30, 2008
Oct 30, 2008	Interim Report as of September 30, 2008

2009

Feb 5, 2009	Preliminary results for the 2008 financial year
Mar 24, 2009	Annual Report 2008 and Form 20-F
Apr 28, 2009	Interim Report as of March 31, 2009
May 26, 2009	Annual General Meeting in the Festhalle Frankfurt am Main (Exhibition Center)
May 27, 2009	Dividend payment
Jul 29, 2009	Interim Report as of June 30, 2009
Oct 29, 2009	Interim Report as of September 30, 2009
