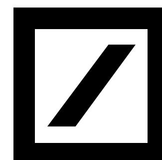
29 April 2008



Deutsche Bank Aktiengesellschaft

Registration Document

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

English Language Version

APPROVAL, PUBLICATION AND VALIDITY OF REGISTRATION DOCUMENT

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

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

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

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PERSONS RESPONSIBLE

Deutsche Bank, Frankfurt am Main, Germany, accepts responsibility for the information contained in this Registration Document. To the knowledge of Deutsche Bank the information contained in this Registration Document is correct and no material circumstances have been omitted.

STATUTORY AUDITORS

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

RISK FACTORS

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

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

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

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

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

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

S&P defines:

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

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

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

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

by Moody's:	long-term rating:	Aa1
	short-term rating:	P-1
	outlook:	stable

Moody's defines:

Aa1: Obligations rated "Aa" are judged to be of high quality and are subject to very low credit risk.

Moody's long-term obligation ratings are divided into several categories ranging from "Aaa", reflecting the highest quality with minimal credit risk, over categories "Aa", "A", "Baa", "Ba", "B", "Caa", "Ca" to category "C", reflecting the lowest rated class of bonds which are typically in default with little prospect for recovery of principal or interest. Moody's appends numerical modifiers 1, 2 and 3 to each generic rating classification from "Aa" through "Caa". The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.

P-1: Issuers rated Prime-1 have a superior ability to repay short-term debt obligations.

Moody's short-term ratings are divided into several categories ranging from "P-1", reflecting a superior ability of an Issuer to repay short-term debt obligations, over categories "P-2" and "P-3" to category "NP", reflecting that an Issuer does not fall within any of the Prime rating categories.

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

Fitch defines:

AA-: A rating of "AA" denotes a very low expectation of credit risk. It indicates a very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

Fitch's long-term ratings are divided into several major categories ranging from "AAA", reflecting the highest credit quality, over categories "AA", "A", "BBB", "BB", "B", "CCC, CC, C" to category "DDD, DD, D", reflecting that an obligor has defaulted on some or all of its obligations. A plus ("+") or minus ("–") sign may be appended to a rating to denote the relative status within major rating categories. Such suffixes are not added to the "AAA" category or to categories below "CCC".

F1+: A rating of "F1" indicates the strongest capacity for timely payment of financial commitments. It may have an added plus ("+") sign to denote any exceptionally strong credit feature.

Fitch's short-term ratings are divided into several categories ranging from "F1", reflecting the highest credit quality, over categories "F2", "F3", "B", "C" to category "D" which denotes an actual or imminent payment default.

Rating of Subordinated Obligations

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

INFORMATION ABOUT DEUTSCHE BANK

The Bank's name is Deutsche Bank Aktiengesellschaft. The Bank is registered in the Commercial Register of the District Court Frankfurt am Main under registration number HRB 30 000.

Deutsche Bank originated from the reunification of Norddeutsche Bank Aktiengesellschaft, Hamburg, Rheinisch-Westfälische Bank Aktiengesellschaft, Düsseldorf and Süddeutsche Bank Aktiengesellschaft, Munich; pursuant to the Law on the Regional Scope of Credit Institutions, these had been disincorporated in 1952 from Deutsche Bank which was founded in 1870. The merger and the name were entered in the Commercial Register of the District Court Frankfurt am Main on 2 May 1957.

Deutsche Bank is a banking institution and a stock corporation incorporated under the laws of Germany. The Bank has its registered office in Frankfurt am Main, Germany. It maintains its head office at Theodor-Heuss-Allee 70, 60486 Frankfurt am Main (telephone: +49-69-910-00).

BUSINESS OVERVIEW

Principal activities

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

Deutsche Bank maintains its head office in Frankfurt am Main and branch offices in Germany and abroad including in London, New York, Sydney, Tokyo and an Asia-Pacific Head Office in Singapore which serve as hubs for its operations in the respective regions.

Deutsche Bank operates through three group divisions, each of which is not established as a separate company but is rather operated across Deutsche Bank Group as set forth under "Organisational Structure" below:

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

- **Corporate Banking & Securities** (CB&S) comprises the following Business Divisions:
  - (i) **Global Markets** comprises all sales, trading, structuring and research in a wide range of financial products, including bonds, commodities, equities, equity-linked products, exchange-traded and OTC derivatives, foreign exchange, money market instruments, asset- and residential mortgage-backed securities and hybrid instruments. The origination, underwriting and syndication of debt and equity securities and leveraged loans is managed jointly by Global Markets and Corporate Finance.
  - (ii) **Corporate Finance** is comprised of M&A advisory, Equity Capital Markets (ECM), Leveraged Debt Capital Markets (LDCM), Commercial Real Estate (CRE), Asset Finance & Leasing (AFL)

and corporate lending services. All products and services are delivered to clients through regional and industry-based client coverage.

- **Global Transaction Banking** (GTB) is comprised of commercial banking products and services for corporate clients and financial institutions, including domestic and cross-border payments, professional risk mitigation for international trade and the provision of trust, agency, depositary, custody and related services. Business units include Cash Management for Corporates and Financial Institutions, Trade Finance and Trust & Securities Services.

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

- **Private & Business Clients** (PBC) offers banking services to private customers as well as small and medium-sized business clients in Germany and seven other countries across Europe and Asia through various channels including online access. The range of services encompasses loans, current accounts and deposits and payment services as well as securities and mutual funds and portfolio investment advisory.
- **Asset and Wealth Management** (AWM) comprises the following Business Divisions:
  (i) **Asset Management** (AM) comprises four delineated business lines: Retail, Alternatives, Institutional and Insurance. AM serves retail clients with a full range of mutual fund products and institutional clients with a fully integrated offering, from traditional asset management products through to high-value products including absolute return strategies and real estate asset management.
  (ii) **Private Wealth Management** (PWM) offers an integrated approach to wealth management to wealthy individuals and families both in the home country of the clients (onshore) and in international financial centres (offshore). Advisory services are offered in over 85 offices in more than 30 countries.

Corporate Investments (CI) covers industrial shareholdings, certain bank-occupied real estate assets and other non-strategic holdings.

Principal markets

As of 31 December 2007, Deutsche Bank operated in 76 countries and derived more than 70 % of its consolidated net revenues (before allowance for credit losses) from outside its home market in Germany.

The following table presents total net revenues (before allowance for credit losses) by geographical area. The information presented for CIB and PCAM has been classified based primarily on the location of the Group's office in which the revenues are recorded. The information for Corporate Investments and Consolidation & Adjustments is presented on a global level only, as management responsibility for these areas is held centrally.

	2007	2006
	(in € m.)	(in € m.)
Germany:		
CIB	2,921	2,265
PCAM	5,514	4,922
Total Germany	8,434	7,187
Europe, Middle East and Africa:		
CIB	7,721	6,836
PCAM	2,816	2,661
Total Europe, Middle East and Africa[1]	10,537	9,497
Americas (primarily U.S.):		
CIB	4,628	6,810
PCAM	1,331	1,350
Total Americas	5,959	8,160
Asia/Pacific:		
CIB	3,823	2,891
PCAM	468	381
Total Asia/Pacific	4,291	3,273
CI	1,517	574
Consolidation & Adjustments	7	– 197
Consolidated net revenues[2]	30,745	28,494

1 The United Kingdom accounted for more than 60% of these revenues in 2007 and 2006, respectively.

2 Consolidated total net revenues comprise interest and similar income, interest expenses and total noninterest (including net commission and fee income). Revenues are attributed to countries based on the location in which the Group's booking office is located. The location of a transaction on the Group's books is sometimes different from the location of the headquarters or other offices of a customer and different from the location of the Group's personnel who entered into or faciliated the transaction. Where the Group records a transaction involving its staff and customers and other third parties in different locations frequently depends on other considerations, such as the nature of the transaction, regulatory considerations and transactions processing considerations.

ORGANISATIONAL STRUCTURE

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

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

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

- **Deutsche Bank Trust Company Americas** (New York, United States) is a subsidiary of Taunus Corporation. Deutsche Bank Trust Company Americas is a New York State-chartered bank which originates loans and other forms of credit, accepts deposits, arranges financings and provides numerous other commercial banking and financial services.
- **Deutsche Bank Securities Inc.** (Delaware, United States) is a subsidiary of Taunus Corporation. Deutsche Bank Securities Inc. is a U. S. SEC-registered broker dealer and a member of, and regu-

lated by, the New York Stock Exchange. It is also regulated by the individual state securities authorities in the states in which it operates.

DB Capital Markets (Deutschland) GmbH (Frankfurt am Main, Germany) is a German limited liability company and operates as a holding company for a number of European subsidiaries, mainly institutional and mutual fund management companies located in Germany, Luxembourg, France, Austria, Switzerland, Italy, Poland and Russia.

- **DWS Investment GmbH** (Frankfurt am Main, Germany), in which DB Capital Markets (Deutschland) GmbH indirectly owns 100% of the equity and voting interests, is a limited liability company that operates as a mutual fund manager.

TREND INFORMATION

Statement of no Material Adverse Change

Save as disclosed herein, there has been no material adverse change in the prospects of Deutsche Bank since 31 December 2007.

Recent Developments and Outlook

On 7 February 2008, Deutsche Bank published preliminary and unaudited key figures for the fourth quarter and the full year 2007 for its consolidated group.

On 26 March 2008, Deutsche Bank published its annual report for the financial year 2007. The annual report consists of the Annual Review and the Financial Report. The Annual Review provides information about Deutsche Bank's structure, core businesses, capital market performance, human resources and social responsibility activities. The Financial Report contains the audited consolidated financial statements for the financial year 2007, which for the first time have been prepared according to International Financial Reporting Standards (IFRS). Deutsche Bank also published its annual report with non-consolidated financial statements for 2007 prepared in accordance with the German Commercial Code (HGB). The publication of Deutsche Bank's interim reports for the second and third quarter in 2008 is scheduled as follows:

Second quarter:	31 July 2008
Third quarter:	30 October 2008

The Supervisory Board and the Management Board recommend that the shareholders approve payment of a dividend of € 4.50 per share at the Annual General Meeting on 29 May 2008. This is an increase of 50 cents or 12.5% compared with the previous year.

At its meeting on 19 March 2008, Deutsche Bank's Supervisory Board appointed Stefan Krause as member of the Management Board of Deutsche Bank AG effective 1 April 2008. With effect from 1 October 2008, Stefan Krause will assume the position of Chief Financial Officer as successor to Anthony Di Iorio, who is retiring, as planned, on this date.

On 29 April 2008, the Bank published its Interim Report in respect of the first quarter 2008 in accordance with International Financial Reporting Standards (IFRS). Deutsche Bank reported a net loss of EUR 141 million, or 27 cents per share, for the first quarter of 2008, and a loss before income taxes of EUR 254 million. Markdowns of EUR 2.7 billion were recorded in respect of leveraged loans and loan commitments, commercial real estate and residential mortgage-backed securities (predominantly Alt-A). A gain of EUR 77 million arose from the widening of credit spreads on certain Deutsche Bank debt, for which the fair value option was elected. The Tier 1 capital ratio at the end of the quarter, reported under Basel II, was 9.2%.

ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

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

The Management Board consists of

Dr. Josef Ackermann	Chairman of the Management Board (Chief Executive Officer)
Dr. Hugo Bänziger	Chief Risk Officer (CRO)
Anthony Di Iorio	Chief Financial Officer (CFO)
Stefan Krause	
Hermann-Josef Lamberti	Chief Operating Officer (COO)

The Supervisory Board consists of the following 20 members:

Dr. Clemens Börsig	Chairman Frankfurt am Main
Heidrun Förster*	Deputy Chairperson Deutsche Bank Privat- und Geschäftskunden AG Berlin
Dr. Karl-Gerhard Eick	Deputy Chairman of the Board of Managing Directors of Deutsche Telekom AG Cologne
Ulrich Hartmann	Chairman of the Supervisory Board of E.ON AG Düsseldorf
Gerd Herzberg*	Deputy Chairman of ver.di Vereinte Dienstleistungsgewerkschaft Hamburg
Sabine Horn*	Deutsche Bank AG Frankfurt am Main
Rolf Hunck*	Deutsche Bank AG Seevetal
Sir Peter Job	London
Prof. Dr. Henning Kagermann	Chairman and CEO of SAP AG Hockenheim
Ulrich Kaufmann*	Chairman of the Association Council of Deutscher Bankangestellten-Verband, labour union for financial services providers Ratingen
Peter Kazmierczak*	Deutsche Bank AG Herne
Maurice Lévy	Chairman and CEO Publicis Groupe S.A. Paris
Henriette Mark*	Deutsche Bank AG Munich
Prof. Dr. jur. Dr.-Ing. E. h. Heinrich von Pierer	Erlangen

Gabriele Platscher*	Deutsche Bank Privat- und Geschäftskunden AG Braunschweig
Karin Ruck*	Deutsche Bank AG Bad Soden am Taunus
Dr. Theo Siegert	Managing Partner of de Haen Carstanjen & Söhne Düsseldorf
Tilman Todenhöfer	Managing Partner of Robert Bosch Industrietreuhand KG Stuttgart
Dipl.-Ing. Dr.-Ing. E. h. Jürgen Weber	Chairman of the Supervisory Board of Deutsche Lufthansa AG Hamburg
Leo Wunderlich*	Deutsche Bank AG Mannheim

* Elected by the staff in Germany.

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

The business address of each member of the Management Board and of the Supervisory Board of Deutsche Bank is Theodor-Heuss-Allee 70, 60486 Frankfurt am Main, Germany.

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

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

MAJOR SHAREHOLDERS

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

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

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

The German Securities Trading Act *(Wertpapierhandelsgesetz)* requires investors in publicly-traded corporations whose investments reach certain thresholds to notify both the corporation and the BAFIN of such change within four trading days. The minimum disclosure threshold is 3% of the corporation's issued voting share capital. Deutsche Bank has been notified that as of 27 November 2007 UBS AG Zurich, Switzerland, holds 4.07% Deutsche Bank shares, as of 11 January 2008 AXA S.A. Group, Paris, holds 3.31% Deutsche Bank shares, as of 25 February 2008 Barclays Global Investors UK Holding Limited, London, holds 3.09% Deutsche Bank shares and as of 10 April 2008 Deka International S.A., Luxembourg, holds 4.93% Deutsche Bank shares.

FINANCIAL INFORMATION CONCERNING DEUTSCHE BANK'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES

Historical Financial Information / Financial Statements

Deutsche Bank's consolidated financial statements for the financial years 2007 and 2006 as well as the Annual Financial Statements and Management Report of Deutsche Bank Aktiengesellschaft for the financial year 2007 are annexed to this Registration Document as Annexes 1 to 3.

The Annual Financial Statements and Management Report of Deutsche Bank Aktiengesellschaft for the financial year ended 31 December 2007 were prepared in accordance with the German Commercial Code ("**HGB**") and the Regulation on Accounting by Credit Institutions and Financial Services Institutions ("**RechKredV**"). As permitted by the HGB, Deutsche Bank's consolidated financial statements for the year ended 31 December 2006 were prepared in accordance with United Generally Accepted Accounting Principles ("**U.S. GAAP**"). Pursuant to Regulation (EC) No 1606/2002 and accompanying amendments to the HGB, the consolidated financial statements for the year ended 31 December 2007 were prepared in accordance with International Financial Reporting Standards ("**IFRS**").

Auditing of Historical Annual Financial Information

KPMG audited Deutsche Bank's consolidated financial statements as of 31 December 2007 and 2006 (Annexes 1 and 2) as well as its non-consolidated financial statements as of 31 December 2007 (Annex 3). In each case an unqualified auditor's certificate has been provided.

Interim Financial Information

Deutsche Bank's Interim Report as of 31 March 2008 is annexed to this Registration Document as Annex 4.

Legal and Arbitration Proceedings

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

IPO Allocation Litigation

Deutsche Bank Securities Inc. ("DBSI"), the Bank's U.S. broker-dealer subsidiary, and its predecessor firms, along with numerous other securities firms, have been named as defendants in over 80 putative class action lawsuits pending in the United States District Court for the Southern District of New York. These lawsuits allege violations of securities and antitrust laws in connection with the allocation of shares in a large number of initial public offerings ("IPOs") by issuers, officers and directors of issuers, and underwriters of those securities. DBSI is named in these suits as an underwriter. The securities cases allege material misstatements and omissions in registration statements and prospectuses for the IPOs and market manipulation with respect to aftermarket trading in the IPO securities. Among the allegations are that the underwriters tied the receipt of allocations of IPO shares to required aftermarket purchases by customers and to the payment of undisclosed compensation to the underwriters in the form of commissions on securities trades, and that the underwriters caused misleading analyst reports to be issued. The antitrust claims allege an illegal conspiracy to affect the stock price based on similar allegations that the underwriters required aftermarket purchases and undisclosed commissions in exchange for allocation of IPO stocks. In the securities cases, the motions to dismiss the complaints of DBSI and others were denied on February 13, 2003. Plaintiffs' motion to certify six "test" cases as class actions in the securities cases was granted on October 13, 2004. On December 5, 2006 the U.S. Court of Appeals for the Second Circuit vacated the decision and held that

the classes in the six cases, as defined, could not be certified. Plaintiffs have filed amended complaints and motions to certify classes in the six "test" cases. In the putative antitrust class action, the defendants' motion to dismiss the complaint was granted on November 3, 2003. On September 28, 2005, the U.S. Court of Appeals for the Second Circuit vacated the dismissal. On June 18, 2007, the U.S. Supreme Court reversed the Second Circuit ruling, thereby terminating the antitrust action.

Enron Litigation

Deutsche Bank AG and certain of its affiliates are collectively involved in a number of lawsuits arising out of their banking relationship with Enron Corp., its subsidiaries and certain Enron-related entities ("Enron"). These lawsuits include a class action brought on behalf of shareholders of Enron, captioned *Newby v. Enron Corp.,* which purported to allege claims against, among others, Deutsche Bank AG and certain of its affiliates under federal securities laws. On June 5, 2006, the court dismissed all of the claims in the *Newby* action against Deutsche Bank AG and its affiliates. On June 21, 2006, lead plaintiff in *Newby* filed a motion requesting the court to reconsider the dismissal of Deutsche Bank AG and its affiliates from *Newby.* On February 8, 2007, the court denied the lead plaintiff's motion for reconsideration.

Also, an adversary proceeding was brought by Enron in the bankruptcy court against, among others, Deutsche Bank AG and certain of its affiliates. In this proceeding, Enron sought damages from the Deutsche Bank entities under various common law theories, sought to avoid certain transfers to the Deutsche Bank entities as preferential or fraudulent, and sought to subordinate certain of the claims made by the Deutsche Bank entities in the Enron bankruptcy.

There are also individual actions brought in various courts by Enron investors and creditors alleging federal and state law claims against Deutsche Bank AG and certain of its affiliates.

Tax-Related Products

Deutsche Bank AG, along with certain affiliates, and current and former employees (collectively referred to as "Deutsche Bank"), have collectively been named as defendants in a number of legal proceedings brought by customers in various tax-oriented transactions. Deutsche Bank provided financial products and services to these customers, who were advised by various accounting, legal and financial advisory professionals. The customers claimed tax benefits as a result of these transactions, and the United States Internal Revenue Service has rejected those claims. In these legal proceedings, the customers allege that the professional advisors, together with Deutsche Bank, improperly misled the customers into believing that the claimed tax benefits would be upheld by the Internal Revenue Service. The legal proceedings are pending in numerous state and federal courts and in arbitration, and claims against Deutsche Bank are alleged under both U.S. state and federal law. Many of the claims against Deutsche Bank are asserted by individual customers, while others are asserted on behalf of a putative customer class. No litigation class has been certified as against Deutsche Bank. Approximately 59 legal proceedings have been resolved and dismissed with prejudice as against Deutsche Bank. Approximately 28 other legal proceedings remain pending as against Deutsche Bank and are currently at various pre-trial stages, including discovery.

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

ing financial products and services in connection with certain tax-oriented transactions provided that the Financial Institution satisfied the terms of the Deferred Prosecution Agreement. Deutsche Bank provided similar financial products and services in certain tax-oriented transactions that are the same or similar to the tax oriented transactions that are the subject of the above-referenced criminal charges. Deutsche Bank also provided financial products and services in additional tax-oriented transactions as well. DOJ's criminal investigation is ongoing.

Kirch Litigation

In May 2002, Dr. Leo Kirch personally and as an assignee of two entities of the former Kirch Group, i.e., PrintBeteiligungs GmbH and the group holding company TaurusHolding GmbH & Co. KG, initiated legal action against Dr. Breuer and Deutsche Bank AG alleging that a statement made by Dr. Breuer (then the Spokesman of Deutsche Bank AG's Management Board) in an interview with Bloomberg television on February 4, 2002, regarding the Kirch Group was in breach of laws and financially damaging to Kirch. On January 24, 2006, the German Federal Supreme Court sustained the action for the declaratory judgment only in respect of the claims assigned by PrintBeteiligungs GmbH. Such action and judgment did not require a proof of any loss caused by the statement made in the interview. PrintBeteiligungs GmbH is the only company of the Kirch Group which was a borrower of Deutsche Bank AG. Claims by Kirch personally and by TaurusHolding GmbH & Co. KG were dismissed. To be awarded a judgment for damages against Deutsche Bank AG, Dr. Kirch had to file a new lawsuit. In May 2007, Dr. Kirch filed an action as assignee of PrintBeteiligungs GmbH against Deutsche Bank AG and Dr. Breuer for the payment of approximately € 1.6 billion at the time of the filing (the amount depends, among other things, on the development of the price for the shares of Axel Springer AG) plus interest. In these proceedings he will have to prove that such statement caused financial damages to PrintBeteiligungs GmbH and the amount thereof. In the view of Deutsche Bank, the causality in respect of the basis and scope of the claimed damages has not been sufficiently substantiated in the complaint.

On December 31, 2005, KGL Pool GmbH filed a lawsuit against Deutsche Bank AG and Dr. Breuer. The lawsuit is based on alleged claims assigned from various subsidiaries of the former Kirch Group. KGL Pool GmbH seeks a declaratory judgment to the effect that Deutsche Bank AG and Dr. Breuer are jointly and severally liable for damages as a result of the interview statement and the behaviour of Deutsche Bank AG in respect of several subsidiaries of the Kirch Group. In December 2007, KGL Pool GmbH supplemented this lawsuit by a motion for payment of approximately € 2.1 billion plus interest as compensation for the purported damages which two subsidiaries of the former Kirch Group allegedly suffered as a result of the statement by Dr. Breuer. In the view of Deutsche Bank due to the lack of a relevant contractual relationship with any of these subsidiaries there is no basis for such claims, and the causality in respect of the basis and scope of the claimed damages has not been sufficiently substantiated in the complaint.

Philipp Holzmann AG

Philipp Holzmann AG ("Holzmann") was a major German construction firm which filed for insolvency in March 2002. Deutsche Bank AG had been a major creditor bank and holder of an equity interest of Holzmann for many decades, and, from April 1997 until April 2000, a former member of Deutsche Bank AG's Management Board was the Chairman of its Supervisory Board. When Holzmann had become insolvent at the end of 1999, a consortium of banks led by Deutsche Bank AG participated in late 1999 and early 2000 in a restructuring of Holzmann that included the banks' extension of a credit facility, participation in a capital increase and exchange of debt into convertible bonds. The restructuring package amounted to about € 1.6 billion, of which Deutsche Bank AG's participation was € 547 million. In March 2002, Holzmann and several of its subsidiaries, including in particular imbau Industrielles Bauen GmbH ("imbau"), filed for insolvency. As a result of these insolvencies, the administrator for Holzmann had asserted claims against Deutsche Bank AG because of its role as lender to the Holzmann group prior to and after the restructuring and as leader of the consortium of banks which supported the restructuring, including claims that amounts repaid to the banks constituted voidable preferences that should be returned and claims of lender liability resulting from the banks' support for an allegedly infeasible restructuring. Deutsche Bank AG and the other banks resolved these claims in out-of-court settlements in December 2007.

Further, several parties filed lawsuits against Deutsche Bank AG. The administrator for imbau filed a lawsuit in August 2004 alleging that payments (including interest) of € 77 million received by Deutsche Bank in respect of a loan made to imbau until 1998 and in connection with a real estate transaction that was part of the restructuring constituted voidable preferences that should be returned to the insolvent entity. Several bondholders filed a lawsuit against Deutsche Bank AG in December 2005 seeking damages of € 53 million because of Deutsche Bank's allegedly unlawful support of Holzmann's 1999/2000 restructuring. The lawsuit which Gebema N.V. had filed in 2000, seeking compensation for alleged damages of € 187 million on grounds of alleged deficiencies in the offering documents based on which Gebema N.V. had invested in equity and convertible bonds of Holzmann in 1998, was resolved amicably in October 2007.

Parmalat Litigation

Following the bankruptcy of the Italian company Parmalat, the Special Administrator of Parmalat, Mr. Enrico Bondi, is suing Deutsche Bank AG for damages totaling € 2.2 billion for facilitating the insolvency offense of delaying the filing of a petition in insolvency allegedly committed by Parmalat's former management and supervisory board. There are two separate complaints and they allege that by managing and/or underwriting the issuance of Parmalat bonds in 2003 and entering into certain derivative transactions, Deutsche Bank AG assisted Parmalat by providing liquidity in order to enable Parmalat to meet its short term liabilities/obligations. It is alleged that Deutsche Bank AG knowingly helped Parmalat to continue its business for several months until December 2003, despite being aware of the true financial situation of the company. Parmalat reserves the right to increase the amount of damages sought. The damages currently requested are, it is claimed, equal to the loss creditors of Parmalat incurred in the second half of 2003.

Also in connection with the Parmalat insolvency, Mr. Bondi has already brought two claw-back actions for a total of € 177 million against Deutsche Bank SpA.

In addition, following the Parmalat insolvency, the prosecutors in Milan conducted a criminal investigation which led to criminal indictments on charges of alleged market manipulation against various banks, including Deutsche Bank AG and Deutsche Bank SpA, and some of their employees. Trial before the Court of Milan (Second Criminal Section) commenced in January 2008.

General

Due to the nature of its business, Deutsche Bank AG and its subsidiaries are involved in litigation, arbitration and regulatory proceedings in Germany and in a number of jurisdictions outside Germany, including the United States, arising in the ordinary course of its businesses, including as specifically described above. In accordance with applicable accounting requirements, Deutsche Bank Group provides for potential losses that may arise out of contingencies, including contingencies in respect of such matters, when the potential losses are probable and estimable. Contingencies in respect of legal matters are subject to many uncertainties and the outcome of individual matters is not predictable with assurance. Significant judgment is required in assessing probability and making estimates in respect of contingencies, and Deutsche Bank Group's final liabilities may ultimately be materially different. The total liability of Deutsche Bank Group recorded in respect of litigation, arbitration and regulatory proceedings is determined on a case-by-case basis and represents an estimate of probable losses after considering, among other factors, the progress of each case, Deutsche Bank Group's experience and the experience of others in similar cases, and the opinions and views of legal counsel. Although the final resolution of any such matters could have a material effect on Deutsche Bank Group's consolidated operating results for a particular reporting period, Deutsche Bank believes that it should not materially affect its consolidated financial position. In respect of each of the matters specifically described above, most of which consists of a number of claims, it is Deutsche Bank's belief that the reasonably possible losses relating to such claim in excess of its provisions are either not material or not estimable.

Significant Change in Deutsche Bank Group's Financial Position

Save as disclosed herein, there has been no significant change in the financial position of Deutsche Bank Group since 31 March 2008.

MATERIAL CONTRACTS

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

THIRD PARTY INFORMATION AND STATEMENT BY EXPERTS AND DECLARATION OF ANY INTEREST

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

DOCUMENTS ON DISPLAY

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

Annex 1
Financial Report 2007

Deutsche Bank

THE GROUP AT A GLANCE

	2007	2006
Share price at period end	€ 89.40	€ 101.34
Share price high	€ 118.51	€ 103.29
Share price low	€ 81.33	€ 80.74
Basic earnings per share	€ 13.65	€ 12.96
Diluted earnings per share[1]	€ 13.05	€ 11.48
Average shares outstanding, in m., basic	474	468
Average shares outstanding, in m., diluted	496	521
Return on average total shareholders' equity (post tax)	18.0 %	20.4 %
Pre-tax return on average total shareholders' equity	24.3 %	28.0 %
Pre-tax return on average active equity[2]	29.2 %	32.7 %
Book value per share issued[3]	€ 69.84	€ 62.42
Book value per basic share outstanding[4]	€ 77.54	€ 69.48
Cost/income ratio[5]	69.6 %	69.7 %
Compensation ratio[6]	42.7 %	43.9 %
Non-compensation ratio[7]	26.9 %	25.8 %
	in € m.	**in € m.**
Total revenues	30,745	28,494
Provision for credit losses	612	298
Total noninterest expenses	21,384	19,857
Income before income tax expense	8,749	8,339
Net income	6,510	6,079
	Dec 31, 2007	**Dec 31, 2006**
	in € bn.	in € bn.
Total assets	2,020	1,584
Shareholders' equity	37.0	32.8
BIS core capital ratio (Tier 1)	8.6 %	8.5 %
	Number	Number
Branches	1,889	1,717
thereof in Germany	989	934
Employees (full-time equivalent)	78,291	68,849
thereof in Germany	27,779	26,401
Long-term rating		
Moody's Investors Service	Aa1	Aa3
Standard & Poor's	AA	AA–
Fitch Ratings	AA–	AA–

1 Including numerator effect of assumed conversions.

2 We calculate this adjusted measure of our return on average total shareholders equity to make it easier to compare us to our competitors. We refer to this adjusted measure as our "Pre-tax return on average active equity". However, this is not a measure of performance under IFRS and you should not compare our ratio to other companies' ratios without considering the difference in calculation of the ratios. The item for which we adjust the average shareholders' equity of € 35,888 million for 2007 and € 29,751 million for 2006 are the average unrealized net gains on assets available for sale/average fair value adjustment on cash flow hedges, net of applicable tax of € 3,841 million for 2007 and € 2,667 million for 2006 and the average dividend accruals of € 2,200 million for 2007 and € 1,615 million for 2006. The dividend payment is paid once a year following its approval by the general shareholders' meeting.

3 Book value per share issued is defined as shareholders' equity divided by the number of shares issued (both at period end).

4 Book value per basic share outstanding is defined as shareholders' equity divided by the number of basic shares outstanding (both at period end).

5 Total noninterest expenses as a percentage of total net interest income before provision for credit losses plus noninterest income.

6 Compensation and benefits as a percentage of total net interest income before provision for credit losses plus noninterest income.

7 Non-compensation noninterest expenses, which is defined as total noninterest expenses less compensation and benefits, as a percentage of total net interest income before provision for credit losses plus noninterest income.

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

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Management Report

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Management Report

The following discussion and analysis should be read in conjunction with the consolidated financial statements and the related Notes to them. Our consolidated financial statements for the years ended December 31, 2007 and 2006 have been audited by KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft that issued an unqualified opinion.

BUSINESS AND OPERATING ENVIRONMENT

OUR ORGANIZATION

Headquartered in Frankfurt am Main, Germany, we are the largest bank in Germany, and one of the largest financial institutions in Europe and the world, as measured by total assets of € 2,020 billion as of December 31, 2007. As of that date, we employed 78,291 people on a full-time equivalent basis, operating in 76 countries out of 1,889 facilities worldwide, of which 52 % were in Germany. We offer a wide variety of investment, financial and related products and services to private individuals, corporate entities and institutional clients around the world.

We are organized into three group divisions, two of which are further sub-divided into corporate divisions. As of December 31, 2007, our group divisions were:

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

These divisions are supported by infrastructure functions and our Corporate Center. Additionally, we created a regional management function that covers regional responsibilities worldwide.

We have operations or dealings with existing or potential customers in almost every country in the world. These operations and dealings include:

- subsidiaries and branches in many countries;
- representative offices in many other countries; and
- one or more representatives assigned to serve customers in almost every other country.

EXECUTIVE SUMMARY

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.

In the banking sector, the year 2007 featured two distinctively different halves. The first six months of 2007 saw the continuation of a benign environment and robust capital markets, and all of our businesses delivered strong results. Our income before income tax expense reached a record level for the first six months. In the second half of the year, however, the subprime crisis caused widespread concern, as well as increased volatility and a loss of investor confidence in the financial markets. Unexpectedly high losses reported by many market participants, and a growing uncertainty about whether further losses were forthcoming, caused the interbank, securitization, and syndicate markets to dry up. Results in our capital-markets related businesses were negatively impacted by the market conditions in the second half of 2007. These results were limited somewhat by the strength of our risk management and were in part offset by those in most other areas of CIB, as well as in PCAM and CI, highlighting the benefits of our diversified global business portfolio. Despite the particular challenges of 2007, we reported one of the best financial years in our history and increased our earnings versus 2006, while also strengthening our competitive position.

In 2007, income before income tax expense was € 8.7 billion, a 5 % increase over 2006, and revenues were € 30.7 billion, up 8 %. We reported a pre-tax return on average active equity of 29 % in 2007 and 33 % in 2006, with the decline due largely to an increase in average active equity to € 29.8 billion in 2007 versus € 25.5 billion in 2006 (pre-tax return on average shareholders' equity was 24 % and 28 %, for 2007 and 2006, respectively). In 2007, net income was € 6.5 billion, up 7 % versus 2006. Diluted earnings per share increased by 14 % to € 13.05.

Total CIB net revenues advanced by 2 % to € 19.1 billion, with increases in transaction services and advisory offsetting a decline in Origination (debt), mainly related to leveraged finance activities. Overall results from Sales & Trading businesses in CIB were flat year-on-year. Increases in our customer-oriented businesses, such as foreign exchange, money markets, rates and equities trading, offset lower results on credit trading, which were due largely to the stressed credit markets in the second half of 2007. PCAM's net revenues increased by € 814 million, largely driven by acquisition-related business and organic growth. Net revenues in CI were € 943 million above those of 2006 due mainly to gains on sales from our industrial holdings portfolio.

Our total noninterest expenses were € 21.4 billion in 2007 compared to € 19.9 billion in 2006. Compensation and benefits expenses were up 5 % due mainly to a 9,442 increase in headcount and the accelerated recognition of share-based compensation expense following a new definition of early retirement eligibility for the awards granted under the DB Equity Plan in 2007. General and administrative expenses for the year increased by 13 % due largely to the impact of acquired businesses.

In 2007, the provision for credit losses was € 612 million compared to € 298 million in 2006. The increase was due largely to acquisition-related and organic growth in PBC and a provision related to a single counterparty relationship in CIB.

The following table presents our condensed consolidated statement of income for 2007 and 2006.

			2007 increase (decrease) from 2006	
in € m. (except percentages)	**2007**	**2006**	**in €**	**in %**
Net interest income	8,849	7,008	1,841	26
Provision for credit losses	612	298	314	105
Net interest income after provision for credit losses	**8,237**	**6,710**	**1,527**	**23**
Commissions and fee income	12,289	11,195	1,094	10
Net gains (losses) on financial assets/liabilities at fair value through profit or loss	7,175	8,892	(1,717)	(19)
Net gains (losses) on financial assets available for sale	793	591	202	34
Net income (loss) from equity method investments	353	419	(66)	(16)
Other income	1,286	389	897	N/M
Total noninterest income	**21,896**	**21,486**	**410**	**2**
Total net revenues	**30,133**	**28,196**	**1,937**	**7**
Compensation and benefits	13,122	12,498	624	5
General and administrative expenses	7,954	7,069	885	13
Policyholder benefits and claims	193	67	126	188
Impairment of intangible assets	128	31	97	N/M
Restructuring activities	(13)	192	(205)	N/M
Total noninterest expenses	**21,384**	**19,857**	**1,527**	**8**
Income before income tax expense	**8,749**	**8,339**	**410**	**5**
Income tax expense	2,239	2,260	(21)	(1)
Net income	**6,510**	**6,079**	**431**	**7**
Net income attributable to minority interest	36	9	27	N/M
Net income attributable to Deutsche Bank shareholders	6,474	6,070	404	7

N/M – Not meaningful

OPERATING RESULTS

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

NET INTEREST INCOME

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

			2007 increase (decrease) from 2006	
in € m. (except percentages)	2007	2006	in €	in %
Total interest and similar income	67,706	58,275	9,431	16
Total interest expenses	58,857	51,267	7,590	15
Net interest income	**8,849**	**7,008**	**1,841**	**26**
Average interest-earning assets[1]	1,226,191	1,071,617	154,574	14
Average interest-bearing liabilities[1]	1,150,051	1,005,133	144,918	14
Gross interest yield[2]	5.52 %	5.44 %	0.08 ppt	1
Gross interest rate paid[3]	5.12 %	5.10 %	0.02 ppt	–
Net interest spread[4]	0.40 %	0.34 %	0.06 ppt	18
Net interest margin[5]	0.72 %	0.65 %	0.07 ppt	11

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

Net interest income in 2007 was € 8.8 billion, an increase of € 1.8 billion, or 26 %, from 2006. Average interest-bearing volumes of assets and liabilities increased by € 154.6 billion and € 144.9 billion respectively, the overall net interest spread widened by 6 basis points and our net interest margin rose by 7 basis points. Much of the increase in net interest income was related to Sales & Trading (debt) activity and was largely offset by decreased net gains (losses) on financial assets/liabilities at fair value through profit or loss from related activity. Interest income from loans increased year-on-year along with higher rates and volumes of our average loans outstanding, partly resulting from the acquisition of Berliner Bank and norisbank. Our overall funding costs rose slightly by 2 basis points, mainly reflecting increased rates on customer deposits and longer-term funding.

The development of our net interest income is also impacted by the accounting treatment of some of our hedging-related derivative transactions. We enter into nontrading derivative transactions primarily as economic hedges of the interest rate risks of our nontrading interest-earning assets and interest-bearing liabilities. Some of these derivatives qualify as hedges for accounting purposes while others do not. When derivative transactions qualify as hedges of interest rate risks for accounting purposes, the interest arising from the derivatives is reported in interest income and expense, where it offsets interest flows from the hedged items. When derivatives do not qualify for hedge accounting treatment, the interest flows that arise from those derivatives will appear in trading income.

NET GAINS (LOSSES) ON FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

The following table sets forth data related to our Net gains (losses) on financial assets/liabilities at fair value through profit or loss.

			2007 increase (decrease) from 2006	
in € m. (except percentages)	2007	2006	in €	in %
CIB – Sales & Trading (equity)	3,335	2,441	894	37
CIB – Sales & Trading (debt and other products)	3,858	5,919	(2,061)	(35)
Other	(18)	531	(549)	N/M
Total net gains (losses) on financial assets/liabilities at fair value through profit or loss	**7,175**	**8,892**	**(1,717)**	**(19)**

N/M – Not meaningful

Net gains (losses) on financial assets/liabilities at fair value through profit or loss from CIB – Sales & Trading (debt and other products) decreased by € 2.1 billion, or 35 %. This development was primarily driven by a weaker performance in our credit trading businesses given exceptionally challenging markets in the second half of 2007. The increase in net gains (losses) on financial assets/liabilities at fair value through profit or loss from Sales & Trading (equity), which was partially offset in net interest income from trading activities as described below, reflected significant improvements across our customer-driven businesses. The main contributors to the decrease in Other net gains (losses) on financial assets/liabilities at fair value through profit or loss were mark-to-market losses (net of fees and gains on sales) on leveraged loans and loan commitments in 2007 as a consequence of the difficulties in the leveraged finance markets.

Our trading and risk management businesses include significant activities in interest rate instruments and related derivatives. Under IFRS, interest and similar income earned from trading instruments and financial instruments designated at fair value through profit or loss (e.g. coupon and dividend income), and the costs of funding net trading positions are part of net interest income. Our trading activities can periodically shift income between net interest income and net gains (losses) of financial assets/liabilities at fair value through profit or loss depending on a variety of factors, including risk management strategies. In order to provide a more business-focused commentary, we disclose net interest income and net gains (losses) of financial assets/liabilities at fair value through profit or loss by group division and by product within the Corporate and Investment Bank, rather than by type of income generated.

NET INTEREST INCOME AND NET GAINS (LOSSES) ON FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

The following table sets forth data relating to our combined net interest income and net gains (losses) on financial assets/liabilities at fair value through profit or loss by group division and product within the Corporate and Investment Bank.

			2007 increase (decrease) from 2006	
in € m. (except percentages)	2007	2006	in €	in %
Net interest income	8,849	7,008	1,841	26
Total net gains (losses) on financial assets/liabilities at fair value through profit or loss	7,175	8,892	(1,717)	(19)
Total net interest income and net gains (losses) on financial assets/liabilities at fair value through profit or loss	**16,024**	**15,900**	**124**	**1**
Breakdown by Group Division/CIB product[1]:				
Sales & Trading (equity)	3,117	2,613	504	19
Sales & Trading (debt and other products)	7,483	8,130	(648)	(8)
Total Sales & Trading	10,600	10,743	(144)	(1)
Loan products[2]	499	490	9	2
Transaction services	1,297	1,074	223	21
Remaining products[3]	(118)	435	(554)	N/M
Total Corporate and Investment Bank	12,278	12,743	(465)	(4)
Private Clients and Asset Management	3,529	3,071	457	15
Corporate Investments	157	3	154	N/M
Consolidation & Adjustments	61	83	(22)	(27)
Total net interest income and net gains (losses) on financial assets/liabilities at fair value through profit or loss	**16,024**	**15,900**	**124**	**1**

N/M – Not meaningful

1 Note that this breakdown reflects net interest income and net gains (losses) on financial assets/liabilities at fair value through profit or loss only. For a discussion of the group divisions' total revenues by product please refer to "Results of Operations by Segment".

2 Includes the net interest spread on loans as well as the fair value changes of credit default swaps and loans designated at fair value through profit or loss.

3 Includes net interest income and net gains (losses) on financial assets/liabilities at fair value through profit or loss of origination, advisory and other products.

CORPORATE AND INVESTMENT BANK (CIB). Combined net interest income and net gains (losses) on financial assets/liabilities at fair value through profit or loss from sales and trading products were € 10.6 billion in 2007, a decrease of € 144 million, or 1 %. This development reflects the aforementioned difficult market situation for our credit trading businesses in Sales & Trading (debt and other products) during the second half of 2007 as well as improvements across customer-driven businesses in Sales & Trading (equity). The increase of € 223 million, or 21 %, in Transaction services was due to higher customer balances along with a growth in payment volumes from Cash Management and new client mandates in domestic custody products. Mark-to-market losses on leveraged loans and loan commitments were the main drivers of the decrease in Remaining products.

PRIVATE CLIENTS AND ASSET MANAGEMENT (PCAM). Combined net interest income and net gains (losses) on financial assets/liabilities at fair value through profit or loss were € 3.5 billion in 2007. Berliner Bank and norisbank together with higher volumes from organic business expansion were the main contributors to the increase of € 457 million, or 15 %, compared to 2006.

CORPORATE INVESTMENTS (CI). Combined net interest income and net gains (losses) on financial assets/liabilities at fair value through profit or loss increased € 154 million, primarily reflecting mark-to-market gains from our option to increase our shareholding in Hua Xia Bank in China.

PROVISION FOR CREDIT LOSSES

Provision for credit losses was € 612 million in 2007, compared to € 298 million in 2006. This reflects net charges of € 109 million in CIB (including a significant provision taken on a single counterparty relationship partly offset by releases), compared to net releases of € 94 million in 2006, and a 28 % increase in PCAM's provisions to € 501 million, driven predominantly by provisions in PBC.

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

REMAINING NONINTEREST INCOME

			2007 increase (decrease) from 2006	
in € m. (except percentages)	2007	2006	in €	in %
Commissions and fee income[1]	12,289	11,195	1,094	10
Net gains (losses) on financial assets available for sale	793	591	202	34
Net income (loss) from equity method investments	353	419	(66)	(16)
Other income	1,286	389	897	N/M
Total remaining noninterest income	**14,721**	**12,594**	**2,127**	**17**

N/M – Not meaningful

1 Includes

	2007	2006	in €	in %
Commissions and fees from fiduciary activities:				
Commissions for administration	427	436	(9)	(2)
Commissions for assets under management	3,376	3,293	83	3
Commissions for other securities business	162	182	(20)	(11)
Total	**3,965**	**3,911**	**54**	**1**
Commissions, broker's fees, markups on securities underwriting and other securities activities:				
Underwriting and advisory fees	2,515	2,220	295	13
Brokerage fees	2,982	2,489	493	20
Total	**5,497**	**4,709**	**788**	**17**
Fees for other customer services	2,827	2,575	252	10
Total commissions and fee income	**12,289**	**11,195**	**1,094**	**10**

COMMISSIONS AND FEE INCOME. Total 2007 commissions and fee income was € 12.3 billion, an increase of € 1.1 billion, or 10 %, compared with 2006. Commissions and fees from fiduciary activities increased € 54 million compared to the prior year. Underwriting and advisory fees increased by € 295 million, mainly attributable to CIB's Advisory products. Brokerage fees were up € 493 million with CIB's Sales & Trading (equity) products having a significant impact, mainly driven by increased volumes and market activity in Asia. Fees for other customer services increased € 252 million, driven by increases in Sales & Trading (equity) in CIB as well as in PBC Germany.

NET GAINS (LOSSES) ON FINANCIAL ASSETS AVAILABLE FOR SALE. Total net gains on financial assets available for sale were € 793 million in 2007, up € 202 million, or 34 %, compared to 2006. The 2007 result was primarily attributable to disposal gains of € 626 million related to CI's industrial holdings portfolio, of which the most significant were gains from the reduction of our stakes in Allianz SE and Linde AG, and from the disposal of our investment in Fiat S.p.A. Gains in CIB's sales and trading areas were offset by impairment charges. The 2006 result was mainly attributable to CIB's Sales & Trading areas as well as to net gains in CI, of which the most significant was a gain of € 92 million related to the partial sale of our stake in Linde AG.

NET INCOME (LOSS) FROM EQUITY METHOD INVESTMENTS. Net income from our equity method investments was € 353 million and € 419 million in 2007 and 2006, respectively. The key contributors in 2007 were in CI and the RREEF Alternative Investments business in AM. CI's income in 2007 was driven by a gain of € 178 million from our investment in Deutsche Interhotel Holding GmbH & Co. KG (which also triggered an impairment review of CI's goodwill, resulting in an impairment charge of € 54 million). A gain of € 131 million from the sale of our remaining holding in EUROHYPO AG contributed significantly to CI's 2006 equity method income.

OTHER INCOME. Total other income was € 1.3 billion in 2007, an increase of € 898 million compared to 2006, resulting mainly from the sale and leaseback transaction of our premises at 60 Wall Street, higher revenues from consolidated investments and higher insurance premiums as a result of the Abbey Life Assurance Company Limited acquisition.

NONINTEREST EXPENSES

The following table sets forth information on our noninterest expenses.

			2007 increase (decrease) from 2006	
in € m. (except percentages)	2007	2006	in €	in %
Compensation and benefits	13,122	12,498	624	5
General and administrative expenses[1]	7,954	7,069	885	13
Policyholder benefits and claims	193	67	126	188
Impairment of intangible assets	128	31	97	N/M
Restructuring activities	(13)	192	(205)	N/M
Total noninterest expenses	**21,384**	**19,857**	**1,527**	**8**

N/M – Not meaningful

1 Includes:

	2007	2006	in €	in %
IT costs	1,867	1,585	282	18
Occupancy, furniture and equipment expenses	1,347	1,198	149	12
Professional service fees	1,257	1,203	54	4
Communication and data services	680	634	46	7
Travel and representation expenses	539	503	36	7
Payment, clearing and custodian services	437	431	6	1
Marketing expenses	411	365	46	13
Other expenses	1,416	1,150	266	23
Total general and administrative expenses	7,954	7,069	885	13

COMPENSATION AND BENEFITS. The increase of € 624 million, or 5 %, in 2007 compared to 2006 was mainly driven by higher salary expenses, partly resulting from a rise in staff of 9,442 (on a full-time equivalent basis), and accelerated recognition of share-based compensation expense following a new definition of early retirement eligibility for the awards granted under the DB Equity Plan in 2007. Also contributing to the increase were higher severance payments, which were up € 72 million in 2007.

GENERAL AND ADMINISTRATIVE EXPENSES. General and administrative expenses in 2007 were € 885 million, or 13 %, higher than in 2006 due mainly to business growth, primarily reflected in IT costs and occupancy expenses. The increase of € 266 million in “Other expenses” was largely attributable to a provision release related to grundbesitz-invest, our German open-ended real estate fund, in the prior year. In addition, expenses increased due to the consolidation of an infrastructure investment intended for a RREEF fund during 2007, which was partly offset in other income.

POLICYHOLDER BENEFITS AND CLAIMS. The € 126 million, or 188 %, rise in the current year resulted primarily from our acquisition of Abbey Life Assurance Company Limited in the fourth quarter 2007. These expenses are mainly offset by related net gains (losses) on financial assets/liabilities at fair value through profit or loss and by insurance premium revenues.

IMPAIRMENT OF INTANGIBLE ASSETS. 2007 included an impairment of € 74 million on non-amortizing intangible assets in AM and a goodwill impairment charge of € 54 million in CI. In 2006, CI incurred a goodwill impairment charge of € 31 million related to a fully consolidated private equity investment.

RESTRUCTURING ACTIVITIES. The Business Realignment Program was completed and remaining provisions of € 13 million were released in 2007, compared to charges of € 192 million in 2006.

INCOME TAX EXPENSE

Income tax expense was € 2.2 billion in 2007 compared to € 2.3 billion in 2006. The tax expense in 2007 was primarily reduced by the effects of the German tax reform, utilization of capital losses, successful resolution of outstanding tax matters, recoverable taxes subsequent to decisions of the Court of Justice of the European Communities regarding the non-conformity of certain German tax provisions with the European Community Law, and claims relating to current and prior years. In 2006, the tax expense was primarily reduced by the effect of a German tax law change for the refund of prior years’ distribution tax credits, which resulted in the accelerated recognition of corporate tax credits and the settlement of tax audits at favorable terms. The actual effective tax rates were 25.6 % in 2007 and 27.1 % in 2006.

RESULTS OF OPERATIONS BY SEGMENT

The following is a discussion of the results of our business segments. See Note [2] to the consolidated financial statements for information regarding

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

The criterion for segmentation into divisions is our organizational structure as it existed at December 31, 2007. Segment results were prepared in accordance with our management reporting systems.

2007 in € m. (except percentages)	Corporate and Investment Bank	Private Clients and Asset Management	Corporate Investments	Total Management Reporting	Consolidation & Adjustments	Total Consolidated
Net revenues	**19,092**	**10,129**	**1,517**	**30,738**	**7**	**30,745**[1]
Provision for credit losses	**109**	**501**	**3**	**613**	**(1)**	**612**
Total noninterest expenses	**13,802**	**7,561**	**220**	**21,583**	**(200)**	**21,384**
therein:						
Policyholder benefits and claims	116	73	–	188	5	193
Impairment of intangible assets	–	74	54	128	–	128
Restructuring activities	(4)	(9)	(0)	(13)	–	(13)
Minority interest	**34**	**8**	**(5)**	**37**	**(37)**	**–**
Income (loss) before income tax expense	**5,147**	**2,059**	**1,299**	**8,505**	**244**	**8,749**
Cost/income ratio	72 %	75 %	15 %	70 %	N/M	70 %
Assets[2]	1,895,756	156,391	13,002	2,011,654	8,695	2,020,349
Average active equity[3]	20,714	8,539	473	29,725	121	29,846
Pre-tax return on average active equity[4]	25 %	24 %	N/M	29 %	N/M	29 %

N/M – Not meaningful

1 Includes gain from the sale of industrial holdings (Fiat S.p.A., Linde AG and Allianz SE) of € 514 million, income from equity method investments (Deutsche Interhotel Holding GmbH & Co. KG) of € 178 million, and gains from the sale of premises (sale/leaseback transaction of 60 Wall Street) of € 317 million, which are excluded from our target definition.

2 The sum of corporate divisions does not necessarily equal the total of the corresponding group division because of consolidation items between corporate divisions, which are to be eliminated on group division level. The same approach holds true for the sum of group divisions compared to 'Total Consolidated'.

3 For management reporting purposes goodwill and other intangible assets with indefinite lives are explicitly assigned to the respective divisions. Average active equity is first allocated to divisions according to goodwill and intangible assets; remaining average active equity is allocated to divisions in proportion to the economic capital calculated for them.

4 For the calculation of pre-tax return on average equity please refer to Note [2]. For 'Total consolidated', pre-tax return on average shareholders' equity is 24 %.

2006 in € m. (except percentages)	Corporate and Investment Bank	Private Clients and Asset Management	Corporate Investments	Total Management Reporting	Consolidation & Adjustments	Total Consolidated
Net revenues	**18,802**	**9,315**	**574**	**28,691**	**(197)**	**28,494[1]**
Provision for credit losses	**(94)**	**391**	**2**	**298**	**(0)**	**298**
Total noninterest expenses	**12,789**	**7,000**	**214**	**20,003**	**(147)**	**19,857**
therein:						
Policyholder benefits and claims	–	63	–	63	4	67
Impairment of intangible assets	–	–	31	31	–	31
Restructuring activities	99	91	1	192	–	192
Minority interest	**23**	**(11)**	**(3)**	**10**	**(10)**	**–**
Income (loss) before income tax expense	**6,084**	**1,935**	**361**	**8,380**	**(41)**	**8,339**
Cost/income ratio	68 %	75 %	37 %	70 %	N/M	70 %
Assets[2]	1,468,321	130,642	17,783	1,576,714	7,779	1,584,493
Average active equity[3]	17,105	7,206	1,057	25,368	100	25,468
Pre-tax return on average active equity[4]	36 %	27 %	34 %	33 %	N/M	33 %

N/M – Not meaningful

1 Includes gain from the sale of the bank's remaining holding in EUROHYPO AG of € 131 million, gains from the sale of industrial holdings (Linde AG) of € 92 million, and a settlement of insurance claims in respect of business interruption losses and costs related to the terrorist attacks of September 11, 2001 of € 125 million, which are excluded from our target definition.

2 The sum of corporate divisions does not necessarily equal the total of the corresponding group division because of consolidation items between corporate divisions, which are to be eliminated on group division level. The same approach holds true for the sum of group divisions compared to 'Total Consolidated'.

3 For management reporting purposes goodwill and other intangible assets with indefinite lives are explicitly assigned to the respective divisions. Average active equity is first allocated to divisions according to goodwill and intangible assets; remaining average active equity is allocated to divisions in proportion to the economic capital calculated for them.

4 For the calculation of pre-tax return on average equity please refer to Note [2]. For 'Total consolidated' pre-tax return on average total shareholders' equity is 28 %.

GROUP DIVISIONS

CORPORATE AND INVESTMENT BANK GROUP DIVISION

The following table sets forth the results of our Corporate and Investment Bank Group Division for the years ended December 31, 2007 and 2006, in accordance with our management reporting systems.

in € m. (except percentages)	2007	2006
Net revenues:		
Sales & Trading (equity)	4,613	4,039
Sales & Trading (debt and other products)	8,407	9,016
Origination (equity)	861	760
Origination (debt)	714	1,331
Advisory	1,089	800
Loan products	974	946
Transaction services	2,585	2,228
Other products	(151)	(318)
Total net revenues	**19,092**	**18,802**
therein: Net interest income and net gains (losses) on financial assets/liabilities at fair value through profit or loss	12,278	12,743
Provision for credit losses	**109**	**(94)**
Total noninterest expenses	**13,802**	**12,789**
therein:		
Policyholder benefits and claims	116	–
Impairment of intangible assets	–	–
Restructuring activities	(4)	99
Minority interest	**34**	**23**
Income (loss) before income tax expense	**5,147**	**6,084**
Cost/income ratio	72 %	68 %
Assets	1,895,756	1,468,321
Average active equity[1]	20,714	17,105
Pre-tax return on average active equity	25 %	36 %

1 See Note [2] to the consolidated financial statements for a description of how average active equity is allocated to the divisions.

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

CORPORATE BANKING & SECURITIES CORPORATE DIVISION

The following table sets forth the results of our Corporate Banking & Securities Corporate Division for the years ended December 31, 2007 and 2006, in accordance with our management reporting systems.

in € m. (except percentages)	2007	2006
Net revenues:		
Sales & Trading (equity)	4,613	4,039
Sales & Trading (debt and other products)	8,407	9,016
Origination (equity)	861	760
Origination (debt)	714	1,331
Advisory	1,089	800
Loan products	974	946
Other products	(151)	(318)
Total net revenues	**16,507**	**16,574**
Provision for credit losses	**102**	**(65)**
Total noninterest expenses	**12,169**	**11,236**
therein:		
Policyholder benefits and claims	116	–
Impairment of intangible assets	–	–
Restructuring activities	(4)	77
Minority interest	**34**	**23**
Income (loss) before income tax expense	**4,201**	**5,379**
Cost/income ratio	74 %	68 %
Assets	1,881,638	1,459,190
Average active equity[1]	19,619	16,041
Pre-tax return on average active equity	21 %	34 %

1 See Note [2] to the consolidated financial statements for a description of how average active equity is allocated to the divisions.

Net revenues of € 16.5 billion in 2007 were marginally lower than in 2006. Higher revenues from our more mature “flow” businesses were offset by write-downs and mark-to-market losses in the third quarter in some Sales & Trading areas and in Leveraged Finance on loans and loan commitments, which are described below. Income before income taxes decreased by € 1.2 billion, or 22 %, to € 4.2 billion for the year ended December 31, 2007. The reduction was mainly attributable to an increase in noninterest expenses resulting from higher staff levels and an increase in provision for credit losses.

Sales & Trading (debt and other products) revenues were € 8.4 billion in 2007, a decrease of € 609 million, or 7 %, compared to 2006. Sales & Trading (equity) revenues were a record € 4.6 billion, € 574 million, or 14 %, higher than in 2006.

Sales and Trading results for the entire year were comparable to those of 2006 despite the exceptionally challenging markets of the second half of 2007.

During the third and fourth quarters of 2007, fears of further U.S. homeowner delinquencies on subprime loans led to a significant deterioration in the subprime-related and other credit markets. The effect of this, in some cases, caused spreads to widen and liquidity levels to decline.

During this difficult period, we reported relatively lower losses than some of our competitors in our Collateralized Debt Obligations (CDO) and U.S. residential mortgage businesses, despite the investment banking industry facing substantial problems in both sectors. This was due to the relative size of our exposure, protection purchased and significant sales activity.

In the third quarter of 2007, we announced losses of € 1.6 billion related to relative value trading (both debt and equity), CDO correlation trading and Residential Mortgage-Backed Securities (RMBS). Of this amount, € 726 million related to CDO correlation and RMBS and was principally driven by exposure to positions linked to subprime residential mortgages. In the fourth quarter of 2007, the CDO and RMBS businesses produced an overall net positive result after factoring in gains from hedges.

Elsewhere, CB&S benefited from the scale and diversity of its Global Markets platform, particularly its leadership in products such as foreign exchange, interest rates and money markets and its strong position in emerging markets, which helped to offset a weaker performance in our credit trading businesses. Customer-driven business remains the predominant source of CB&S' Sales & Trading revenues. Designated proprietary trading gains were lower compared to 2006, in both absolute terms and as a percentage of net revenues, having been negatively affected by the market dislocations occurring in the second half of the year.

Revenues from Origination and Advisory of € 2.7 billion were € 226 million, or 8 %, lower than in 2006. The reduction in revenue year-on-year arose principally from the deterioration in the market for private equity leveraged loans and financing as part of the overall dislocation of credit markets experienced in the second half of the year. Mark-to-market losses of € 759 million (excluding fees and hedges, € 1.4 billion) were taken against leveraged finance loans and loan commitments during 2007.

Revenues from Loan products were € 1.0 billion, an increase of € 28 million, or 3 %, from 2006, due to gains on sales of equity from restructured loans, which were partly offset by the application of the fair value option to an increased level of new lending activity.

Revenues from Other products were a loss of € 151 million, an improvement of € 167 million versus 2006, primarily driven by higher revenues following our acquisition of Abbey Life Assurance Company Limited in the fourth quarter 2007, which were offset in noninterest expenses within policyholder benefits and claims.

The provision for credit losses resulted in a net charge of € 102 million in 2007, compared to a net release of € 65 million in 2006, driven primarily by a provision taken on a single counterparty relationship.

Noninterest expenses in 2007 were € 12.2 billion, an increase of € 933 million, or 8 %, versus 2006, largely due to increased staff levels, accelerated recognition of share-based compensation expense, the impact of acquisitions and higher business volumes.

The ongoing dislocations in the credit market and a lack of adequate liquidity may continue to impact our remaining risk positions in a number of our key businesses within CB&S, primarily those relating to credit structuring, leveraged finance and commercial real estate. The following paragraphs summarize these exposures as of the end of 2007.

KEY EXPOSURES OF CDO TRADING AND ORIGINATION BUSINESSES: The activities of the Group's CDO trading and origination businesses span multiple asset classes. Managing our remaining exposure to the U.S. subprime residential mortgage market continues to be a particular focus.

The following table outlines our overall U.S. subprime residential mortgage-related exposures in our CDO trading businesses as of December 31, 2007.

CDO subprime exposure – Trading in € m.	**Subprime ABS CDO gross exposure Dec 31, 2007**	**Hedges and other protection purchased Dec 31, 2007**	**Subprime ABS CDO net exposure Dec 31, 2007**
Super Senior tranches:			
Underlying collateral type: High Grade	–	–	–
Underlying collateral type: Mezzanine	1,778	(938)	840
Total Super Senior tranches	**1,778**	**(938)**	**840**
Mezzanine tranches	1,086	(922)	164
Total Super Senior and Mezzanine tranches	**2,864**	**(1,860)**	**1,004**
Other net subprime-related exposure held by CDO businesses			186
Total net subprime exposure in CDO businesses			**1,190**

Net exposure represents our potential loss as of December 31, 2007 in the event of a 100 % default of subprime securities and related ABS CDO, assuming zero recovery. It is not an indication of our trading position as of that date. The net exposure above is an aggregated view of all positions linked to the U.S. subprime residential mortgage market. The various gross components of our overall net exposure shown above represent different vintages, locations, credit ratings and other market-sensitive factors. Therefore, while the overall numbers above provide a view of the absolute levels of our exposure to an extreme market movement, actual future profits and losses will depend on actual market movements, relative price movements between different components of our positions and our ability to adjust hedges in these circumstances.

In the course of their activities, our CDO businesses will also take exposure to non-subprime residential mortgages (including Alt-A) and to other asset classes, including commercial mortgages, trust preferred securities, and collateralized loan obligations. These exposures are typically hedged through transactions arranged with other market participants or through other related market instruments.

In addition to our trading-related exposure, the table below summarizes our exposure to U.S. subprime ABS CDOs held within our "Available for Sale" category. These exposures arise from asset financing activities. Our potential economic exposure is hedged by additional short positions in our trading book. In our 2007 results, we have recorded charges of € 207 million against these positions.

CDO subprime exposure – Available for Sale in € m.	Exposure Dec 31, 2007
Available for Sale	499
Short positions on trading book	(446)
Total net CDO subprime exposure	**53**

OTHER U.S. MORTGAGE BUSINESS EXPOSURE: We also have ongoing exposure to the U.S. residential mortgage market through our trading, origination and securitization businesses in residential mortgages. These are summarized below, which does not include agency CMOs and agency eligible loans.

Other U.S. Mortgage business exposure in € m.	Exposure Dec 31, 2007
Alt-A	7,908
Subprime	216
Other	1,679
Total other U.S. residential Mortgage gross assets	**9,803**
Hedges and other protection purchased	(7,592)
Trading related net positions	803
Total net other U.S. Mortgage business exposure	**3,014**

In the table above, our total net exposure is defined as the market value of the gross exposure on RMBS bonds, loans and portions of loans, less the value of protection provided by the associated hedges. The trading-related positions arise from our market-making and secondary activities in credit-sensitive U.S. mortgage markets. Hedges consist of a number of different market instruments, including single-name CDS contracts with market counterparties, protection provided by monoline insurers and index-based contracts. The comments made above in relation to CDOs regarding ongoing exposure to absolute and relative market movements therefore also apply to this portfolio.

MONOLINE EXPOSURE: The deterioration of the U.S. subprime mortgage market has generated large exposures for financial guarantors, such as monoline insurers, that have insured or guaranteed the value of pools of collateral referenced by CDOs and other market-traded securities. This has led to some uncertainty as to whether the ultimate liabilities of monoline insurers to banks and other buyers of protection will be met and may, in some cases, lead to a ratings downgrade of those insurers.

The following table summarizes our net counterparty exposures to monoline insurers with respect to residential mortgage-related activity, as of December 31, 2007, on the basis of the mark-to-market value of the assets compared with the face value guaranteed or underwritten by monoline insurers.

Monoline exposure related to U.S. residential Mortgages in € m.	Market value of bought protection Dec 31, 2007
Super Senior ABS CDO	805
Other subprime	69
Alt-A	229
Total value of bought CDS protection	**1,103**

A proportion of this mark-to-market exposure has been mitigated with CDS protection arranged with other market counterparties and other economic hedge activity.

As of December 31, 2007, we had made credit valuation adjustments of € 82 million against these exposures, including a full provision against our exposure to one monoline counterparty. The credit valuation adjustments are based on a name-by-name assessment of credit worthiness.

In addition to the residential mortgage-related activities shown in the table above, we have other exposures of € 1.2 billion as of December 31, 2007, related to net counterparty exposure to monoline insurers, based on the mark-to-market value of other insured assets. These arise from a range of client activity, including financing of collateralized loan obligations, commercial mortgage-backed securities, trust preferred securities, student loans and public sector or municipal debt.

COMMERCIAL REAL ESTATE EXPOSURE: In conducting its activities, our Commercial Real Estate business takes positions in whole loans, assets held for securitization and commercial mortgage-backed securities. The following is a summary of our gross exposure to loans and loan securities secured in part or whole on commercial property or commercial mortgage pools as of December 31, 2007.

Commercial Real Estate Exposure in € m.	Gross Exposure Dec 31, 2007
Funded positions	15,999
Unfunded commitments	1,166
Total Commercial Real Estate Exposure	**17,165**
Of which:	
North America	8,366
Europe	8,799
(of which Germany € 6,873 m)	

Mark-to-market write-downs of loans and loan commitments in € m.	2007
Net mark-to-market losses excluding hedges	(386)
Gross mark-to-market losses excluding fees and hedges	(558)

Mark-to-market losses as of December 31, 2007 arose primarily from the illiquid market conditions that developed during the second half of 2007, which impacted our ability to securitize commercial real estate loans. The impact of these losses on our reported income was to some extent mitigated by the results of related hedge activity, and overall, the Commercial Real Estate business was profitable in 2007. Subsequent to December 31, 2007, there has been further widening in credit spreads for commercial real estate loans that, if sustained, could result in additional write-downs for loans that remain unsold, which may not be fully mitigated by offsetting hedge activity or by the realization of property or mortgage assets securing the exposures. These are described in more detail in the Risk Report.

LEVERAGED FINANCE EXPOSURE: The following is a summary of our exposures to leveraged loan and other financing commitments arising from the activities of our Leveraged Finance business. These activities include private equity transactions and other buyout arrangements. Also shown are the write-downs taken against these loans and loan commitments as of December 31, 2007.

Leveraged Finance Exposure in € m.	**Gross Exposure** **Dec 31, 2007**
Funded positions	15,317
Unfunded commitments	20,897
Total Leveraged Finance exposure	**36,214**
Of which:	
North America	26,620
Europe	8,959
Asia/Pacific	635

Mark-to-market write-downs of loans and loan commitments in € m.	**2007**
Net write-downs in 2007 excluding hedges	(759)
Gross write-downs excluding fees and hedges on Dec 31 loans and commitments	(1,351)

Of these commitments, € 1.3 billion has been accounted for on an amortized cost basis with the balance of € 34.9 billion accounted for at fair value.

Challenging market conditions for leveraged financing activities have continued in the early part of 2008 and it is likely that our leveraged lending commitments will require further write-downs if market conditions fail to improve. Valuations will also be impacted if commitments are renegotiated or if acquisition transactions fail to close.

GLOBAL TRANSACTION BANKING CORPORATE DIVISION

The following table sets forth the results of our Global Transaction Banking Corporate Division for the years ended December 31, 2007 and 2006, in accordance with our management reporting systems.

in € m. (except percentages)	2007	2006
Net revenues:		
Transaction services	2,585	2,228
Other products	–	–
Total net revenues	**2,585**	**2,228**
Provision for credit losses	**7**	**(29)**
Total noninterest expenses	**1,633**	**1,552**
therein:		
Policyholder benefits and claims	–	–
Impairment of intangible assets	–	–
Restructuring activities	(1)	22
Minority interest	**–**	**–**
Income (loss) before income tax expense	**945**	**705**
Cost/income ratio	63 %	70 %
Assets	32,083	25,646
Average active equity[1]	1,095	1,064
Pre-tax return on average active equity	86 %	66 %

1 See Note [2] to the consolidated financial statements for a description of how average active equity is allocated to the divisions.

Income before income tax expense increased by 34 %, or € 241 million, to a record € 945 million for the year ended December 31, 2007. This development was based on double-digit profit growth in all geographic regions.

Net revenues increased by 16 % to € 2.6 billion in 2007. The significant rise of € 357 million compared to 2006 was derived in all regions. All products achieved a double-digit revenue growth. Cash Management grew substantially due to increased customer balances and a strong increase in payment volumes. This reflected the continued tendency of banks and corporates to consolidate to fewer banking counterparties, as well as the Single Euro Payments Area (SEPA) initiative and new Cash Management capabilities in emerging markets, such as Brazil, Russia and Turkey. Revenue growth in Trade Finance products was predominantly driven by strong business activity in the EMEA region. Trust & Securities Services grew in Asia/Pacific and EMEA, particularly due to increased asset inflows and significant new client mandates in domestic custody.

The provision for credit losses amounted to a net charge of € 7 million in 2007, compared to a net release of € 29 million for 2006.

Noninterest expenses of € 1.6 billion increased by 5 %, or € 80 million, from 2006, mainly reflecting higher staff levels, performance-related compensation, and transaction-related costs in support of increased business volumes.

PRIVATE CLIENTS AND ASSET MANAGEMENT GROUP DIVISION

The following table sets forth the results of our Private Clients and Asset Management Group Division for the years ended December 31, 2007 and 2006, in accordance with our management reporting systems.

in € m. (except where indicated)	2007	2006
Net revenues:		
Portfolio/fund management	3,062	3,089
Brokerage	2,172	1,910
Loan/deposit	3,173	2,774
Payments, account & remaining financial services	979	899
Other products	742	643
Total net revenues	**10,129**	**9,315**
therein: Net interest income and net gains (losses) on financial assets/liabilities at fair value through profit or loss	3,529	3,071
Provision for credit losses	**501**	**391**
Total noninterest expenses	**7,561**	**7,000**
therein:		
Policyholder benefits and claims	73	63
Impairment of intangible assets	74	–
Restructuring activities	(9)	91
Minority interest	**8**	**(11)**
Income (loss) before income tax expense	**2,059**	**1,935**
Cost/income ratio	75 %	75 %
Assets	156,391	130,642
Average active equity[1]	8,539	7,206
Pre-tax return on average active equity	24 %	27 %
Invested assets (in € bn.)[2]	952	908

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

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

ASSET AND WEALTH MANAGEMENT CORPORATE DIVISION

The following table sets forth the results of our Asset and Wealth Management Corporate Division for the years ended December 31, 2007 and 2006, in accordance with our management reporting systems.

in € m. (except where indicated)	2007	2006
Net revenues:		
Portfolio/fund management (AM)	2,351	2,470
Portfolio/fund management (PWM)	414	332
Total portfolio/fund management	**2,765**	**2,802**
Brokerage	964	811
Loan/deposit	223	191
Payments, account & remaining financial services	22	18
Other products	401	345
Total net revenues	**4,374**	**4,166**
Provision for credit losses	**1**	**(1)**
Total noninterest expenses	**3,453**	**3,284**
therein:		
Policyholder benefits and claims	73	63
Impairment of intangible assets	74	–
Restructuring activities	(8)	43
Minority interest	**7**	**(11)**
Income (loss) before income tax expense	**913**	**894**
Cost/income ratio	79 %	79 %
Assets	39,081	35,922
Average active equity[1]	5,109	4,917
Pre-tax return on average active equity	18 %	18 %
Invested assets (in € bn.)[2]	749	732

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

Income before income tax expense was € 913 million in 2007, which is an increase of € 19 million or 2 % compared to 2006. The results for 2007 included an impairment charge of € 74 million related to a write-down of intangible assets in the Asset Management business. In 2006, income before income taxes included charges of € 43 million for restructuring activities and net gains of € 43 million from the sale of businesses.

Net revenues were € 4.4 billion in 2007, an increase of € 208 million, or 5 %, compared to 2006.

Portfolio/fund management revenues were € 2.4 billion in AM, € 119 million, or 5 %, below 2006. The decrease in revenues was driven by lower levels of performance fees in the Alternative Investments business. Partially offsetting these results were increases in performance fees in the Retail and Institutional businesses, as well as increases in management fees primarily in the Alternative Investments and the Retail business.

In PWM, portfolio/fund management revenues of € 414 million increased by € 81 million, or 24 %, compared to 2006. The growth was driven by a higher invested asset base after the acquisition of Tilney and the additions of new client advisors since the beginning of 2006.

Brokerage revenues of € 964 million were up € 154 million, or 19 %, compared to the previous year. The increase was attributable to higher client activity, including a high demand from clients for alternative investment and other innovative products.

Revenues related to loans/deposits of € 223 million were up by € 31 million, or 16 %, due to higher volumes and margins in both our loan and deposit business.

Revenues from Other products of € 401 million were € 57 million, or 16 %, higher than in 2006, due largely to the consolidation of an infrastructure investment intended for a RREEF fund during 2007 in AM.

Noninterest expenses were € 3.5 billion in 2007, an increase of € 169 million, or 5 %, from 2006. The increase in noninterest expenses was mainly driven by the impairment charge of € 74 million related to intangible assets in AM and PWM's acquisition and growth strategy, partially offset by a decrease in charges for restructuring activities.

The cost/income ratio was 79 % in 2007, unchanged from 2006.

AWM's invested assets increased by € 17 billion to € 749 billion in 2007. In AM, invested assets were € 555 billion in 2007, an increase of € 12 billion, or 2 %, from 2006. The increase in assets in 2007 was driven by net new assets of € 27 billion. Invested assets in PWM grew from € 189 billion in 2006 to € 194 billion at the end of 2007, caused by net new assets of € 13 billion. The increases were partially offset by a reduction in the value of dollar-based balances driven by the impact of a strong euro.

PRIVATE & BUSINESS CLIENTS CORPORATE DIVISION

The following table sets forth the results of our Private & Business Clients Corporate Division for the years ended December 31, 2007 and 2006, in accordance with our management reporting systems.

in € m. (except where indicated)	2007	2006
Net revenues:		
Portfolio/fund management	297	287
Brokerage	1,208	1,099
Loan/deposit	2,950	2,583
Payments, account & remaining financial services	958	881
Other products	341	299
Total net revenues	**5,755**	**5,149**
Provision for credit losses	**501**	**391**
Total noninterest expenses	**4,108**	**3,717**
therein:		
Policyholder benefits and claims	–	–
Impairment of intangible assets	–	–
Restructuring activities	(1)	49
Minority interest	**0**	**0**
Income (loss) before income tax expense	**1,146**	**1,041**
Cost/income ratio	71 %	72 %
Assets	117,533	94,760
Average active equity[1]	3,430	2,289
Pre-tax return on average active equity	33 %	45 %
Invested assets (in € bn.)[2]	203	176
Loan volume (in € bn.)	87	79
Deposit volume (in € bn.)	96	72

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

Income before income tax expense was € 1.1 billion in 2007, which was € 105 million, or 10 %, higher than in 2006. In 2006, income before income tax expense of € 1.0 billion included charges of € 49 million for restructuring activities.

Net revenues of € 5.8 billion increased by € 606 million, or 12 %, compared to 2006. The increase was driven by the acquisitions of norisbank (consolidated since November 2006) and Berliner Bank (consolidated since January 2007).

Portfolio/fund management revenues and brokerage revenues increased by € 11 million and € 109 million, respectively. The improvements reflect successful placements of innovative investment products, as well as higher transaction-based flow revenues. Furthermore the acquisitions of Berliner Bank and norisbank contributed to the increased revenues.

Loan/deposit revenues were the key drivers of the growth in 2007 with increases of € 367 million, or 14 %, mainly driven by the aforementioned acquisitions.

Payments, account and remaining financial services revenues increased by € 76 million, or 9 %, primarily due to the acquisitions, but also from increased insurance brokerage revenues in 2007 due to higher sales of pension related products.

Revenues from Other products of € 341 million in 2007 increased by € 43 million, or 14 %, compared to 2006.

Provision for credit losses increased by € 109 million, or 28 %, to € 501 million in 2007, primarily driven by the acquisitions of norisbank and Berliner Bank.

Noninterest expenses of € 4.1 billion were € 391 million, or 11 %, higher than in 2006, mainly due to the acquisitions. In addition, integration related expenses contributed to the increase. Furthermore the higher expenses reflect investments in business growth in emerging markets, including the branch banking and credit card offerings in India and China, and the extension of the branch network and consumer finance offerings in Poland.

The cost/income ratio was 71 % in 2007, slightly improved compared to 2006.

Invested assets of € 203 billion at the end of 2007 grew by € 28 billion or 16 %, of which € 19 billion was net new money, and the remainder was generated by performance and acquisitions.

The number of clients in PBC reached 13.8 million by year end 2007, an increase of 1 million net new clients, excluding the impact of the acquisition of Berliner Bank and the sale of the credit card processing activities in Italy. The increases mainly relate to Germany and India.

CORPORATE INVESTMENTS GROUP DIVISION

The following table sets forth the results of our Corporate Investments Group Division for the years ended December 31, 2007 and 2006, in accordance with our management reporting systems.

in € m. (except percentages)	2007	2006
Net revenues:	**1,517**	**574**
therein: Net interest income and net gains (losses) on financial assets/liabilities at fair value through profit or loss	157	3
Provision for credit losses	3	2
Total noninterest expenses	**220**	**214**
therein:		
Policyholder benefits and claims	–	–
Impairment of intangible assets	54	31
Restructuring activities	(0)	1
Minority interest	**(5)**	**(3)**
Income (loss) before income tax expense	**1,299**	**361**
Cost/income ratio	15 %	37 %
Assets	13,002	17,783
Average active equity[1]	473	1,057
Pre-tax return on average active equity	N/M	34

N/M – Not meaningful

1 See Note [2] to the consolidated financial statements for a description of how average active equity is allocated to the divisions.

CI reported income before income tax expense of € 1.3 billion in 2007 compared to € 361 million in 2006.

Net revenues were € 1.5 billion in 2007, an increase of € 943 million compared to the previous year. Net revenues in 2007 included net gains of € 626 million from selling some of our industrial holdings (mainly related to Allianz SE, Linde AG and Fiat S.p.A.), a gain of € 178 million from our equity method investment in Deutsche Interhotel Holding GmbH & Co. KG (which also triggered an impairment review of CI's goodwill resulting in an impairment charge of € 54 million), dividend income in the amount of € 141 million and mark-to-market gains from our option to increase our share in Hua Xia Bank Co. Ltd. In addition, the net revenues included a gain of € 313 million related to the sale and leaseback transaction of our premises at 60 Wall Street.

Net revenues in 2006 included a gain of € 131 million from the sale of our remaining holding in EUROHYPO AG, € 92 million related to the partial sale of our stake in Linde AG and dividend income of € 122 million.

Total noninterest expenses increased in 2007 to € 220 million from € 214 million in 2006. The increase was the result of higher goodwill impairment charges in 2007, offset by reductions in other expense categories.

At year end 2007, the alternative assets portfolio of CI had a carrying value of € 631 million, of which 51 % was real estate investments, 43 % was private equity direct investments and 6 % was private equity indirect and other investments. This compares to a value at year end 2006 of € 895 million.

CONSOLIDATION & ADJUSTMENTS

For a discussion of Consolidation & Adjustments to our business segment results see Note [2] to the consolidated financial statements.

LIQUIDITY AND CAPITAL RESOURCES

For a detailed discussion of our liquidity risk management, see our Risk Report and Note [36] to the consolidated financial statements.

OFF-BALANCE SHEET ARRANGEMENTS WITH UNCONSOLIDATED ENTITIES

INTRODUCTION

We engage in various business activities with unconsolidated entities which may be off-balance sheet arrangements; the face value of the financial instruments associated with these arrangements and the movements in their fair value are not reflected in our financial statements. Generally, the following discussion is limited to off-balance sheet arrangements with special purpose entities (SPEs). While our involvement with these entities can take many different forms, it consists primarily of liquidity facilities and guarantees. Where appropriate, this disclosure also encompasses certain instruments recorded on-balance sheet, particularly liquidity arrangements embedded in total return swaps, written put options and certain other types of guarantees.

We provide financial support to off-balance sheet entities in connection with commercial paper conduit programs, asset securitizations, mutual funds that are managed but not consolidated, and real estate leasing vehicles. Such vehicles are critical to the functioning of several significant investor markets, including the mortgage-backed and other asset-backed securities markets, since they offer investors access to specific cash flows and risks created through the securitization process. Because we consolidate the majority of our sponsored conduit programs, only those arrangements with unconsolidated entities we sponsor are discussed. We also provide financing arrangements to both our own sponsored securitization programs and third party-sponsored securitizations.

Our accounting policies regarding consolidation and reassessment of consolidation of SPEs are outlined in Note [1] to the consolidated financial statements.

The purposes, risks and effects of the off-balance sheet arrangements are described in the following sections. As of December 31, 2007, these arrangements have not had a material impact on our debt covenants, capital ratios, credit ratings or dividends.

All balance sheet and notional values are reported as of December 31, 2007. All income statement and cash flow amounts are reported for the year ended December 31, 2007.

GROUP SPONSORED ABCP CONDUITS

We originate and administer our own asset-backed commercial paper (ABCP) programs. These programs provide our customers with access to liquidity in the commercial paper market. As an administrative agent for the commercial paper programs, we facilitate the purchase of non-Deutsche Bank Group loans, securities and other receivables by the commercial paper conduit (conduit), which then issues high-grade, short-term commercial paper that is collateralized by the underlying assets to the market to fund the purchase. The conduits require sufficient collateral, credit enhancements and liquidity support to maintain an investment grade rating for the commercial paper. We are the liquidity provider to these entities.

Some conduits remain off-balance sheet because we are not deemed to control them; these have assets totaling € 4.8 billion which consist of securities backed by non-U.S. residential mortgages issued by warehouse SPEs set up by the sellers to facilitate the purchase of the assets by the conduits. The minimum credit rating for these securities is AA-. The credit enhancement necessary to achieve the required credit ratings is ordinarily provided by mortgage insurance extended by third-party insurers to the SPEs.

The weighted-average life of the assets held in the conduits is 5 years. The average life of the commercial paper issued by these off-balance sheet conduits is one to three months.

No material difficulties have been experienced by these conduits during 2007 although a general widening in credit spreads was experienced on the conduits' issued commercial paper, the cost of which was passed on to the original asset sellers. Our exposure to these entities is limited to the committed liquidity facilities entered into by us to provide funding to the conduits in the event of market disruption. The committed liquidity facilities to these conduits total € 6.3 billion and we are the only liquidity facility provider to these entities. Advances against the liquidity facilities are collateralized by the underlying assets held in the conduits, and thus a drawn facility will be exposed to volatility in the value of the underlying assets. Should the assets decline sufficiently in value, there may not be sufficient funds to repay the advance.

As of December 31, 2007, we held € 1.0 billion of commercial paper issued by these nonconsolidated entities. We purchased the paper voluntarily as dealer in commercial paper on standard commercial terms. In addition, we purchased € 0.5 billion in term notes issued by one SPE whose paper was ordinarily purchased by the conduits. This represents 100 % of its issued debt, which has caused us to consolidate that SPE. This entity holds assets backed by non-conforming residential mortgages. The pre-existing liquidity facility with this entity was required to be renegotiated in late 2007 and under the terms of the refinancing we elected to transform the financing from an off-balance sheet arrangement to on-balance sheet financing. No write-offs were recorded by us as a consequence of this purchase or from the holding of the conduit's commercial paper.

Our revenues from these arrangements in 2007 totaled € 6 million. No losses were incurred as a consequence of our off-balance sheet arrangements with these entities. Cash flows to the conduits during 2007 totaled € 1.1 billion, including the € 0.5 billion purchase of SPE notes.

THIRD PARTY ABCP CONDUITS

In addition to sponsoring our own commercial paper programs, we also assist third parties with the formation and ongoing risk management of their commercial paper programs. (This section excludes the third party Canadian ABCP conduits which are discussed separately below.)

Our assistance to third party conduits is primarily financing-related in the form of unfunded committed liquidity facilities (€ 3.1 billion) and unfunded committed repurchase agreements (€ 0.5 billion) in the event of disruption in the commercial paper market. The liquidity facilities and committed repurchase agreements are recorded off-balance sheet unless a contingent payment is deemed probable and estimable, in which case a liability is recorded.

We also provide market value support in the form of total return swaps over specific assets purchased by the conduits from third parties (€ 3.6 billion notional value). Embedded into the total return swaps are liquidity puts which allow the conduit to sell to us the underlying assets in the event that the conduit is unable to refinance the commercial paper funding the asset. The total return swaps are derivatives and are reported at fair value with changes reported in the consolidated statement of income.

Other financial institutions also provide liquidity funding to these conduits and thus we are not the sole liquidity provider. Our interests rank pari passu with other interests. Advances against the liquidity facilities are collateralized by identified pools of underlying assets held in the conduits, and so a drawn facility will be exposed to volatility in the value of these underlying assets. Should the assets decline sufficiently in value, there may not be sufficient funds to repay the advance. Changes in value of other assets in the conduits will not impact our credit risk. For this reason, the details below of our support for these entities are limited to the assets and liabilities related to our interests. We do not provide details of conduit assets in which we hold no interest and to which we are not exposed.

Our interests in the conduits are supported by equities, bonds, commercial mortgage-backed securities, residential mortgage-backed securities, and securities backed by automotive leasing receivables, credit card receivables, student loans and consumer loans. Including our derivative hedges, we are carrying a net exposure of € 0.5 billion to U.S. subprime residential mortgages which collateralize our off-balance sheet interest. The weighted-average life of these assets varies significantly but is consistently of significantly longer duration than the short-term commercial paper issued by the conduits. The average life of the commercial paper issued by these off-balance sheet conduits is one to three months.

During the second half of 2007, the global ABCP conduits market experienced significantly less liquidity and higher borrowing costs, and in some instances experienced write-downs in the values of their assets. No specific credit-related write-downs occurred on assets collateralizing our interests. We purchased conduit-issued commercial paper totaling € 3.5 billion and certain underlying assets totaling € 3.3 billion, and originated loans totaling € 0.8 billion. These cash outflows totaled € 7.6 billion and are in addition to the unfunded off-balance sheet exposures referred to above. The reasons for the purchase of the commercial paper and assets and loan origination were twofold. First, one of our businesses operates as a dealer for certain of the conduits' commercial paper and voluntarily purchased the paper as part of its normal trading activities on commercial terms. Second, commercial paper and assets were purchased and loans were made upon an early termination of the total return swaps with the conduits triggered by their inability to refinance their commercial paper in the market. We have not recorded any net losses as a result of these total return swap arrangements because we held offsetting hedging positions.

Our revenues from these off-balance sheet arrangements in 2007 totaled € 4 million. A provision for credit losses of € 188 million was taken on a single third party conduit relationship in 2007.

THIRD PARTY SPONSORED CANADIAN ABCP CONDUITS

We have financial relationships with third party-sponsored ABCP conduits in Canada. These conduits operate in a similar manner to other ABCP conduit programs in that the basic investment strategy is to earn a spread between the relatively inexpensive funding and the higher yields on assets held. They also have the equivalent liquidity mismatch between longer-dated assets and short-dated commercial paper funding. One key difference however is that the assets are typically a combination of AAA-rated bond collateral and portfolio credit default swaps linked to super-senior tranches referencing a pool of corporate credit default swaps, usually with leverage in order to enhance the yield. The transactions contain triggers pursuant to which we can call for further collateral in a given market environment. Less common transactions involve residential mortgage-backed securities collateral or credit default swaps on mezzanine tranches, and on occasion the absence of leverage, collateral triggers or liquidity support.

Another key difference is that the conduits issue junior interests and/or medium-term notes in addition to senior short-term commercial paper. The commercial paper also includes a portion of extendible commercial paper, whereby the securities can be extended beyond their original maturity date on pre-agreed terms at the option of the issuer. The more junior interests earn the residual return, bear first losses, and provide the capital to support the credit rating of the conduits, in addition to other credit enhancements and liquidity arrangements.

We perform no management role for any of the Canadian conduits but are the portfolio credit default swap provider and/or the liquidity facility provider. In some instances we are the sole liquidity provider but in others there are multiple providers. The following details our support for these entities which are limited to the assets and liabilities related to our interests. We do not provide details of conduit assets in which we hold no interest and to which we are not exposed.

Under the terms of the various committed liquidity facilities and written liquidity put options, the conduits have the right to sell existing commercial paper or assets held by them to us on pre-agreed terms. The liquidity facilities can only be drawn upon in the event of ‘general market disruption’ (GMD), which is when market participants generally are unable to refinance fully their maturing commercial paper in the commercial paper market.

The Canadian ABCP conduit market experienced significant liquidity problems during the last six months of 2007. The GMD liquidity facilities committed by us were not drawn upon during this period. In August 2007, an agreement referred to as the Montreal Accord was agreed by 22 conduits, their commercial paper investors, and bank counterparties, including us, under which all agreed to a standstill period to renegotiate the terms of the vehicles’ issued liabilities. For the standstill period (60 days), the banks could not trigger collateral calls and, for the standstill period plus another 150 days, the vehicles could not draw upon the liquidity puts and facilities.

The standstill agreement has since been extended twice through February 22, 2008 and standstill arrangements beyond this date are being re-agreed on a daily basis. Our liquidity arrangements with the conduits at December 31, 2007 totaled € 5.5 billion, with a representative interest in the conduits' assets of € 8.3 billion. In addition, we held € 90 million of commercial paper issued by these vehicles. Due to the standstill agreement, no amounts can be drawn under these liquidity arrangements and they will have expired by the time the extended standstill period ends.

On December 23, 2007, a framework agreement was published, setting forth proposed terms for the restructuring of these conduits as agreed in principle by investors and banks. Pursuant to this framework agreement, the asset exposures and issued liabilities of the vehicles would be combined into two "master" vehicles, the issued liabilities would be restructured into senior and subordinated term debt of the new vehicles and a new margin facility would be established. Under the proposed restructuring, we would contribute € 1.6 billion towards that margin facility and earn a fair market return. The framework agreement would also contain revised collateral triggers.

We also have a broadly similar standstill arrangement with another vehicle outside of the Montreal Accord, with liquidity arrangements totaling € 0.1 billion and representative asset interests of € 0.4 billion.

We have earned fees for the liquidity facilities and puts of € 9 million during 2007. Although the impact of the currently proposed restructuring on our profit and loss for 2008 would be insignificant, negotiations are continuing and further changes to the proposed restructuring could occur that may impact our profit and loss in the future.

THIRD PARTY-SPONSORED SECURITIZATIONS

The third party securitization vehicles to which we provide financing are third party-managed investment vehicles that purchase diversified pools of assets, including fixed income securities, corporate loans, asset-backed securities (predominantly commercial mortgage backed securities, residential mortgage backed securities and credit card receivables) and film rights receivables. The vehicles fund these purchases by issuing multiple tranches of debt and equity securities, the repayment of which is linked to the performance of the assets in the vehicles. Total asset size of these entities is € 30.2 billion.

Our financing arrangements with these entities can take various forms: warehousing lines during the ramp-up period of the securitization (€ 4.8 billion, with € 1.5 billion drawn), variable funding notes (VFNs) issued by the securitization vehicles that contain funding commitments by the note purchaser up to a pre-defined amount (€ 8.1 billion, with € 5.0 billion drawn), and ongoing liquidity commitments (€ 1.9 billion, with € 0.1 billion drawn).

All committed amounts are available to be drawn at the investment manager's discretion. These agreements are secured by the securitization vehicles' assets and so a drawn facility will be exposed to volatility in the value of these assets. These liquidity facilities rank senior to the issued debt tranches and pari passu with any other liquidity providers.

Due to the wide variety of different types of securitization vehicles, the weighted-average life of the assets and their credit ratings also vary widely. In general terms, the funding provided is designed to be co-terminus with the weighted-average life of the assets and no vehicles were experiencing liquidity problems as of December 31, 2007. The credit ratings range from B- to AAA.

All securitization vehicles experienced a general widening of credit spreads during the second half of 2007. In 2007, we incurred losses totaling € 302 million on amounts drawn against these off-balance sheet arrangements. We have not provided any additional financial support to these vehicles as a result of the general market difficulties and hold an insignificant interest in the issued tranches of these securitization vehicles. In 2007, we earned commitment fee revenues of € 62 million as a result of our financing arrangements with these entities. Our net cash flows to the vehicles during 2007 totaled € 4.9 billion.

MUTUAL FUNDS

We offer clients mutual fund-related products which pay returns linked to the performance of the assets held in the funds. Certain of these funds contain a guarantee feature which guarantees the minimum net asset value to be returned to investors at certain dates. The investors earn the return between the guaranteed minimum and a certain performance benchmark and then share the returns with us above that benchmark. The remaining funds contain no such guarantee feature. The risk for us as guarantor is that we have to compensate the investors if the market values of such products at their respective guarantee dates are lower than the guaranteed levels. For our investment management service in relation to such products, we earn management fees and on occasion performance-based fees.

The guarantees extended by us are recorded on-balance sheet as derivatives at fair value with changes in fair value recorded in the consolidated statement of income.

During 2007, we injected cash of € 49 million into these mutual funds on a discretionary basis where actual yields were lower than originally projected, although still above any guarantee thresholds. This amount was recorded as a loss in our 2007 earnings.

Assets under management for the funds supported with guarantees and/or discretionary yield enhancement total € 29.8 billion. The funds' assets are a combination of floating rate debt securities, asset-backed securities (predominantly residential mortgage-backed securities, commercial mortgage-backed securities and collateralized bond obligations), investments in other funds, repurchase agreements and cash. No subprime risk is held in any of these asset pools.

The average life of the assets is approximately 2-3 years, and the credit ratings on the assets range from BBB to AAA, with 60 % representing either AAA or AA and a cap of 5 % on BBB ratings.

Financing is provided by third-party investor holdings in the funds. Up to the maturity or liquidation date of the funds, the fund units have no contractual maturity and can instead be redeemed by investors at any time without restriction. We hold no equity interests in these funds.

We have earned € 111 million in management and performance fees on the above funds in 2007, and incurred a loss of € 49 million for the discretionary cash injections provided during the year. Other than these amounts, we have reported no cash flow movements with these entities during 2007.

REAL ESTATE SPECIAL PURPOSE ENTITIES AND CLOSED END FUNDS

Real estate leasing vehicles provide financing for the purchase of real estate assets which are leased under finance leases to third parties. The leases are primarily for commercial and residential land and buildings and infrastructure assets. The vehicles may either be corporate SPEs or partnerships. The SPEs are financed with debt provided by one or more financial institutions, and the closed-end funds with a combination of equity in the form of limited partnership interests and debt financing. Lessee credit risk in the SPEs is borne by the lenders who have recourse to the lease asset as collateral in the event of lessee default, and in the closed-end funds by the equity investors. We administer the lessor entities and earn fees for this service.

We have two principal types of off-balance sheet arrangements with these funds. First, under the terms of certain German lease arrangements, the lessee commits to maintain the lease payments at pre-agreed levels in the event that the lease asset is partly or wholly damaged or destroyed. The lessor SPE in turn agrees to compensate the lessee for rental overpayments, and we guarantee the performance of the lessor vehicles' obligations under this arrangement. The notional value of these guarantees is € 0.5 billion. Second, for some of the closed-end funds, we give investors an option to exit their interest in the fund by selling either their limited partnership interests or the leased asset to us at the end of the first lease term under certain limited conditions at a pre-agreed price. We thus bear the risk that the lease asset market value declines below the option price at the end of the lease term. As of December 31, 2007, the notional value of the put options is € 0.6 billion.

The total assets in the real estate leasing vehicles are € 1.2 billion, with an average life of 10 to 12 years. The credit quality of the lessees on the finance lease assets varies from BB to AAA. No material difficulties have been experienced in the credit quality or market value of these assets during 2007.

Funding for the real estate assets is provided by financial institutions in the form of long term debt and, in the case of the closed-end funds, limited partnership equity. All funding is designed to be co-terminus with the contractual or expected maturities of the assets. Financing for all vehicles is committed for their expected lives. We have experienced no difficulties in the funding arrangements for these vehicles. We hold negligible debt and equity interests in the vehicles and have not provided any financial support to them during 2007.

We earned € 3 million in servicing fees from these real estate leasing vehicles and real estate closed-end funds in 2007. No significant losses were incurred by us during 2007 as a consequence of these arrangements. Other than these amounts, we have reported no cash flow movements with these entities in 2007.

TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

The table below shows the cash payment requirements from specified contractual obligations outstanding as of December 31, 2007.

Contractual obligations					**Payment due by period**
in € m.	**Total**	**Less than 1 year**	**1–3 years**	**3–5 years**	**More than 5 years**
Long-term debt obligations	126,703	23,256	34,729	34,979	33,739
Trust preferred securities	6,345	–	4,008	518	1,819
Long-term financial liabilities designated at fair value through profit or loss[1]	52,725	11,393	17,560	10,251	13,521
Finance lease obligations	732	199	94	92	347
Operating lease obligations	4,243	639	1,027	762	1,815
Purchase obligations	3,050	618	1,341	776	315
Long-term deposits	39,952	–	15,498	7,158	17,296
Other long-term liabilities	6,927	871	1,711	971	3,374
Total	**240,677**	**36,976**	**75,968**	**55,507**	**72,226**

1 Includes long-term debt and long-term deposits designated at fair value through profit or loss.

Figures above do not include the benefit of noncancelable sublease rentals of € 421 million on finance leases and € 253 million on operating leases. Purchase obligations for goods and services include future payments for, among other things, processing, information technology and custodian services. Some figures above for purchase obligations represent minimum contractual payments and actual future payments may be higher. Long-term deposits exclude contracts with a remaining maturity of less than one year. Under certain conditions future payments for some long-term financial liabilities designated at fair value through profit or loss may occur earlier. Other long-term liabilities consist primarily of obligations to purchase common shares, and insurance policy reserves. The latter are classified in the "More than 5 years" column since the obligations are long term in nature and actual payment dates cannot be specifically determined. See the following notes to the consolidated financial statements for further information: Note [11] regarding financial liabilities at fair value through profit or loss, Note [20] regarding lease obligations, Note [24] regarding deposits, Note [27] regarding long-term debt and trust preferred securities, and Note [28] regarding obligation to purchase common shares.

LONG-TERM CREDIT RATINGS

We believe that maintaining a strong credit quality is a key part of the value we offer to our clients, bondholders and shareholders.

	Dec 31, 2007	Dec 31, 2006
Moody's Investors Service, New York[1]	Aa1	Aa3
Standard & Poor's, New York[2]	AA	AA–
Fitch Ratings, New York[3]	AA–	AA–

1 Moody's defines the Aa1 rating as denoting bonds that are judged to be high quality by all standards. Moody's rates Aa bonds lower than the best bonds (which it rates Aaa) because margins of protection may not be as large as in Aaa securities or fluctuation of protective elements may be of greater amplitude or there may be other elements present which make the long-term risk appear somewhat greater than Aaa securities. The numerical modifier 1 indicates that Moody's ranks the obligation in the upper end of the Aa category.

2 Standard and Poor's defines its AA rating as denoting an obligor that has a very strong capacity to meet its financial commitments. The AA rating is the second-highest category of Standard and Poor's ratings. Standard and Poor's notes that an AA rated obligor differs from the highest rated obligors only in small degree.

3 Fitch Ratings defines its AA rating as very high credit quality. Fitch Ratings uses the AA rating to denote a very low expectation of credit risk. According to Fitch Ratings, AA ratings indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events. Category AA is Fitch Ratings second-highest rating category, the 'minus' indicates a ranking in the lower end of the AA category.

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

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

BALANCE SHEET DEVELOPMENT

The table below shows information on the balance sheet development.

in € m.	2007	2006
Total assets	2,020,349	1,584,493
Central Bank funds sold and securities purchased under resale agreements	13,597	14,265
Securities borrowed	55,961	62,943
Financial assets at fair value through profit or loss	1,474,103	1,104,650
Financial assets available for sale	42,294	38,037
Loans, net	198,892	178,524
Total liabilities	1,981,883	1,551,018
Deposits	457,946	411,916
Financial liabilities at fair value through profit or loss	966,177	694,619
Central bank funds purchased and securities sold under repurchase agreement	178,741	102,200
Long-term debt	126,703	111,363
Total equity	38,466	33,475
Core capital (Tier 1)	28,320	23,539
Supplementary capital (Tier 2)	9,729	10,770

The Group's total assets at December 31, 2007 were € 2,020.3 billion, an increase of € 435.9 billion or 28 % (2006: € 1,584.5 billion) versus 2006.

More than 80 % of the increase in total assets was due to financial assets at fair value through profit or loss with higher volumes of trading assets (up € 281.2 billion, primarily on positive market values from derivatives) and financial assets designated at fair value through profit or loss (up € 88.3 billion, primarily on secured lending). In addition, loans rose by € 20.4 billion to € 198.9 billion, primarily resulting from PBC's organic growth and its acquisition of Berliner Bank, and from higher volumes of investment grade and trade finance related loans in CIB. Brokerage and securities related receivables, in particular from prime brokerage, increased by € 37.2 billion to € 151.2 billion at the end of 2007.

Total liabilities were € 1,981.9 billion at the end of 2007, € 430.9 billion, or 28 %, higher compared to the previous year. This development was primarily driven by financial liabilities at fair value through profit or loss, which were up by € 271.6 billion. Negative market values from derivatives contributed € 216.1 billion to this increase. Additionally, central bank funds purchased and securities sold under repurchase agreements increased by € 76.5 billion as a consequence of higher funding requirements from our extended asset base. Interest-bearing deposits and long-term debt increased by € 46.2 billion and € 15.3 billion, respectively. The development of long-term debt was primarily driven by some large issuances in the second half of 2007, as we took advantage of comparative cost benefits of longer-term versus short-term funding.

Total equity was € 38.5 billion at the end of 2007, an increase of € 5.0 billion, or 15 %, versus 2006 (€ 33.5 billion). The main contributors to this development were net income of € 6.5 billion, a positive effect of € 0.8 billion resulting from the change in the Group's trading activity in derivatives indexed to Deutsche Bank shares, which are recorded as a charge to shareholders' equity and an increase in minority interest of € 0.7 billion mainly due to the consolidation of entities where we were not the sole shareholder. These factors were partly offset by items reducing shareholders' equity, primarily the cash dividend paid in 2007 for the financial year 2006 (€ 2.0 billion) and negative effects of exchange rate changes of € 1.7 billion (especially in the U.S. dollar and the British pound).

Total regulatory capital in accordance with the recommendations of the Basel Committee on Banking Supervision increased in 2007 by € 3.7 billion to € 38.0 billion. While Tier 1 capital increased by € 4.8 billion, Tier 2 capital declined by € 1.1 billion as a result of expiring subordinated liabilities. Retained earnings, partially offset by dividend accrual and share buy backs, and newly issued noncumulative trust preferred securities were the principal drivers of the increase in Tier 1 capital.

SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

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

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

- Fair value estimates
- Allowance for credit losses
- Impairment of assets other than loans
- Unrecognized deferred tax assets
- Legal, regulatory contingencies and tax risks

For more information on critical accounting estimates, see the respective section of our Form 20-F of March 26, 2008.

INFORMATION PURSUANT TO SECTION 315 (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 noncash 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.

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 314 (1) No. 6 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		Non-performance-related components		Performance-related components	Components with long-term incentives[1]	Total compensation
in €		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 Supervi-

sory 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). Individual members of the Supervisory Board received the following compensation for the 2007 financial year (excluding statutory value added tax):

Members of the Supervisory Board	Compensation for fiscal year 2007				Compensation for fiscal year 2006			
in €	Fixed	Variable[6]	Meeting fee	Total	Fixed	Variable	Meeting fee	Total
Dr. Clemens Börsig[1]	240,000	400,667	22,000	662,667	85,000	228,167	11,000	324,167
Heidrun Förster	210,000	350,583	16,000	576,583	60,000	169,000	16,000	245,000
Dr. Karl-Gerhard Eick	180,000	300,500	11,000	491,500	52,500	149,750	10,000	212,250
Ulrich Hartmann	120,000	200,333	9,000	329,333	37,500	111,250	9,000	157,750
Gerd Herzberg[2]	60,000	100,167	5,000	165,167	17,500	53,667	2,000	73,167
Sabine Horn	120,000	200,333	10,000	330,333	37,500	111,250	11,000	159,750
Rolf Hunck	120,000	200,333	12,000	332,333	37,500	111,250	10,000	158,750
Sir Peter Job	180,000	300,500	16,000	496,500	45,000	130,500	16,000	191,500
Prof. Dr. Henning Kagermann	120,000	200,333	8,000	328,333	37,500	111,250	10,000	158,750
Ulrich Kaufmann	120,000	200,333	9,000	329,333	37,500	111,250	11,000	159,750
Peter Kazmierczak[3]	60,000	100,167	5,000	165,167	27,500	84,333	5,000	116,833
Maurice Lévy[4]	60,000	100,167	4,000	164,167	17,500	53,667	2,000	73,167
Henriette Mark	60,000	100,167	5,000	165,167	30,000	92,000	5,000	127,000
Prof. Dr. jur. Dr.-Ing. E.h. Heinrich von Pierer	120,000	200,333	10,000	330,333	37,500	111,250	11,000	159,750
Gabriele Platscher	60,000	100,167	5,000	165,167	30,000	92,000	6,000	128,000
Karin Ruck	60,000	100,167	5,000	165,167	30,000	92,000	6,000	128,000
Dr. Theo Siegert[5]	60,000	100,167	5,000	165,167	12,500	38,333	2,000	52,833
Tilman Todenhöfer	120,000	200,333	10,000	330,333	37,500	111,250	11,000	159,750
Dipl.-Ing. Dr.-Ing. E.h. Jürgen Weber	60,000	100,167	4,000	164,167	30,000	92,000	5,000	127,000
Leo Wunderlich	60,000	100,167	5,000	165,167	30,000	92,000	6,000	128,000
Total	**2,190,000**	**3,656,084**	**176,000**	**6,022,084**	**730,000**	**2,146,167**	**183,000**	**3,041,167**

1 New member since May 4, 2006.
2 New member since June 2, 2006.
3 New member since February 1, 2006.
4 New member since June 1, 2006.
5 New member since July 16, 2006.
6 Variable compensation for a regular member of € 100,167 is made up of a dividend-based amount of € 35,000 and an amount of € 65,167 linked to our long-term performance of the company

EMPLOYEES AND SOCIAL RESPONSIBILITY

EMPLOYEES

As of December 31, 2007, we employed a total of 78,291 staff members as compared to 68,849 as of December 31, 2006. We calculate our employee figures on a full-time equivalent basis, meaning we include proportionate numbers of part-time employees.

The following table shows our numbers of full-time equivalent employees as of December 31, 2007 and 2006.

Employees[1]	Dec 31, 2007	Dec 31, 2006
Germany	27,779	26,401
Europe (outside Germany), Middle East and Africa[2]	21,989	20,025
Asia/Pacific	15,080	10,723
North America[3]	13,088	11,369
Central & South America	355	331
Total employees	**78,291**	**68,849**

1 Full-time equivalent employees.
2 Includes Israel, Saudi Arabia and United Arab Emirates, formerly reported as part of Asia-Pacific.
3 Primarily the United States: North America includes Mexico, formerly reported as part of South America.

The number of our employees increased in 2007 by 9,442 or 13.7 %, to 78,291. This increase is attributable mainly to the implementation of growth initiatives including acquisitions and the related expansion in the growth markets of the world. Excluding investments and divestments, the number of our employees increased by 6,726. Furthermore, jobs were created at less expensive locations, especially in the infrastructure groups. Most of the overall expansion, over 40 %, took place in the growth markets of the Asia-Pacific region.

POST-EMPLOYMENT BENEFIT PLANS

We have a number of post-employment benefit plans. In addition to defined contribution plans, there are plans accounted for as defined benefit plans.

As a matter of principle all defined benefit plans with a benefit obligation exceeding € 1 million are included in our globally coordinated accounting process. Reviewed by our global actuary, the plans in each country are evaluated by locally appointed actuaries.

By applying our global policy for determining the financial and demographic assumptions we ensure that the assumptions are unbiased and mutually compatible and that they follow the best estimate and ongoing plan principles.

For a further discussion on our employee benefit plans see Note [32] to our consolidated financial statements.

CORPORATE SOCIAL RESPONSIBILITY

For us, Corporate Social Responsibility (CSR) means acting responsibly towards shareholders and customers, as well as towards our employees and society as a whole. Applied to our business, this means that we always take into account the ecological, social and ethical aspects of our actions when we pursue our economic goals. The Bank is also engaged in a multitude of community activities that reach far beyond the world of business – through donations and sponsorships, through projects we initiate, and not least through the volunteer work of staff members. Together with its foundations and charitable organizations Deutsche Bank contributed more than € 82 m. and remained an active corporate citizen on an international level.

More information in Deutsche Bank's annual "Corporate Social Responsibility Report 2007" that can be downloaded on the Internet at www.db.com/csr.

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.

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 GROUP

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.

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, which had € 952 billion of assets under management at the end of 2007, 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, 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), Collateralized 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 could also impact earnings from write-downs from 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 & BUSINESS CLIENTS (PBC), 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.

Risk Report

RISK AND CAPITAL MANAGEMENT

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

RISK AND CAPITAL MANAGEMENT PRINCIPLES

The following key principles underpin our approach to risk and capital management:

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

RISK AND CAPITAL MANAGEMENT ORGANIZATION

Our Chief Risk Officer, who is a member of our Management Board, is responsible for our credit, market, liquidity, operational, business, legal 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. In addition, the Chief Risk Officer chairs our Risk Executive Committee, which is responsible for management and control of the aforementioned risks across our consolidated Group. The two Deputy Chief Risk Officers who report directly to the Chief Risk Officer are among the voting members of our Risk Executive Committee.

Dedicated legal, risk & capital units are established with the mandate to:

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

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

Our finance and audit departments support our legal, risk & capital function. They operate independently of both the group divisions and of the legal, risk & capital function. The role of the finance department is to help quantify and verify the risk that we assume and ensure the quality and integrity of our risk-related data. Our audit department reviews the compliance of our internal control procedures with internal and regulatory standards.

CATEGORIES OF RISK

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

SPECIFIC BANKING RISKS

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

— CREDIT RISK arises from all transactions that give rise to actual, contingent or potential claims against any counterparty, borrower or obligor (which we refer to collectively as “counterparties”). This is the largest single risk we face. We distinguish among three kinds of credit risk:
  — DEFAULT RISK is the risk that counterparties fail to meet contractual payment obligations.
  — COUNTRY RISK is the risk that we may suffer a loss, in any given country, due to any of the following reasons: a possible deterioration of economic conditions, political and social upheaval, nationalization and expropriation of assets, government repudiation of indebtedness, exchange controls and disruptive currency depreciation or devaluation. Country risk includes transfer risk which arises when debtors are unable to meet their obligations owing to an inability to transfer assets to nonresidents due to direct sovereign intervention.

  - SETTLEMENT RISK is the risk that the settlement or clearance of transactions will fail. It arises whenever the exchange of cash, securities and/or other assets is not simultaneous.
- MARKET RISK arises from the uncertainty concerning changes in market prices and rates (including interest rates, equity prices, foreign exchange rates and commodity prices), the correlations among them and their levels of volatility.
- LIQUIDITY RISK is the risk arising from our potential inability to meet all payment obligations when they come due or only being able to meet these obligations at excessive costs.
- OPERATIONAL RISK is the potential for incurring losses in relation to employees, contractual specifications and documentation, technology, infrastructure failure and disasters, projects, external influences and customer relationships. This definition includes legal and regulatory risk, but excludes business and reputational risk.

REPUTATIONAL RISK

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

BUSINESS RISK

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

INSURANCE SPECIFIC RISK

Our exposure to insurance risk increased upon the acquisition of Abbey Life Assurance Company Limited in October 2007.

We also hold an equity investment in Paternoster Limited which is a regulated insurance company taking on the risks associated with companies' final salary/defined pension schemes and assuming the responsibility for paying their pensioners into the future by writing annuity contracts. We are therefore exposed to the following insurance-related risks.

- MORTALITY AND MORBIDITY RISKS – higher/lower than expected number of death claims on assurance products and occurrence of one or more large claims, and higher/lower than expected disability claims respectively. These are mitigated by the use of reinsurance and the application of discretionary charges. Annually, rates of mortality and morbidity are investigated.
- LONGEVITY RISK – faster/slower than expected improvements in life expectancy on immediate and deferred annuity products. This is carefully monitored against the latest external industry data and emerging trends
- EXPENSES – policies cost more/less to administer than expected. These are monitored by an analysis of our actual expenses relative to budget. Reasons for any significant divergence from expectations are investigated and remedial action taken. The expense risk is reduced by us having in place (until 2010 with the option of renewal for two more years) an outsourcing agreement which covers the administration of the policies.

— PERSISTENCY – higher/lower than expected percentage of lapsed policies. Our persistency rates are annually assessed by reference to appropriate risk factors.

RISK MANAGEMENT TOOLS

We use a comprehensive range of quantitative tools and metrics for monitoring and managing risks. As a matter of policy, we continually assess the appropriateness and the reliability of our quantitative tools and metrics in light of our changing risk environment. Some of these tools are common to a number of risk categories, while others are tailored to the particular features of specific risk categories. The following are the most important quantitative tools and metrics we currently use to measure, manage and report our risk:

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

— EXPECTED LOSS. We use expected loss as a measure of our credit and operational risk. Expected loss is a measurement of the loss we can expect within a one-year period from these risks, based on our historical loss experience. When calculating expected loss for credit risk, we take into account credit risk ratings, collateral, maturities and statistical averaging procedures to reflect the risk characteristics of our different types of exposures and facilities. All parameter assumptions are based on statistical averages of our internal default and loss history as well as external benchmarks. We use expected loss as a tool of our risk management process and as part of our management reporting systems. We also consider the applicable results of the expected loss calculations as a component of our collectively assessed loss allowance included in our financial statements. For operational risk we determine the expected loss from statistical averages of our internal loss history, recent risk trends as well as forward looking expert estimates.

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

— STRESS TESTING. We supplement our analysis of credit, market, liquidity and operational risk with stress testing. For market risk management purposes, we perform stress tests because value-at-risk calculations are based on relatively recent historical data, only purport to estimate risk up to a defined confidence level and assume good asset liquidity. Therefore, they only reflect possible losses under relatively normal market conditions. Stress tests help us determine the effects of potentially extreme market developments on the value of our market risk sensitive exposures, both on our highly liquid and less liquid trading positions as well as our investments. We use stress testing to determine the amount of economic capital we need to allocate to cover our market risk exposure under extreme market conditions. For credit risk management purposes, we perform stress tests to assess the impact of changes in general economic conditions on our credit exposures or parts thereof as well as the impact on the creditworthiness of our portfolio. For liquidity risk management purposes, we perform stress tests and scenario analysis to evaluate the impact of sudden stress events on our liquidity position. For operational risk management purposes, we perform stress tests on our economic capital model to assess its sensitivity to changes in key model components, which include external losses. Among other things, the results of these stress tests enable us to assess the impact of significant changes in the frequency and/or severity of operational risk events on our operational risk economic capital.

— REGULATORY RISK REPORTING. German banking regulators assess our capacity to assume risk in several ways, which are described in more detail in Note [36] of the consolidated financial statements.

CREDIT RISK

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

— In all our group divisions consistent standards are applied in the respective credit decision processes.

— The approval of credit limits for counterparties and the management of our individual credit exposures must fit within our portfolio guidelines and our credit strategies.

— Every extension of credit or material change to a credit facility (such as its tenor, collateral structure or major covenants) to any counterparty requires credit approval at the appropriate authority level.

— We assign credit approval authorities to individuals according to their qualifications, experience and training, and we review these periodically.

— We measure and consolidate all our credit exposures to each obligor on a global consolidated basis that applies across our consolidated Group. We define an “obligor” as a group of individual borrowers that are linked to one another by any of a number of criteria we have established, including capital ownership, voting rights, demonstrable control, other indication of group affiliation; or are jointly and severally liable for all or significant portions of the credit we have extended.

CREDIT RISK RATINGS

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

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

CREDIT LIMITS

Credit limits set forth maximum credit exposures we are willing to assume over specified periods. They relate to products, conditions of the exposure and other factors.

MONITORING DEFAULT RISK

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

MONITORING TRADED CREDIT RISK

We monitor corporate default exposures in our developed markets' trading book with a dedicated risk management unit combining our credit and market risk expertise. We use appropriate portfolio limits and ratings-driven thresholds on single-issuer basis, combined with our market risk management tools to risk manage such positions. Positions outside of this scope continue to be risk managed by our respective credit and market risk units.

LOAN EXPOSURE MANAGEMENT GROUP

As part of our overall framework of risk management, the Loan Exposure Management Group (LEMG) focuses on managing the credit risk of loans and lending-related commitments of the international investment-grade portfolio and the medium-sized German companies' portfolio within our Corporate and Investment Bank Group Division.

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

LEMG is concentrating on two primary initiatives within the credit risk framework to further enhance risk management discipline, improve returns and use capital more efficiently:

— to reduce single-name and industry credit risk concentrations within the credit portfolio, and
— to manage credit exposures actively by utilizing techniques including loan sales, securitization via collateralized loan obligations, default insurance coverage and single-name and portfolio credit default swaps.

The notional amount of LEMG's risk reduction activities increased by 23 % from € 38.3 billion as of December 31, 2006, to € 47.0 billion as of December 31, 2007.

As of year-end 2007, LEMG held credit derivatives with an underlying notional amount of € 31.6 billion. This position totaled € 24.8 billion as of December 31, 2006.

The credit derivatives used for our portfolio management activities are accounted for at fair value.

LEMG also mitigated the credit risk of € 15.3 billion of loans and lending-related commitments as of December 31, 2007, by synthetic collateralized loan obligations supported predominantly by financial guarantees and, to a lesser extent, credit derivatives for which the first loss piece has been sold. This position totaled € 13.4 billion as of December 31, 2006. LEMG further mitigated € 74 million of loans and lending-related commitments as of December 31, 2007 by way of credit-linked notes. This position totaled € 121 million as of December 31, 2006. Credit mitigation by way of credit-linked notes or synthetic collateralized loan obligations supported by financial guarantees addresses the credit risk of the less liquid underlying positions.

Our adoption of IFRS in 2007 enabled LEMG to utilize the fair value option under IAS 39 to report loans and commitments at fair value, provided the criteria for this standard are met. As of December 2006, LEMG had € 33.8 billion of notional loans and commitments designated to be reported at fair value. The notional amount of loans and commitments reported at fair value increased during 2007 to € 44.7 billion as new deals were originated and those that qualified were designated to be reported at fair value. By reporting loans and commitments at fair value, LEMG significantly reduced profit and loss volatility that resulted from the accounting mismatch that existed when all loans and commitments were reported at historical cost while derivative hedges were reported at fair value.

CREDIT EXPOSURE

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

— "Loans" are net loans as reported on our balance sheet at amortized cost but before deduction of our allowance for loan losses.
— "Commitments" consist of the undrawn portion of irrevocable lending-related commitments.
— "Contingent Liabilities" consist of financial and performance guarantees, standby letters of credit and indemnity agreements.
— "OTC Derivatives" are our credit exposures from over-the-counter derivative transactions that we have entered into, after netting. On our balance sheet, these are included in trading assets or, for derivatives qualifying for hedge accounting, in other assets, in either case before netting.

Although we consider them in monitoring our credit exposures, the following are not included in the tables below: cash and due from banks, interest-earning deposits with banks, and accrued interest receivables, amounting to € 37.8 billion at December 31, 2007 and € 32.3 billion at December 31, 2006, forward committed repurchase and reverse repurchase agreements of € 56.3 billion at December 31, 2007 and € 33.2 billion at December 31, 2006, "tradable assets" which include bonds, loans and other fixed-income products that are in our trading assets as well as in securities available for sale, of € 457.7 billion at December 31, 2007 and € 395.8 billion at December 31, 2006 as well as loans designated at fair value, of € 21.5 billion at December 31, 2007 and € 6.2 billion at December 31, 2006.

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

Credit risk profile by region		**Loans[1]**		**Irrevocable Lending Commitments[2]**		**Contingent liabilities**		**OTC derivatives[3]**		**Total**
in € m.	**Dec 31, 2007**	**Dec 31, 2006**	**Dec 31, 2007**	**Dec 31, 2006**	**Dec 31, 2007**	**Dec 31, 2006**	**Dec 31, 2007**	**Dec 31, 2006**	**Dec 31, 2007**	**Dec 31, 2006**
Eastern Europe	4,334	2,608	1,694	1,273	1,479	827	989	742	8,496	5,450
Western Europe	141,572	131,830	47,948	52,902	29,021	28,212	47,956	29,328	266,496	242,272
Africa	747	616	224	117	801	355	595	437	2,366	1,525
Asia/Pacific	15,006	12,591	9,688	10,753	5,672	3,331	8,887	7,334	39,253	34,009
North America	37,087	30,937	68,495	75,552	12,407	10,013	37,776	19,145	155,766	135,647
Central and South America	1,754	1,538	375	628	480	308	1,035	973	3,643	3,447
Other[4]	97	74	87	107	46	–	643	253	873	434
Total	**200,597**	**180,194**	**128,511**	**141,331**	**49,905**	**43,047**	**97,881**	**58,212**	**476,894**	**422,784**

1 Includes IFRS impaired loans amounting to € 2.6 billion as of December 31, 2007 and € 2.7 billion as of December 31, 2006.
2 Includes Irrevocable lending commitments related to consumer credit exposure of € 2.7 billion as of both December 31, 2007 and December 31, 2006.
3 Includes the effect of master agreement netting for OTC derivatives where applicable.
4 Includes supranational organizations and other exposures that we have not allocated to a single region.

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

Credit risk profile by industry sector	Loans[1]		Irrevocable Lending Commitments[2]		Contingent liabilities		OTC derivatives[3]		Total	
in € m.	Dec 31, 2007	Dec 31, 2006	Dec 31, 2007	Dec 31, 2006	Dec 31, 2007	Dec 31, 2006	Dec 31, 2007	Dec 31, 2006	Dec 31, 2007	Dec 31, 2006
Banks and insurance	12,850	12,364	28,286	35,726	11,005	8,216	61,052	37,457	113,193	93,764
Manufacturing	16,067	13,727	24,271	24,364	11,508	9,658	3,608	2,645	55,454	50,394
Households	70,863	69,583	3,784	3,730	1,724	1,228	1,497	780	77,867	75,321
Public sector	5,086	4,153	1,023	2,411	888	686	5,553	4,231	12,550	11,481
Wholesale and retail trade	8,916	10,515	5,840	5,373	3,496	2,533	854	809	19,105	19,230
Commercial real estate activities	16,476	14,042	3,144	3,560	1,902	1,933	461	540	21,983	20,075
Other[4]	70,339	55,810	62,162	66,166	19,383	18,792	24,857	11,750	176,740	152,519
Total	**200,597**	**180,194**	**128,511**	**141,331**	**49,905**	**43,047**	**97,881**	**58,212**	**476,894**	**422,784**

1 Includes IFRS impaired loans amounting to € 2.6 billion as of December 31, 2007 and € 2.7 billion as of December 31, 2006.
2 Includes Irrevocable lending commitments related to consumer credit exposure of € 2.7 billion as of both December 31, 2007 and December 31, 2006.
3 Includes the effect of master agreement netting for OTC derivatives where applicable.
4 Loan exposures for Other include lease financing.

Our loans, irrevocable lending commitments, contingent liabilities and OTC derivatives-related credit exposure to our ten largest counterparties accounts for 6 % of our aggregated total credit exposure in these categories as of December 31, 2007. Our top ten counterparty exposures are typically with well-rated counterparties or relate to structured trades which show high levels of collateralization.

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

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

CORPORATE CREDIT EXPOSURE

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

This table reflects an increase in our corporate loan book, as well as a continued good quality of our lending-related credit exposures. The change in the creditworthiness of our corporate loan book in 2007 compared to 2006 reflects our continued tight credit discipline.

This is evidenced by the portion of our corporate loan book carrying an investment-grade rating increasing, from 65 % at December 31, 2006 to 70 % at December 31, 2007.

Corporate credit exposure credit risk profile by creditworthiness category in € m.	Loans[1]		Irrevocable Lending Commitments[2]		Contingent liabilities		OTC derivatives[3]		Total	
	Dec 31, 2007	Dec 31, 2006	Dec 31, 2007	Dec 31, 2006	Dec 31, 2007	Dec 31, 2006	Dec 31, 2007	Dec 31, 2006	Dec 31, 2007	Dec 31, 2006
AAA–AA	22,765	20,225	28,969	34,172	7,467	5,774	54,164	28,255	113,366	88,427
A	30,064	17,615	31,087	38,356	15,052	13,548	21,092	16,238	97,294	85,757
BBB	30,839	31,893	35,051	34,986	13,380	13,364	8,706	7,194	87,975	87,436
BB	26,590	26,301	25,316	26,536	9,146	6,170	10,018	5,351	71,069	64,358
B	6,628	5,271	7,431	6,254	4,252	3,589	2,601	1,060	20,912	16,175
CCC and below	3,342	5,188	657	1,027	609	602	1,300	114	5,908	6,931
Total	**120,228**	**106,494**	**128,511**	**141,331**	**49,905**	**43,047**	**97,881**	**58,212**	**396,525**	**349,084**

1 Includes IFRS impaired loans mainly in category CCC and below amounting to € 1.5 billion as of December 31, 2007 and € 1.6 billion as of December 31, 2006.
2 Includes Irrevocable lending commitments related to consumer credit exposure of € 2.7 billion as of both December 31, 2007 and December 31, 2006.
3 Includes the effect of master agreement netting for OTC Derivatives where applicable.

CONSUMER CREDIT EXPOSURE

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

	Total exposure (in € m.)		90 days or more past due as a % of total exposure		Net credit costs as a % of total exposure	
	Dec 31, 2007	Dec 31, 2006	Dec 31, 2007	Dec 31, 2006	Dec 31, 2007	Dec 31, 2006
Consumer credit exposure Germany:	56,504	53,446	1.68 %	1.90 %	0.64 %	0.59 %
Consumer and small business financing	14,489	12,261	1.96 %	2.21 %	1.76 %	1.53 %
Mortgage lending	42,015	41,185	1.58 %	1.80 %	0.26 %	0.31 %
Consumer credit exposure outside Germany	23,864	20,253	1.24 %	1.04 %	0.55 %	0.38 %
Total consumer credit exposure[1]	**80,368**	**73,699**	**1.55 %**	**1.66 %**	**0.62 %**	**0.53 %**

1 Includes IFRS impaired loans amounting to € 1.1 billion as of December 31, 2007 and € 1.1 billion as of December 31, 2006.

The volume of our consumer credit exposure rose by € 6.7 billion, or 9 %, from 2006 to 2007, driven both by the volume growth of our portfolio outside Germany (up € 3.6 billion) with strong growth in Italy (up € 1.7 billion), Spain (up € 1.0 billion) and Poland (up € 608 million) as well as in Germany due to the first time consolidation of Berliner Bank (up € 1.7 billion). Total net credit costs as a percentage of total exposure increased overall compared to 2006 reflecting our strategy to invest in higher margin consumer finance business. In Germany the increase in net credit costs for the consumer and small business finance was driven by the loans acquired in the norisbank and Berliner Bank acquisitions and was only partially offset by a reduction in mortgage lending. Outside Germany the increase in net credit costs was driven mainly by our consumer finance business in Italy. Loans delinquent by 90 days or more decreased in Germany, from 1.90 % to 1.68 % reflecting the business growth and our disciplined risk management. The higher percentage of delinquent loans outside Germany was predominantly driven by our mortgage business in Spain.

CREDIT EXPOSURE FROM DERIVATIVES

To reduce our derivatives-related credit risk, we regularly seek the execution of master agreements (such as the International Swaps and Derivatives Association's master agreements for derivatives) with our clients. A master agreement allows the netting of obligations arising under all of the derivatives transactions that the agreement covers upon the counterparty's default, resulting in a single net claim against the counterparty (called "close-out netting"). For parts of our derivatives business we also enter into payment netting agreements under which we set off amounts payable on the same day in the same currency and in respect to all transactions covered by these agreements, reducing our principal risk.

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

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

TREATMENT OF DEFAULT SITUATIONS UNDER DERIVATIVES

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

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

The following table shows the notional amounts and gross market values of OTC and exchange-traded derivative contracts we held for trading and nontrading purposes as of December 31, 2007.

Dec 31, 2007	Notional amount maturity distribution				Positive market value	Negative market value	Net market value
in € m.	Within one year	> 1 and ≤ 5 years	After five years	Total			
Interest-rate-related transactions:							
OTC products:							
FRAs	2,528,018	136,002	514	2,664,534	1,631	(1,777)	(146)
Interest rate swaps (single currency)	10,152,957	10,751,638	8,353,640	29,258,235	289,573	(293,223)	(3,649)
Purchased interest rate options	153,287	577,440	757,539	1,488,266	34,876	–	34,876
Written interest rate options	282,071	609,398	855,179	1,746,647	–	(37,798)	(37,798)
Other interest rate trades	–	–	–	–	–	–	–
Exchange-traded products:							
Interest rate futures	415,050	99,189	867	515,106	–	–	–
Purchased interest rate options	155,816	13,494	–	169,310	352	–	352
Written interest rate options	93,063	18,640	–	111,703	–	(300)	(300)
Sub-total	**13,780,263**	**12,205,800**	**9,967,738**	**35,953,801**	**326,432**	**(333,098)**	**(6,666)**
Currency-related transactions:							
OTC products:							
Forward exchange trades	607,058	47,826	4,159	659,043	9,148	(9,077)	71
Cross currency swaps	1,797,862	569,054	379,216	2,746,132	47,709	(48,683)	(974)
Purchased foreign currency options	362,173	85,209	23,969	471,352	12,035	–	12,035
Written foreign currency options	382,422	88,371	25,449	496,242	–	(11,764)	(11,764)
Exchange-traded products:							
Foreign currency futures	9,652	597	35	10,285	–	–	–
Purchased foreign currency options	2,606	10	–	2,616	13	–	13
Written foreign currency options	1,401	–	–	1,401	–	(36)	(36)
Sub-total	**3,163,174**	**791,068**	**432,828**	**4,387,071**	**68,905**	**(69,560)**	**(655)**
Equity/index-related transactions:							
OTC products:							
Equity forward	2,816	–	–	2,816	47	(24)	23
Equity/index swaps	95,637	37,668	8,633	141,938	6,048	(5,685)	363
Purchased equity/index options	147,055	93,230	23,686	263,970	39,385	–	39,385
Written equity/index options	156,430	119,771	35,365	311,566	–	(47,533)	(47,533)
Exchange-traded products:							
Equity/index futures	42,090	–	–	42,090	–	–	–
Equity/index purchased options	182,829	63,994	9,778	256,601	20,393	–	20,393
Equity/index written options	172,540	64,863	11,967	249,370	–	(24,194)	(24,194)
Sub-total	**799,397**	**379,526**	**89,428**	**1,268,351**	**65,873**	**(77,436)**	**(11,563)**
Credit derivatives	**236,587**	**3,428,971**	**1,492,936**	**5,158,493**	**119,238**	**(106,410)**	**12,828**
Other transactions:							
OTC products:							
Precious metal trades	53,091	33,606	5,287	91,984	5,684	(4,456)	1,227
Other trades	108,803	186,371	8,565	303,739	17,831	(18,084)	(253)
Exchange-traded products:							
Futures	17,723	7,028	37	24,788	66	(87)	(22)
Purchased options	12,402	5,525	10	17,938	1,560	–	1,560
Written options	12,113	5,289	156	17,558	–	(1,712)	(1,712)
Sub-total	**204,132**	**237,819**	**14,055**	**456,006**	**25,140**	**(24,339)**	**801**
Total OTC business	**17,066,267**	**16,764,555**	**11,974,136**	**45,804,957**	**583,204**	**(584,514)**	**(1,309)**
Total exchange-traded business	**1,117,286**	**278,629**	**22,850**	**1,418,765**	**22,384**	**(26,329)**	**(3,945)**
Total	**18,183,553**	**17,043,184**	**11,996,986**	**47,223,723**	**605,588**	**(610,843)**	**(5,255)**
Positive market values after netting agreements					**120,265**		

DISTRIBUTION RISK

We frequently underwrite large commitments with the intention to sell down or distribute most of the risk to third parties. These commitments include the undertaking to fund bank loans and to provide bridge loans for the issuance of public bonds. The sell down or distribution is, under normal market conditions, typically accomplished within 90 days after the closing date. Our largest distribution risk relates to the businesses of Leveraged Finance and Real Estate (specifically, commercial mortgages).

For risk management purposes we treat the full amount of all such commitments as credit exposure requiring formal credit approval. This approval also includes our intended final hold. Amounts which we intend to sell are classified as trading assets and are subject to fair value accounting. The potential price volatility is monitored in our market risk process. To protect us against a value deterioration of such amounts, we may enter into generic market risk hedges (most commonly using related indices), which are also captured in our market risk process.

The market dislocation in 2007 resulted in a repricing of risk and the constraint of liquidity. In turn, that led to delays in distribution of our loan and bond commitments in these businesses, and a necessity to mark-down the value of certain of these holdings.

As of December 31, 2007, we had total commitments of € 36.2 billion outstanding in our Leveraged Finance business. Thereof, € 15.3 billion were funded and € 20.9 billion unfunded. In 2007 we recorded total write downs on these positions amounting to € 759 million, net of fees and gains on sales.

COUNTRY RISK

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

- TOTAL COUNTERPARTY EXPOSURE. All credit extended and OTC derivatives exposure to counterparties domiciled in a given country that we view as being at risk due to economic or political events (“country risk event”). It includes nonguaranteed subsidiaries of foreign entities and offshore subsidiaries of local clients.
- TRANSFER RISK EXPOSURE. Credit risk arising where an otherwise solvent and willing debtor is unable to meet its obligations due to the imposition of governmental or regulatory controls restricting its ability either to obtain foreign exchange or to transfer assets to nonresidents (a “transfer risk event”). It includes all of our credit extended and OTC derivatives exposure from one of our offices in one country to a counterparty in a different country.
- HIGHLY-STRESSED EVENT RISK SCENARIOS. We use stress testing to measure potential risks on our trading positions and view these as market risk.

COUNTRY RISK RATINGS

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

- SOVEREIGN RATING. A measure of the probability of the sovereign defaulting on its foreign or local currency obligations.
- TRANSFER RISK RATING. A measure of the probability of a “transfer risk event.”
- EVENT RISK RATING. A measure of the probability of major disruptions in the market risk factors relating to a country.

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

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

COUNTRY RISK LIMITS

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

MONITORING COUNTRY RISK

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

COUNTRY RISK EXPOSURE

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

Emerging Markets net counterparty exposure in € m.	Dec 31, 2007	Dec 31, 2006
Total net counterparty exposure	22,000	11,511
Total net counterparty exposure (excluding OTC derivatives)	16,580	8,895

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

Emerging Markets net transfer risk exposure in € m.	Dec 31, 2007	Dec 31, 2006
Africa	508	352
Asia (excluding Japan)	3,277	1,558
Eastern Europe	1,856	1,079
Latin America	658	411
Middle East	2,931	1,492
Total Emerging Markets net transfer risk exposure	**9,230**	**4,892**

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

As of December 31, 2007, our net transfer risk exposure to Emerging Markets (excluding irrevocable commitments and exposures to non-Emerging Markets bank branches) amounted to € 9.2 billion, an increase of 89 %, or € 4.3 billion, from December 31, 2006. This increase was a result of selective increases in exposure due to improved credit quality in our Emerging Markets target countries.

PROBLEM LOANS

In keeping with SEC industry guidance, we continue to monitor and report problem loans.

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

In addition, as of December 31, 2007, we had loans of € 7 million available for sale and € 1 million of lease financing transactions that were nonperforming. These amounts are not included in our total problem loans.

The following table presents the components of our December 31, 2007 and December 31, 2006 problem loans and IFRS impaired loans.

			Dec 31, 2007			Dec 31, 2006
in € m.	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total
Nonaccrual loans	1,702	1,129	2,831	1,828	1,092	2,920
Loans 90 days or more past due and still accruing	30	191	220	4	181	185
Troubled debt restructurings	93	–	93	109	–	109
Total problem loans	**1,824**	**1,320**	**3,144**	**1,941**	**1,273**	**3,214**
Thereof: IFRS impaired loans	1,516	1,129	2,645	1,625	1,092	2,717

The € 70 million decrease in our total problem loans in 2007 was due to € 752 million of gross charge-offs, a € 26 million decrease as a result of exchange rate movements and a € 708 million net increase of problem loans. The reduction in problem loans is fully attributable to our individually assessed loans with gross charge-offs of € 244 million, net increases of € 153 million and a € 26 million decrease as a result of exchange rate movements. In the collectively assessed loan portfolio, charge-offs of € 508 million were more than offset by net increases of € 555 million. Included in the € 1.3 billion of collectively assessed problem loans as of December 31, 2007 are € 1.2 billion of loans that are 90 days or more past due as well as € 147 million of loans that are less than 90 days past due but for which, in the judgment of management, the accrual of interest should be ceased.

Our commitments to lend additional funds to debtors with problem loans amounted to € 129 million as of December 31, 2007, an increase of € 83 million compared to December 31, 2006. Of these commitments € 1 million had been committed to debtors whose loan terms have been modified in a troubled debt restructuring, a decrease of € 3 million compared to December 31, 2006.

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

in € m.	Dec 31, 2007	Dec 31, 2006
Nonaccrual loans:		
German	1,913	2,167
Non-German	918	753
Total nonaccrual loans	**2,831**	**2,920**
Loans 90 days or more past due and still accruing:		
German	199	183
Non-German	21	2
Total loans 90 days or more past due and still accruing	**220**	**185**
Troubled debt restructurings:		
German	49	85
Non-German	44	24
Total troubled debt restructurings	**93**	**109**

NONACCRUAL LOANS

We place a loan on nonaccrual status if:

— the loan has been in default as to payment of principal or interest for 90 days or more and the loan is neither well secured nor in the process of collection, or

— the accrual of interest should be ceased according to management’s judgment as to collectibility of contractual cash flows.

When a loan is placed on nonaccrual status, the recorded investment in the loan includes accrued interest. Cash receipts of interest on nonaccrual loans are recorded as a reduction of principal.

As of December 31, 2007, our nonaccrual loans totaled € 2.8 billion, a net decrease of € 89 million, or 3 %, from 2006. The net decrease in nonaccrual loans took place substantially in our individually assessed loans driven by charge-offs more than offsetting net increases, and a decrease as a result of exchange rate movements.

LOANS NINETY DAYS OR MORE PAST DUE AND STILL ACCRUING

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

In 2007, our 90 days or more past due and still accruing loans increased by € 35 million, or 19 %, from 2006.

TROUBLED DEBT RESTRUCTURINGS

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

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

In 2007, the volume of troubled debt restructurings decreased by € 16 million, or 15 %, from 2006.

IMPAIRED LOANS

Under IFRS, we consider loans to be impaired when we recognize objective evidence that an impairment loss has been incurred. While we assess the impairment for our corporate credit exposure individually we consider our smaller-balance standardized homogeneous loans to be impaired once the credit contract with the customer has been terminated.

As of December 31, 2007, our impaired loans totaled € 2.6 billion, a net decrease of € 72 million, or 3 %, from 2006. The net decrease in impaired loans took place substantially in our corporate loans driven by charge-offs more than offsetting net increases and a decrease as a result of exchange rate movements.

CREDIT LOSS EXPERIENCE AND ALLOWANCE FOR LOAN LOSSES

We regularly assess whether there is objective evidence that a loan or a group of loans is impaired. A loan or group of loans is impaired and impairment losses are incurred if:

— there is objective evidence of impairment as a result of a loss event that occurred after the initial recognition of the asset and up to the balance sheet date ("a loss event");
— the loss event had an impact on the estimated future cash flows of the financial asset or the group of financial assets; and
— a reliable estimate of the loss amount can be made.

We establish an allowance for loan losses that represents our estimate of impairment losses in our loan portfolio. The responsibility for determining our allowance for loan losses rests with Credit Risk Management. The components of this allowance are the individually and the collectively assessed loss allowance. We first assess whether objective evidence of impairment exists individually for loans that are significant. We then assess collectively impairment for those loans that are not individually significant and loans which are significant but for which there is no objective evidence of impairment under the individual assessment.

INDIVIDUALLY ASSESSED LOSS ALLOWANCE

To allow management to determine whether a loss event has occurred on an individual basis, all significant counterparty relationships are reviewed periodically. This evaluation considers current information and events related to the counterparty, such as the counterparty experiencing significant financial difficulty or a breach of contract, for example, default or delinquency in interest or principal payments.

If there is evidence of impairment leading to an impairment loss for an individual counterparty relationship, then the amount of the loss is determined as the difference between the carrying amount of the loan(s), including accrued interest, and the estimated recoverable amount. The estimated recoverable amount is measured as the present value of expected future cash flows discounted at the loan's original effective interest rate, including cash flows that may result from foreclosure less costs for obtaining and selling the collateral. The carrying amounts of the loans are reduced by the use of an allowance account and the amount of the loss is recognized in the income statement as a component of the provision for credit losses.

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

COLLECTIVELY ASSESSED LOSS ALLOWANCE

The collective assessment of impairment is principally to establish an allowance amount relating to loans that are either individually significant but for which there is no objective evidence of impairment, or are not individually significant, but for which there is, on a portfolio basis, a loss amount that is probable of having occurred and is reasonably estimable. The collectively measured loss amount has three components:

- The first component is an amount for country risk and for transfer and currency convertibility risks for loan exposures in countries where there are serious doubts about the ability of counterparties to comply with the repayment terms due to the economic or political situation prevailing in the respective country of domicile. This amount is calculated using ratings for country risk and transfer risk which are established and regularly reviewed for each country in which we conduct business.
- The second component is an allowance amount representing the incurred losses on the portfolio of smaller-balance homogeneous loans. The loans are grouped according to similar credit risk characteristics and the allowance for each group is determined using statistical models based on historical experiences.
- The third component represents an estimate of incurred losses inherent in the group of loans that have not yet been identified as individually impaired or measured as part of the smaller-balance homogeneous loans.

Once a loan is identified as impaired, although the accrual of interest in accordance with the contractual terms of the loan is discontinued, the accretion of the net present value of the written down amount of the loan due to the passage of time is recognized as interest income based on the original effective interest rate of the loan.

All impaired loans are reviewed for changes to the recoverable amount. Any change to the previously recognized impairment loss is recognized as a change to the allowance account and recorded in the income statement as a component of the provision for credit losses.

CHARGE-OFF POLICY

When we consider that there is no realistic prospect of recovery and all collateral has been realized or transferred to us, the loan together with the associated allowance is charged-off.

ALLOWANCE FOR LOAN LOSSES

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

in € m. (except percentages)		Dec 31, 2007		Dec 31, 2006
German:				
Individually assessed loan loss allowance:				
Banks and insurance	–	–	–	1 %
Manufacturing	176	4 %	246	4 %
Households (excluding mortgages)	24	6 %	26	7 %
Households – mortgages	5	17 %	10	18 %
Public sector	–	2 %	–	1 %
Wholesale and retail trade	88	2 %	109	2 %
Commercial real estate activities	127	5 %	160	6 %
Other	189	6 %	172	8 %
Individually assessed loan loss allowance German total	609		723	
Collectively assessed loan loss allowance	481		443	
German total	**1,090**	**42 %**	**1,166**	**46 %**
Non-German:				
Individually assessed loan loss allowance	321		262	
Collectively assessed loan loss allowance	294		242	
Non-German total	**615**	**58 %**	**504**	**54 %**
Total allowance for loan losses	**1,705**	**100 %**	**1,670**	**100 %**
Total individually assessed loan loss allowance	930		985	
Total collectively assessed loan loss allowance	775		684	
Total allowance for loan losses	**1,705**		**1,670**	

MOVEMENTS IN THE ALLOWANCE FOR LOAN LOSSES

We record increases to our allowance for loan losses as an increase of the provision for loan losses in our income statement. Charge-offs reduce our allowance while recoveries, if any, are credited to the allowance account. If we determine that we no longer require allowances which we have previously established, we decrease our allowance and record the amount as a reduction of the provision for loan losses in our income statement.

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

			2007			2006
in € m.	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total
Balance, beginning of year	**985**	**684**	**1,670**	**1,124**	**708**	**1,832**
Provision for loan losses	146	505	651	16	336	352
Net charge-offs	(149)	(378)	(527)	(116)	(328)	(444)
Charge-offs	(244)	(508)	(752)	(272)	(460)	(732)
Recoveries	95	130	225	156	132	288
Changes in the group of consolidated companies	–	–	–	–	–	–
Exchange rate changes/other	(52)	(36)	(88)	(39)	(32)	(70)
Balance, end of year	**930**	**775**	**1,705**	**985**	**684**	**1,670**

The following table sets forth a breakdown of the movements in our allowance for loan losses by industry classifications for the periods specified. The breakdown between German and non-German borrowers is based on the country of domicile of our borrowers.

in € m. (except percentages)	2007	2006
Balance, beginning of year	**1,670**	**1,832**
Charge-offs:		
German:		
Banks and insurance	(1)	(2)
Manufacturing	(58)	(78)
Households (excluding mortgages)	(287)	(244)
Households – mortgages	(26)	(35)
Public sector	–	–
Wholesale and retail trade	(28)	(40)
Commercial real estate activities	(41)	(96)
Lease financing	–	–
Other	(76)	(102)
German total	(518)	(596)
Non-German:		
Excluding lease financing	(232)	(135)
Lease financing only	(2)	(1)
Non-German total	(234)	(136)
Total charge-offs	**(752)**	**(732)**
Recoveries:		
German:		
Banks and insurance	1	1
Manufacturing	21	19
Households (excluding mortgages)	63	46
Households – mortgages	–	8
Public sector	–	–
Wholesale and retail trade	10	9
Commercial real estate activities	9	16
Lease financing	–	–
Other	49	56
German total	153	155
Non-German:		
Excluding lease financing	71	133
Lease financing only	1	–
Non-German total	72	133
Total recoveries	**225**	**288**
Net charge-offs	**(527)**	**(444)**
Provision for loan losses	651	352
Other changes (e.g. exchange rate changes, changes in the group of consolidated companies)	(88)	(70)
Balance, end of year	**1,705**	**1,670**
Percentage of total net charge-offs to average loans for the year	0.28 %	0.25 %

Our allowance for loan losses as of December 31, 2007 was € 1.7 billion, virtually unchanged from the level reported for the end of 2006.

Our gross charge-offs amounted to € 752 million in 2007, an increase of € 20 million, or 3 %, from 2006. Of the charge-offs for 2007, € 244 million were related to our corporate credit exposure, and € 508 million were related to our consumer credit exposure.

Our provision for loan losses in 2007 was € 651 million, up € 299 million, or 85 %, primarily related to a single counterparty relationship in our Corporate and Investment Bank Group Division and our consumer finance growth strategy. In 2007, our total loan loss provision was principally driven by our smaller-balance standardized homogeneous loan portfolio.

Our individually assessed loan loss allowance was € 930 million as of December 31, 2007, a decrease of € 55 million, or 6 %, from 2006. The change is comprised of net charge-offs of € 149 million, a decrease of € 52 million as a result of exchange rate movements and unwinding effects and a provision of € 146 million, an increase of € 130 million over the previous year. The individually assessed loan loss allowance was the largest component of our total allowance for loan losses.

Our collectively assessed loan loss allowance totaled € 775 million as of December 31, 2007, a € 91 million increase from the level at the end of 2006, almost fully driven by our smaller-balance standardized homogeneous loan portfolio.

Our allowance for loan losses as of December 31, 2006 was € 1.7 billion, a 9 % decrease from the € 1.8 billion reported for the beginning of 2006. The reduction in our allowance was principally due to charge-offs exceeding our provisions.

Our gross charge-offs amounted to € 732 million in 2006. Of the charge-offs for 2006, € 272 million were related to our corporate credit exposure, mainly driven by our German and U.S. portfolios, and € 460 million were related to our consumer credit exposure.

Our provision for loan losses in 2006 was € 352 million, reflecting tight credit risk management, positive results of workout processes as well as the overall benign credit environment. In 2006, our total loan loss provision was principally driven by our smaller-balance standardized homogeneous loan portfolio.

Our individually assessed loan loss allowance was € 985 million as of December 31, 2006. The € 139 million decrease in 2006 is comprised of net charge-offs of € 116 million and a provision of € 16 million, and a € 39 million decrease from currency translation and unwinding effects. Notably, the individually assessed loan loss allowance was the largest component of our total allowance for loan losses.

Our collectively assessed loan loss allowance totaled € 684 million as of December 31, 2006, slightly below the level reported for the beginning of 2006 (€ 708 million). Movements in this component include € 336 million provision being offset by € 328 million net charge-offs, and a € 32 million net reduction due to exchange rate movements and unwinding effects.

NON-GERMAN COMPONENT OF THE ALLOWANCE FOR LOAN LOSSES

The following table presents an analysis of the changes in the non-German component of the allowance for loan losses. As of December 31, 2007, 36 % of our total allowance was attributable to international clients.

in € m.	2007	2006
Balance, beginning of year	**504**	**476**
Provision for loan losses	316	60
Net charge-offs	(162)	(3)
Charge-offs	(234)	(136)
Recoveries	72	133
Other changes (e.g. exchange rate changes, changes in the group of consolidated companies)	(43)	(29)
Balance, end of year	**615**	**504**

ALLOWANCE FOR OFF-BALANCE SHEET POSITIONS

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

	2007			2006		
in € m.	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total
Balance, beginning of year	**127**	**129**	**256**	**184**	**132**	**316**
Provision for off-balance sheet positions	(32)	(6)	(38)	(56)	2	(53)
Changes in the group of consolidated companies	7	3	10	1	–	1
Exchange rate changes	(1)	(8)	(8)	(2)	(5)	(7)
Balance, end of year	**101**	**118**	**219**	**127**	**129**	**256**

SETTLEMENT RISK

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

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

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

MARKET RISK

Substantially all of our businesses are subject to the risk that market prices and rates will move and result in profits or losses for us. We distinguish among four types of market risk:

- Interest rate risk ;
- Equity price risk;
- Foreign exchange risk; and
- Commodity price risk.

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

MARKET RISK MANAGEMENT FRAMEWORK

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

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

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

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

Our value-at-risk disclosure is intended to ensure consistency of market risk reporting for internal risk management, for external disclosure and for regulatory purposes. The overall value-at-risk limit for our Corporate and Investment Bank Group Division started 2007 at € 90 million and was increased to € 105 million on February 27, 2007. The overall value-at-risk limit for our consolidated Group trading positions was € 92 million at the start of 2007 and was increased to € 110 million on February 27, 2007 (with a 99 % confidence level, as described below, and a one-day holding period).

SPECIFICS OF MARKET RISK REPORTING UNDER GERMAN BANKING REGULATIONS

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

— CONSOLIDATION. For German bank-regulatory purposes we consolidate all subsidiaries in the meaning of the German Banking Act that are classified as banking institutions, financial services institutions, financial enterprises or bank service enterprises. We do not consolidate insurance companies or companies outside the finance sector.
— OVERALL MARKET RISK POSITION. We do not include in our market risk disclosure the foreign exchange risk arising from currency positions that German banking regulations permit us to exclude from market risk reporting. These are currency positions which are fully deducted from, or covered by, equity capital recognized for regulatory reporting as well as participating interests, including shares in affiliated companies that we record in foreign currency and value at historical cost (structural currency positions). Our largest structural currency positions arise from our investments in entities located in the United States.
— DEFINITION OF TRADING ASSETS AND NONTRADING ASSETS. The regulatory definition of trading book and banking book assets generally parallels the definition of trading and nontrading assets under IFRS. However, due to specific differences between the regulatory and accounting framework, certain assets are classified as trading book for market risk reporting purposes even though they are nontrading assets under IFRS. Conversely, we also have assets that are assigned to the banking book even though they are trading assets under IFRS.

VALUE-AT-RISK ANALYSIS

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

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

Our value-at-risk model is designed to take into account all material risk factors assuming normal market conditions. Examples of these factors are interest rates (including credit spreads), equity prices, foreign exchange rates and commodity prices, as well as their implied volatilities. The model incorporates both linear and, especially for derivatives, nonlinear effects of the risk factors on the portfolio value. The statistical parameters required for the value-at-risk calculation are based on a 261 trading day history (corresponding to at least one calendar year of trading days) with equal weighting being given to each observation.

We calculate value-at-risk using the Monte Carlo simulation technique and assuming that changes in risk factors follow a normal or logarithmic normal distribution. In 2007, we integrated all risks that had been treated under the variance-covariance approach, namely, specific interest rate risk for some portfolios such as in our credit trading business, into the Monte Carlo simulation.

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

BACK-TESTING

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

A committee chaired by Market Risk Management and with participation from Market Risk Operations and Finance meets on a quarterly basis to discuss back-testing results of our Group as a whole and of individual businesses. The committee analyzes performance fluctuations and assesses the predictive power of our value-at-risk model, which in turn allows us to improve the risk estimation process.

STRESS TESTING AND ECONOMIC CAPITAL

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

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

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

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

Our stress test scenarios include:

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

We calculate economic capital by aggregating losses from those stress scenarios using correlations that reflect stressed market conditions (rather than the normal market correlations used in the value-at-risk model). The economic capital methodology takes into account liquidity shocks that may affect the market and have an impact on the price of certain assets, especially more complex and structured products.

Our economic capital usage for market risk arising from the trading units totaled € 1.8 billion at year-end 2007, which is higher than the € 1.6 billion at year-end 2006 due to the changes in the risk profile held.

LIMITATIONS OF OUR PROPRIETARY RISK MODELS

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

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

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

- The use of historical data as a proxy for estimating future events may not capture all potential events, particularly those that are extreme in nature.
- The assumption that changes in risk factors follow a normal or logarithmic normal distribution. This may not be the case in reality and may lead to an underestimation of the probability of extreme market movements.

— The use of a holding period of one day (or ten days for regulatory value-at-risk calculations) assumes that all positions can be liquidated or hedged in that period of time. This assumption does not fully capture the market risk arising during periods of illiquidity, when liquidation or hedging in that period of time may not be possible. This is particularly the case for the use of a one-day holding period.
— The use of a 99 % confidence level does not take account of, nor makes any statement about, any losses that might occur beyond this level of confidence.
— We calculate value-at-risk at the close of business on each trading day. We do not subject intra-day exposures to intra-day value-at-risk calculations.
— Value-at-risk does not capture all of the complex effects of the risk factors on the value of positions and portfolios and could, therefore, underestimate potential losses. For example, the way sensitivities are represented in our value-at-risk model may only be exact for small changes in market parameters.

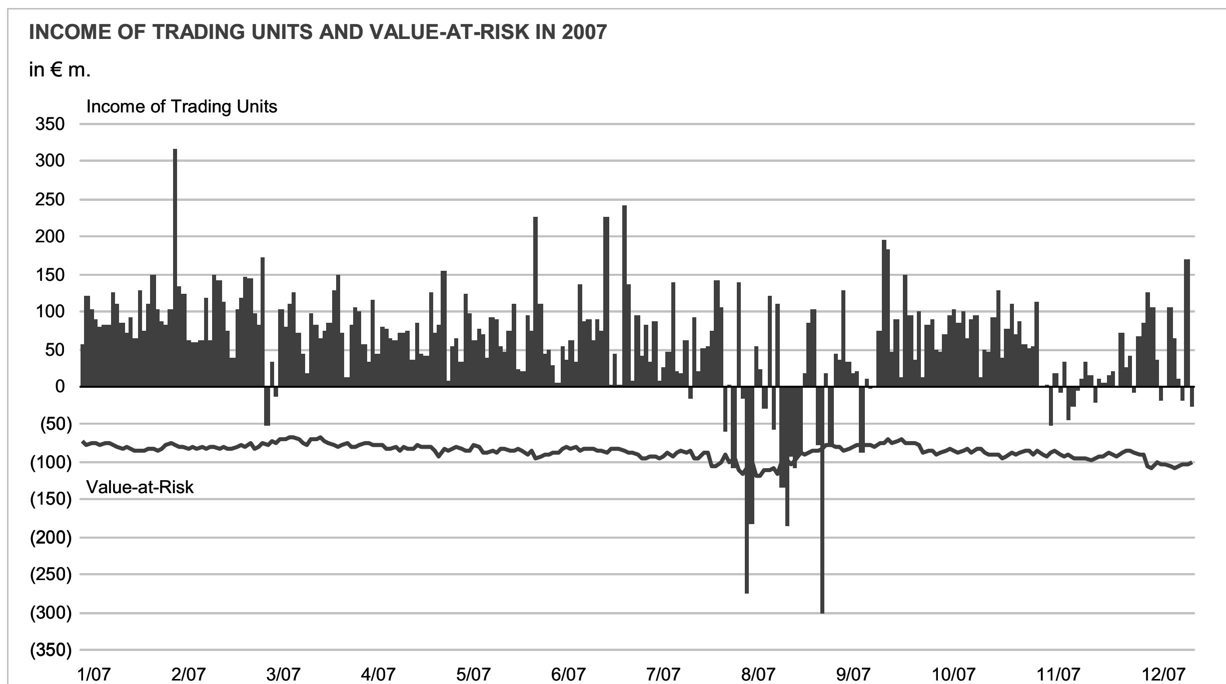
We acknowledge the limitations in the value-at-risk methodology by supplementing the value-at-risk limits with other position and sensitivity limit structures, as well as with stress testing, both on individual portfolios and on a consolidated basis.

VALUE-AT-RISK OF THE TRADING UNITS OF OUR CORPORATE AND INVESTMENT BANK GROUP DIVISION

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

Value-at-risk of Trading Units	Total		Diversification effect		Interest rate risk		Equity price risk		Foreign exchange risk		Commodity price risk	
in € m.	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Average	85.6	69.5	(57.7)	(49.2)	61.5	51.0	55.6	41.7	15.3	14.1	11.0	11.8
Maximum	118.8	82.0	(76.8)	(65.5)	95.9	66.1	90.5	60.2	28.9	46.2	18.0	25.0
Minimum	66.5	58.3	(40.4)	(38.5)	42.7	42.1	43.5	31.4	5.9	4.5	5.7	5.2
Year-end	100.6	76.9	(59.7)	(44.0)	90.8	50.3	49.5	53.0	11.3	12.2	8.7	5.4

The following graph shows the daily aggregate value-at-risk of our trading units in 2007, including diversification effects, and actual income of the trading units throughout the year.



Our value-at-risk for the trading units remained within a band between € 67 million and € 119 million. The average value-at-risk in 2007 was € 86 million, which is 23 % above the 2006 average of € 69 million.

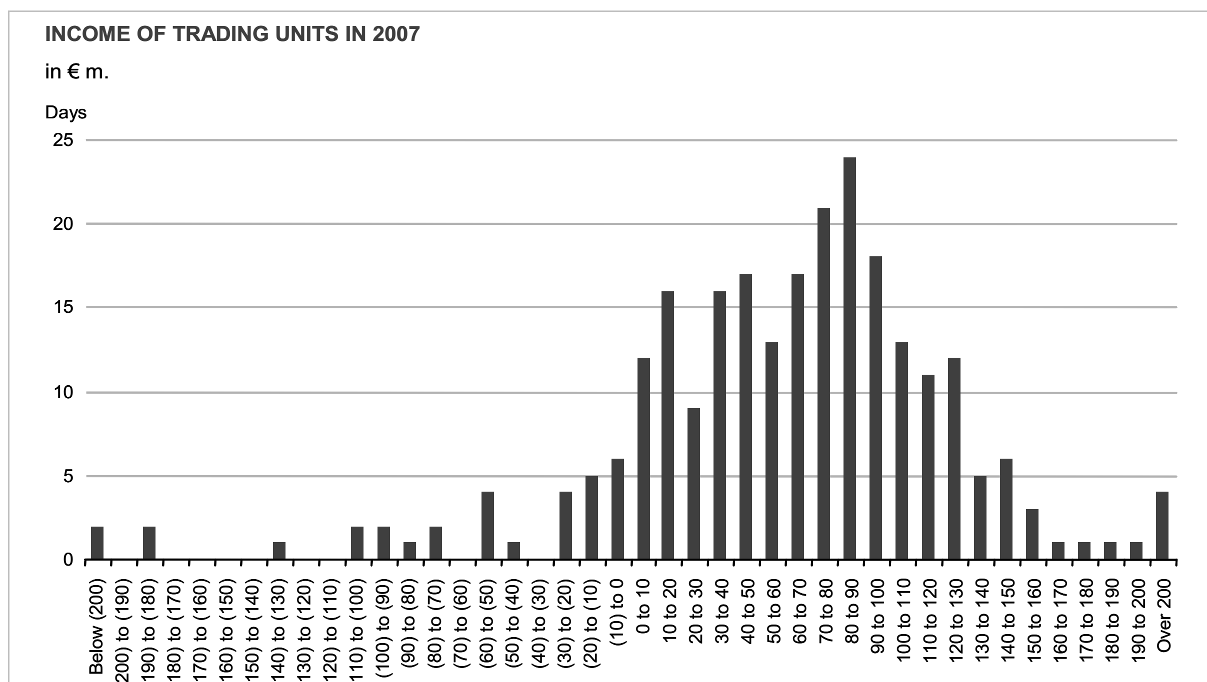
Besides selectively increased interest rate risk exposures and/or equity positions during the first half of 2007, the increase in the value-at-risk observed in 2007 was mainly driven by an increase in the market volatility and, to a minor extent, by refinements to the value-at-risk measurement in the second half of 2007. The maximum value-at-risk for the full year 2007 was € 119 million. This was recorded towards the middle of the third quarter and reflects, among other things, our deliberate decision at that time to buy option protection against falling markets, leading to increased volatility risk and time decay.

Our trading units achieved a positive actual income for over 87 % of the trading days in 2007 (over 96 % in 2006). On 10 trading days in 2007 we recognized a loss that exceeded the value-at-risk estimate for that day while this did not occur on any day in 2006.

In our regulatory back-testing in 2007, we observed 12 outliers, which are hypothetical buy-and-hold losses that exceeded our value-at-risk estimate for the trading units as a whole. While we believe that the majority of these outliers were related to extreme events outside standard market conditions, we are also re-evaluating our modeling assumptions and parameters for potential improvements in unusual market conditions, such as those observed in the last two quarters of 2007. We would expect a 99 percentile value-at-risk calculation to give rise to two to three outliers in any

one year and, taking into account these extreme events, we are confident that our value-at-risk model will remain an appropriate measure for our trading market risk under normal market conditions.

The following histogram illustrates the distribution of actual daily income of our trading units in 2007. The histogram displays the number of trading days on which we reached each level of trading income shown on the horizontal axis in millions of euro. The histogram confirms the effect on income of some of the extreme market events experienced over the summer of 2007.



MARKET RISK IN OUR NONTRADING PORTFOLIOS

The market risk in our nontrading portfolios, as measured by economic capital, increased from € 1.4 billion at year-end 2006 to € 1.7 billion at year-end 2007.

MANAGEMENT OF OUR NONTRADING PORTFOLIOS

The Capital and Risk Committee supervises our nontrading asset activities. It has responsibility for the alignment of our Group-wide risk appetite, capitalization requirements and funding needs based on Group-wide, divisional and sub-divisional business strategies. Its responsibilities also include regular reviews of the exposures within the nontrading asset portfolio and associated stress test results, performance reviews of acquisitions and investments, allocating risk limits to the business divisions within the framework established by the Management Board and approval of policies in relation to nontrading asset activities. The policies and procedures are ratified by the Risk Executive Committee. Multiple members of the Capital and Risk Committee are also members of the Group Investment Committee, ensuring a close link between both committees.

Our dedicated Investment & Asset Risk Management team is specialized in risk-related aspects of our nontrading activities and performs monthly reviews of the risk profile of the nontrading asset portfolios, including carrying values, economic capital estimates, limit usages, performance and pipeline activity.

ASSESSMENT OF MARKET RISK IN OUR NONTRADING PORTFOLIOS

Due to the nature of these positions as well as the lack of transparency of some of the pricing we do not use value-at-risk to assess the market risk in our nontrading portfolios. Rather we assess the risk through the use of stress testing procedures that are particular to each risk class and which consider, among other factors, large historically observed market moves as well as the liquidity of each asset class. This assessment forms the basis of our economic capital estimates which enable us to actively monitor and manage our nontrading market risk. As an example, for our industrial holdings we apply individual price shocks between 23 % and 51 %, which are based on historically-observed market moves. For private equity exposures, all our positions are stressed using our standard credit risk economic capital model as well as market price shocks up to 100 %, depending on the individual asset. See also section “Risk Management Tools – Economic Capital” and “Market Risk – Stress Testing and Economic Capital”.

NONTRADING MARKET RISK BY RISK CLASS

The biggest market risk in our nontrading portfolios is equity price risk. The vast majority of the interest rate and foreign exchange risks arising from our nontrading asset and liability positions has been transferred through internal hedges to our Global Markets Business Division within our Corporate and Investment Bank Group Division and is thus managed on the basis of value-at-risk as reflected in our trading value-at-risk numbers. For the remaining risks that have not been transferred through those hedges, in general foreign exchange risk is mitigated through match funding the investment in the same currency and only residual risk remains in the portfolios. Also, for these residual positions there is minimal interest rate risk remaining from the mismatch between the funding term and the expected maturity of the investment.

NONTRADING MARKET RISK BY GROUP DIVISION

There is nontrading market risk held and managed in each of our group divisions. Our nontrading market risk, as measured by economic capital, in the Corporate and Investment Bank Group Division is the largest in the Group and is incurred mainly through principal investments. Our Corporate Investments Group Division assumes nontrading market risk through industrial holdings, private equity investments and certain other corporate investments. The nontrading market risk in our Private Clients and Asset Management Group Division primarily arises from proprietary investments in real estate, hedge funds and mutual funds, which support the client asset management businesses mainly in the form of minority seed and co-invest fund capital.

CARRYING VALUE AND ECONOMIC CAPITAL USAGE FOR OUR NONTRADING PORTFOLIOS

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

Nontrading Portfolios	Carrying value		Economic capital usage	
in € bn.	Dec 31, 2007	Dec 31, 2006[1]	Dec 31, 2007	Dec 31, 2006[1]
Major industrial holdings	5.1	5.0	0.1	0.2
Other corporate investments	3.3	2.8	0.7	0.6
Alternative assets:	3.9	2.6	0.9	0.6
Principal investments	1.6	1.2	0.5	0.4
Real estate	2.0	1.1	0.3	0.1
Hedge funds[2]	0.3	0.3	0.0	0.0
Total	**12.3**	**10.4**	**1.7**	**1.4**

1 Revised carrying values and economic capital usages reflecting the adoption of IFRS accounting standards.
2 There is a small economic capital usage of € 46 million as of December 31, 2007 and € 40 million as of December 31, 2006.

Our economic capital usage for these nontrading asset portfolios totaled € 1.7 billion at year-end 2007, which is € 329 million, or 24 %, above our economic capital usage at year-end 2006. This increase primarily reflects the increased risk of our alternative assets portfolio.

— MAJOR INDUSTRIAL HOLDINGS. Our economic capital usage of € 75 million at year-end 2007 was mainly due to the newly acquired indirect shareholding in EADS N.V. with a market value of € 133 million at year-end 2007. The economic capital usage for other industrial holdings further decreased due to the continued increase in unrealized gains associated with the shareholding in Daimler AG – which mainly accounted for the previous year's economic capital usage – as well as a reduction of the shareholdings in Allianz SE and Linde AG.
— OTHER CORPORATE INVESTMENTS. Our economic capital usage of € 729 million for our other corporate investments at year-end 2007 continued to be driven by our mutual fund investments and a few other corporate investments. The € 144 million increase of the economic capital usage compared to year-end 2006 primarily reflects the acquisition of Abbey Life Assurance Company Limited in October 2007.
— ALTERNATIVE ASSETS. Our alternative assets include principal investments, real estate investments (including mezzanine debt) and small investments in hedge funds. Principal investments are composed of direct investments in private equity, mezzanine debt, short-term investments in financial sponsor leveraged buy-out funds, bridge capital to leveraged buy-out funds and private equity led transactions. The increase in the economic capital usage was largely due to our Asset Management business division's purchase of an interest in an infrastructure asset (onward sale is currently intended) and the growing private equity portfolio in our Global Markets business division. The alternative assets portfolio has some concentration in lower risk infrastructure assets but remains generally well diversified and continues to be dominated by principal investments and real estate investments.

In our total economic capital figures no diversification benefits between these different asset categories are currently taken into account.

MAJOR INDUSTRIAL HOLDINGS

The following table shows the percentage share of capital and the market values of our direct and/or indirect stakes in major industrial holdings which were directly and/or indirectly attributable to us at year-end 2007, and the corresponding holdings at year-end 2006. Our Corporate Investments Group Division currently plans to continue selling most of its publicly listed holdings over the next few years, subject to the legal environment and market conditions.

Major industrial holdings		Share of capital (in %)		Market value (in € m.)	
Name	**Country of domicile**	**Dec 31, 2007**	**Dec 31, 2006**	**Dec 31, 2007**	**Dec 31, 2006**
Daimler AG	Germany	4.4	4.4	2,967	2,103
Allianz SE	Germany	1.7	2.2	1,154	1,494
Linde AG	Germany	5.2	7.8	789	983
EADS N.V.	Netherlands	0.8	–	133	–
Other	N/M	N/M	N/M	37	394
Total				**5,081**	**4,975**

N/M – Not meaningful

LIQUIDITY RISK

Liquidity risk management safeguards the ability of the bank to meet all payment obligations when they come due. Our liquidity risk management framework has been an important factor in maintaining adequate liquidity and a healthy funding profile during the year 2007.

LIQUIDITY RISK MANAGEMENT FRAMEWORK

Treasury is responsible for the management of liquidity risk. Our liquidity risk management framework is designed to identify, measure and manage the liquidity risk position. The underlying policies are reviewed and approved regularly by the Capital and Risk Committee. The policies define the methodology which is applied to the Group.

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

Our cash-flow based reporting system provides daily liquidity risk information to global and regional management.

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

SHORT-TERM LIQUIDITY

Our reporting system tracks cash flows on a daily basis over an 18-month horizon. This system allows management to assess our short-term liquidity position in each location and region and globally on a by-currency, by-product and by-division basis. The system captures all of our cash flows from transactions on our balance sheet, as well as liquidity risks resulting from off-balance sheet transactions. We model products that have no specific contractual maturities using statistical methods to capture the behavior of their cash flows. Liquidity outflow limits (Maximum Cash Outflow Limits), which have been set to limit cumulative global and local cash outflows, are monitored on a daily basis and safeguard our access to liquidity.

UNSECURED FUNDING

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

ASSET LIQUIDITY

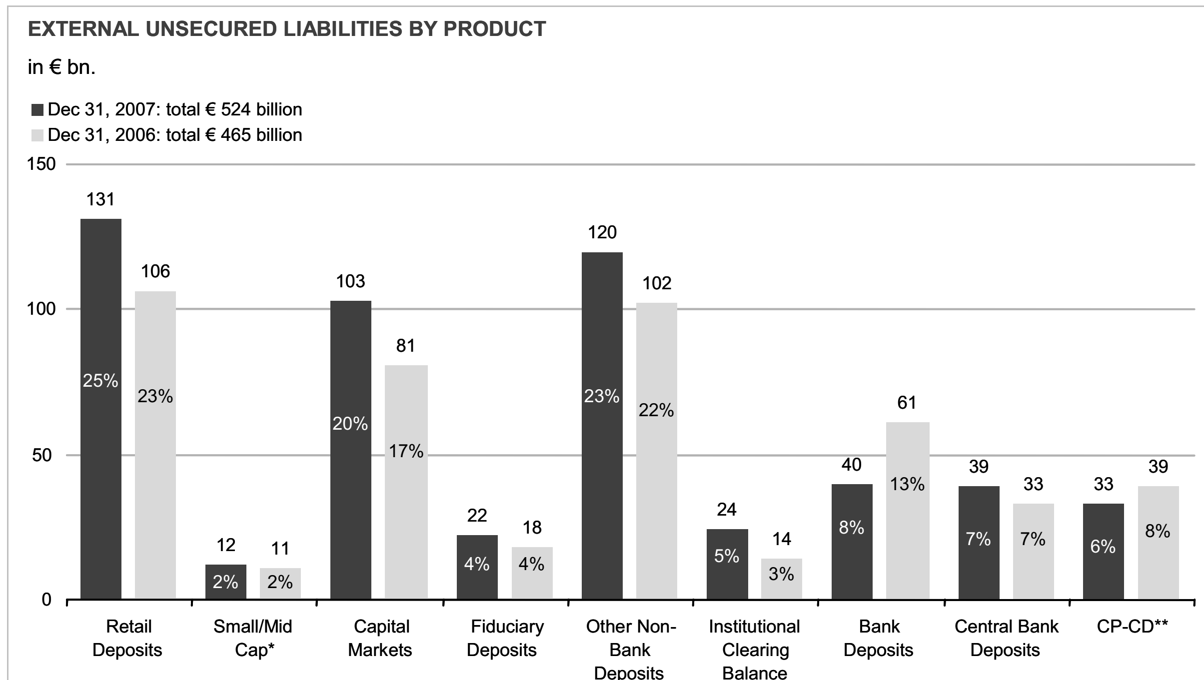
The asset liquidity component tracks the volume and booking location within our consolidated inventory of unencumbered, liquid assets which we can use to raise liquidity via secured funding transactions. Securities inventories include a wide variety of different securities. As a first step, we segregate illiquid and liquid securities in each inventory. Subsequently we assign liquidity values to different classes of liquid securities.

The liquidity of these assets is an important element in protecting us against short-term liquidity squeezes. In addition, we continue to keep a portfolio of highly liquid securities in major currencies around the world to supply collateral for cash needs associated with clearing activities in euro, U.S. dollar and other currencies. Also to support our liquidity profile in case of potential deteriorating market conditions, as seen globally in the second half of 2007, we increased these dedicated portfolios by € 7.8 billion to € 25.4 billion as of December 31, 2007.

FUNDING DIVERSIFICATION

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

The following chart shows the composition of our external unsecured liabilities that contribute to the liquidity risk position (which excludes, for example, structured arrangements which are self-funding) as of December 31, 2007 and December 31, 2006, both in euro billion and as a percentage of our total external unsecured liabilities.



* Refers to deposits by small and medium-sized German corporates.
** Commercial Paper/Certificates of Deposit with a maturity of one year or less.

FUNDING MATRIX

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

The Funding Matrix identifies the excess or shortfall of assets over liabilities in each time bucket, facilitating management of open liquidity exposures. The Funding Matrix is a key input parameter for our annual capital market issuance plan, which upon approval by the Capital and Risk Committee establishes issuing targets for securities by tenor, volume and instrument.

In 2007, Treasury issued capital market instruments with a total value of approximately € 44.6 billion, revised upwards from an original target of € 23 billion. This increased capital market issuance was one of a series of measures taken in response to the deteriorating market conditions in the second half of the year to enhance our strong liquidity position, fund existing commitments, facilitate new business and prepare for contingencies.

For information regarding the maturity profile of our long-term debt, please refer to Note [27] of our consolidated financial statements.

STRESS TESTING AND SCENARIO ANALYSIS

We employ stress testing and scenario analysis to evaluate the impact of sudden stress events on our liquidity position. The scenarios have been based on historic events, such as the 1987 stock market crash, the 1990 U.S. liquidity crunch, September 2001 terrorist attacks, liquidity crisis case studies and hypothetical events. The scenarios also incorporate challenges presented by the 2007 financial markets crisis: prolonged term money-market freeze, collateral repudiation, non-fungibility of currencies and stranded syndications. The hypothetical events encompass internal shocks, such as operational risk events and 3-notch ratings downgrades, as well as external shocks, such as market risk events, emerging market crises and systemic shocks. Under each of these scenarios we assume that all maturing loans to customers will need to be rolled over and require funding whereas rollover of liabilities will be partially impaired resulting in a funding gap. We then model the steps we would take to counterbalance the resulting net shortfall in funding. Action steps would include selling assets, switching from unsecured to secured funding and adjusting the price we would pay on liabilities (gap closure).

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

Our stress testing analysis provides guidance as to our ability to generate sufficient liquidity under critical conditions and is a valuable input when defining our target liquidity risk position. The analysis is performed monthly.

The following table is illustrative of our stress testing results as of December 31, 2007. For each scenario, the table shows what our cumulative funding gap would be over an eight-week horizon after occurrence of the triggering event and how much counterbalancing liquidity we could generate.

Scenario	Funding gap[1] (in € bn.)	Gap closure[2] (in € bn.)	Liquidity impact[3]
Market risk	5.5	98.9	Improves over time
Emerging markets	27.7	117.1	Improves over time
Systemic shock	20.4	70.9	Temporary disruption
Operational risk	13.9	106.7	Temporary disruption
1 notch downgrade	28.1	129.3	Improves over time
3 notch downgrade	108.6	129.3	Improves and stabilizes

1 Funding gap caused by impaired rollover of liabilities and other expected outflows.
2 Based on liquidity generation through counterbalancing and asset liquidity opportunities.
3 We analyze whether the risk to our liquidity would be temporary and whether it would improve or worsen over time.

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

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

CAPITAL MANAGEMENT

Treasury manages our capital at Group level and locally in each region. The allocation of financial resources, in general, and capital, in particular, favors business portfolios with the highest positive impact on our profitability and shareholder value. As a result, Treasury periodically reallocates capital among business portfolios.

Treasury implements our capital strategy, which itself is developed by the Capital and Risk Committee and approved by the Management Board, including the issuance and repurchase of shares. We are committed to maintain our sound capitalization. Overall capital demand and supply are constantly monitored and adjusted, if necessary, to meet the need for capital from various perspectives. These include book equity based on IFRS accounting standards, regulatory capital based on BIS and economic capital. Under Basel I, our target range for the BIS Tier 1 capital ratio was 8-9 %; prospectively, this same range is targeted under Basel II, with effect from January 1, 2008.

The allocation of capital, determination of our funding plan and other resource issues are framed by the Capital and Risk Committee.

Regional capital plans covering the capital needs of our branches and subsidiaries are prepared on a semi-annual basis and presented to the Group Investment Committee. Most of our subsidiaries are subject to legal and regulatory capital requirements. Local Asset and Liability Committees attend to those needs under the stewardship of regional Treasury teams. Furthermore, they safeguard compliance with requirements such as restrictions on dividends allowable for remittance to Deutsche Bank AG or on the ability of our subsidiaries to make loans or advances to the parent bank. In developing, implementing and testing our capital and liquidity, we take such legal and regulatory requirements into account.

Capital management in 2007 saw the completion of the share buy-back program 2006/07 and the start of the share buy-back program 2007/08. Under the program 2006/07, which was completed in May 2007, 14.1 million shares were repurchased. Based on the authority to buy back up to 10 % of total shares issued, which was granted at the 2007 Annual General Meeting and will expire at the end of October 2008, the share buy-back program 2007/08 was launched in May 2007. The program serves share-based compensation programs and allows us to balance capital supply and demand. Buy-backs were funded from current earnings. As of December 31, 2007, 6.3 million shares (approximately 1.2 % of our share capital) had been repurchased under the program 2007/08. In total, 11.3 million and 28.8 million shares were repurchased in the years ended December 31, 2007 and 2006, respectively, under our share buy-back programs.

We issued € 1.3 billion and € 1.1 billion hybrid Tier 1 capital for the years ended December 31, 2007 and 2006, respectively. Total outstanding hybrid Tier 1 capital as of December 31, 2007 amounted to € 5.6 billion compared to € 4.5 billion as of December 31, 2006.

An innovation in 2007 was our first issuance of contingent capital. This form of capital can be exchanged into hybrid Tier 1 capital at our sole discretion, providing dynamic capital to match against Basel II's rating-sensitive measurement of our risk position. We placed two issues in 2007, with volumes of € 200 million and U.S.$ 800 million, respectively.

OPERATIONAL RISK

We define operational risk as the potential for incurring losses in relation to employees, contractual specifications and documentation, technology, infrastructure failure and disasters, projects, external influences and customer relationships. This definition includes legal and regulatory risk, but excludes business and reputational risk.

ORGANIZATIONAL SET-UP

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 is a permanent sub-committee of the Risk Executive Committee and is composed of representatives from Operational Risk Management, Operational Risk Officers from our Business Divisions and select representatives from our infrastructure functions. The Operational Risk Management Committee is the main decision-making committee for all operational risk management matters and approves our Group standards for identification, measurement, assessment, reporting and monitoring of operational risk.

Operational Risk Management is responsible for defining the operational risk framework and related policies while the responsibility for implementing the framework as well as the day-to-day operational risk management lies with our business divisions. Based on this business partnership model we ensure close monitoring and high awareness of operational risk. Operational Risk Management is structured into global relationship teams and a central methodology team. The global relationship teams, which are aligned with the divisional and regional structure of Deutsche Bank, oversee and support the implementation of the operational risk framework within the Bank. The central methodology team develops and implements the operational risk management and reporting toolset, including the Advanced Measurement Approach (AMA) methodology. This also includes monitoring of regulatory requirements, performing value-added analysis and establishing loss thresholds.

MANAGING OUR OPERATIONAL RISK

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

We apply a number of techniques to efficiently manage the operational risk in our business, for example:

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

In 2007, we further refined our methodology for calculating economic capital for operational risk and, in December 2007, received approval by the BaFin to use the Advanced Measurement Approach (AMA).

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

OVERALL RISK POSITION

The table below shows our overall risk position at year-end 2007 and 2006 as measured by the economic capital calculated for credit, market, business and operational risk; it does not include liquidity risk.

Economic capital usage in € m.	Dec 31, 2007	Dec 31, 2006
Credit risk	8,506	7,351
Market risk[1]:	3,481	2,994
Trading market risk	1,763	1,605
Nontrading market risk[1]	1,718	1,389
Operational risk	3,974	3,323
Diversification benefit across credit, market and operational risk	(2,651)	(2,158)
Sub-total credit, market and operational risk	13,310	11,509
Business risk	301	226
Total economic capital usage[1]	**13,611**	**11,735**

1 Revised economic capital usage for 2006 reflecting the adoption of IFRS accounting standards.

To determine our overall (nonregulatory) risk position, we generally consider diversification benefits across risk types except for business risk, which we aggregate by simple addition.

As of December 31, 2007, our economic capital usage totaled € 13.6 billion, which is € 1.9 billion, or 16 %, above the € 11.7 billion economic capital usage as of December 31, 2006.

The € 1.2 billion, or 16 %, increase in credit risk economic capital usage primarily reflects the volume growth in derivatives and in lending-related credit risk, primarily in our Corporate Banking & Securities corporate division.

Our economic capital usage for market risk increased by € 487 million, or 16 %, to € 3.5 billion as of December 31, 2007. This increase was mainly driven by nontrading market risk, which increased by € 329 million, or 24 %, primarily reflecting the increased risk of our alternative assets portfolio. Trading market risk economic capital increased by € 158 million, or 10 %, compared to December 31, 2006, due to the changes in the risk profile held.

Our economic capital usage for operational risk increased by € 651 million, or 20 %, to € 4.0 billion as of December 31, 2007. The increase in operational risk economic capital is driven by two factors. One is due to methodology enhancements, in particular an improved modeling of the Qualitative Adjustment (“QA”). We estimate that the operational risk economic capital would have amounted to € 3.8 billion as of December 31, 2006, had we applied the new QA methodology. The second factor is an enhanced representation of our risk profile due to an extended time series of historic internal and external losses.

The diversification effect of the economic capital usage across credit, market and operational risk increased by € 493 million, or 23 %, to € 2.7 billion as of December 31, 2007. This increase was driven by and is fully in line with the increased economic capital usages of the aforementioned risk types.

The table below shows the economic capital usage of our business segments as of December 31, 2007.

Dec 31, 2007	Corporate and Investment Bank			Private Clients and Asset Management			Corporate Invest-ments	Total DB Group[1]
in € m.	Corporate Banking & Securities	Global Trans-action Banking	Total	Asset and Wealth Manage-ment	Private & Business Clients	Total		
Total Economic Capital Usage	10,533	430	10,963	871	1,566	2,437	207	13,611

1 Including € 5 million of Consolidation & Adjustments.

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

Consolidated Financial Statements

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Consolidated Statement of Income

in € m.	[Notes]	2007	2006
Interest and similar income	[3]	67,706	58,275
Interest expense	[3]	58,857	51,267
Net interest income	[3], [6]	**8,849**	**7,008**
Provision for credit losses	[16]	612	298
Net interest income after provision for credit losses		**8,237**	**6,710**
Commissions and fee income	[4]	12,289	11,195
Net gains (losses) on financial assets/liabilities at fair value through profit or loss	[5], [6]	7,175	8,892
Net gains (losses) on financial assets available for sale	[7]	793	591
Net income (loss) from equity method investments	[14]	353	419
Other income	[8]	1,286	389
Total noninterest income		**21,896**	**21,486**
Compensation and benefits	[31], [32]	13,122	12,498
General and administrative expenses	[9]	7,954	7,069
Policyholder benefits and claims	[40]	193	67
Impairment of intangible assets	[21]	128	31
Restructuring activities	[25]	(13)	192
Total noninterest expenses		**21,384**	**19,857**
Income before income tax expense		**8,749**	**8,339**
Income tax expense	[33]	2,239	2,260
Net income		**6,510**	**6,079**
Net income attributable to minority interest		36	9
Net income attributable to Deutsche Bank shareholders		6,474	6,070

EARNINGS PER COMMON SHARE

in €	[Notes]	2007	2006
Earnings per common share:	[10]		
Basic		13.65	12.96
Diluted[1]		13.05	11.48
Number of shares in m.			
Denominator for basic earnings per share – weighted-average shares outstanding		474.2	468.3
Denominator for diluted earnings per share – adjusted weighted-average shares after assumed conversions		496.1	521.2

1 Including numerator effect of assumed conversions. For further detail please refer to Note [10].

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

Consolidated Statement of Recognized Income and Expense

in € m.	2007	2006
Net income recognized in the income statement	**6,510**	**6,079**
Net gains (losses) not recognized in the income statement, net of tax		
Unrealized gains (losses) on financial assets available for sale:		
Unrealized net gains (losses) arising during the period, before tax	1,022	1,101
Net reclassification adjustment for realized net (gains) losses, before tax	(793)	(651)
Unrealized net gains (losses) on derivatives hedging variability of cash flows:		
Unrealized net gains (losses) arising during the period, before tax	(19)	(68)
Net reclassification adjustment for realized net (gains) losses, before tax	13	(8)
Foreign currency translation:		
Unrealized net gains (losses) arising during the period, before tax	(1,696)	(708)
Net reclassification adjustment for realized net (gains) losses, before tax	(5)	8
Tax on items taken directly to equity or reclassified from equity	215	(25)
Total net gains (losses) not recognized in the income statement, net of tax	**(1,263)**	**(351)**
Total recognized income and expense	**5,247**	**5,728**
Attributable to:		
Minority interest	43	6
Deutsche Bank shareholders	5,204	5,722

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

Consolidated Balance Sheet

in € m.	[Notes]	Dec 31, 2007	Dec 31, 2006
Assets:			
Cash and due from banks		8,632	7,008
Interest-earning deposits with banks		21,615	19,199
Central bank funds sold and securities purchased under resale agreements	[18]	13,597	14,265
Securities borrowed	[18]	55,961	62,943
Financial assets at fair value through profit or loss	[11], [18], [35]		
of which € 158 billion and € 87 billion were pledged to creditors and can be sold or repledged at December 31, 2007 and December 31, 2006, respectively		1,474,103	1,104,650
Financial assets available for sale	[13], [18]		
of which € 17 million and € 23 million were pledged to creditors and can be sold or repledged at December 31, 2007 and 2006, respectively		42,294	38,037
Equity method investments	[14]	3,366	2,541
Loans	[15], [16]	198,892	178,524
Premises and equipment	[19]	2,409	3,241
Goodwill and other intangible assets	[21]	9,383	8,612
Other assets	[22], [23]	182,897	139,021
Income tax assets	[33]	2,428	2,120
Deferred tax assets	[33]	4,772	4,332
Total assets		**2,020,349**	**1,584,493**

in € m.	[Notes]	Dec 31, 2007	Dec 31, 2006
Liabilities and equity:			
Deposits	[24]	457,946	411,916
Central bank funds purchased and securities sold under repurchase agreements	[18]	178,741	102,200
Securities loaned	[18]	9,565	21,174
Financial liabilities at fair value through profit or loss	[11], [35]	966,177	694,619
Other short-term borrowings	[26]	53,410	48,433
Other liabilities	[23]	171,509	144,129
Provisions	[25]	1,295	1,768
Income tax liabilities	[33]	4,515	4,033
Deferred tax liabilities	[33]	2,124	2,285
Long-term debt	[27]	126,703	111,363
Trust preferred securities	[27]	6,345	4,771
Obligation to purchase common shares	[28]	3,553	4,327
Total liabilities		**1,981,883**	**1,551,018**
Common shares, no par value, nominal value of € 2.56	[29]	1,358	1,343
Additional paid-in capital	[30]	15,808	15,246
Retained earnings	[30]	25,116	20,451
Common shares in treasury, at cost	[29]	(2,819)	(2,378)
Equity classified as obligation to purchase own shares	[28]	(3,552)	(4,307)
Net gains (losses) not recognized in the income statement, net of tax			
Unrealized net gains on financial assets available for sale, net of applicable tax and other	[30]	3,635	3,208
Unrealized net gains (losses) on derivatives hedging variability of cash flows, net of tax	[30]	(52)	(45)
Foreign currency translation, net of tax	[30]	(2,450)	(760)
Total net gains (losses) not recognized in the income statement, net of tax	[30]	1,133	2,403
Total shareholders' equity		**37,044**	**32,758**
Minority interest	[30]	1,422	717
Total equity	[30]	**38,466**	**33,475**
Total liabilities and equity		**2,020,349**	**1,584,493**

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

Consolidated Statement of Cash Flows

in € m.	2007	2006
Net Income	**6,510**	**6,079**
Cash flows from operating activities:		
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	651	352
Restructuring activities	(13)	30
Gain on sale of financial assets available for sale, equity method investments and other	(1,907)	(913)
Deferred income taxes, net	(918)	165
Impairment, depreciation and other amortization, and accretion	1,731	1,355
Share of net income from equity method investments	(358)	(207)
Income adjusted for non cash charges, credits and other items	**5,696**	**6,861**
Adjustments for net increase/decrease/change in operating assets and liabilities:		
Interest-earning time deposits with banks	7,588	(3,318)
Central bank funds sold, securities purchased under resale agreements, securities borrowed	5,146	(11,394)
Trading assets	(302,932)	(87,409)
Other financial assets at fair value through profit or loss (excl. investing activities)	(75,775)	(19,064)
Loans	(22,185)	(14,403)
Other assets	(42,674)	(30,083)
Deposits	47,464	35,720
Trading liabilities	205,814	25,243
Other financial liabilities at fair value through profit or loss (excl. financing activities)	70,232	41,518
Securities loaned, central bank funds purchased, securities sold under repurchase agreements	69,072	18,955
Other short-term borrowings	6,531	7,452
Other liabilities	21,133	30,079
Senior long-term debt	22,935	10,480
Other, net	(1,255)	527
Net cash provided by operating activities	**16,790**	**11,164**
Cash flows from investing activities:		
Proceeds from:		
Sale of financial assets available for sale (incl. at fair value through profit or loss)	12,470	11,952
Maturities of financial assets available for sale (incl. at fair value through profit or loss)	8,179	6,345
Sale of equity method investments	1,331	3,897
Sale of premises and equipment	987	123
Purchase of:		
Financial assets available for sale (incl. at fair value through profit or loss)	(25,230)	(22,707)
Equity method investments	(1,265)	(1,668)
Premises and equipment	(675)	(606)
Net cash paid for business combinations/divestitures	(648)	(1,120)
Other, net	463	314
Net cash used in investing activities	**(4,388)**	**(3,470)**
Cash flows from financing activities:		
Issuances of subordinated long-term debt (incl. at fair value through profit or loss)	429	976
Repayments and extinguishments of subordinated long-term debt (incl. at fair value through profit or loss)	(2,809)	(1,976)
Issuances of trust preferred securities (incl. at fair value through profit or loss)	1,874	1,043
Repayments and extinguishments of trust preferred securities (incl. at fair value through profit or loss)	(420)	(390)
Common shares issued under share-based compensation plans	389	680
Purchases of treasury shares	(41,128)	(38,830)
Sale of treasury shares	39,729	36,380
Dividends paid to minority interests	(13)	(26)
Increase in minority interests	585	130
Cash dividends paid	(2,005)	(1,239)
Net cash used in financing activities	**(3,369)**	**(3,252)**
Net effect of exchange rate changes on cash and cash equivalents	**(289)**	**(510)**
Net increase in cash and cash equivalents	8,744	3,932
Cash and cash equivalents at beginning of period	17,354	13,422
Cash and cash equivalents at end of period	26,098	17,354
Net cash provided by operating activities include		
Income taxes paid, net	2,806	3,102
Interest paid	58,097	49,921
Interest and dividends received	67,706	58,275
Cash and cash equivalents comprise		
Cash and due from banks	8,632	7,008
Interest earning demand deposits with banks (not included: time deposits of 4,149 € m. at December 31, 2007 and 8,853 € m. at December 31, 2006)	17,466	10,346
Total	**26,098**	**17,354**

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

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[1] SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

Deutsche Bank Aktiengesellschaft ("Deutsche Bank" or the "Parent") is a stock corporation organized under the laws of the Federal Republic of Germany. Deutsche Bank together with all entities in which Deutsche Bank has a controlling financial interest (the "Group") is a global provider of a full range of corporate and investment banking, private clients and asset management products and services. For a discussion of the Group's business segment information, see Note [2].

The accompanying consolidated financial statements are presented in euros, the presentation currency of the Group, and have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union ("EU"). Since the Group does not use the "carve-out" relating to hedge accounting included in IAS 39, "Financial Instruments: Recognition and Measurement," as endorsed by the EU, its financial statements fully comply with IFRS as issued by the IASB. In accordance with IFRS 4, "Insurance Contracts", the Group has applied its previous accounting practices (U.S. GAAP) for insurance contracts.

The following is a description of the significant accounting policies of the Group. These policies have been consistently applied for 2006 and 2007.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions for certain categories of assets and liabilities. Areas where this is required include the fair value of certain financial assets and liabilities, the allowance for loan losses, the impairment of assets other than loans, goodwill and intangibles, the recognition and measurement of deferred tax assets, provisions for uncertain income tax positions, legal and regulatory contingencies, the reserves for insurance and investment contracts, reserves for pensions and similar obligations. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's estimates.

TRANSITION TO IFRS

FIRST-TIME APPLICATION OF IFRS

Until December 31, 2006 the Group prepared its consolidated financial statements in accordance with U.S. GAAP. The Group followed the provisions of IFRS 1, "First Time Adoption of IFRS", in preparing its opening IFRS balance sheet as of the date of transition, January 1, 2006. Certain of the Group's IFRS accounting policies used for this opening balance sheet differed from its U.S. GAAP policies applied at the same date. The resulting adjustments arose from events and transactions before the date of transition to IFRS. Therefore, as required by IFRS 1, those adjustments were recognized directly through retained earnings (or another category of equity where appropriate) as of January 1, 2006. This is the effect of the general rule of IFRS 1 which is to apply IFRS retrospectively. There are some exceptions required and some exemptions permitted by IFRS 1. The Group's first time adoption decisions regarding these exemptions are detailed below. Other options available under IFRS 1, which are not discussed here, are not material to the Group's business.

BUSINESS COMBINATIONS: The Group elected not to apply IFRS 3, “Business Combinations”, retrospectively to business combinations prior to the date of transition.

FAIR VALUE OR REVALUATION AS DEEMED COST: At transition, the Group took the carrying values of all items of property, plant and equipment on the date of transition under U.S. GAAP as their deemed cost, which is cost less accumulated depreciation.

EMPLOYEE BENEFITS: At transition, the Group recognized all cumulative actuarial gains and losses on defined benefit pension schemes and other post retirement benefits in shareholders’ equity.

CUMULATIVE TRANSLATION DIFFERENCES: At transition, the Group elected to reset the cumulative foreign currency translation adjustment arising from the translation of foreign operations to zero.

DESIGNATION OF PREVIOUSLY RECOGNIZED FINANCIAL INSTRUMENTS: At transition, the Group classified certain of its previously recognized financial assets and liabilities at either fair value through profit or loss or as available for sale, as appropriate, under the provisions of IAS 39, “Financial Instruments: Recognition and Measurement”.

SHARE-BASED PAYMENT TRANSACTIONS: The Group adopted IFRS 2, “Share-based Payment”, with effect from November 7, 2002.

FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS OR FINANCIAL LIABILITIES AT INITIAL RECOGNITION: The Group elected to apply provisions of IAS 39, “Financial Instruments: Recognition and Measurement”, which require deferral of trade date profit on financial instruments carried at fair value where the amount is derived from unobservable parameters or prices, from October 25, 2002.

DERECOGNITION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES: The Group elected only to apply the derecognition provisions of IAS 39, “Financial Instruments: Recognition and Measurement”, prospectively for transactions occurring on or after January 1, 2004.

EFFECT OF THE TRANSITION TO IFRS

A description of the differences between the Group's U.S. GAAP and IFRS accounting policies is presented in Note [44]. Reconciliations of the Group's balance sheets prepared under U.S.GAAP and IFRS as of January 1, 2006 and December 31, 2006 are also presented in Note [44]. Reconciliations of the Group's income statements for the year ended December 31, 2006 prepared in accordance with U.S. GAAP and IFRS, as well as a reconciliation of shareholders' equity as of January 1, 2006 and December 31, 2006 prepared under U.S. GAAP and IFRS, are also presented in Note [44]. As the consolidated financial statements for the year ending December 31, 2007 were prepared, a number of adjustments relating to the transition from U.S. GAAP to IFRS were identified and made to the previously unaudited IFRS financial information presented in the Group's Transition Report and subsequent Interim Reports. The effect of these adjustments is included in the reconciliations presented in Note [44].

PRINCIPLES OF CONSOLIDATION

The financial information in the consolidated financial statements includes that for the parent company, Deutsche Bank, together with its subsidiaries, including certain special purpose entities ("SPEs"), presented as a single economic unit.

SUBSIDIARIES

The Group's subsidiaries are those entities which it controls. The Group controls entities where it has the power to govern the financial and operating policies of the entity, generally accompanying a shareholding, either directly or indirectly, of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered in assessing whether the Group controls another entity.

The Group sponsors the formation of special purpose entities for a variety of reasons, including allowing clients to hold investments in separate legal entities, allowing clients to jointly invest in alternative assets, for asset securitization transactions, and for buying or selling credit protection. When assessing whether to consolidate an SPE, the Group evaluates a range of factors, including whether (a) the activities of the SPE are being conducted on behalf of the Group according to its specific business needs so that the Group obtains the benefits from the SPE's operations, (b) the Group has decision-making powers to obtain the majority of the benefits, (c) the Group will obtain the majority of the benefits of the activities of the SPE, and (d) the Group retains the majority of the residual ownership risks related to the assets in order to obtain the benefits from its activities. The Group consolidates an SPE if an assessment of the relevant factors indicates that the SPE is controlled by the Group.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

The Group will reassess consolidation status at least at every quarterly reporting date. Therefore, any changes in structure are considered when they occur. This includes changes to any contractual arrangements the Group has, including those newly executed with the entity, and is not only limited to changes in ownership.

The Group reassesses its treatment of SPEs for consolidation when there is an overall change in the SPE's arrangements or the substance of the relationship between the Group and an SPE changes due to current market conditions or any other factors so that there are new activities between the Group and the SPE which were not foreseen originally. Factors indicating a change in the substance of the relationship between the Group and the SPE include, but are not limited to, the following:

— changes in the Group's ownership interest in the SPE;
— changes in contractual or governance arrangements of the SPE;
— additional activities undertaken in the structure; for example, providing a liquidity facility beyond the terms established originally or entering into a transaction with an SPE that was not contemplated originally; and
— changes in the financing structure of the entity.

In addition, when the Group concludes that the SPE might require additional support to continue in business, and such support was not contemplated originally, and, if required, the Group would provide such support for reputational or other reasons, the Group will reassess the need to consolidate the SPE.

The reassessment of control over the existing SPEs does not automatically lead to consolidation or deconsolidation. In making such a reassessment the Group may need to change its assumptions with respect to loss probabilities, the likelihood of additional liquidity facilities being drawn in the future and the likelihood of future actions being taken for reputational or other purposes. All currently available information, including current market parameters and expectations (such as loss expectations on assets), which would incorporate any market changes since inception of the SPE, are used in the reassessment of consolidation conclusions.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed, plus any costs directly related to the acquisition. The excess of the cost of an acquisition over the Group's share of the fair value of the identifiable net assets acquired is recorded as goodwill. If the acquisition cost is below the fair value of the identifiable net assets (negative goodwill), a gain may be reported in other income.

All intercompany transactions, balances and unrealized gains on transactions between Group companies are eliminated on consolidation. Consistent accounting policies are applied throughout the Group for the purposes of consolidation. Issuances of a subsidiary's stock to third parties are treated as capital issuances.

Assets held in an agency or fiduciary capacity are not assets of the Group and are not included in the Group's consolidated balance sheet.

Minority interests are shown in the consolidated balance sheet as a separate component of equity which is distinct from Deutsche Bank's shareholders' equity. The net income attributable to minority interests is separately disclosed on the face of the consolidated income statement.

ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

An associate is an entity in which the Group has significant influence, but not a controlling interest, over the operating and financial management policy decisions of the entity. Significant influence is generally presumed when the Group holds between 20 % and 50 % of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered in assessing whether the Group has significant influence. Among the other factors that are considered in determining whether the Group has significant influence are representation on the board of directors (supervisory board in the case of German stock corporations) and material intercompany transactions. The existence of these factors could require the application of the equity method of accounting for a particular investment even though the Group's investment is for less than 20 % of the voting stock.

A jointly controlled entity exists when the Group has a contractual arrangement with one or more parties to undertake activities through entities which are subject to joint control.

Investments in associates and jointly controlled entities are accounted for under the equity method of accounting. The Group's share of the results of associates and jointly controlled entities is adjusted to conform with the accounting policies of the Group. Unrealized gains on transactions are eliminated to the extent of the Group's interest in the investee.

Under the equity method of accounting, the Group's investments in associates and jointly controlled entities are initially recorded at cost, and subsequently increased (or decreased) to reflect both the Group's pro-rata share of the post-acquisition net income (or loss) of the associate or jointly controlled entity and other movements included directly in the equity of the associate or jointly controlled entity. Goodwill arising on the acquisition of an associate or a jointly-controlled entity is included in the carrying value of the investment (net of any accumulated impairment loss). Equity method losses in excess of the Group's carrying value of the investment in the entity are charged against other assets held by the Group related to the investee. If those assets are written down to zero, a determination is made whether to report additional losses based on the Group's obligation to fund such losses.

FOREIGN CURRENCY TRANSLATION

The consolidated financial statements are prepared in euros, which is the presentation currency of the Group. Various entities in the Group use a different functional currency, being the currency of the primary economic environment in which the entity operates.

An entity records foreign currency revenues, expenses, gains and losses in its functional currency using the exchange rates prevailing at the dates of recognition.

Monetary assets and liabilities denominated in currencies other than the entity's functional currency are translated at the rate prevailing at the period end. Foreign exchange gains and losses resulting from the translation and settlement of these items are recognized in the income statement as net gains (losses) on financial assets/liabilities at fair value through profit or loss.

Translation differences on non-monetary items classified as available for sale (for example, equity securities) are not recognized in the income statement but are included in net gains (losses) not recognized in the income statement within shareholders' equity until the sale of the asset when they are transferred to the income statement as part of the overall gain or loss on sale of the item.

For purposes of translation into the presentation currency, assets, liabilities and equity of foreign operations are translated at the period-end closing rate, and items of income and expense are translated into euro at the rates prevailing on the dates of the transactions, or average rates of exchange where these approximate actual rates. The exchange differences arising on the translation of a foreign operation are included in net gains (losses) not recognized in the income statement within shareholders' equity and subsequently included in the profit or loss on disposal or partial disposal of the operation.

INTEREST, FEES AND COMMISSIONS

Revenue is recognized when the amount of revenue and associated costs can be reliably measured, it is probable that economic benefits associated with the transaction will be realized, and the stage of completion of the transaction can be reliably measured. This concept is applied to the key-revenue generating activities of the Group as follows.

NET INTEREST INCOME – Interest from all interest-bearing assets and liabilities is recognized as net interest income using the effective interest method. The effective interest rate is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or expense over the relevant period using the estimated future cash flows. The estimated future cash flows used in this calculation include those determined by the contractual terms of the asset or liability, all fees that are considered to be integral to the effective interest rate, direct and incremental transaction costs, and all other premiums or discounts.

COMMISSION AND FEE INCOME – The recognition of fee revenue (including commissions) is determined by the purpose for the fees and the basis of accounting for any associated financial instruments. Where there is an associated financial instrument, fees that are an integral part of the effective interest rate of that financial instrument are included within the effective yield calculation. However, if the financial instrument is carried at fair value through profit or loss, any associated fees are recognized in profit or loss when the instrument is initially recognized, provided there are no significant unobservable inputs used in determining its fair value. Fees earned from services that are provided over a specified service period are recognized over that service period. Fees earned for the completion of a specific service or significant event are recognized when the service has been completed or the event has occurred.

Loan commitment fees related to those commitments that are not accounted for at fair value through profit or loss are recognized in commissions and fee income over the life of the commitment if it is unlikely that the Group will enter into a specific lending arrangement. If it is probable that the Group will enter into a specific lending arrangement, the loan commitment fee is deferred until the origination of a loan and recognized as an adjustment to the loan's effective interest rate.

Performance-linked fees or fee components are recognized when the performance criteria are fulfilled.

The following fee income is predominantly earned from services that are provided over a period of time: investment fund management fees, fiduciary fees, custodian fees, portfolio and other management and advisory fees, credit-related fees and commission income. Fees predominantly earned from providing transaction-type services include underwriting fees, corporate finance fees and brokerage fees.

Arrangements involving multiple services or products – In circumstances where the Group contracts to provide multiple products, services or rights to a counterparty, an evaluation is made as to whether an overall fee should be divided up and allocated to the different components of the arrangement for revenue recognition purposes. Structured trades executed by the Group are the principal example of such arrangements and are assessed on a transaction by transaction basis. The assessment considers the value of items or services delivered to ensure that the Group's continuing involvement in other aspects of the arrangement are not essential to the items delivered. It also assesses the value of items not yet delivered and, if there is a right of return on delivered items, the probability of future delivery of remaining items or services. If it is determined that it is appropriate to look at the arrangements as separate components, the amounts received are allocated based on the relative value of each component. If there is no objective and reliable evidence of the value of the delivered item or an individual item is required to be recognized at fair value then the residual method is used. The residual method calculates the amount to be recognized for the delivered component as being the amount left over after allocating an appropriate amount of revenue to all the other components.

FINANCIAL ASSETS AND LIABILITIES

The Group classifies its financial assets and liabilities into the following categories: financial assets and liabilities at fair value through profit or loss, loans, financial assets available for sale ("AFS") and other financial liabilities. The Group does not classify any financial instruments under the held-to-maturity category. Appropriate classification of financial assets and liabilities is determined at the time of initial recognition in the balance sheet and not subsequently changed.

Purchases and sales of financial assets and issuances and repurchases of financial liabilities classified at fair value through profit or loss and financial assets classified as AFS are recognized on trade date, being the date on which the Group commits to purchase or sell the asset or issue or repurchase the financial liability. All other financial instruments are recognized on a settlement date basis.

FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group classifies certain financial assets and financial liabilities as either held for trading or designated at fair value through profit or loss. They are carried at fair value and are presented as financial assets at fair value through profit or loss and financial liabilities at fair value through profit or loss, respectively. Related realized and unrealized gains and losses are included in net gains (losses) on financial assets/liabilities at fair value through profit or loss.

TRADING ASSETS AND LIABILITIES – financial instruments are classified as held for trading if they have been originated, acquired or incurred principally for the purpose of selling or repurchasing them in the near term, or they form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

FINANCIAL INSTRUMENTS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS – certain financial assets and liabilities, that do not meet the definition of trading assets and liabilities, are designated at fair value through profit or loss using the fair value option. To be designated at fair value through profit or loss, financial assets and liabilities must meet one of the following criteria: (1) the designation will eliminate or significantly reduce a measurement or recognition inconsistency; (2) a group of financial assets or liabilities or both is managed and its performance is evaluated on a fair value basis in accordance with a documented risk management or investment strategy; or (3) the instrument contains one or more embedded derivatives unless: (a) the embedded derivative does not significantly modify the cash flows that otherwise would be required by the contract; or (b) it is clear with little or no analysis that separation is prohibited. In addition, the Group allows the fair value option to be designated only for those financial instruments for which a reliable estimate of fair value can be obtained. Gains and losses on the subsequent remeasurement of the financial assets and liabilities designated at fair value are recognized in net gains (losses) on financial assets/liabilities at fair value through profit or loss.

LOAN COMMITMENTS

Certain loan commitments are designated at fair value through profit or loss under the fair value option. As indicated under the discussion of ‘Derivatives and Hedge Accounting’, some loan commitments are classified as financial assets/liabilities at fair value through profit or loss. All other loan commitments remain off-balance sheet. Therefore, for these off-balance sheet loan commitments, the Group does not recognize and measure changes in fair value that result from changes in market interest rate or credit spreads. However, as specified in the discussion “Impairment of loans and provision for off-balance sheet positions” below, these off-balance sheet loan commitments are assessed individually and, where appropriate, collectively, for impairment.

LOANS

Loans include originated and purchased non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not classified as financial assets at fair value through profit or loss or financial assets available for sale.

Loans are initially recognized at fair value, representing the cash advanced to the borrower plus the net of direct and incremental transaction costs and fees. They are subsequently measured at amortized cost using the effective interest method less impairment.

FINANCIAL ASSETS CLASSIFIED AS AVAILABLE FOR SALE

Financial assets that are not classified at fair value through profit or loss or as loans are classified as AFS. A financial asset classified as AFS is initially recognized at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. The amortization of premiums and accretion of discount are recorded in net interest income. Financial assets classified as AFS are carried at fair value with the changes in fair value reported in equity, in net gains (losses) not recognized in the income statement, unless the asset is subject to a fair value hedge, in which case changes in fair value resulting from the risk being hedged are recorded in other income. For monetary financial assets classified as AFS (for example, debt instruments), changes in carrying amounts relating to changes in foreign exchange rate are recognized in the income statement and other changes in carrying amount are recognized in equity as indicated above. For financial assets classified as AFS that are not monetary items (for example, equity instruments), the gain or loss that is recognized in equity includes any related foreign exchange component.

Financial assets classified as AFS are assessed for impairment as discussed in the section of the Note ‘Impairment of financial assets classified as Available for Sale’. Realized gains and losses are reported in net gains (losses) on financial assets available for sale. Generally, the weighted-average cost method is used to determine the cost of financial assets. Gains and losses recorded in equity are transferred into the income statement on disposal of an available for sale financial asset as part of the overall gain or loss on sale.

FINANCIAL LIABILITIES

Except for financial liabilities at fair value through profit or loss, financial liabilities are measured at amortized cost using the effective interest rate method.

Financial liabilities include long-term and short-term debt issued which are initially measured at fair value, which is the consideration received, net of transaction costs incurred. Repurchases of issued debt in the market are treated as extinguishments and any related gain or loss is recorded in the consolidated statement of income. A subsequent sale of own bonds in the market is treated as a reissuance of debt.

DETERMINATION OF FAIR VALUE

Fair value is defined as the price at which an asset or liability could be exchanged in a current transaction between knowledgeable, willing parties, other than in a forced or liquidation sale. Where available, fair value is based on observable market prices or parameters or derived from such prices or parameters. Where observable prices or inputs are not available, valuation techniques appropriate for the particular instrument are applied. These valuation techniques involve some level of management estimation and judgment, the degree of which will depend on the price transparency for the instrument or market and the instrument's complexity. The valuation process to determine fair value also includes making appropriate adjustments to the valuation model outputs to consider factors such as close out costs, liquidity and credit risk (both counterparty credit risk in relation to financial assets and the Bank's own credit risk in relation to financial liabilities).

RECOGNITION OF TRADE DATE PROFIT

Where there are significant unobservable inputs used in the valuation technique, the financial instrument is recognized at the transaction price and any profit implied from the valuation technique at trade date is deferred. The deferred amount is recognized using systematic methods over the period between trade date and the date when the market is expected to become observable, or over the life of the trade (whichever is shorter). Such methodology is used because it reflects the changing economic and risk profiles of the instruments as the market develops or as the instruments themselves progress to maturity. Any remaining trade date deferred profit is recognized through the income statement when the transaction becomes observable or the Group enters into offsetting transactions that substantially eliminate the instrument's risk. In the rare circumstances that a trade date loss arises, it would be recognized at inception of the transaction to the extent that it is probable that a loss has been incurred and a reliable estimate of the amount can be made.

DERIVATIVES AND HEDGE ACCOUNTING

Derivatives are used to manage exposures to interest rate, foreign currency and credit risks, including exposures arising from forecast transactions. All freestanding contracts that are considered derivatives for accounting purposes are carried at fair value in the balance sheet regardless of whether they are held for trading or nontrading purposes.

Gains and losses on derivatives held for trading are included in gain (loss) on financial assets/liabilities at fair value through profit or loss.

The Group makes commitments to originate loans intended for sale. Such positions are classified as financial assets/liabilities at fair value through profit or loss, and related gains and losses are included in net gains (losses) on financial assets/liabilities at fair value through profit or loss. Loan commitments that can be settled net in cash or by delivering or issuing another financial instrument are classified as derivatives. Market value guarantees provided on specific mutual fund products offered by the Group are also accounted for as derivatives and hence are carried at fair value, with changes in fair value recorded in net gains (losses) on financial assets/liabilities at fair value through profit or loss.

Certain derivatives entered into for nontrading purposes, which do not qualify for hedge accounting, that are otherwise effective in offsetting the effect of transactions on noninterest income and expenses are recorded in other assets or other liabilities with both realized and unrealized changes in fair value recorded in the same noninterest income and expense captions affected by the transaction being offset. The changes in fair value of all other derivatives not qualifying for hedge accounting are recorded in net gains and losses on financial assets/liabilities at fair value through profit or loss.

EMBEDDED DERIVATIVES

Some hybrid contracts contain both a derivative and a non-derivative component. In such cases, the derivative component is termed an 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 with gains and losses being recognized in net gains (losses) on financial assets/liabilities at fair value through profit or loss. The host contract is accounted for at amortized cost. The carrying amount of an embedded derivative is reported in the consolidated balance sheet line item with the host contract. Certain hybrid instruments have been designated at fair value through profit or loss using the fair value option.

HEDGE ACCOUNTING

Where derivatives are held for risk management purposes and the transactions meet specific criteria, the Group applies hedge accounting. For accounting purposes there are three possible types of hedges: (1) hedges of the changes in fair value of assets, liabilities or firm commitments (fair value hedges); (2) hedges of the variability of future cash flows from forecast transactions and floating rate assets and liabilities (cash flow hedges); and (3) hedges of the translation adjustments resulting from translating the financial statements of foreign operations into the reporting currency of the parent (hedge of a net investment in a foreign operation).

When hedge accounting is applied, the Group designates and documents the relationship between the hedging instrument and hedged item as well as its risk management objectives and its strategy for undertaking the hedging transactions. This documentation includes an assessment of how, at hedge inception and on an ongoing basis, the hedge is expected to be highly effective in offsetting changes in fair value, variability of cash flows, or the translation effects of net investments in foreign operations (as appropriate). Hedge effectiveness is assessed at inception and throughout the term of each hedging relationship. Hedge effectiveness is always calculated, even when the terms of the derivative and hedged item are matched.

Hedging derivatives are reported as other assets and other liabilities. In the event that any derivative is subsequently de-designated as a hedging derivative, it is transferred to financial assets/liabilities at fair value through profit or loss. Subsequent changes in fair value are recognized in gain (loss) on financial assets/liabilities at fair value through profit or loss.

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

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

For hedges of the variability of cash flows, there is no change to the accounting for the hedged item and the derivative is carried at fair value, with changes in value reported initially in net gains (losses) not recognized in the income statement to the extent the hedge is effective. These amounts initially recorded in net gains (losses) not recognized in the income statement are subsequently reclassified into the income statement in the same periods during which the forecast transaction affects the income statement. Thus, for hedges of interest rate risk, the amounts are amortized into interest income or expense along with the interest accruals on the hedged transaction. When hedging the foreign exchange risk of a non-monetary financial asset classified as available for sale, such as an equity instrument, the amounts resulting from foreign exchange risk are included in the calculation of the gain or loss on sale once the hedged asset is sold. Hedge ineffectiveness is recorded in other income and is usually measured as the difference between the changes in fair value of the actual hedging derivative and a hypothetically perfect hedge.

When hedges of the variability of cash flows are canceled, amounts remaining in net gains (losses) not recognized in the income statement are amortized to interest income or expense over the remaining life of the original hedge relationship. For cancellations of other types of hedges of the variability of cash flows, the related amounts in net gains (losses) not recognized in the income statement are reclassified into the income statement either in the same income statement caption and period as profit or loss from the forecasted transaction, or in other income when it is no longer probable that the forecast transaction will occur.

For hedges of the translation adjustments resulting from translating the financial statements of net investments in foreign operations (hedge of a net investment in a foreign operation) into the functional currency of the parent, the portion of the change in fair value of the derivative due to changes in the spot foreign exchange rate is recorded as a foreign currency translation adjustment in net gains (losses) not recognized in the income statement to the extent the hedge is effective; and the remainder is recorded as other income in the income statement.

IMPAIRMENT OF FINANCIAL ASSETS

At each balance sheet date, the Group assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred if there is:

- objective evidence of impairment as a result of a loss event that occurred after the initial recognition of the asset and up to the balance sheet date (‘a loss event’);
- the loss event had an impact on the estimated future cash flows of the financial asset or the group of financial assets; and
- a reliable estimate of the amount can be made.

IMPAIRMENT OF LOANS AND PROVISION FOR OFF-BALANCE SHEET POSITIONS

The Group first assesses whether objective evidence of impairment exists individually for loans that are individually significant. It then assesses collectively for loans that are not individually significant and loans which are significant but for which there is no objective evidence of impairment under the individual assessment.

To allow management to determine whether a loss event has occurred on an individual basis, all significant counterparty relationships are reviewed periodically. This evaluation considers current information and events related to the counterparty, such as the counterparty experiencing significant financial difficulty or a breach of contract, for example, default or delinquency in interest or principal payments.

If there is evidence of impairment leading to an impairment loss for an individual counterparty relationship, then the amount of the loss is determined as the difference between the carrying amount of the loan(s), including accrued interest, and the present value of expected future cash flows discounted at the loan's original effective interest rate, including cash flows that may result from foreclosure less costs for obtaining and selling the collateral. The carrying amount of the loans is reduced by the use of an allowance account and the amount of the loss is recognized in the income statement as a component of the provision for credit losses.

The collective assessment of impairment is principally to establish an allowance amount relating to loans that are either individually significant but for which there is no objective evidence of impairment, or are not individually significant, but for which there is, on a portfolio basis, a loss amount that is probable of having occurred and is reasonably estimable. The loss amount has three components. The first component is an amount for transfer and currency convertibility risks for loan exposures in countries where there are serious doubts about the ability of counterparties to comply with the repayment terms due to the economic or political situation prevailing in the respective country of domicile. This amount is calculated using ratings for country risk and transfer risk which are established and regularly reviewed for each country in which the Group does business. The second component is an allowance amount representing the incurred losses on the portfolio of smaller-balance homogeneous loans, which are loans to individuals and small business customers of the private and retail business. The loans are grouped according to similar credit risk characteristics and the allowance for each group is determined using statistical models based on historical experience. The third component represents an estimate of incurred losses inherent in the group of loans that have not yet been individually identified or measured as part of the smaller-balance homogenized loans. Loans that were found not to be impaired when evaluated on an individual basis are included in the scope of this component of the allowance.

Once a loan is identified as impaired, although the accrual of interest in accordance with the contractual terms of the loan is discontinued, the accretion of the net present value of the written down amount of the loan due to the passage of time is recognized as interest income based on the original effective interest rate of the loan.

At each balance sheet date, all impaired loans are reviewed for changes to the present value of expected future cash flows discounted at the loan's original effective interest rate. Any change to the previously recognized impairment loss is recognized as a change to the allowance account and recorded in the income statement as a component of the provision for credit losses.

When it is considered that there is no realistic prospect of recovery and all collateral has been realized or transferred to the Group, the loan and any associated allowance is written off. Subsequent recoveries, if any, are credited to the allowance account and recorded in the income statement as a component of the provision for credit losses.

The process to determine the provision for off-balance sheet positions is similar to the methodology used for loans. Any loss amounts are recognized as an allowance in the balance sheet within other liabilities and charged to the income statement as a component of the provision for credit losses.

If in a subsequent period the amount of a previously recognized impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the impairment loss is reversed by reducing the allowance account accordingly. Such reversal is recognized in profit or loss.

IMPAIRMENT OF FINANCIAL ASSETS CLASSIFIED AS AVAILABLE FOR SALE

For financial assets classified as AFS, management assesses at each balance sheet date whether there is objective evidence that an asset or group of assets is impaired.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below cost. In the case of debt securities classified as AFS, impairment is assessed based on the same criteria as for loans.

Where there is evidence of impairment, the cumulative unrealized loss previously recognized in equity, in net gains (losses) not recognized in the income statement, is removed from equity and recognized in the income statement for the period, reported in net gains (losses) on financial assets available for sale. This amount is determined as the difference between the acquisition cost (net of any principal repayments and amortization) and current fair value of the asset less any impairment loss on that investment previously recognized in the income statement. Reversals of impairment losses on equity investments classified as AFS are not reversed through the income statement; increases in their fair value after impairment are recognized in equity.

Reversals of impairment of debt securities are recognized in the income statement if the recovery is objectively related to a specific event occurring after the impairment loss was recognized in the income statement.

DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

FINANCIAL ASSET DERECOGNITION

A financial asset is considered for derecognition when the contractual rights to the cash flows from the financial asset expire, or the Group has either transferred the contractual right to receive the cash flows from that asset, or has assumed an obligation to pay those cash flows to one or more recipients, subject to certain criteria.

The Group derecognizes a transferred financial asset if it transfers substantially all the risks and rewards of ownership.

The Group enters into transactions where it transfers previously recognized financial assets but retains substantially all the associated risks and rewards of those assets; for example, a sale to a third party where the Group enters into a concurrent total return swap with the same counterparty. These types of transactions are accounted for as secured financing transactions.

In transactions where substantially all the risks and rewards of ownership of a financial asset are neither retained nor transferred, the Group derecognizes the transferred asset if control over that asset is relinquished. The rights and obligations retained in the transfer are recognized separately as assets and liabilities, as appropriate. If control over the asset is retained, the Group continues to recognize the asset to the extent of its continuing involvement, which is determined by the extent to which it remains exposed to changes in the value of the transferred asset.

The derecognition criteria are also applied to the transfer of part of an asset, rather than the asset as a whole, or to a group of similar financial assets in their entirety, when applicable. If transferring a part of an asset, it must be a specifically identified cash flow, a fully proportionate share of the asset, or a fully proportionate share of a specifically identified cash flow.

SECURITIZATION

The Group securitizes various consumer and commercial financial assets, which is achieved via the sale of these assets to an SPE, which in turn issues securities to investors. The transferred assets may qualify for derecognition in full or in part, under the policy on derecognition of financial assets. Interests in the securitized financial assets may be retained in the form of senior or subordinated tranches, interest only strips or other residual interests (collectively referred to as 'retained interests'). Provided the Group's retained interests do not result in consolidation of an SPE, nor in continued recognition of the transferred assets, these interests are typically recorded in financial assets at fair value through profit or loss and carried at fair value. Gains or losses on securitization depend in part on the carrying amount of the transferred financial assets, allocated between the financial assets derecognized and the retained interests based on their relative fair values at the date of the transfer. Gains or losses on securitization are recorded in gain (loss) on financial assets/liabilities at fair value through profit or loss if the transferred assets were classified as financial assets at fair value through profit or loss.

DERECOGNITION OF FINANCIAL LIABILITIES

A financial liability is derecognized when the obligation under the liability is discharged or canceled or expires. If an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of the existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the income statement.

REPURCHASE AND REVERSE REPURCHASE AGREEMENTS

Securities purchased under resale agreements ("reverse repurchase agreements") and securities sold under agreements to repurchase ("repurchase agreements") are treated as collateralized financings and are initially recognized at fair value being the amount of cash disbursed and received, respectively. The party disbursing the cash takes possession of the securities serving as collateral for the financing and having a market value equal to or in excess of the principal amount loaned. The securities received under reverse repurchase agreements and securities delivered under repurchase agreements are not recognized on, or derecognized from, the balance sheet, unless the risks and rewards of ownership are obtained or relinquished.

The Group has chosen to apply the fair value option to certain repurchase and reverse repurchase portfolios that are managed on a fair value basis.

Interest earned on reverse repurchase agreements and interest incurred on repurchase agreements is reported as interest income and interest expense, respectively.

SECURITIES BORROWED AND SECURITIES LOANED

Securities borrowed transactions generally require the Group to deposit cash with the securities lender. In a securities loaned transaction, the Group generally receives either cash collateral, in an amount equal to or in excess of the market value of securities loaned, or securities. The Group monitors the fair value of securities borrowed and securities loaned and additional collateral is disbursed or obtained, if necessary.

The amount of cash advanced or received is recorded as securities borrowed and securities loaned, respectively.

The securities borrowed are not themselves recognized in the financial statements. If they are sold to third parties, the obligation to return the securities is recorded as a financial liability at fair value through profit or loss and any subsequent gain or loss is included in the income statement in gain (loss) on financial assets/liabilities at fair value through profit or loss. Securities lent to counterparties are also retained on the balance sheet.

Fees received or paid are reported in interest income and interest expense, respectively. Securities owned and pledged as collateral under securities lending agreements in which the counterparty has the right by contract or custom to sell or repledge the collateral are disclosed as such on the face of the consolidated balance sheet.

OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset, with the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to set off the recognized amounts and there is an intention to settle on a net basis, or to realize an asset and settle the liability simultaneously. In all other situations they are presented gross.

PREMISES AND EQUIPMENT

Premises and equipment includes own-use properties, leasehold improvements, furniture and equipment and software (operating systems only). Own-use properties are carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is generally recognized using the straight-line method over the estimated useful lives of the assets. The range of estimated useful lives is 25 to 50 years for premises and 3 to 10 years for furniture and equipment. Leasehold improvements are depreciated on a straight-line basis over the shorter of the term of the lease and the estimated useful life of the improvement, which generally ranges from 3 to 15 years. Depreciation of premises and equipment is included in general and administrative expenses. Maintenance and repairs are charged to general and administrative expenses and improvements are capitalized. Gains and losses on disposals are reflected in other income.

Premises and equipment are tested for impairment at least annually and an impairment charge is recorded to the extent the recoverable amount, which is the higher of fair value less costs to sell and value in use, is less than its carrying amount. Value in use is the present value of the future cash flows expected to be derived from the asset. After the recognition of an impairment, the depreciation charge is adjusted in future periods to reflect the asset's revised carrying amount. Where an impairment is later reversed, the depreciation charge is adjusted prospectively.

Properties leased under a finance lease are capitalized as assets in premises and equipment and depreciated over the terms of the leases.

INVESTMENT PROPERTY

The Group generally uses the cost model for valuation of investment property and the carrying value is included on the balance sheet in other assets. When the Group issues liabilities that are backed by investment property, which pay a return linked directly to the fair value of, or returns from, specified investment property assets, it has elected to apply the fair value model to those specific investment property assets. Where the Group applies this specific election, it engages external real estate experts to determine the fair value of the investment property by using recognized valuation techniques. In cases where prices of recent market transactions of comparable properties are available, fair value is determined by reference to these transactions.

GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill arises on the acquisition of subsidiaries, associates and jointly controlled entities, and represents the excess of the fair value of the purchase consideration and costs directly attributable to the acquisition, over the net fair value of the Group's share of the identifiable assets acquired and the liabilities and contingent liabilities assumed on the date of the acquisition.

For the purpose of calculating goodwill, fair values of acquired assets, liabilities and contingent liabilities are determined by reference to market values or by discounting expected future cash flows to present value. This discounting is either performed using market rates or by using risk-free rates and risk-adjusted expected future cash flows.

Goodwill on the acquisition of subsidiaries is capitalized and reviewed annually for impairment, or more frequently if there are indications that impairment may have occurred. Goodwill is allocated to cash-generating units for the purpose of impairment testing considering the business level at which goodwill is monitored for internal management purposes. On this basis, the Group's goodwill carrying cash-generating units are:

- Global Markets and Corporate Finance (within the Corporate Banking & Securities segment);
- Global Transaction Banking;
- Asset Management and Private Wealth Management (within the Asset and Wealth Management segment);
- Private & Business Clients; and
- Corporate Investments.

Goodwill on the acquisitions of associates and jointly controlled entities is included in the amount of the investments and is reviewed annually for impairment, or more frequently if there is an indication that impairment may have occurred.

If goodwill has been allocated to a cash-generating unit and an operation within that unit is disposed of, the attributable goodwill is included within the carrying amount of the operation when determining the gain or loss on disposal.

Intangible assets are recognized separately from goodwill when they are separable or arise from contractual or other legal rights and their fair value can be measured reliably. Intangible assets that have a finite useful life are stated at cost less any accumulated amortization and accumulated impairment losses. Customer related intangible assets that have a finite useful life are amortized over periods of between one and 20 years on a straight-line basis based on the expected useful life. Mortgage servicing rights are carried at cost and amortized in proportion to, and over the estimated period of, net servicing revenue. The assets are tested for impairments and their useful lives reaffirmed at least annually.

Certain intangible assets have an indefinite useful life; these are primarily investment management agreements related to retail mutual funds. These indefinite life intangibles are not amortized but are tested for impairment at least annually.

Costs related to software developed or obtained for internal use are capitalized if it is probable that future economic benefits will flow to the Group, and the cost can be reliably measured. Capitalized costs are depreciated using the straight-line method over a period of 1 to 3 years. Eligible costs include external direct costs for materials and services, as well as payroll and payroll-related costs for employees directly associated with an internal-use software project. Overhead costs, as well as costs incurred during the research phase or after the software is ready for use, are expensed as incurred.

On acquisition of insurance businesses, the excess of the purchase price over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities so recognized is accounted for as an intangible asset. This intangible asset represents the present value of future cash flows over the reported liability at the date of acquisition. This is known as value of business acquired ("VOBA").

The VOBA is amortized, its rate of amortization is chosen by considering the profile of the business acquired and the expected depletion in its value. The VOBA acquired is reviewed regularly for any impairment in value and any reductions are charged as an expense to the income statement.

FINANCIAL GUARANTEES

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other parties on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognized in the financial statements at fair value on the date the guarantee was given, which is likely to be the premium received. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the amount initially recognized, less cumulative amortization, and the best estimate of the expenditure required to settle any financial obligation arising as of the balance sheet date. These estimates are determined based on experience with similar transactions and history of past losses, and management's determination of the best estimate.

Any increase in the liability relating to guarantees is recorded in the income statement under general and administrative expenses.

LEASING TRANSACTIONS

LESSOR

Assets leased to customers under agreements which transfer substantially all the risks and rewards of ownership, with or without ultimate legal title, are classified as finance leases. When assets held are subject to a finance lease, the leased assets are derecognized and a receivable is recognized which is equal to the present value of the minimum lease payments, discounted at the interest rate implicit in the lease. Finance lease income is recognized over the lease term based on a pattern reflecting a constant periodic rate of return on the net investment in the finance lease.

Assets leased to customers under agreements which do not transfer substantially all the risks and rewards of ownership are classified as operating leases. The leased assets are included within premises and equipment on the Group's balance sheet and depreciation is provided on the depreciable amount of these assets on a systematic basis over their estimated useful economic lives. Rental income is recognized on a straight-line basis over the period of the lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as an expense on a straight-line basis over the lease term.

LESSEE

Assets held under finance leases are initially recognized on the balance sheet at an amount equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. The discount rate used in calculating the present value of the minimum lease payments is either the interest rate implicit in the lease, if it is practicable to determine, or the incremental borrowing rate. Contingent rentals are recognized as expense in the periods in which they are incurred.

Operating lease rentals payable are recognized as an expense on a straight-line basis over the lease term, which commences when the lessee controls the physical use of the property. Lease incentives are treated as a reduction of rental expense and are also recognized over the lease term on a straight-line basis. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

SALE-LEASEBACK ARRANGEMENTS

If a sale-leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount of the asset is not immediately recognized as income by a seller-lessee but is deferred and amortized over the lease term.

If a sale-leaseback transaction results in an operating lease, the timing of profit recognition is a function of the difference between the sales price and fair value. Where it is clear that sales price is at fair value, the profit (the difference between the sales price and carrying value) is recognized immediately. If the sales price is below fair value, any profit

or loss is recognized immediately, except that if the loss is compensated for by future lease payments at below market price, it is deferred and amortized in proportion to the lease payments over the period the asset is expected to be used. If the sales price is above fair value, the excess over fair value is deferred and amortized over the period the asset is expected to be used.

EMPLOYEE BENEFITS

PENSION BENEFITS

The Group sponsors a number of defined contribution and defined benefit plans covering employees of certain subsidiaries. The assets of all the Group's defined contribution plans are held in independently-administered funds. Contributions are generally determined as a percentage of salary and are expensed based on employee services rendered, generally in the year of contribution.

All defined benefit plans are valued using the projected unit-credit method to determine the present value of the defined benefit obligation and the related service costs. Under this method, the determination is based on actuarial calculations which include assumptions about demographics, early retirement, salary increases and interest and inflation rates. The recognition of actuarial gains and losses is applied by using the 10 % "corridor" approach. Therefore, a portion is recognized in the income statement if the net cumulative unrecognized actuarial gains and losses at the end of the previous reporting period exceeded the greater of a) 10 % of the present value of the defined benefit obligation at that date (before deducting plan assets) and b) 10 % of the fair value of any plan assets at that date. The Group's defined benefit plans are usually funded.

OTHER POST-RETIREMENT BENEFITS

In addition, the Group's affiliates maintain unfunded contributory defined benefit postretirement health care plans for a number of retired employees who are mainly located in the United States. These plans pay stated percentages of eligible medical and dental expenses of retirees after a stated deductible has been met. The Group funds these plans on a cash basis as benefits are due. Analogous to defined benefit pension plans these plans are valued using the projected unit credit method. The recognition of actuarial gains and losses is applied by using the 10 % "corridor" approach.

SHARE-BASED COMPENSATION

Compensation expense for awards classified as equity instruments is measured at the grant date based on the fair value of the share-based award. For share awards, the fair value is the quoted market price of the share reduced by the present value of the expected dividends that will not be received by the employee and adjusted for the effect, if any, of restrictions beyond the vesting date. In case an award is modified such that its fair value immediately after modification exceeds its fair value immediately prior to modification, a remeasurement takes place and the resulting increase in fair value is recognized as additional compensation expense.

The Group records the offsetting amount to the recognized compensation expense in additional paid-in capital (APIC). Compensation expense is recorded on a straight-line basis over the period in which employees perform services to which the awards relate or over the period of the tranches for those awards delivered in tranches. Estimates of expected forfeitures are periodically adjusted in the event of actual forfeitures or for changes in expectations. The timing of expense recognition relating to grants which, due to early retirement provisions, include a nominal but nonsubstantive service period are accelerated by shortening the amortization period of the expense from the grant date to the date when the employee meets the eligibility criteria for the award, and not the vesting date. For awards that are delivered in tranches, each tranche is considered a separate award and amortized separately.

Compensation expense for share-based awards payable in cash is remeasured to fair value at each balance sheet date, and the related obligations are included in other liabilities until paid.

OBLIGATIONS TO PURCHASE COMMON SHARES

Forward purchases of Deutsche Bank shares, and written put options where Deutsche Bank shares are the underlying, are reported as obligations to purchase common shares if the number of shares is fixed and physical settlement for a fixed amount of cash is required. At inception the obligation is recorded at the present value of the settlement amount of the forward or option. For forward purchases and written put options of Deutsche Bank shares, a corresponding charge is made to shareholders' equity and reported as equity classified as an obligation to purchase common shares. For forward purchases of minority interest shares, a corresponding reduction to equity is made.

The liabilities are accounted for on an accrual basis, and interest costs, which consist of time value of money and dividends, on the liability are reported as interest expense. Upon settlement of such forward purchases and written put options, the liability is extinguished and the charge to equity is reclassified to common shares in treasury.

Deutsche Bank common shares subject to such forward contracts are not considered to be outstanding for purposes of basic earnings per share calculations, but are for dilutive earnings per share calculations to the extent that they are, in fact, dilutive.

Put and call option contracts with Deutsche Bank shares as the underlying where the number of shares is fixed and physical settlement is required are not classified as derivatives. They are transactions in the Group's equity. All other derivative contracts in which Deutsche Bank shares are the underlying are recorded as financial assets/liabilities at fair value through profit or loss.

INCOME TAXES

The Group recognizes the current and deferred tax consequences of transactions that have been included in the consolidated financial statements using the provisions of the respective jurisdictions' tax laws. Current and deferred taxes are charged or credited to equity if the tax relates to items that are charged or credited directly to equity.

Deferred tax assets and liabilities are recognized for future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, unused tax losses and unused tax credits. Deferred tax assets are recognized only to the extent that it is probable that sufficient taxable profit will be available against which those unused tax losses, unused tax credits and deductible temporary differences can be utilized.

Deferred tax assets and liabilities are measured based on the tax rates that are expected to apply in the period that the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Current tax assets and liabilities are offset when (i) they arise from the same tax reporting entity or tax group of reporting entities, (ii) they relate to the same tax authority, (iii) the legally enforceable right to offset exists and (iv) they are intended to be settled net or realized simultaneously.

Deferred tax assets and liabilities are offset when the legally enforceable right to offset current tax assets and liabilities exists and the deferred tax assets and liabilities relate to income taxes levied by the same taxing authority on either the same tax reporting entity or tax group of reporting entities.

Deferred tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, branches and associates and interests in jointly controlled entities except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the difference will not reverse in the foreseeable future. Deferred income tax assets are provided on deductible temporary differences arising from such investments only to the extent that it is probable that the differences will reverse in the foreseeable future and sufficient taxable income will be available against which those temporary differences can be utilized.

Deferred tax related to fair value re-measurement of available for sale investments and cash flow hedges, which are charged or credited directly to equity, is also credited or charged directly to equity and subsequently recognized in the income statement once the gain or loss is realized.

For share-based payment transactions, the Group may receive a tax deduction related to the compensation paid in shares. The amount deductible for tax purposes may differ from the cumulative compensation expense recorded. At any reporting date, the Group must estimate the expected future tax deduction based on the current share price.

If the amount deductible, or expected to be deductible, for tax purposes exceeds the cumulative compensation expense, the excess tax benefit is recognized in equity. If the amount deductible, or expected to be deductible, for tax purposes is less than the cumulative compensation expense, the shortfall is recognized in the Group's income statement for the period.

The Group's insurance business in the United Kingdom (Abbey Life Assurance Company Limited) is subject to income tax on the policyholder's investment returns (policyholder tax). This tax is included in the Group's income tax expense/benefit even though it is economically the income tax expense/benefit of the policyholder, which reduces the Group's liability to the policyholder.

PROVISIONS

Provisions are recognized if the Group has a present legal or constructive obligation as a result of past events, if it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation as of the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, provisions are discounted and measured at the present value of the expenditure expected to be required to settle the obligation, using a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as interest expense.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party (e.g., because the obligation is covered by an insurance policy), a receivable is recognized if it is virtually certain that reimbursement will be received.

STATEMENT OF CASH FLOWS

For purposes of the consolidated statement of cash flows, the Group's cash and cash equivalents include highly liquid investments that are readily convertible into cash and which are subject to an insignificant risk of change in value. Such investments include cash and balances at central banks and demand deposits with banks.

INSURANCE

The Group's insurance business issues two types of contracts:

INSURANCE CONTRACTS – these are annuity and universal life contracts under which the Group accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specific uncertain future event adversely affects the policyholder. Such contracts remain insurance contracts until all rights and obligations are extinguished or expire. All insurance contract liabilities are measured under the provisions of U.S. GAAP for insurance contracts.

NON-PARTICIPATING INVESTMENT CONTRACTS (“INVESTMENT CONTRACTS”) – these contracts do not contain significant insurance risk or discretionary participation features. These are measured and reported consistently with other financial liabilities, which are classified as financial liabilities at fair value through profit or loss.

Financial assets held to back annuity contracts have been classified as financial instruments available for sale. Financial assets held for other insurance and investment contracts have been designated as fair value through profit or loss under the fair value option.

INSURANCE CONTRACTS

Premiums on long-term insurance contracts are recognized as income when received. For single premium business, this is the date from which the policy is effective. For regular premium contracts, receivables are recognized at the date when payments are due. Premiums are shown before deduction of commissions. When policies lapse due to non-receipt of premiums, all related premium income accrued but not received from the date they are deemed to have lapsed, net of related expense, is offset against premiums.

Claims are recorded as an expense when they are incurred, and reflect the cost of all claims arising during the year, including policyholder profit participations allocated in anticipation of a participation declaration.

The aggregate policy reserves for universal life insurance contracts are equal to the account balance, which represents premiums received and investment returns credited to the policy, less deductions for mortality costs and expense charges. For other unit-linked insurance contracts the policy reserve represents the fair value of the underlying assets.

For annuity contracts, the liability is calculated by estimating the future cash flows over the duration of the in-force contracts and discounting them back to the valuation date allowing for the probability of occurrence. The assumptions are fixed at the date of acquisition with suitable provisions for adverse deviations (PADs). This calculated liability value is tested against a value calculated using best estimate assumptions and interest rates based on the yield on the amortized cost of the underlying assets. Should this test produce a higher value, the liability amount would be reset.

Aggregate policy reserves include liabilities for certain options attached to the Group’s unit-linked pension products. These liabilities are calculated based on contractual obligations using actuarial assumptions.

Liability adequacy tests are performed for the insurance portfolios on the basis of estimated future claims, costs, premiums earned and proportionate investment income. For long duration contracts, if actual experience regarding investment yields, mortality, morbidity, terminations or expense indicate that existing contract liabilities, along with the present value of future gross premiums, will not be sufficient to cover the present value of future benefits and to recover deferred policy acquisition costs, then a premium deficiency is recognized.

For existing business, the deferred policy acquisition costs are immaterial to the insurance business.

INVESTMENT CONTRACTS

All of the Group's investment contracts are unit-linked. These contract liabilities are determined using current unit prices multiplied by the number of units attributed to the contract holders as of the balance sheet date. As this amount represents fair value, the liabilities have been classified as financial liabilities at fair value through profit or loss. Deposits collected under investment contracts are accounted for as an adjustment to the investment contract liabilities. Investment income attributable to investment contracts is included in the income statement. Investment contract claims reflect the excess of amounts paid over the account balance released. Investment contract policyholders are charged fees for policy administration, investment management, surrenders or other contract services.

The financial assets for investment contracts are recorded at fair value with changes in fair value, and offsetting changes in the fair value of the corresponding financial liabilities, recorded in profit or loss.

REINSURANCE

Premiums ceded for reinsurance and reinsurance recoveries on policyholder benefits and claims incurred are reported in income and expense as appropriate. Assets and liabilities related to reinsurance are reported on a gross basis. Amounts ceded to reinsurers from reserves for insurance contracts are estimated in a manner consistent with the reinsured risk. Accordingly, revenues and expenses related to reinsurance agreements are recognized in a manner consistent with the underlying risk of the business reinsured.

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

IFRS 7

In August 2005, the IASB issued IFRS 7, "Financial Instruments: Disclosures" ("IFRS 7"). The standard replaces IAS 30, "Disclosures in the Financial Statements of Banks and Similar Financial Institutions" and the disclosure requirements in the former version of IAS 32, "Financial Instruments: Disclosure and Presentation". It requires disclosure of the significance of financial instruments for an entity's financial position and performance, of qualitative and quantitative information about exposure to credit, liquidity and market risk arising from financial instruments, and how the entity manages those risks. IFRS 7 is effective for fiscal years beginning on or after January 1, 2007. The adoption of IFRS 7 only had disclosure impacts for the Group's consolidated financial statements.

IAS 1

In addition to IFRS 7, in August 2005, the IASB issued an amendment to IAS 1, "Presentation of Financial Statements: Capital Disclosures" ("IAS 1"). It requires disclosures about an entity's capital and the way it is managed. This amendment is also effective for fiscal years beginning on or after January 1, 2007. The adoption of IAS 1 only had disclosure impacts for the Group's consolidated financial statements.

IFRS 8

In November 2006, the IASB issued IFRS 8, "Operating Segments" ("IFRS 8"), which defines requirements for the disclosure of financial information of an entity's operating segments. IFRS 8 replaces IAS 14, "Segment Reporting". It follows the management approach which requires operating segments to be identified on the basis of internal reports about components of the entity that are regularly reviewed by the chief operating decision-maker, in order to allocate resources to a segment and to assess its performance. IFRS 8 is effective for fiscal years beginning on or after January 1, 2009, although earlier application is permitted. The Group adopted IFRS 8 from January 1, 2007. Therefore, the operating segment comparative information contained in the Group's consolidated financial statements for the year ending December 31, 2006 has been presented under the IFRS 8 requirements.

NEW ACCOUNTING PRONOUNCEMENTS

IFRIC 14

In July 2007, the International Financial Reporting Interpretations Committee ("IFRIC") issued interpretation IFRIC 14, "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" ("IFRIC 14"). IFRIC 14 provides general guidance on how to assess the limit in IAS 19, "Employee Benefits," on the amount of a pension fund surplus that can be recognized as an asset. It also explains how the pension asset or liability may be affected when there is a statutory or contractual minimum funding requirement. No additional liability need be recognized by the employer under IFRIC 14 unless the contributions that are payable under the minimum funding requirement cannot be returned to the company. IFRIC 14 is effective for annual periods beginning on or after January 1, 2008, with early application permitted. While approved by the IASB, the interpretation has yet to be endorsed by the EU. The Group is currently evaluating the potential impact that the adoption of IFRIC 14 will have on its consolidated financial statements.

IFRS 3 AND IAS 27

In January 2008, the IASB issued a revised version of IFRS 3, "Business Combinations" ("IFRS 3 R"), and an amended version of IAS 27, "Consolidated and Separate Financial Statements" ("IAS 27 R"). IFRS 3 R reconsiders the application of acquisition accounting for business combinations and IAS 27 R mainly relates to changes in the accounting for non-controlling interests and the loss of control of a subsidiary. Under IFRS 3 R, the acquirer can elect to measure any non-controlling interest on a transaction-by-transaction basis, either at fair value as of the acquisition date or at its proportionate interest in the fair value of the identifiable assets and liabilities of the acquiree. When an acquisition is achieved in successive share purchases (step acquisition), the identifiable assets and liabilities of the acquiree are recognized at fair value when control is obtained. A gain or loss is recognized in profit or loss for the difference between the fair value of the previously held equity interest in the acquiree and its carrying amount. IAS 27 R also requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control. Transactions resulting in a loss of control result in a gain or loss being recognized in profit or loss. The gain or loss includes a remeasurement to fair value of any retained equity interest in the investee. In addition, all items of consideration transferred by the acquirer are measured and recognized at fair value, including contingent

consideration, as of the acquisition date. Transaction costs incurred by the acquirer in connection with the business combination do not form part of the cost of the business combination transaction but are expensed as incurred unless they relate to the issuance of debt or equity securities, in which case they are accounted for under IAS 39, "Financial Instruments: Recognition and Measurement". IFRS 3 R and IAS 27 R are effective for business combinations in annual periods beginning on or after July 1, 2009, with early application permitted provided that both Standards are applied together. While approved by the IASB, the standards have yet to be endorsed by the EU. The Group is currently evaluating the potential impact that the adoption of IFRS 3 R and IAS 27 R will have on its consolidated financial statements.

IAS 32 AND IAS 1

In February 2008, the IASB issued amendments to IAS 32, "Financial Instruments: Presentation", and IAS 1, "Presentation of Financial Statements": "Puttable Financial Instruments and Obligations Arising on Liquidation". The amendments provide for equity treatment, under certain circumstances, for financial instruments puttable at fair value and obligations arising on liquidation only. They are effective for annual periods beginning on or after January 1, 2009, with earlier application permitted. While approved by the IASB, the standards have yet to be endorsed by the EU. The Group is currently evaluating the potential impact that the adoption of the amendments will have on its consolidated financial statements.

[2] BUSINESS SEGMENTS AND RELATED INFORMATION

The following segment information has been prepared in accordance with IFRS 8, "Operating Segments," which defines requirements for the disclosure of financial information of an entity's operating segments. It follows the "management approach", which requires presentation of the segments on the basis of the internal reports about components of the entity which are regularly reviewed by the chief operating decision-maker in order to allocate resources to a segment and to assess its performance.

BUSINESS SEGMENTS

The business segments identified by the Group represent the organizational structure as reflected in its internal management reporting systems.

The Group is organized into three group divisions, which are further subdivided into corporate divisions. As of December 31, 2007, the group divisions and corporate divisions were:

The CORPORATE AND INVESTMENT BANK (CIB), which combines the Group's corporate banking and securities activities (including sales and trading and corporate finance activities) with the Group's transaction banking activities. CIB serves corporate and institutional clients, ranging from medium-sized enterprises to multinational corporations, banks and sovereign organizations. Within CIB, the Group manages these activities in two global corporate divisions: Corporate Banking & Securities ("CB&S") and Global Transaction Banking ("GTB").

— CB&S is made up of the business divisions Global Markets and Corporate Finance. These businesses offer financial products worldwide, ranging from the underwriting of stocks and bonds to the tailoring of structured solutions for complex financial requirements.
— GTB is primarily engaged in the gathering, transferring, safeguarding and controlling of assets for its clients throughout the world. It provides processing, fiduciary and trust services to corporations, financial institutions and governments and their agencies.

PRIVATE CLIENTS AND ASSET MANAGEMENT (PCAM), which combines the Group's asset management, private wealth management and private and business client activities. Within PCAM, the Group manages these activities in two global corporate divisions: Asset and Wealth Management ("AWM") and Private & Business Clients ("PBC").

— AWM is comprised of the business divisions Asset Management ("AM"), which focuses on managing assets on behalf of institutional clients and providing mutual funds and other retail investment vehicles, and Private Wealth Management ("PWM"), which focuses on the specific needs of demanding high net worth clients, their families and selected institutions.
— PBC serves retail and affluent clients as well as small corporate customers with a full range of retail banking products.

CORPORATE INVESTMENTS (CI), which manages certain alternative assets of the bank and other debt and equity positions.

Changes in the composition of segments can arise from either changes in management responsibility, for which prior periods are restated to conform with the current year's presentation, or from acquisitions and divestitures.

Management responsibilities changed in the first quarter of 2007 for certain transaction management functions which were organizationally aligned with, and provide trading support to, the Global Markets business division in CIB. The following describes acquisitions and divestitures with a significant impact on the Group's segment operations:

— In October 2007, the Group acquired Abbey Life Assurance Company Limited, a UK company that consists primarily of unit-linked life and pension policies and annuities. The business is included within the CB&S Corporate Division.
— In July 2007, AM completed the sale of its local Italian mutual fund business and established long term distribution arrangements with the Group's strategic partner, Anima S.G.R.p.A. The business was included within the AWM Corporate Division.
— In July 2007, RREEF Private Equity acquired a significant stake in Aldus Equity, an alternative asset management and advisory boutique, which specializes in customized private equity investing for institutional and high net worth investors. The business is included within the AWM Corporate Division.
— In July 2007, the Group announced the completion of the acquisition of the institutional cross-border custody business of Türkiye Garanti Bankasi A.S. The client transition is expected to be completed in April 2008. The business will be included within the GTB Corporate Division.
— In July 2007, RREEF Infrastructure completed the acquisition of Maher Terminals LLC, a privately-held operator of port terminal facilities in North America. The acquisition was the seed asset for the North America Infrastructure Fund and is included in the AWM Corporate Division. The company was deconsolidated effective October 9, 2007 after a partial sale into the fund for which it was acquired.
— In June 2007, the Group completed the sale of the Australian Asset Management domestic manufacturing operations to Aberdeen Asset Management. The business was included within the AWM Corporate Division.
— In April 2007, AM reached an agreement with shareholders of Harvest Fund Management, a mutual fund manager in China, to increase its stake to 30 %. The business is included within the AWM Corporate Division.
— In January 2007, the Group sold the second tranche (41 %) of PBC's Italian BankAmericard processing activities to Istituto Centrale delle Banche Popolari Italiane ("ICBPI"), the central body of Italian cooperative banks. The business was part of the PBC Corporate Division.
— In January 2007, the Group completed the acquisition of MortgageIT Holdings, Inc., a residential mortgage real estate investment trust (REIT) in the U.S. The business is included in the CB&S Corporate Division.
— In January 2007, the Group completed the acquisition of Berliner Bank, which is included in the PBC Corporate Division. The acquisition expands the Group's market share in the retail banking sector of the German capital.

- In November 2006, the Group acquired norisbank from DZ Bank Group. The business is included in the PBC Corporate Division.
- In October 2006, the Group announced the acquisition of the UK wealth manager, Tilney Group Limited. The transaction was closed in December 2006. The acquisition is a key element in PWM's strategy to expand its onshore presence in dedicated core markets and to expand into various client segments, including the Independent Financial Advisors sector.
- In October 2006, the Group sold 49 % of its BankAmericard operation to ICBPI.
- In July 2006, the Group deconsolidated Deutsche Wohnen AG following the termination of the control agreement with DB Real Estate Management GmbH. Deutsche Wohnen AG is a real estate investment company and was reported in the AWM Corporate Division.
- In May 2006, the Group completed the acquisition of the UK Depository and Clearing Centre business from JPMorgan Chase & Co. The business is included in the GTB Corporate Division.
- In February 2006, the Group completed the acquisition of the remaining 60 % of United Financial Group (UFG), an investment bank in Russia. The business is included in CB&S Corporate Division.
- In the first quarter 2006, the Group completed its sale of EUROHYPO AG to Commerzbank AG. The business was included in the CI Group Division.

MEASUREMENT OF SEGMENT PROFIT OR LOSS

Segment reporting under IFRS 8 requires a presentation of the segment results based on management reporting methods with a reconciliation between the results of the business segments and the consolidated financial statements. The Group reports this reconciliation within the "Consolidation & Adjustments" section. The information provided about each segment is based on the internal reports about segment profit or loss, assets and other information which are regularly reviewed by the chief operating decision maker.

Management reporting for the Group is generally based on IFRS. Non-IFRS compliant accounting methods are only established on rare occasions and represent either valuation or classification differences. The largest valuation differences relate to mark-to-market accounting in management reporting versus accrual accounting under IFRS (e.g., for certain financial instruments in the Group's treasury books in CB&S and PBC) and to the recognition of trading results from own shares in revenues in management reporting (mainly in CB&S) and in equity under IFRS. The major classification difference relates to minority interest, which represents the net share of minority shareholders in revenues, provision for credit losses, noninterest expenses and income tax expenses. Minority interest is reported as a component of pre-tax income for the businesses in management reporting (with a reversal in Consolidation & Adjustments) and a component of net income appropriation under IFRS.

Revenues from transactions between the business segments are allocated on a mutually agreed basis. Internal service providers (including the Corporate Center), which operate on a nonprofit basis, allocate their noninterest expenses to the recipient of the service. The allocation criteria are generally based on service level agreements and are either determined based upon "price per unit", "fixed price" or "agreed percentages". Since the Group's business activities are diverse in nature and its operations are integrated, certain estimates and judgments have been made to apportion revenue and expense items among the business segments.

The management reporting systems follow the “matched transfer pricing concept” in which the Group’s external net interest income is allocated to the business segments based on the assumption that all positions are funded or invested via the money and capital markets. Therefore, to create comparability with competitors who have legally independent units with their own equity funding, the Group allocates the notional interest credit on its consolidated capital to the business segments, in proportion to each business segment’s allocated average active equity.

Management uses certain measures for equity and related ratios as part of its internal reporting system because it believes that these measures provide it with a more useful indication of the financial performance of the business segments. The Group discloses such measures to provide investors and analysts with further insight into how management operates the Group’s businesses and to enable them to better understand the Group’s results. These include:

— AVERAGE ACTIVE EQUITY: The Group calculates active equity to make it easier to compare it to its competitors and refers to active equity in several ratios. However, active equity is not a measure provided for in IFRS and the Group’s ratios based on average active equity should not be compared to other companies’ ratios without considering the differences in the calculation. The items for which the Group adjusts the average shareholders’ equity are average unrealized net gains on assets available for sale, average fair value adjustments on cash flow hedges (both components net of applicable taxes), as well as average dividends, for which a proposal is accrued on a quarterly basis and for which payments occur once a year following the approval by the general shareholders’ meeting. The Group’s average active equity is allocated to the business segments and to Consolidation & Adjustments in proportion to their economic risk exposures, which comprise economic capital, goodwill and other unamortized intangible assets. The total amount to be allocated is the higher of the Group’s overall economic risk exposure or regulatory capital demand. This demand for regulatory capital is derived by assuming a BIS Tier 1 ratio of 8.5 %, which represents the mid-point of the Group’s Tier 1 target range of between 8.0 % and 9.0 %. If the Group’s average active equity exceeds the higher of the overall economic risk exposure or the regulatory capital demand, this surplus is assigned to Consolidation & Adjustments.
— RETURN ON AVERAGE ACTIVE EQUITY IN % is defined as income before income taxes less minority interest as a percentage of average active equity. These returns, which are based on average active equity, should not be compared to those of other companies without considering the differences in the calculation of such ratios.

SEGMENTAL RESULTS OF OPERATIONS

The following tables present the results of the business segments, including the reconciliation to the consolidated results under IFRS, for the years ended December 31, 2007 and 2006.

2007	Corporate and Investment Bank			Private Clients and Asset Management			Corporate Invest-ments[5]	Total Manage-ment Reporting
in € m. (except percentages)	Corporate Banking & Securities	Global Trans-action Banking	Total	Asset and Wealth Manage-ment	Private & Business Clients	Total		
Net revenues[1]	**16,507**	**2,585**	**19,092**	**4,374**	**5,755**	**10,129**	**1,517**	**30,738**
Provision for credit losses	**102**	**7**	**109**	**1**	**501**	**501**	**3**	**613**
Total noninterest expenses	**12,169**	**1,633**	**13,802**	**3,453**	**4,108**	**7,561**	**220**	**21,583**
therein:								
Depreciation, depletion and amortization	50	8	58	20	82	102	17	177
Severance payments	100	7	107	28	27	55	–	162
Policyholder benefits and claims	116	–	116	73	–	73	–	188
Impairment of intangible assets	–	–	–	74	–	74	54	128
Restructuring activities	(4)	(1)	(4)	(8)	(1)	(9)	–	(13)
Minority interest	**34**	**–**	**34**	**7**	**–**	**8**	**(5)**	**37**
Income before income taxes	**4,201**	**945**	**5,147**	**913**	**1,146**	**2,059**	**1,299**	**8,505**
Cost/income ratio in %	74	63	72	79	71	75	15	70
Assets[2, 3]	1,881,638	32,083	1,895,756	39,081	117,533	156,391	13,002	2,011,654
Expenditures for additions to long-lived assets	351	87	438	2	62	65	–	503
Risk-weighted positions (BIS risk positions)	218,663	18,363	237,026	15,864	69,722	85,586	4,891	327,503
Average active equity[4]	19,619	1,095	20,714	5,109	3,430	8,539	473	29,725
Pre-tax return on average active equity in %	21	86	25	18	33	24	N/M	29
1 Includes:								
Net interest income	4,362	1,106	5,467	165	3,083	3,248	(5)	8,710
Net revenues from external customers	16,691	2,498	19,189	4,615	5,408	10,023	1,492	30,703
Net intersegment revenues	(184)	87	(97)	(241)	347	106	25	34
Net income (loss) from equity method investments	51	2	52	114	2	116	184	352
2 Includes:								
Equity method investments	2,430	39	2,469	560	45	605	221	3,295

N/M – Not meaningful

3 The sum of corporate divisions does not necessarily equal the total of the corresponding group division because of consolidation items between corporate divisions, which are to be eliminated on group division level. The same approach holds true for the sum of group divisions compared to Total Management Reporting.

4 For management reporting purposes goodwill and other intangible assets with indefinite lives are explicitly assigned to the respective divisions. The Group's average active equity is allocated to the business segments and to Consolidation & Adjustments in proportion to their economic risk exposures, which comprise economic capital, goodwill and other unamortized intangible assets.

5 Net revenues in CI include gains from the sale of industrial holdings (Fiat S.p.A., Linde AG and Allianz SE) of € 626 million, income from equity method investments (Deutsche Interhotel Holding GmbH & Co. KG) of € 178 million, and gains from the sale of premises (sale/leaseback transaction of 60 Wall Street) of € 313 million (after group-internal fees paid).

2006	Corporate and Investment Bank			Private Clients and Asset Management			Corporate Invest-ments[5]	Total Manage-ment Reporting
in € m. (except percentages)	Corporate Banking & Securities	Global Trans-action Banking	Total	Asset and Wealth Manage-ment	Private & Business Clients	Total		
Net revenues[1]	**16,574**	**2,228**	**18,802**	**4,166**	**5,149**	**9,315**	**574**	**28,691**
Provision for credit losses	**(65)**	**(29)**	**(94)**	**(1)**	**391**	**391**	**2**	**298**
Total noninterest expenses	**11,236**	**1,552**	**12,789**	**3,284**	**3,717**	**7,000**	**214**	**20,003**
therein:								
Depreciation, depletion and amortization	57	25	82	33	84	117	17	216
Severance payments	97	3	99	12	10	22	–	121
Policyholder benefits and claims	–	–	–	63	–	63	–	63
Impairment of intangible assets	–	–	–	–	–	–	31	31
Restructuring activities	77	22	99	43	49	91	1	192
Minority interest	**23**	**–**	**23**	**(11)**	**–**	**(11)**	**(3)**	**10**
Income before income taxes	**5,379**	**705**	**6,084**	**894**	**1,041**	**1,935**	**361**	**8,380**
Cost/income ratio in %	68	70	68	79	72	75	37	70
Assets[2, 3]	1,459,190	25,646	1,468,321	35,922	94,760	130,642	17,783	1,576,714
Expenditures for additions to long-lived assets	573	2	575	5	383	388	–	963
Risk-weighted positions (BIS risk positions)	177,651	14,240	191,891	12,335	63,900	76,234	5,395	273,520
Average active equity[4]	16,041	1,064	17,105	4,917	2,289	7,206	1,057	25,368
Pre-tax return on average active equity in %	34	66	36	18	45	27	34	33
1 Includes:								
Net interest income	3,097	890	3,987	162	2,767	2,928	1	6,916
Net revenues from external customers	16,894	2,060	18,954	4,435	4,724	9,159	543	28,656
Net intersegment revenues	(320)	168	(152)	(269)	425	156	31	35
Net income (loss) from equity method in-vestments	72	1	74	142	3	145	197	416
2 Includes:								
Equity method investments	1,624	38	1,662	588	8	596	207	2,465

3 The sum of corporate divisions does not necessarily equal the total of the corresponding group division because of consolidation items between corporate divisions, which are to be eliminated on group division level. The same approach holds true for the sum of group divisions compared to Total Management Reporting.

4 For management reporting purposes goodwill and other intangible assets with indefinite lives are explicitly assigned to the respective divisions. The Group's average active equity is allocated to the business segments and to Consolidation & Adjustments in proportion to their economic risk exposures, which comprise economic capital, goodwill and other unamortized intangible assets.

5 Net revenues in CI include a gain from the sale of the bank's remaining holding in EUROHYPO AG of € 131 million and gains from the sale of industrial holdings (Linde AG) of € 92 million.

RECONCILIATION OF SEGMENTAL RESULTS OF OPERATIONS TO CONSOLIDATED RESULTS OF OPERATIONS ACCORDING TO IFRS

The following table provides a reconciliation of the total results of operations and total assets of the Group's business segments under management reporting systems to the consolidated financial statements prepared in accordance with IFRS, for the years ended December 31, 2007 and 2006, respectively.

			2007			2006
in € m.	Total Management Reporting	Consolidation & Adjustments	Total Consolidated	Total Management Reporting	Consolidation & Adjustments	Total Consolidated
Net revenues[1]	30,738	7	30,745	28,691	(197)	28,494
Provision for credit losses	613	(1)	612	298	(0)	298
Noninterest expenses	21,583	(200)	21,384	20,003	(147)	19,857
Minority interest	37	(37)	–	10	(10)	–
Income (loss) before income taxes	**8,505**	**244**	**8,749**	**8,380**	**(41)**	**8,339**
Assets	2,011,654	8,695	2,020,349	1,576,714	7,779	1,584,493
Risk-weighted positions (BIS risk positions)	327,503	1,315	328,818	273,520	1,939	275,459
Average active equity	29,725	121	29,846	25,368	100	25,468

1 Net interest income and noninterest income.

In 2007, income before income taxes in Consolidation & Adjustments was € 244 million. This resulted from Corporate Items of € 279 million, as well as from negative adjustments of € 35 million to reverse the impact of differences between the accounting methods used under IFRS and for the business segments in the Group's management reporting. Noninterest expenses benefited primarily from a recovery of value added tax paid in prior years, based on a refined methodology which has been agreed with the tax authorities, and also reimbursements associated with several litigation cases. The main adjustments to net revenues in Consolidation & Adjustments in 2007 were:

- Adjustments related to positions which are marked-to-market for management reporting purposes and accounted for on an accrual basis under IFRS decreased net revenues by approximately € 100 million.
- Trading results from the Group's own shares are reflected in the CB&S Corporate Division. The elimination of such results under IFRS resulted in an increase of approximately € 30 million.
- Decreases related to the elimination of intra-Group rental income were € 39 million.
- Net interest income related to tax refunds and accruals increased net revenues by € 69 million.
- The remainder of net revenues was due to other corporate items outside the management responsibility of the business segments, such as net funding expenses for nondivisionalized assets/liabilities and results from hedging the net investments in certain foreign operations.

In 2006, Consolidation & Adjustments showed a loss before income taxes of € 41 million. Negative adjustments for different accounting methods used in management reporting and IFRS were € 307 million and Corporate Items were € 267 million. Noninterest expenses benefited mainly from a provision release related to activities to restructure grundbesitz-invest, the Group's German open-ended real estate fund, and a settlement of insurance claims in respect of business interruption losses and costs related to the terrorist attacks of September 11, 2001 in the United States. Within net revenues, the main drivers in Consolidation & Adjustments were:

— Adjustments related to financial instruments which are carried at fair value through profit or loss for management reporting purposes but accounted for on an amortized cost basis under IFRS decreased net revenues by approximately € 210 million.
— Trading results from the Group's own shares in the CB&S Corporate Division resulted in a decrease of € 100 million.
— The elimination of intra-Group rental income decreased net revenues by € 40 million.
— Net interest income related to tax refunds and accruals increased by € 67 million.
— Settlement of insurance claims in respect of business interruption losses and costs related to the terrorist attacks of September 11, 2001 in the United States increased net revenues by € 125 million.
— The remainder of net revenues was due to other corporate items outside the management responsibility of the business segments.

Assets and risk-weighted positions in Consolidation & Adjustments reflect corporate assets, such as deferred tax assets and central clearing accounts, outside of the management responsibility of the business segments.

Average active equity assigned to Consolidation & Adjustments reflects the residual amount of equity that is not allocated to the segments as described under "Measurement of Segment Profit or Loss" in this Note.

ENTITY-WIDE DISCLOSURES

The Group presents revenues for groups of similar products and services by group division on a standalone basis derived from the Group's management accounting systems. The following tables present the net revenue components of the CIB and PCAM Group Divisions, for the years ended December 31, 2007 and 2006, respectively.

	Corporate and Investment Bank	
in € m.	2007	2006
Sales & Trading (equity)	4,613	4,039
Sales & Trading (debt and other products)	8,407	9,016
Total Sales & Trading	**13,020**	**13,055**
Origination (equity)	861	760
Origination (debt)	714	1,331
Total Origination	**1,575**	**2,091**
Advisory	1,089	800
Loan products	974	946
Transaction services	2,585	2,228
Other products	(151)	(318)
Total	**19,092**	**18,802**

	Private Clients and Asset Management	
in € m.	2007	2006
Portfolio/fund management	3,062	3,089
Brokerage	2,172	1,910
Loan/deposit	3,173	2,774
Payments, account & remaining financial services	979	899
Other products	742	643
Total	**10,129**	**9,315**

The following table presents total net revenues (before allowance for credit losses) by geographical area. The information presented for CIB and PCAM has been classified based primarily on the location of the Group's office in which the revenues are recorded. The information for Corporate Investments and Consolidation & Adjustments is presented on a global level only, as management responsibility for these areas is held centrally.

in € m.	2007	2006
Germany:		
CIB	2,921	2,265
PCAM	5,514	4,922
Total Germany	**8,434**	**7,187**
Europe, Middle East and Africa:		
CIB	7,721	6,836
PCAM	2,816	2,661
Total Europe, Middle East and Africa[1]	**10,537**	**9,497**
Americas (primarily U.S.):		
CIB	4,628	6,810
PCAM	1,331	1,350
Total Americas	**5,959**	**8,160**
Asia/Pacific:		
CIB	3,823	2,891
PCAM	468	381
Total Asia/Pacific	**4,291**	**3,273**
CI	1,517	574
Consolidation & Adjustments	7	(197)
Consolidated net revenues[2]	**30,745**	**28,494**

1 The United Kingdom accounted for more than 60% of these revenues in 2007 and 2006, respectively.

2 Consolidated total net revenues comprise interest and similar income, interest expenses and total noninterest income (including net commission and fee income). Revenues are attributed to countries based on the location in which the Group's booking office is located. The location of a transaction on the Group's books is sometimes different from the location of the headquarters or other offices of a customer and different from the location of the Group's personnel who entered into or facilitated the transaction. Where the Group records a transaction involving its staff and customers and other third parties in different locations frequently depends on other considerations, such as the nature of the transaction, regulatory considerations and transaction processing considerations.

Notes to the Consolidated Income Statement

[3] NET INTEREST INCOME

The following are the components of interest and similar income and interest expense.

in € m.	2007	2006
Interest and similar income:		
Interest-earning deposits with banks	1,384	1,358
Central bank funds sold and securities purchased under resale agreements	1,090	1,245
Securities borrowed	3,784	3,551
Financial assets at fair value through profit or loss	45,951	39,195
Interest income on financial assets available for sale	1,596	1,357
Dividend income on financial assets available for sale	200	207
Loans	10,901	9,344
Other	2,800	2,018
Total interest and similar income	**67,706**	**58,275**
Interest expense:		
Interest-bearing deposits	17,371	14,025
Central bank funds purchased and securities sold under repurchase agreements	6,869	5,788
Securities loaned	996	798
Financial liabilities at fair value through profit or loss	24,020	22,631
Other short-term borrowings	2,665	2,708
Long-term debt	4,912	3,531
Trust preferred securities	339	267
Other	1,685	1,519
Total interest expense	**58,857**	**51,267**
Net interest income	**8,849**	**7,008**

Interest income accrued on impaired financial assets was € 57 million and € 47 million for the years ended December 31, 2007 and December 31, 2006, respectively.

[4] COMMISSION AND FEE INCOME AND EXPENSE

The following are the components of commissions and fee income and expense.

in € m.	2007	2006
Commission and fee income and expense:		
Commissions and fee income	15,199	13,418
Commissions and fee expense	2,910	2,223
Net commissions and fee income	**12,289**	**11,195**

in € m.	2007	2006
Net commissions and fee income:		
Net commissions and fees from fiduciary activities	3,965	3,911
Net commissions, brokers' fees, mark-ups on securities underwriting and other securities activities	5,497	4,709
Net fees for other customer services	2,827	2,575
Net commissions and fee income	**12,289**	**11,195**

[5] NET GAINS (LOSSES) ON FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

The following are the components of net gains (losses) on financial assets/liabilities at fair value through profit or loss.

in € m.	2007	2006
Trading income:		
Sales & Trading (equity)	3,797	2,441
Sales & Trading (debt and other products)	(427)	6,004
Total Sales & Trading	3,370	8,445
Other trading income	548	423
Total trading income	**3,918**	**8,868**
Net gains (losses) on financial assets/liabilities designated at fair value through profit or loss:		
Breakdown by financial asset/liability category:		
Securities purchased/sold under resale/repurchase agreements	(41)	7
Securities borrowed/loaned	33	(13)
Loans and loan commitments	(570)	136
Deposits	10	(40)
Long-term debt	3,782[1]	(47)
Other financial assets/liabilities designated at fair value through profit or loss	43	(19)
Total net gains (losses) on financial assets/liabilities designated at fair value through profit or loss	**3,257**	**24**
Total net gains (losses) on financial assets/liabilities at fair value through profit or loss	**7,175**	**8,892**

1 Includes gains of € 3.5 billion from securitization structures. An offsetting fair value movement on related instruments is reported within trading income under Sales & Trading (debt and other products). For further details see Note [11].

[6] NET INTEREST INCOME AND NET GAINS (LOSSES) ON FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS BY GROUP DIVISION

The Group's trading and risk management businesses include significant activities in interest rate instruments and related derivatives. Under IFRS, interest and similar income earned from trading instruments and financial instruments designated at fair value through profit or loss (e.g., coupon and dividend income), and the costs of funding net trading positions are part of net interest income. The Group's trading activities can periodically shift income between net interest income and net gains (losses) on financial assets/liabilities at fair value through profit or loss depending on a variety of factors, including risk management strategies. In order to provide a more business-focused commentary, the Group combines net interest income and net gains (losses) on financial assets/liabilities at fair value through profit or loss by group division and by product within the Corporate and Investment Bank, rather than by type of income generated.

The following table sets forth data relating to the Group's combined net interest and net gains (losses) on financial assets/liabilities at fair value through profit or loss by group division and product within the Corporate and Investment Bank.

in € m.	2007	2006
Net interest income	8,849	7,008
Total net gains (losses) on financial assets/liabilities at fair value through profit or loss	7,175	8,892
Total net interest income and net gains (losses) on financial assets/liabilities at fair value through profit or loss	**16,024**	**15,900**
Breakdown by group division/CIB product:		
Sales & Trading (equity)	3,117	2,613
Sales & Trading (debt and other products)	7,483	8,130
Total Sales & Trading	10,600	10,743
Loan products[1]	499	490
Transaction services	1,297	1,074
Remaining products[2]	(118)	435
Total Corporate and Investment Bank	12,278	12,743
Private Clients and Asset Management	3,529	3,071
Corporate Investments	157	3
Consolidation & Adjustments	61	83
Total net interest income and net gains (losses) on financial assets/liabilities at fair value through profit or loss	**16,024**	**15,900**

1 Includes the net interest spread on loans as well as the fair value changes of credit default swaps and loans designated at fair value through profit or loss.
2 Includes net interest income and net gains (losses) on financial assets/liabilities at fair value through profit or loss of origination, advisory and other products.

[7] NET GAINS (LOSSES) ON FINANCIAL ASSETS AVAILABLE FOR SALE

The following are the components of net gains (losses) on financial assets available for sale.

in € m.	2007	2006
Net gains (losses) on financial assets available for sale:		
Net gains (losses) on debt securities:	(192)	24
Net gains (losses) from disposal	8	24
Impairments	(200)	–
Reversal of impairments	–	–
Net gains (losses) on equity securities:	944	530
Net gains (losses) from disposal	1,004	540
Impairments	(60)	(10)
Net gains (losses) on loans:	(12)	(2)
Net gains (losses) from disposal	(8)	(2)
Impairments	(4)	–
Reversal of impairments	–	–
Net gains (losses) on other equity interests:	53	39
Net gains (losses) from disposal	60	50
Impairments	(7)	(11)
Total net gains (losses) on financial assets available for sale	**793**	**591**

[8] OTHER INCOME

The following are the components of other income.

in € m.	2007	2006
Other income:		
Net income from investment properties	29	43
Net gains (losses) on disposal of investment properties	8	28
Net gains (losses) on disposal of consolidated subsidiaries	321	52
Net gains (losses) on disposal of loans	44	80
Insurance premiums[1]	134	47
Remaining other income[2]	750	139
Total other income	**1,286**	**389**

1 Net of reinsurance premiums paid.

2 Remaining other income in 2007 included gains of € 317 million from the sale/leaseback of the Group's 60 Wall Street premises in New York and € 148 million other income from consolidated investments. Remaining other income in 2006 included the receipt of € 125 million from the settlement of insurance claims, in respect of business interruption losses and costs related to the terrorist attacks of September 11, 2001 in the United States.

[9] GENERAL AND ADMINISTRATIVE EXPENSES

The following are the components of general and administrative expenses.

in € m.	2007	2006
General and administrative expenses:		
IT costs	1,867	1,585
Occupancy, furniture and equipment expenses	1,347	1,198
Professional service fees	1,257	1,203
Communication and data services	680	634
Travel and representation expenses	539	503
Payment, clearing and custodian services	437	431
Marketing expenses	411	365
Other expenses	1,416	1,150
Total general and administrative expenses	**7,954**	**7,069**

Other expenses include, among other things, regulatory, tax and insurance related costs, operational losses and other non-compensation staff related expenses (e.g., for training, cafeteria services and others). The increase of other expenses was mainly driven by acquisitions related expenses and by certain consolidated investments.

[10] EARNINGS PER COMMON SHARE

Basic earnings per common share amounts are computed by dividing net income attributable to Deutsche Bank shareholders by the average number of common shares outstanding during the year. The average number of common shares outstanding is defined as the average number of common shares issued, reduced by the average number of shares in treasury and by the average number of shares that will be acquired under physically-settled forward purchase contracts, and increased by undistributed vested shares awarded under deferred share plans.

Diluted earnings per share assumes the conversion into common shares of outstanding securities or other contracts to issue common stock, such as share options, convertible debt, unvested deferred share awards and forward contracts. The aforementioned instruments are only included in the calculation of diluted earnings per share if they are dilutive in the respective reporting period.

The following table sets forth the computation of basic and diluted earnings per share.

in € m.	2007	2006
Net income attributable to Deutsche Bank shareholders – numerator for basic earnings per share	**6,474**	**6,070**
Effect of dilutive securities:		
Forwards and options	–	(88)
Convertible debt	–	3
Net income attributable to Deutsche Bank shareholders after assumed conversions – numerator for diluted earnings per share	**6,474**	**5,985**
Number of shares in m.		
Weighted-average shares outstanding – denominator for basic earnings per share	**474.2**	**468.3**
Effect of dilutive securities:		
Forwards	0.3	23.1
Employee stock compensation options	1.8	3.4
Convertible debt	0.7	1.0
Deferred shares	18.6	24.5
Other (including trading options)	0.5	0.9
Dilutive potential common shares	21.9	52.9
Adjusted weighted-average shares after assumed conversions – denominator for diluted earnings per share	**496.1**	**521.2**

in €	2007	2006
Basic earnings per share	13.65	12.96
Diluted earnings per share	13.05	11.48

As of December 31, 2007, the following instruments were outstanding and could potentially become dilutive in the future. These instruments were not included in the calculation of diluted EPS because to do so would have been anti-dilutive.

Number of shares in m.	2007	2006
Forward purchase contracts	39.4	58.6
Put options sold	0.2	11.7
Call options sold	0.7	10.6
Deferred shares	0.7	0.5

Notes to the Consolidated Balance Sheet

[11] FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

The following are the components of financial assets and liabilities at fair value through profit or loss.

in € m.	Dec 31, 2007	Dec 31, 2006
Trading assets:		
Trading securities	449,684	425,123
Positive market values from derivative financial instruments	603,059	375,589
Other trading assets[1]	104,236	75,093
Total trading assets	**1,156,979**	**875,805**
Financial assets designated at fair value through profit or loss:		
Securities purchased under resale agreements	211,142	159,441
Securities borrowed	69,830	62,195
Loans	21,522	6,226
Other financial assets designated at fair value through profit or loss	14,630	983
Total financial assets designated at fair value through profit or loss	**317,124**	**228,845**
Total financial assets at fair value through profit or loss	**1,474,103**	**1,104,650**

1 Includes traded loans of € 102,093 million and € 73,876 million at December 31, 2007 and 2006, respectively.

in € m.	Dec 31, 2007	Dec 31, 2006
Trading liabilities:		
Trading securities	106,225	130,979
Negative market values from derivative financial instruments	608,528	392,466
Other trading liabilities	830	183
Total trading liabilities	**715,583**	**523,628**
Financial liabilities designated at fair value through profit or loss:		
Securities sold under repurchase agreements	184,943	136,068
Loan commitments	526	158
Long-term debt	52,327	32,300
Other financial liabilities designated at fair value through profit or loss	3,002	2,465
Total financial liabilities designated at fair value through profit or loss	**240,798**	**170,991**
Investment contract liabilities[1]	9,796	–
Total financial liabilities at fair value through profit or loss	**966,177**	**694,619**

1 These are investment contracts where the policy terms and conditions result in their redemption value equaling fair value. Refer to Note [40] for more detail on these contracts.

LOANS AND LOAN COMMITMENTS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group has designated various lending relationships at fair value through profit or loss. Lending facilities consist of drawn loan assets and undrawn irrevocable loan commitments. The maximum exposure to credit risk on a drawn loan is its fair value. The Group's maximum exposure to credit risk on drawn loans, including securities purchased under resale agreements and securities borrowed, was € 302 billion and € 228 billion as of December 31, 2007 and 2006, respectively. Exposure to credit risk also exists for undrawn irrevocable loan commitments.

The credit risk on the lending facilities designated at fair value through profit or loss is mitigated in a number of ways including the purchase of protection through credit default swaps, by holding collateral against the loan or through the issuance of liabilities linked to the credit exposure on the loan. The credit risk on the securities purchased under resale agreements and the securities borrowed is mitigated by holding collateral.

Of the total drawn and undrawn lending facilities designated at fair value, the Group managed counterparty credit risk by purchasing credit default swap protection on facilities with a notional value of € 46.8 billion and € 33.8 billion as of December 31, 2007 and 2006, respectively. The notional value of credit derivatives used to mitigate the exposure to credit risk on drawn loans and undrawn irrevocable loan commitments designated at fair value was € 28.1 billion and € 18.5 billion as of December 31, 2007 and 2006, respectively.

The cumulative change attributable to credit risk in the fair value of the drawn loans since designation was a loss of € 98.5 million and a gain of € 21.9 million as of December 31, 2007 and 2006, respectively. The change in fair value attributable to credit risk for the years 2007 and 2006 was a loss of € 110.6 million and a gain of € 21.9 million, respectively.

The cumulative change attributable to credit risk in the fair value of the undrawn irrevocable loan commitments since designation was a loss of € 331.7 million and a gain of € 100.0 million for the years ending December 31, 2007 and 2006, respectively. The change in fair value attributable to credit risk for the years 2007 and 2006 was a loss of € 371.7 million and a gain of € 100.0 million, respectively.

The cumulative change attributable to credit risk in the fair value of the credit derivatives which were used to mitigate the credit risk exposure on drawn loans designated at fair value through profit or loss since designation was a gain of € 63.6 million and a loss of € 21.3 million at December 31, 2007 and 2006, respectively. The change in fair value attributable to changes in credit risk for the years 2007 and 2006 was a gain of € 80.4 million and a loss of € 21.3 million, respectively.

The cumulative change attributable to changes in credit risk in the fair value of the credit derivatives which are used to mitigate the credit risk exposure on undrawn irrevocable loan facilities designated as at fair value through profit or loss since designation was a gain of € 212.5 million and a loss of € 97.2 million at December 31, 2007 and 2006, respectively. The change in fair value attributable to changes in credit risk for the years 2007 and 2006 was a gain of € 269.3 million and a loss of € 97.2 million, respectively.

The change in fair value of the loans and loan commitments attributable to movements in the counterparty's credit risk is determined as the amount of change in its fair value that is not attributable to changes in market conditions that give rise to market risk. For collateralized loans, including securities purchased under resale agreements and securities borrowed, the collateral received acts to mitigate the counterparty credit risk. The fair value movement due to counterparty credit risk on securities purchased under resale agreements was not material due to the credit enhancement received.

FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

The fair value of a financial liability incorporates the credit risk of that financial liability. The fair value of the structured notes issued and the structured deposits taken, directly by the Group, takes into account the credit risk of the Group. If the instrument is quoted in an active market, the movement in fair value due to credit risk is calculated as the amount of change in fair value that is not attributable to changes in market conditions that give rise to market risk. If the instrument is not quoted in an active market, the fair value is calculated using a valuation technique that incorporates credit risk by discounting the contractual cash flows on the debt using a credit-adjusted yield curve which reflects the level at which the Group would issue similar instruments as of the reporting date. The cumulative change in fair value

of these instruments attributable to changes in credit risk, since designation, was a gain of € 17.7 million as of December 31, 2007. The change in fair value attributable to changes in credit risk for the year 2007 was a gain of € 17.7 million. There were no changes in the fair value of financial liabilities designated at fair value through profit or loss due to movements in the Group's credit risk during 2006.

For collateralized borrowings, such as securities sold under repurchase agreements, the collateral pledged acts to mitigate the credit risk of the Group to the counterparty. The fair value movement due to the Group's credit risk on securities sold under repurchase agreements was not material due to the collateral pledged.

The credit risk on undrawn irrevocable loan commitments is predominantly counterparty credit risk. The change in fair value due to counterparty credit risk on undrawn irrevocable loan commitments has been disclosed with the counterparty credit risk on the drawn loans.

In addition to the fair value movements due to credit risk of the liabilities to movement in the Group's credit, there are additional fair value movements due to credit risk on liabilities issued by legally isolated entities. These movements in fair value due to credit risk movements are not related to the Group's credit but to the credit of the legally-isolated entity, which is dependent upon the collateral in the entity. These are discussed further below.

Certain of the financial liabilities designated at fair value through the profit or loss are structured debt issuances from consolidated Special Purpose Entities (SPEs) which are legally isolated from the Group. The SPEs contain collateral, enter into derivatives and issue notes linked to the risks on the collateral and the derivatives. The movement in fair value due to credit risk is calculated as the amount of change in fair value that is not attributable to changes in market conditions that give rise to market risk. If the issuance contains an embedded derivative, the change in fair value due to credit risk of the separated embedded derivative has been excluded. The credit risk on these liabilities predominantly relates to movements in the fair value of the collateral in the entity due to movements in credit risk. The cumulative change due to credit risk in the fair value of these instruments since designation under the fair value option was a gain of € 81.2 million and € 5.3 million as of December 31, 2007 and 2006, respectively. The change in fair value attributable to changes in credit risk for the years 2007 and 2006 was a gain of € 73.9 million and € 5.3 million, respectively.

In loan securitization structures, legally isolated entities hold a portfolio of loans and interest rate derivatives, and issue notes. The value of the notes issued is dependent upon the instruments held by the entity. The Group holds certain notes issued by these entities. Some of these entities were established by the Group and some by third parties. Under the Group's consolidation accounting policy set out in Note [1], certain of these entities are consolidated. The loans held by these entities are classified as traded loans. The notes issued to third parties by the consolidated entities were designated at fair value through profit or loss. The fair value movement due to credit risk on these liabilities arises due to the credit risk movement of the loan collateral in the entity.

The cumulative change in fair value of the instruments due to credit risk since designation under the fair value option was a gain of € 3.5 billion as of December 31, 2007. The year to date change in fair value attributable to changes in credit risk for 2007 was a gain of € 3.5 billion. There was no material change in fair value of these instruments due to credit risk during 2006.

For financial liabilities designated at fair value through profit or loss the amount that the Group would contractually be required to pay at maturity is € 29.3 billion and € 33.8 billion more than the carrying amount as of December 31, 2007 and 2006, respectively. The majority of the difference between the fair value of financial liabilities designated at fair value through profit or loss and the contractual cash flows which will occur at maturity is attributable to undrawn loan commitments where the contractual cash flow at maturity assumes full drawdown of the facility.

[12] FAIR VALUE OF FINANCIAL INSTRUMENTS

FAIR VALUE OF FINANCIAL INSTRUMENTS NOT CARRIED AT FAIR VALUE

The following table presents the estimated fair value for the Group’s financial instruments which are not ordinarily carried at fair value. This is followed by a description of the methods used to estimate the fair value.

	Carrying value	Fair value	Carrying value	Fair value
in € m.		Dec 31, 2007		Dec 31, 2006
Financial assets:				
Cash and due from banks	8,632	8,632	7,008	7,008
Interest-earning deposits with banks	21,615	21,616	19,199	19,198
Central bank funds sold and securities purchased under resale agreements	13,597	13,598	14,265	14,261
Securities borrowed	55,961	55,961	62,943	62,943
Loans	198,892	199,427	178,524	179,644
Other assets[1]	159,462	159,462	123,716	123,729
Financial liabilities:				
Deposits	457,946	457,469	411,916	411,670
Central bank funds purchased and securities sold under repurchase agreements	178,741	178,732	102,200	102,196
Securities loaned	9,565	9,565	21,174	21,174
Other short-term borrowings	53,410	53,406	48,433	48,427
Other liabilities[1]	88,742	88,742	85,676	85,679
Long-term debt	126,703	127,223	111,363	112,333
Trust preferred securities	6,345	5,765	4,771	4,886

1 Only includes financial assets or financial liabilities.

Amounts in this table are generally presented on a gross basis, in line with the Group's accounting policy regarding offsetting of financial instruments as described in Note [1].

For short-term financial instruments, defined as those with remaining maturities of 90 days or less, the carrying amounts represent a reasonable estimate of fair value. If the remaining maturities of these instruments were greater than 90 days, fair value was determined by discounting contractual cash flows using rates which could be earned for assets with similar remaining maturities and, in the case of liabilities, rates at which the liabilities with similar remaining maturities could be issued, as of the balance sheet date. The following instruments were predominantly short-term.

Assets	Liabilities
Cash and due from banks	Deposits
Interest-earning deposits with banks	Central bank funds purchased and securities sold under repurchase agreements
Central bank funds sold and securities purchased under resale agreements	Securities loaned
Securities borrowed	Other short-term borrowings
Other assets	Other liabilities

For loans, fair value was estimated by discounting future cash flows using rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities. In addition, the individually assessed component of the allowance for loan losses, including recoverable amounts of collateral, was considered in the fair value determination of loans.

For securities purchased under resale agreements, securities borrowed, securities sold under repurchase agreements and securities loaned, fair value was derived by discounting future cash flows using the appropriate credit risk-adjusted discount rate.

The fair value of long-term debt and trust preferred securities was determined from quoted market prices, where available. If quoted market prices were not available, fair value was estimated using a valuation technique. The remaining contractual cash flows were discounted at a rate at which the Group could issue debt with similar remaining maturity, as of the balance sheet date.

FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE THROUGH PROFIT OR LOSS OR EQUITY

The Group uses the following valuation methodologies to determine the fair value of financial instruments carried at fair value through profit or loss or directly through a component of equity. All financial instruments carried by the Group at fair value have a determinable fair value.

The fair values of a substantial percentage of the Group’s financial instruments are based on, or derived from, observable prices or inputs. The availability of observable prices or inputs varies by product and market, and may change over time. For example, observable prices or inputs are usually available for liquid securities, exchange-traded derivatives, over-the-counter (“OTC”) derivatives transacted in liquid trading markets, such as those for interest rate swaps, foreign exchange forward and option contracts in G7 currencies, and equity swap and option contracts on listed securities or indices. Where observable prices or inputs are available, fair value can be determined without significant judgment. Models used for pricing vanilla options such as the Black-Scholes and other standard option pricing models do not normally involve significant subjectivity or management judgment since the models are widely used across the industry and parameter inputs are observed in active markets.

Where observable prices or inputs are not available, fair value is determined using valuation techniques appropriate to the particular instrument. For example, instruments where valuation techniques are used include certain traded loans, new, complex and long-dated OTC derivatives, transactions in immature or limited markets, distressed debt securities, non-marketable equity securities, retained interests in securitizations of financial assets, and private equity investments. The application of valuation techniques to determine fair value involves estimation and management judgment, the extent of which will vary with the degree of complexity and liquidity in the market. Valuation techniques include models based on discounted cash flow analysis, which are dependent upon estimated future cash flows and the discount rate used. For complex products, the valuation models use more complex modeling techniques, assumptions and parameters, such as correlation, prepayment speeds, unobservable default rates and loss severity. Management judgment is required in the selection and application of appropriate parameters, assumptions and modeling techniques.

Valuation adjustments are an integral part of the valuation process that requires the exercise of judgment. In making appropriate valuation adjustments, the Group follows methodologies that consider factors such as close-out costs, liquidity and counterparty credit risk.

The fair value of financial liabilities incorporates a measure of the Group's credit risk relevant for the financial liability. The financial liabilities include structured note issuances which are not quoted in an active market. The fair value of structured note issuances is determined using a valuation technique that incorporates the Group's credit risk, by discounting the contractual cash flows using a credit-adjusted yield curve which reflects the level at which the Group would issue similar instruments at the reporting date.

If the financial liabilities designated at fair value through profit or loss are collateralized, such as securities loaned and securities sold under repurchase agreements, the credit enhancement is factored into the fair valuation of the liability.

Assets which are linked to the investment contract liabilities are owned by the Group. The investment contract obliges the Group to use these assets to settle these liabilities. Therefore, the fair value of investment contract liabilities is determined by the fair value of the underlying assets (i.e., amount payable on surrender of the policies).

The Group has established internal control procedures over the valuation process to provide assurance over the appropriateness of the fair values applied. Where fair value is determined by valuation models, the assumptions and techniques used within the models are independently validated by a specialist group. Price and parameter inputs, assumptions and valuation adjustments are verified against independent sources and subjected to review. Where prices and parameter inputs or assumptions are not observable, the estimate of fair value is subject to procedures to assess its reasonableness. Such procedures include assessing the valuations against appropriate proxy instruments, and other benchmarks, and performing extrapolation techniques. Assessment is made as to whether the valuation techniques yield fair value estimates that are reflective of market levels by calibrating the results of the valuation models against observable market instruments. These procedures require the application of management judgment.

Other valuation controls include review and analysis of daily profit or loss, validation of valuation adjustments against close out profits or losses and Value-at-Risk back-testing. For further discussion on the Group's Value-at-Risk Analysis, see Note [37].

FAIR VALUE HIERARCHY

The financial instruments carried at fair value were categorized under the three levels of the IFRS fair value hierarchy as follows:

QUOTED PRICES IN AN ACTIVE MARKET: this level of the hierarchy includes listed equity securities on major exchanges, G7 Government debt and exchange traded derivatives.

VALUATION TECHNIQUES WITH OBSERVABLE PARAMETERS: this level of the hierarchy includes the majority of the Group's OTC derivative contracts, corporate debt, securities purchased/sold under resale/repurchase agreements, securities borrowed/loaned and traded loans.

VALUATION TECHNIQUES WITH UNOBSERVABLE PARAMETERS: this level of the hierarchy includes more complex OTC derivatives, private equity investments, illiquid loans and certain highly structured bonds. Instruments classified in this category have a parameter input or inputs which are unobservable and which have a more than insignificant impact on either the fair value of the instrument or the profit or loss of the instrument.

The following table presents the carrying value of the financial instruments held at fair value across the three levels of the fair value hierarchy. It is followed by an analysis and discussion of the financial instruments categorized in the third level of the hierarchy. Amounts in this table are generally presented on a gross basis, in line with the Group's accounting policy regarding offsetting of financial instruments, as described in Note [1].

			Dec 31, 2007			Dec 31, 2006
in € m.	Quoted prices in active market	Valuation technique observable parameters	Valuation technique unobservable parameters	Quoted prices in active market	Valuation technique observable parameters	Valuation technique unobservable parameters
Financial assets held at fair value:						
Trading securities	204,247	225,203	20,234	210,666	194,596	19,861
Positive market values from derivative financial instruments	21,401	563,160	18,498	17,396	343,957	14,236
Other trading assets	1,055	62,613	40,568	391	72,456	2,246
Financial assets designated at fair value through profit or loss	13,684	297,423	6,017	1,563	224,556	2,726
Financial assets available for sale	13,389	26,376	2,529	15,209	20,614	2,214
Other financial assets at fair value[1]	560	1,667	(5)	478	2,076	105
Total financial assets held at fair value	**254,336**	**1,176,442**	**87,841**	**245,703**	**858,255**	**41,388**
Financial liabilities held at fair value:						
Trading securities	100,630	4,976	619	108,956	19,434	2,589
Negative market values from derivative financial instruments	24,723	567,263	16,542	21,285	360,669	10,512
Other trading liabilities	21	300	509	–	183	–
Financial liabilities designated at fair value through profit or loss	1,454	233,944	5,400	2,247	166,286	2,458
Investment contract liabilities[2]	–	9,796	–	–	–	–
Other financial liabilities at fair value[1]	–	3,763	(3)	57	4,573	280
Total financial liabilities held at fair value	**126,828**	**820,042**	**23,067**	**132,545**	**551,145**	**15,839**

1 Derivatives which are embedded in contracts where the host contract is not held at fair value through profit or loss but for which the embedded derivative is separated are presented within other financial assets/liabilities at fair value for the purposes of this disclosure. The separated embedded derivatives are held at fair value on a recurring basis and have been split between the fair value hierarchy classifications.
2 These are investment contracts where the policy terms and conditions result in their redemption value equaling fair value. Refer to Note [40] for more detail on these contracts.

ANALYSIS OF FINANCIAL INSTRUMENTS WITH FAIR VALUE DERIVED FROM VALUATION TECHNIQUES CONTAINING SIGNIFICANT UNOBSERVABLE PARAMETERS

Some of the instruments in this level of the fair value hierarchy have identical or similar offsetting exposures to the unobservable input. However, they are required to be presented as gross assets and liabilities in the table above.

TRADING SECURITIES: Trading securities are reported in this level of the fair value hierarchy where some of the significant risks present in the instruments are not observable through current market transactions and there is no suitable proxy instrument that can be used to estimate the fair value within a narrow range. This arises if the markets for the securities are illiquid, transactions are infrequent and prices are not readily observable. In these conditions, fair value is determined from a valuation technique, some of the inputs to which are not observable.

Certain illiquid emerging market corporate bonds and illiquid highly structured corporate bonds are included in this level of the hierarchy. In addition, this level of the hierarchy includes certain holdings of notes issued by securitization entities, commercial mortgage-backed securities, collateralized debt obligation securities and other asset-backed securities.

The main increase in trading securities categorized in this level of the hierarchy during the year arose from certain asset-backed securities and notes issued by securitization entities where the liquidity in the markets fell. This led to reduced trading activity of these instruments, and therefore fewer related proxies, thereby reducing the observability of parameter inputs to valuation models.

POSITIVE AND NEGATIVE MARKET VALUES FROM DERIVATIVE INSTRUMENTS: Derivatives categorized in this level of the fair value hierarchy are more complex with respect to either the model or nature of the underlying, and their valuation techniques include the use of one or more significant unobservable parameters. The unobservable parameters include certain credit, equity and foreign exchange correlations, certain longer-term volatilities and certain prepayment rates. In addition, unobservable parameters may include certain credit spreads and other transaction specific parameters.

The following derivatives are included within this level of the hierarchy: customized CDO derivatives in which the underlying reference pool is not closely comparable to regularly market traded indices, all CDO squared derivatives, certain options where the volatility is unobservable, certain basket options in which the correlation between the referenced underlying assets are unobservable, longer-term interest rate option derivatives and multi-currency foreign exchange derivatives and certain credit default swaps for which the credit spread is not observable.

In 2007, the main increase in derivatives categorized in this level of the hierarchy related to certain credit default swaps on asset-backed securities for which the credit spread became unobservable due to reduced liquidity in the period. Otherwise the nature of unobservable parameters in derivative valuations remained broadly the same with liquidity being maintained in the majority of markets.

OTHER TRADING INSTRUMENTS: Other trading instruments mainly consist of traded loans. Traded loans are categorized within this level of the hierarchy if market prices are unavailable, there is no reasonable proxy, and valuation techniques contain significant unobservable parameters.

The increase in the loan balance reported in this level of the fair value hierarchy during the year arose principally in the leveraged loan business and residential and commercial mortgage loan businesses where liquidity and associated level of market information declined.

FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS: Certain corporate loans and structured liabilities which were designated at fair value through profit or loss under the fair value option were categorized in this level of the fair value hierarchy. The corporate loans designated at fair value through profit or loss are valued using valuation techniques which incorporate credit spread, recovery rate and utilization parameters. If the loans are revolving facilities then the utilization parameter is significant and unobservable and these loans are reported in this level of the hierarchy. The movement year-on-year is due to an increase in assets designated under the fair value option and an increase in the extent to which revolving loan facilities were drawn as of the period end. There was no notable decline in the observability of parameters used in the valuation of corporate loans designated under the fair value option.

In addition, certain hybrid debt issuances designated at fair value through profit or loss contain embedded derivatives with significant unobservable parameters. These unobservable parameters include single stock volatility and equity correlations. The increase in the balance of such instruments in 2007 was mainly due to additional instruments being designated at fair value through profit or loss rather than parameters in these markets becoming less observable.

FINANCIAL ASSETS AVAILABLE FOR SALE: Certain unlisted equity instruments are reported in this level of the fair value hierarchy if there is no close proxy and market illiquidity.

SENSITIVITY ANALYSIS OF UNOBSERVABLE PARAMETERS

If the value of financial instruments is dependent on unobservable input parameters, the precise level for these parameters could be drawn from a range of reasonably possible alternatives. In preparing the financial statements, levels for the parameters are chosen from these ranges using management judgment consistent with prevailing market evidence and subject to the Group's valuation control procedures. If the Group simultaneously moved all these unobservable parameters to the extremes of these ranges as of December 31, 2007, it could have increased fair value by as much as € 3.0 billion or decreased fair value by as much as € 2.0 billion. As of December 31, 2006, it could have increased fair value by as much as € 1.3 billion or decreased fair value by as much as € 631 million. In estimating these impacts, the Group used an approach based on its valuation adjustment methodology.

UNREALIZED PROFIT OR LOSS

Unrealized profit or loss is the gain or loss which is recorded in the profit or loss account but which was not realized in cash. The unrealized profit (loss) on financial instruments in the third level of the hierarchy was a profit of € 4.0 billion and a loss of € 48 million during 2007 and 2006, respectively. The unrealized profit or loss is not due solely to unobservable parameters. Many of the parameter inputs to the valuation of instruments in this level of the hierarchy are observable and the unrealized profit or loss movement is due to movements in these observable parameters over the period. Many of the positions in this level of the hierarchy are economically-hedged by instruments which are categorized in other levels of the fair value hierarchy.

RECOGNITION OF TRADE DATE PROFIT

In accordance with the Group's accounting policy as described in Note [1], if there are significant unobservable inputs used in a valuation technique, the financial instrument is recognized at the transaction price and any trade date profit is deferred. The table below shows the year-to-year movement of the trade date profits deferred due to significant unobservable parameters for financial instruments classified at fair value through profit or loss. The balance predominantly related to derivative instruments.

in € m.	2007	2006
Balance, beginning of year	**473**	**503**
New trades during the period	426	271
Amortization	(132)	(40)
Matured trades	(53)	(94)
Subsequent move to observability	(186)	(168)
Exchange rate changes	(7)	1
Balance, end of year	**521**	**473**

[13] FINANCIAL ASSETS AVAILABLE FOR SALE

The following are the components of financial assets available for sale.

in € m.	Dec 31, 2007	Dec 31, 2006
Debt securities:		
German government	2,466	2,879
U.S. Treasury and U.S. government agencies	1,349	1,348
U.S. local (municipal) governments	273	1
Other foreign governments	3,347	3,247
Corporates	7,753	7,217
Other asset-backed securities	6,847	6,633
Mortgage backed securities, including obligations of U.S. federal agencies	3,753	4,182
Other debt securities	4,631	1,065
Total debt securities	**30,419**	**26,572**
Equity securities:		
Equity shares	7,934	7,294
Investment certificates and mutual funds	306	519
Total equity securities	**8,240**	**7,813**
Other equity interests	**1,204**	**1,182**
Loans	**2,431**	**2,470**
Total financial assets available for sale	**42,294**	**38,037**

[14] EQUITY METHOD INVESTMENTS

Investments in associates and jointly controlled entities are accounted for using the equity method of accounting unless they are held for sale. As of December 31, 2007, there were two significant associates which were accounted for as held for sale. For information on assets held for sale please refer to Note [22].

As of December 31, 2007, the following investees were significant, representing 75 % of the carrying value of equity method investments.

Investment[1]	Ownership percentage
AKA Ausfuhrkredit-Gesellschaft mit beschränkter Haftung, Frankfurt	26.89 %
Beijing Guohua Real Estate Co., Ltd., Beijing	30.00 %
Compañía Logística de Hidrocarburos CLH, S.A., Madrid[2]	5.00 %
DB Global Masters (Fundamental Value Trading II) Fund Ltd, George Town	27.88 %
DB Phoebus Lux S.à.r.l., Luxembourg[3]	74.90 %
Deutsche Interhotel Holding GmbH & Co. KG, Berlin	45.51 %
Discovery Russian Realty Paveletskaya Project Ltd., George Town	33.33 %
DMG & Partners Securities Pte. Ltd., Singapore	49.00 %
Fincasa Hipotecaria, S.A. de C.V. Sociedad Financiera de Objeto Limitado, Mexico City	49.00 %
Fondo Immobiliare Chiuso Piramide Globale, Milan	42.45 %
Force 2005–1 Limited Partnership, St. Helier	40.00 %
Gemeng International Energy Group Company Limited, Taiyuan[2]	19.00 %
Hanoi Building Commercial Joint Stock Bank, Hanoi[2]	10.00 %
K&N Kenanga Holdings Bhd, Kuala Lumpur[2]	16.55 %
Ligusterfonds, Amsterdam	25.85 %
Makkolli Trading Ltd, Hamilton	45.00 %
MFG Flughafen-Grundstücksverwaltungsgesellschaft mbH & Co. BETA KG, Gruenwald	25.03 %
Mountaineer Natural Gas Trust, Wilmington	50.00 %
Paternoster Limited, Douglas	30.99 %
PX Holdings Limited, Stockton on Tees	43.00 %
Redwood Russia PLP1 Limited, St. Helier	40.10 %
Rongde Asset Management Company Limited, Beijing	40.70 %
RREEF America REIT III, Inc., Chicago[2]	9.67 %
RREEF Global Opportunities Fund II LLC, Wilmington[2]	9.90 %
STC Capital YK, Tokyo	50.00 %
SWIP Multi Manager Global Real Estate Fund, London	24.70 %
SWIP Property Trust, London	37.38 %
SWIP UK Income Fund, London	35.99 %
SWIP UK Smaller Cos, London	34.24 %
VCG Venture Capital Gesellschaft mbH & Co. Fonds III KG, Munich	36.98 %

1 All significant equity method investments are investments in associates.
2 The Group has significant influence over the investee through board seats or other measures.
3 The Group does not have a controlling financial interest in the investee.

Summarized aggregated financial information of these significant equity method investees were as follows:

in € m.	Dec 31, 2007	Dec 31, 2006
Total assets	22,107	20,062
Total liabilities	13,272	12,113
Revenues	2,368	2,344
Net income/loss	528	1,195

The following are the components of the net income (loss) from all equity method investments:

in € m.	2007	2006
Net income (loss) from equity method investments:		
Pro-rata share of investees' net income (loss)	358	207
Net gains (losses) on disposal of equity method investments[1]	9	217
Impairments	(14)	(5)
Total net income (loss) from equity method investments	**353**	**419**

1 Net gains (losses) on disposal of equity method investments in 2006 included a gain of € 131 million from the sale of the Group's remaining holding in EUROHYPO AG

There was no unrecognized share of losses of an investee, neither for the period, or cumulatively.

Equity method investments for which there are published price quotations had a carrying value of € 160 million and a fair value of € 168 million as of December 31, 2007 and a carrying value of € 219 million and a fair value of € 228 million as of December 31, 2006.

The investees have no significant contingent liabilities to which the Group is exposed.

In 2007 and 2006, none of the Group's investees experienced any significant restrictions to transfer funds in the form of cash dividends, or repayment of loans or advances.

[15] LOANS

The following are the principal components of loans, broken down by industry classification.

in € m.	Dec 31, 2007	Dec 31, 2006
Banks and insurance	12,850	12,364
Manufacturing	16,067	13,727
Households (excluding mortgages)	25,323	25,925
Households – mortgages	45,540	43,658
Public sector	5,086	4,153
Wholesale and retail trade	8,916	10,515
Commercial real estate activities	16,476	14,042
Lease financing	3,344	3,290
Other	67,086	52,644
Gross loans	**200,689**	**180,318**
(Deferred expense)/unearned income	92	124
Loans less (deferred expense)/unearned income	**200,597**	**180,194**
Less: Allowance for loan losses	1,705	1,670
Total loans	**198,892**	**178,524**

Further disclosure on loans is provided in Note [37].

[16] ALLOWANCE FOR CREDIT LOSSES

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

The following table provides a breakdown of the movements in the Group's allowance for loan losses for the periods specified.

			2007			2006
in € m.	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total
Allowance, beginning of year	**985**	**684**	**1,670**	**1,124**	**708**	**1,832**
Provision for loan losses	146	505	651	16	336	352
Net charge-offs:	(149)	(378)	(527)	(116)	(328)	(444)
Charge-offs	(244)	(508)	(752)	(272)	(460)	(732)
Recoveries	95	130	225	156	132	288
Changes in the group of consolidated companies	–	–	–	–	–	–
Exchange rate changes	(52)	(36)	(88)	(39)	(32)	(70)
Allowance, end of year	**930**	**775**	**1,705**	**985**	**684**	**1,670**

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

			2007			2006
in € m.	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total
Allowance, beginning of year	**127**	**129**	**256**	**184**	**132**	**316**
Provision for off-balance sheet positions	(32)	(6)	(38)	(56)	2	(53)
Changes in the group of consolidated companies	7	3	10	1	–	1
Exchange rate changes	(1)	(8)	(8)	(2)	(5)	(7)
Allowance, end of year	**101**	**118**	**219**	**127**	**129**	**256**

[17] DERECOGNITION OF FINANCIAL ASSETS

The Group's accounting policy regarding derecognition of financial assets, including the application of continuing involvement accounting, is described in Note [1].

The Group enters into transactions in which it transfers previously recognized financial assets, such as debt securities, equity securities and traded loans, but retains substantially all of the risks and rewards of those assets. Due to this retention, the transferred financial assets are not derecognized and the transfers are accounted for as secured financing transactions. The most common transactions of this nature entered into by the Group are repurchase agreements, securities lending agreements and total return swaps, in which the Group retains substantially all of the associated credit, equity price, interest rate and foreign exchange risks and rewards associated with the assets as well as the associated income streams.

The following table provides further information on the asset types and the associated transactions that did not qualify for derecognition, and their associated liabilities.

Carrying amount of transferred assets in € m.	Dec 31, 2007	Dec 31, 2006
Trading securities not derecognized due to the following transactions:		
Repurchase agreements	170,538	86,655
Securities lending agreements	30,884	48,558
Total return swaps	4,871	3,024
Total trading securities	**206,293**	**138,237**
Other trading assets	176	2,830
Total	**206,469**	**141,067**
Carrying amount of associated liability	**168,772**	**98,367**

Continuing involvement accounting is typically applied when the Group retains the rights to future cash flows of an asset, continues to be exposed to a degree of default risk in the transferred assets or holds a residual interest in, or enters into derivative contracts with securitization or special purpose vehicles.

The following table provides further detail on the carrying value of the assets transferred in which the Group still has continuing involvement. The associated liability of the transferred item is approximately equal to the asset that continues to be recognized.

in € m.	Dec 31, 2007	Dec 31, 2006
Carrying amount of the original assets transferred		
Trading securities	9,052	6,522
Other trading assets	3,695	1,257
Carrying amount of the assets continued to be recognized		
Trading securities	6,489	5,615
Other trading assets	1,062	345

[18] ASSETS PLEDGED AND RECEIVED AS COLLATERAL

The Group pledges assets primarily for repurchase agreements and securities borrowing agreements which are generally conducted under terms that are usual and customary for standard securitized borrowing contracts. In addition the Group pledges collateral against other borrowing arrangements and for margining purposes on OTC derivative liabilities. The carrying value of the Group's assets pledged as collateral is as follows.

in € m.	Dec 31, 2007	Dec 31, 2006
Interest-earning deposits with banks	436	119
Financial assets at fair value through profit or loss	199,696	129,057
Financial assets available for sale	866	973
Loans	14,846	12,434
Premises and equipment	183	249
Total	**216,027**	**142,832**

Included in these amounts are items disclosed on the face of the balance sheet where the transferee has the right to sell or repledge the collateral. As of December 31, 2007 and December 31, 2006 these amounts were € 158 billion and € 87 billion, respectively.

As of December 31, 2007 and December 31, 2006, the Group received collateral with a fair value of € 462 billion and € 389 billion, respectively, arising from securities purchased under reverse repurchase agreements, securities borrowed, derivatives transactions, customer margin loans and other transactions. These transactions were generally conducted under terms that are usual and customary for standard securitized lending activities and the other transactions described. The Group, as the secured party has the right to sell or repledge such collateral, subject to the Group returning equivalent securities upon completion of the transaction. As of December 31, 2007 and 2006, the Group had resold or repledged € 438 billion and € 355 billion, respectively. This was primarily to cover short sales, securities loaned and securities sold under repurchase agreements.

[19] PREMISES AND EQUIPMENT

in € m.	Owner occupied properties	Furniture and Equipment	Leasehold improvements	Construction-in-progress	Total
Cost of acquisition:					
Balance as of January 1, 2006	**2,564**	**2,342**	**1,314**	**73**	**6,293**
Changes in the group of consolidated companies	45	13	2	–	60
Additions	249	202	73	82	606
Transfers	3	7	28	(41)	(3)
Reclassifications to 'held for sale'	–	–	–	–	–
Disposals	127	159	45	2	333
Exchange rate changes/other	(90)	(59)	(33)	(1)	(183)
Balance as of December 31, 2006	**2,644**	**2,346**	**1,339**	**111**	**6,440**
Changes in the group of consolidated companies	(219)	10	26	–	(183)
Additions	26	353	209	87	675
Transfers	(2)	10	78	(69)	17
Reclassifications to 'held for sale'	62	10	–	–	72
Disposals	742	312	145	2	1,201
Exchange rate changes/other	(103)	(100)	(63)	(3)	(269)
Balance as of December 31, 2007	**1,542**	**2,297**	**1,444**	**124**	**5,407**
Accumulated Depreciation and Impairment:					
Balance as of January 1, 2006	**700**	**1,746**	**619**	**–**	**3,065**
Changes in the group of consolidated companies	3	8	1	–	12
Depreciation	53	217	139	–	409
Impairment losses	–	1	–	–	1
Reversals of impairment losses	–	–	–	–	–
Transfers	(1)	–	(12)	–	(13)
Reclassifications to 'held for sale'	–	–	–	–	–
Disposals	29	149	32	–	210
Exchange rate changes/other	(14)	(41)	(10)	–	(65)
Balance as of December 31, 2006	**712**	**1,782**	**705**	**–**	**3,199**
Changes in the group of consolidated companies	39	(1)	1	–	39
Depreciation	65	224	142	–	431
Impairment losses	1	1	10	–	12
Reversals of impairment losses	–	–	–	–	–
Transfers	(3)	–	24	–	21
Reclassifications to 'held for sale'	49	8	–	–	57
Disposals	190	250	65	–	505
Exchange rate changes/other	(14)	(90)	(38)	–	(142)
Balance as of December 31, 2007	**561**	**1,658**	**779**	**–**	**2,998**
Carrying amount:					
Balance as of December 31, 2006	**1,932**	**564**	**634**	**111**	**3,241**
Balance as of December 31, 2007	**981**	**639**	**665**	**124**	**2,409**

In 2007, impairment losses, recorded within General and administrative expenses, were primarily related to the renovation of the Group's headquarters at Taunusanlage in Frankfurt.

The carrying values of items of property, plant and equipment on which there is a restriction on sale was € 149 million as of December 31, 2007.

[20] LEASES

The Group is lessee under lease arrangements covering real property and equipment.

FINANCE LEASE COMMITMENTS

The following table shows the net carrying value for each class of leasing objects held under finance leases.

in € m.	Dec 31, 2007	Dec 31, 2006
Land and buildings	97	179
Furniture and equipment	3	4
Other	–	–
Net carrying value	**100**	**183**

Additionally, the Group has sublet leasing objects classified as finance leases with a net carrying value of € 309 million as of December 31, 2007, and € 369 million as of December 31, 2006.

The future minimum lease payments required under the Group's finance leases were as follows.

in € m.	Dec 31, 2007	Dec 31, 2006
Future minimum lease payments		
not later than one year	199	123
later than one year and not later than five years	186	358
later than five years	347	427
Total future minimum lease payments	**732**	**908**
Less: Future interest charges	282	323
Present value of finance lease commitments	**450**	**585**

Future minimum sublease payments of € 421 million and € 437 million for the years ended December 31, 2007 and 2006, respectively, are expected to be received under non-cancelable subleases at the balance sheet date. As of December 31, 2007, the amount of contingent rents recognized in the income statement was € 0.4 million.

OPERATING LEASE COMMITMENTS

The future minimum lease payments required under the Group's operating leases were as follows.

in € m.	Dec 31, 2007	Dec 31, 2006
Future minimum rental payments		
not later than one year	639	564
later than one year and not later than five years	1,789	1,588
later than five years	1,815	1,112
Total future minimum rental payments	**4,243**	**3,264**
Less: Future minimum rentals to be received	253	330
Net future minimum rental payments	**3,990**	**2,934**

In 2007, € 708 million was charged related to lease and sublease agreements, of which € 752 million was for minimum lease payments, € 21 million for contingent rents and € 64 million for sublease rentals received.

[21] GOODWILL AND OTHER INTANGIBLE ASSETS

GOODWILL

CHANGES IN GOODWILL

The changes in the carrying amount of goodwill, as well as gross amounts and accumulated impairment losses of goodwill, by segment for the years ended December 31, 2007 and 2006 are shown below by segment.

in € m.	Corporate Banking & Securities	Global Transaction Banking	Asset and Wealth Management	Private & Business Clients	Corporate Investments	Total
Balance as of January 1, 2006	**3,383**	**485**	**2,837**	**240**	**100**	**7,045**
Goodwill acquired during the year	171	–	419	235	33	858
Transfers	–	1	–	(1)	–	–
Goodwill related to dispositions without being classified as held for sale	–	–	(1)	(1)	–	(2)
Impairment losses[1]	–	–	–	–	(31)	(31)
Exchange rate changes/other	(326)	(38)	(218)	(3)	(15)[2]	(600)
Balance as of December 31, 2006	**3,228**	**448**	**3,037**	**470**	**87**	**7,270**
Gross amount of goodwill	**3,228**	**448**	**3,037**	**470**	**294**	**7,477**
Accumulated impairment losses	**–**	**–**	**–**	**–**	**(207)**	**(207)**
Balance as of January 1, 2007	**3,228**	**448**	**3,037**	**470**	**87**	**7,270**
Purchase accounting adjustments	–	–	–	(8)	–	(8)
Goodwill acquired during the year	177	3	–	514	–	694
Goodwill related to dispositions without being classified as held for sale	–	–	(26)	–	(34)	(60)
Impairment losses[1]	–	–	–	–	(54)	(54)
Exchange rate changes/other	(329)	(35)	(242)	(5)	1	(610)
Balance as of December 31, 2007	**3,076**	**416**	**2,769**	**971**	**–**	**7,232**
Gross amount of goodwill	**3,076**	**416**	**2,769**	**971**	**261**	**7,493**
Accumulated impairment losses	**–**	**–**	**–**	**–**	**(261)**	**(261)**

1 Impairment losses of goodwill are recorded as impairment of intangible assets in the income statement.

2 Includes € 13 million of reduction in goodwill related to prior years held for sale write-downs.

In 2007, the main addition to goodwill in Private & Business Clients was € 508 million related to the acquisition of Berliner Bank. The main addition to goodwill in Corporate Banking & Securities was € 149 million related to MortgageIT Holdings Inc.

In 2006, the main addition to goodwill in Asset and Wealth Management was € 419 million related to the acquisition of Tilney Group Limited. In Private & Business Clients, the acquisition of norisbank resulted in a goodwill of € 230 million and in Corporate Banking & Securities, the acquisition of the remaining 60 % of United Financial Group (UFG) added € 166 million to goodwill.

An impairment review of goodwill was triggered in the first quarter of 2007 in Corporate Investments after the division realized a gain of € 178 million related to its equity method investment in Deutsche Interhotel Holding GmbH & Co. KG. As a result of this review, a goodwill impairment loss totaling € 54 million was recognized.

In 2006, a goodwill impairment loss of € 31 million was recorded in Corporate Investments. This goodwill related to a private equity investment in Brazil, which was not integrated into the cash-generating unit. The impairment loss was triggered by changes in local law that restricted certain businesses. The fair value less costs to sell of the investment was determined using a discounted cash flow methodology.

GOODWILL IMPAIRMENT TEST

Goodwill is allocated to cash-generating units for the purpose of impairment testing, considering the business level at which goodwill is monitored for internal management purposes. On this basis, the Group’s goodwill carrying cash-generating units are Global Markets and Corporate Finance within the Corporate Banking & Securities segment, Global Transaction Banking, Asset Management and Private Wealth Management within the Asset and Wealth Management segment, Private & Business Clients and Corporate Investments. At year-end 2007, six out of seven cash-generating units carry goodwill. The carrying amounts of goodwill by cash-generating unit below the segment level for the years ended December 31, 2007 and 2006 are as follows.

in € m.	Global Markets	Corporate Finance	Total Corporate Banking & Securities	Asset Management	Private Wealth Management	Total Asset and Wealth Management
At December 31, 2006	**2,148**	**1,080**	**3,228**	**1,963**	**1,074**	**3,037**
At December 31, 2007	**2,098**	**978**	**3,076**	**1,794**	**975**	**2,769**

The goodwill is tested for impairment annually in the fourth quarter by comparing the recoverable amount of each goodwill carrying cash-generating unit with its carrying amount. The carrying amount of a cash-generating unit is derived based on the amount of equity allocated to a cash-generating unit. The carrying amount also considers the amount of goodwill and unamortized intangible assets of a cash-generating unit. The recoverable amount is the higher of a cash-generating unit’s fair value less costs to sell and its value in use. The annual goodwill impairment tests in 2007 and 2006 did not result in an impairment loss as the recoverable amount for all cash-generating units was higher than their respective carrying amount.

The following sections describe how the Group determines the recoverable amount of its goodwill carrying cash-generating units and provides information on certain key assumptions on which management based its determination of the recoverable amount.

RECOVERABLE AMOUNT

The Group determines the recoverable amount of all cash-generating units on the basis of fair value less costs to sell. As observable market prices are ordinarily not available for the Group's cash-generating units, the fair value is based on the best information available to reflect the amount the Group could obtain from a disposal in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal. This consists of recent transactions and market values for similar assets or groups of assets in the relevant industry or market and valuation techniques, such as discounted cash flow ("DCF") calculations.

The fair value for most of the Group's cash-generating units is determined based on DCF calculations. For Asset Management, fair value is determined based on market multiples of a respective group of peer companies for various business-specific metrics (e.g., revenue and price/earnings multiples). In this case, fair value based on a DCF calculation is considered in validating the results of the multiples-based approach.

Under the DCF method, the Group employs a Dividend Discount Model ("DDM"), adjusted to reflect the specifics of the banking business and its regulatory environment. The model calculates the present value of the estimated future earnings that are distributable to shareholders after fulfilling the respective regulatory capital requirements.

The DDM uses earnings projections based on financial plans agreed by management for a three-year period. For purposes of the goodwill impairment test, the agreed plans are extrapolated for two additional years in order to derive a sustainable level of estimated future earnings, which are discounted to their present value. Estimating future earnings requires judgment, considering past and actual performance as well as expected developments in the respective markets and in the overall macro-economic environment. Earnings projections beyond the initial five-year period are assumed to increase by a constant rate using a long-term growth rate, which is based on expectations for the development of gross domestic product (GDP) and inflation, and are captured in the terminal value.

Fair values determined on this basis are further reviewed against the available market participants' view, as evidenced by, for example, equity analysts' valuations of the Group and its segments.

KEY ASSUMPTIONS AND SENSITIVITIES

The fair value of a cash-generating unit is sensitive to the discount rate applied to the earnings projections and, to a much lesser extent, to the long-term growth rate. The discount rates applied have been determined based on the capital asset pricing model which is comprised of a risk-free interest rate, a market risk premium and a factor covering the systematic market risk (beta factor). The values for the risk-free interest rate, the market risk premium and the beta factors are determined using external sources of information. Business-specific beta factors are determined based on a respective group of peer companies. Variations in all of these components might impact the calculation of the discount rates. Discount rates applied to cash-generating units in 2007 range from 9.6 % to 10.5 %.

SENSITIVITIES: In validating the fair values determined for the cash-generating units, the major value drivers of each cash-generating unit are being reviewed annually. In addition, key assumptions used in the DDM and market multiples models, for example the discount rate and the long-term growth rate, were sensitized to test the resilience of fair values. On this basis, management believes that reasonable changes in the key assumptions used to determine the recoverable amount of the Group's cash-generating units will not result in an impairment situation.

OTHER INTANGIBLE ASSETS

Other intangible assets are separated into those that are internally generated, which consist only of internally generated software, and purchased intangible assets. Purchased intangible assets are further split into amortized and unamortized other intangible assets.

The changes of other intangible assets by asset class for the years ended December 31, 2007 and 2006 are as follows.

	Internally generated intangible assets	Purchased intangible assets							
		Amortized				Unamortized			
in € m.	Software	Customer-related intangible assets	Value of business acquired	Other	Total amortized purchased intangible assets	Retail investment management agreements	Other	Total unamortized purchased intangible assets	Total other intangible assets
Cost of acquisition/manufacture:									
Balance as of January 1, 2006	**391**	**215**	**–**	**436**	**651**	**978**	**8**	**986**	**2,028**
Additions	9	30	–	39	69	–	–	–	78
Changes in the group of consolidated companies	–	174	–	15	189	–	–	–	189
Disposals	8	–	–	51	51	–	–	–	59
Reclassifications to held for sale	–	–	–	–	–	–	–	–	–
Exchange rate changes	(23)	(19)	–	(22)	(41)	(101)	–	(101)	(165)
Other	–	–	–	–	–	–	–	–	–
Balance as of December 31, 2006	**369**	**400**	**–**	**417**	**817**	**877**	**8**	**885**	**2,071**
Additions	32	122	–	48	170	–	3	3	205
Changes in the group of consolidated companies	–	40	912	19	971	–	–	–	971
Disposals	–	–	–	28	28	–	–	–	28
Reclassifications to held for sale	–	–	–	4	4	–	–	–	4
Exchange rate changes	(27)	(28)	(49)	(20)	(97)	(91)	–	(91)	(215)
Other	–	–	–	–	–	–	–	–	–
Balance as of December 31, 2007	**374**	**534**	**863**	**432**	**1,829**	**786**	**11**	**797**	**3,000**
Accumulated amortization and impairment:									
Balance as of January 1, 2006	**329**	**82**	**–**	**321**	**403**	**–**	**–**	**–**	**732**
Amortization for the year	28	28	–	33	61	–	–	–	89[1]
Disposals	7	–	–	48	48	–	–	–	55
Reclassifications to held for sale	–	–	–	–	–	–	–	–	–
Impairment losses	–	–	–	–	–	–	–	–	–
Reversals of impairment losses	–	–	–	–	–	–	–	–	–
Exchange rate changes	(16)	(7)	–	(14)	(21)	–	–	–	(37)
Other	–	–	–	–	–	–	–	–	–
Balance as of December 31, 2006	**334**	**103**	**–**	**292**	**395**	**–**	**–**	**–**	**729**
Amortization for the year	17	57	8	31	96	–	–	–	113[2]
Disposals	–	–	–	19	19	–	–	–	19
Reclassifications to held for sale	–	–	–	3	3	–	–	–	3
Impairment losses	–	2	–	3	5	74	–	74	79[3]
Reversals of impairment losses	–	–	–	–	–	–	–	–	–
Exchange rate changes	(23)	(13)	–	(14)	(27)	–	–	–	(50)
Other	–	–	–	–	–	–	–	–	–
Balance as of December 31, 2007	**328**	**149**	**8**	**290**	**447**	**74**	**–**	**74**	**849**
Carrying amount:									
As of December 31, 2006	**35**	**297**	**–**	**125**	**422**	**877**	**8**	**885**	**1,342**
As of December 31, 2007	**46**	**385**	**855**	**142**	**1,382**	**712**	**11**	**723**	**2,151**

1 Of which € 75 million were included in general and administrative expenses and € 14 million were recorded in commissions and fee income. The latter related to the amortization of mortgage servicing rights.

2 Of which € 98 million were included in general and administrative expenses and € 15 million were recorded in commissions and fee income. The latter related to the amortization of mortgage servicing rights.

3 Of which € 74 million were recorded as impairment of intangible assets and € 5 million were included in general and administrative expenses.

AMORTIZED INTANGIBLE ASSETS

The additions to other intangible assets are mainly due to the acquisition of Abbey Life Assurance Company Limited which resulted in the capitalization of a value of business acquired (“VOBA”) amounting to € 912 million. The VOBA represents the present value of the future cash flows of a portfolio of long-term insurance and investment contracts. It is amortized and its amortization period is expected to end in 2036 (for further details refer to Notes [1] and [40]).

In 2007, impairment losses relating to purchased software and customer-related intangible assets amounting to € 3 million and € 2 million, respectively were recognized as general and administrative expenses in the income statement. The impairment of the purchased software was recorded in Asset and Wealth Management and the impairment of the customer-related intangible assets was recorded in Global Transaction Banking.

Other intangible assets with finite useful lives are generally amortized over their useful lives based on the straight-line method (except for the VOBA, as explained in Notes [1] and [40], and for mortgage servicing rights). Mortgage servicing rights are amortized in proportion to and over the estimated period of net servicing revenues. The useful lives per asset class are as follows.

	Useful lives in years
Internally generated intangible assets:	
Software	1–3
Purchased intangible assets:	
Customer-related intangible assets	1–20
VOBA	1–29
Other	1–30

UNAMORTIZED INTANGIBLE ASSETS

More than 98 % of unamortized intangible assets relate to the Group's U.S. retail mutual fund business, amounting to € 712 million and are allocated to the Asset Management cash-generating unit. These retail investment management agreements are contracts that give DWS Scudder the exclusive right to manage a variety of mutual funds for a specified period. As the contracts are easily renewable, the cost of renewal is minimal, and they have a long history of renewal, these agreements are not expected to be terminated in the foreseeable future. The rights to manage the associated assets under management are expected to generate cash flows for an indefinite period of time. The intangible assets were valued at fair value based upon a third party valuation at the date of the acquisition of Zurich Scudder Investments, Inc. by the Group in 2002.

In the fourth quarter of 2007, impairment losses of € 74 million were recognized as impairment of intangible assets in the income statement. The impairment losses were related to retail investment management agreements and were recorded in Asset and Wealth Management. The impairment losses were due to declines in both current and projected operating results and cash flows of investment management agreements for certain closed end and variable annuity funds which had been acquired from Zurich Scudder Investments, Inc. The recoverable amounts of the assets were calculated at fair value less costs to sell. As market prices are not observable for such assets, fair value was based on the best information available to reflect the amount the Group could obtain from a disposal in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal. Therefore, fair value was determined based on the income approach, using a post-tax discounted cash flow calculation (multi-period earnings excess method).

[22] ASSETS HELD FOR SALE

As of December 31, 2007, the Group classified three disposal groups (two subsidiaries and a consolidated fund) and several non-current assets as held for sale. The Group reported these items in Other assets and Other liabilities, and valued them at the lower of their carrying amount or fair value less costs to sell, resulting in an impairment loss of € 2 million in 2007, which was recorded in income before income taxes of the Group Division Corporate Investments (CI).

The three disposal groups included two in the Corporate Division Asset and Wealth Management (AWM). They are an Italian life insurance company for which a disposal contract was signed in December 2007 and for which closing is expected in the first half of 2008, and a second, related to a real estate fund in North America, which is planned to be launched in the first quarter of 2008. The last disposal group, a subsidiary in CI, was classified as held for sale at year-end 2006 but due to circumstances arising in 2007 that were previously considered unlikely, was not sold in 2007. A sales transaction is now expected in 2008.

Non-current assets classified as held for sale included two alternative investments of AWM in North America, several office buildings in CI and in the Corporate Division Private & Business Clients (PBC), and other real estate assets in North America, owned by the Corporate Division Corporate Banking & Securities (CB&S) through foreclosure. All these items are expected to be sold in 2008.

As of December 31, 2006, in addition to the CI subsidiary mentioned above, two equity method investments in the Group Division CI, resulting in impairment losses of € 2 million, and two equity method investments in CB&S were classified held for sale. The latter four investments were sold in 2007.

The following are the principal components of assets and liabilities which the Group classified as held for sale for the years ended December 31, 2007 and December 31, 2006.

in € m.	Dec 31, 2007	Dec 31, 2006
Financial assets at fair value through profit or loss	417	–
Financial assets available for sale[1]	675	45
Equity method investments	871	169
Premises and equipment	15	–
Other assets	864	195
Total assets classified as held for sale	**2,842**	**409**
Financial liabilities at fair value through profit or loss	417	–
Long-term debt	294	–
Other liabilities	961	149
Total liabilities classified as held for sale	**1,672**	**149**

1 An amount of € (12) million and € 2 million was recognized directly in equity at December 31, 2007 and December 31, 2006, respectively.

[23] OTHER ASSETS AND OTHER LIABILITIES

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

in € m.	Dec 31, 2007	Dec 31, 2006
Other Assets:		
Brokerage and securities related receivables		
Cash/margin receivables	34,277	25,258
Receivables from prime brokerage	44,389	26,090
Pending securities transactions past settlement date	14,307	11,109
Receivables from unsettled regular way trades	58,186	51,543
Total brokerage and securities related receivables	151,159	114,000
Accrued interest receivable	7,549	6,127
Other	24,189	18,894
Total other assets	**182,897**	**139,021**

in € m.	Dec 31, 2007	Dec 31, 2006
Other Liabilities:		
Brokerage and securities related payables		
Cash/margin payables	17,029	15,170
Payables from prime brokerage	39,944	29,136
Pending securities transactions past settlement date	12,535	8,347
Payables from unsettled regular way trades	58,901	54,936
Total brokerage and securities related payables	128,409	107,589
Accrued interest payable	6,785	6,148
Other	36,315	30,392
Total other liabilities	**171,509**	**144,129**

[24] DEPOSITS

The components of deposits are as follows.

in € m.	Dec 31, 2007	Dec 31, 2006
Noninterest-bearing demand deposits	30,187	30,353
Interest-bearing deposits		
Demand deposits	144,349	113,540
Time deposits	236,071	231,403
Savings deposits	47,339	36,620
Total interest-bearing deposits	427,759	381,563
Total deposits	**457,946**	**411,916**

[25] PROVISIONS

The following table presents the movement schedule by class of provisions.

in € m.	Operational/ Litigation	Other	Total[1]
Balance as of January 1, 2007	**919**	**593**	**1,512**
Changes in the group of consolidated companies	15	(32)	(17)
New provisions	266	362	628
Amounts used	(382)	(310)	(692)
Unused amounts reversed	(139)	(143)	(282)
Effects from exchange rate fluctuations/Unwind of discount	(62)	(11)	(73)
Balance as of December 31, 2007	**617**	**459**	**1,076**

1 For the remaining portion of provisions as disclosed on the consolidated balance sheet, please refer to Note [16] to the Group's consolidated financial statements, in which allowances for credit related off-balance sheet positions are disclosed.

OPERATIONAL AND LITIGATION

The Group defines operational risk as the potential for incurring losses in relation to staff, technology, projects, assets, customer relationships, other third parties or regulators, such as through unmanageable events, business disruption, inadequately defined or failed processes or control and system failure.

Due to the nature of its business, the Group is involved in litigation, arbitration and regulatory proceedings in Germany and in a number of jurisdictions outside Germany, including the United States, arising in the ordinary course of business. In accordance with applicable accounting requirements, the Group provides for potential losses that may arise out of contingencies, including contingencies in respect of such matters, when the potential losses are probable and estimable. Contingencies in respect of legal matters are subject to many uncertainties and the outcome of individual matters is not predictable with assurance. Significant judgment is required in assessing probability and making estimates in respect of contingencies, and the Group's final liabilities may ultimately be materially different. The Group's total liability recorded in respect of litigation, arbitration and regulatory proceedings is determined on a case-by-case basis and represents an estimate of probable losses after considering, among other factors, the progress of each case, the Group's experience and the experience of others in similar cases, and the opinions and views of legal counsel. Although the final resolution of any such matters could have a material effect on the Group's consolidated operating results for a particular reporting period, the Group believes that it will not materially affect its consolidated financial position. In respect of each of the matters specifically described below, most of which consist of a number of

claims, it is the Group’s belief that the reasonably possible losses relating to each claim in excess of any provisions are either not material or not estimable.

The Group’s significant legal proceedings are described below.

TAX-RELATED PRODUCTS: Deutsche Bank AG, along with certain affiliates, and current and former employees (collectively referred to as “Deutsche Bank”), have collectively been named as defendants in a number of legal proceedings brought by customers in various tax-oriented transactions. Deutsche Bank provided financial products and services to these customers, who were advised by various accounting, legal and financial advisory professionals. The customers claimed tax benefits as a result of these transactions, and the United States Internal Revenue Service has rejected those claims. In these legal proceedings, the customers allege that the professional advisors, together with Deutsche Bank, improperly misled the customers into believing that the claimed tax benefits would be upheld by the Internal Revenue Service. The legal proceedings are pending in numerous state and federal courts and in arbitration, and claims against Deutsche Bank are alleged under both U.S. state and federal law. Many of the claims against Deutsche Bank are asserted by individual customers, while others are asserted on behalf of a putative customer class. No litigation class has been certified as against Deutsche Bank. Approximately 59 legal proceedings have been resolved and dismissed with prejudice as against Deutsche Bank. Approximately 28 other legal proceedings remain pending as against Deutsche Bank and are currently at various pre-trial stages, including discovery.

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

KIRCH LITIGATION. In May 2002, Dr. Leo Kirch personally and as an assignee of two entities of the former Kirch Group, i.e., PrintBeteiligungs GmbH and the group holding company TaurusHolding GmbH & Co. KG, initiated legal action against Dr. Rolf-E. Breuer and Deutsche Bank alleging that a statement made by Dr. Breuer (then the Spokesman of Deutsche Bank's Management Board) in an interview with Bloomberg television on February 4, 2002 regarding the Kirch Group was in breach of laws and financially damaging to Kirch. On January 24, 2006 the German Federal Supreme Court sustained the action for the declaratory judgment only in respect of the claims assigned by PrintBeteiligungs GmbH. Such action and judgment did not require a proof of any loss caused by the statement made in the interview. PrintBeteiligungs GmbH is the only company of the Kirch Group which was a borrower of Deutsche Bank. Claims by Kirch personally and by TaurusHolding GmbH & Co. KG were dismissed. To be awarded a judgment for damages against Deutsche Bank, Dr. Kirch had to file a new lawsuit. In May 2007, Dr. Kirch filed an action as assignee of PrintBeteiligungs GmbH against Deutsche Bank and Dr. Breuer for the payment of approximately € 1.6 billion at the time of the filing (the amount depends, among other things, on the development of the price for the shares of Axel Springer AG) plus interest. In these proceedings he will have to prove that such statement caused financial damages to PrintBeteiligungs GmbH and the amount thereof. In the Group's view, the causality in respect of the basis and scope of the claimed damages has not been sufficiently substantiated in the complaint.

On December 31, 2005, KGL Pool GmbH filed a lawsuit against Deutsche Bank and Dr. Breuer. The lawsuit is based on alleged claims assigned from various subsidiaries of the former Kirch Group. KGL Pool GmbH seeks a declaratory judgment to the effect that Deutsche Bank and Dr. Breuer are jointly and severally liable for damages as a result of the interview statement and the behavior of Deutsche Bank in respect of several subsidiaries of the Kirch Group. In December 2007, KGL Pool GmbH supplemented this lawsuit by a motion for payment of approximately € 2.1 billion plus interest as compensation for the purported damages which two subsidiaries of the former Kirch Group allegedly suffered as a result of the statement by Dr. Breuer. In the Group's view, due to the lack of a relevant contractual relationship with any of these subsidiaries there is no basis for such claims, and the causality in respect of the basis and scope of the claimed damages has not been sufficiently substantiated in the complaint.

OTHER

Other provisions include non-staff related provisions that are not captured on other specific provision accounts and provisions for restructuring. Restructuring provisions are recorded in conjunction with acquisitions as well as business realignments. Other costs primarily include, among others, amounts for lease terminations and related costs.

[26] OTHER SHORT-TERM BORROWINGS

The following table is a summary of the Group's other short-term borrowings.

in € m.	Dec 31, 2007	Dec 31, 2006
Other short-term borrowings:		
Commercial paper	31,187	34,250
Other	22,223	14,183
Total other short-term borrowings	**53,410**	**48,433**

[27] LONG-TERM DEBT AND TRUST PREFERRED SECURITIES

LONG-TERM DEBT

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

By remaining maturities in € m.	Due in 2008	Due in 2009	Due in 2010	Due in 2011	Due in 2012	Due after 2012	Dec 31, 2007 total	Dec 31, 2006 total
Senior debt:								
Bonds and notes:								
Fixed rate	14,497	11,829	7,125	7,318	12,472	18,932	72,173	56,239
Floating rate	8,207	6,218	6,035	5,263	8,456	12,205	46,384	44,175
Subordinated debt:								
Bonds and notes:								
Fixed rate	273	721	–	426	47	2,416	3,883	4,910
Floating rate	279	1,362	1,439	499	498	186	4,263	6,039
Total long term debt	**23,256**	**20,130**	**14,599**	**13,506**	**21,473**	**33,739**	**126,703**	**111,363**

The Group did not have any defaults of principal, interest or other breaches with respect to its liabilities in 2007 and 2006.

TRUST PREFERRED SECURITIES

The following table summarizes the Group's fixed and floating rate trust preferred securities, which are perpetual instruments, redeemable at specific future dates at the Group's option.

in € m.	Dec 31, 2007	Dec 31, 2006
Fixed rate	3,911	4,147
Floating rate	2,434	624
Total trust preferred securities	**6,345**	**4,771**

Additional Notes

[28] OBLIGATION TO PURCHASE COMMON SHARES

The Group enters into derivative instruments indexed to Deutsche Bank common shares in order to acquire shares to satisfy employee share-based compensation awards and for trading purposes. Forward purchases and written put options in which Deutsche Bank common shares are the underlying are reported as obligations to purchase common shares if the number of shares is fixed and physical settlement for a fixed amount of cash is required. As of December 31, 2007 and December 31, 2006, the obligation of the Group to purchase its own common shares amounted to € 3.6 billion and € 4.3 billion, respectively, as summarized in the following table.

				Dec 31, 2007				Dec 31, 2006
	Amount of obligation	Number of shares	Weighted Average Forward/ Exercise Price	Maturity	Amount of obligation	Number of shares	Weighted Average Forward/ Exercise Price	Maturity
	in € m.	in million	in €		in € m.	in million	in €	
Forward purchase contracts	864	13.5	63.84	> 3 months – 1 year	866	21.8	39.70	> 3 months – 1 year
	2,678	31.8	84.27	> 1 year – 5 years	2,591	36.8	70.53	> 1 year – 5 years
Written put options	–	–	–	Up to 3 months	39	0.4	84.46	Up to 3 months
	7	0.1	49.73	> 3 months – 1 year	642	8.9	74.37	> 3 months – 1 year
	4	0.1	80.00	> 1 year – 5 years	189	2.7	74.35	> 1 year – 5 years
Total	**3,553**	**45.5**			**4,327**	**70.6**		

[29] COMMON SHARES

COMMON SHARES

Deutsche Bank's share capital consists of common shares issued in registered form without par value. Under German law, each share represents an equal stake in the subscribed capital. Therefore, each share has a nominal value of € 2.56, derived by dividing the total amount of share capital by the number of shares.

Number of shares	Issued and fully paid	Treasury shares	Outstanding
Common shares, January 1, 2006	**554,535,270**	**(48,977,594)**	**505,557,676**
Shares issued under share-based compensation plans	10,232,739	–	10,232,739
Shares retired	(40,000,000)	40,000,000	–
Shares purchased for treasury	–	(429,180,424)	(429,180,424)
Shares sold or distributed from treasury	–	412,040,283	412,040,283
Common shares, December 31, 2006	**524,768,009**	**(26,117,735)**	**498,650,274**
Shares issued under share-based compensation plans	5,632,091	–	5,632,091
Shares retired	–	–	–
Shares purchased for treasury	–	(414,516,438)	(414,516,438)
Shares sold or distributed from treasury	–	411,299,354	411,299,354
Common shares, December 31, 2007	**530,400,100**	**(29,334,819)**	**501,065,281**

There are no issued ordinary shares that have not been fully paid.

Shares purchased for treasury consist of shares held by the Group for a period of time, as well as any shares purchased with the intention of being resold in the short term. In addition, the Group has launched share buy-back programs. Shares acquired under these programs serve among others share-based compensation programs and allow the Group to balance capital supply and demand. The fourth buy-back program was completed in June 2006, and 40 million shares were retired in January 2006. The fifth buy-back program commenced in June 2006 and was completed in May 2007, when the sixth buy-back program was started. All such transactions were recorded in shareholders' equity and no revenues and expenses were recorded in connection with these activities.

AUTHORIZED AND CONDITIONAL CAPITAL

Deutsche Bank's share capital may be increased by issuing new shares for cash and in some circumstances for non-cash consideration. 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 non-cash 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.

Deutsche Bank also had conditional capital of € 156,269,947. Conditional capital is available for various instruments that may potentially be converted into common shares.

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

Under the DB Global Partnership Plan, € 51,200,000 of conditional capital was available for option rights available for grant until May 10, 2003 and € 64,000,000 for option rights available for grant until May 20, 2005. A total of 1,636,727 option rights were granted and not exercised as of December 31, 2007. Therefore, capital can still be increased by € 4,190,021 under this plan. Also, the Management Board was authorized at the Annual General Meeting on May 17, 2001 to issue, with the consent of the Supervisory Board, up to 12,000,000 option rights on Deutsche Bank shares on or before December 31, 2003 of which 812,471 option rights were granted and not exercised as of December 31, 2007 under the DB Global Share Plan (pre-2004). Therefore, capital still can be increased by € 2,079,926 under this plan. These plans are described in Note [31].

DIVIDENDS

The following table shows the amount of dividends proposed or declared for the years ended December 31, 2007 and December 31, 2006, respectively.

	2007 (proposed)	2006
Cash dividends declared (in € m.)[1]	2,387	2,005
Cash dividends declared per common share (in €)	4.50	4.00

1 Cash dividend for 2007 is based on the number of shares issued as of December 31, 2007.

No dividends have been declared since the balance sheet date.

[30] CHANGES IN EQUITY

in € m.	2007	2006
Common shares		
Balance, beginning of year	1,343	1,420
Common shares issued under share-based compensation plans	15	25
Retirement of common shares	–	(102)
Balance, end of year	1,358	1,343
Additional paid-in capital		
Balance, beginning of year	15,246	14,464
Net change in share awards in the reporting period	122	(258)
Common shares issued under share-based compensation plans	377	663
Tax benefits related to share-based compensation plans	(44)	285
Option premiums on options on Deutsche Bank common shares	76	(81)
Net gains (losses) on treasury shares sold	28	171
Other	3	2
Balance, end of year	15,808	15,246
Retained earnings		
Balance, beginning of year	20,451	17,856
Net income attributable to Deutsche Bank shareholders	6,474	6,070
Cash dividends declared and paid	(2,005)	(1,239)
Dividend related to equity classified as obligation to purchase common shares	277	180
Net gains on treasury shares sold	–	191
Retirement of common shares	–	(2,667)
Other effects from options on Deutsche Bank common shares	3	60
Other	(84)	–
Balance, end of year	25,116	20,451
Common shares in treasury, at cost		
Balance, beginning of year	(2,378)	(3,368)
Purchases of shares	(41,128)	(38,830)
Sale of shares	39,677	35,998
Retirement of shares	–	2,769
Treasury shares distributed under share-based compensation plans	1,010	1,053
Balance, end of year	(2,819)	(2,378)
Equity classified as obligation to purchase common shares		
Balance, beginning of year	(4,307)	(4,449)
Additions	(1,292)	(2,140)
Deductions	2,047	2,282
Balance, end of year	(3,552)	(4,307)
Net gains (losses) not recognized in the income statement, net of tax		
Balance, beginning of year	2,403	2,751
Change in unrealized net gains on financial assets available for sale, net of applicable tax and other[1]	427	466
Change in unrealized net gains (losses) on derivatives hedging variability of cash flows, net of tax[2]	(7)	(54)
Foreign currency translation, net of tax[3]	(1,690)	(760)
Balance, end of year	1,133	2,403
Total shareholders' equity, end of year	**37,044**	**32,758**
Minority interest		
Balance, beginning of year	717	624
Minority interests in net profit or loss	36	9
Increases	1,048	744
Decreases and dividends	(346)	(624)
Foreign currency translation, net of tax	(33)	(36)
Balance, end of year	1,422	717
Total equity, end of year	**38,466**	**33,475**

1 Thereof € (9) million and € (84) million related to the Group's share in changes of equity of associates or jointly controlled entities for the years ended December 31, 2007 and 2006, respectively.

2 Thereof € (7) million related to the Group's share in changes of equity of associates or jointly controlled entities for the year ended December 31, 2006.

3 Thereof € (12) million and € 1 million related to the Group's share in changes of equity of associates or jointly controlled entities for the years ended December 31, 2007 and 2006, respectively.

[31] SHARE-BASED COMPENSATION PLANS

SHARE-BASED COMPENSATION PLANS USED FOR GRANTING NEW AWARDS IN 2007

The Group currently grants share-based compensation under three main plans. All awards represent a contingent right to receive Deutsche Bank common shares after a specified period of time. The award recipient is not entitled to receive dividends before the settlement of the award. The terms of the three main plans are presented in the table below.

Plan		Vesting schedule	Early retirement provisions	Eligibility
Global Partnership Plan Equity Units	Annual Award	80 % : 24 months[1]	No	Group Board
		20 % : 42 months		
DB Equity Plan	Annual Award	50 % : 24 months	Yes	Select employees as annual retention
		25 % : 36 months		
		25 % : 48 months		
	Off Cycle Award	Individual specification[2]	No	Select employees to attract or retain key staff
Global Share Plan		100 % : 12 months	No	All employee plan granting up to 10 shares per employee[3]

1 With delivery after further 18 months
2 Weighted average relevant service period: 21 months
3 Participant must have been active and working for the Group for at least one year at date of grant

An award, or portions of it, may be forfeited if the recipient voluntarily terminates employment before the end of the relevant vesting period. Early retirement provisions for the DB Equity Plan – Annual Award, however, allow continued vesting after voluntary termination of employment, when certain conditions regarding age or tenure are fulfilled.

Vesting usually continues after termination of employment in cases such as redundancy or retirement. Vesting is accelerated if the recipient's termination of employment is due to death or disability.

In countries where legal or other restrictions hinder the delivery of shares, a cash plan variant of the DB Equity Plan and the Global Share Plan was used for making awards in 2007.

The Group intends to discontinue the Global Share Plan in 2008, however, the Management Board has announced its intention to support country specific initiatives to replace the Global Share Plan.

The Group has other local share-based compensation plans, none of which, individually or in the aggregate, are material to the consolidated financial statements.

SHARE-BASED COMPENSATION PLANS USED FOR GRANTING AWARDS PRIOR TO 2007

SHARE PLANS AND STOCK APPRECIATION RIGHT PLANS

Prior to 2007, the Group granted share-based compensation under a number of other plans. The following table summarizes the main features of these prior plans.

Plan		Vesting schedule	Early retirement provisions	Eligibility	Last grant in
Restricted Equity Units (REU) Plan	Annual Award	80 % : 48 months[1]	Yes	Select employees as annual retention	2006
		20 % : 54 months			
DB Share Scheme	Annual Award	1/3 : 6 months	No	Select employees as annual retention	2006
		1/3 : 18 months			
		1/3 : 30 months			
	Off Cycle Award	Individual specification	No	Select employees to attract or retain key staff	2006
DB Key Employee Equity Plan (KEEP)		Individual specification	No	Select executives	2005
Stock Appreciation Rights (SAR) Plan		Exercisable after 36 months Expiry after 72 months	No	Select employees	2002

1 With delivery after further 6 months

The REU Plan, DB Share Scheme and DB KEEP represent a contingent right to receive Deutsche Bank common shares after a specified period of time. The award recipient is not entitled to receive dividends before the settlement of the award.

An award, or portion of it, may be forfeited if the recipient voluntarily terminates employment before the end of the relevant vesting period. Early retirement provisions for the REU Plan, however, allow continued vesting after voluntary termination of employment when certain conditions regarding age or tenure are fulfilled.

Vesting usually continues after termination of employment in certain cases, such as redundancy or retirement. Vesting is accelerated if the recipient’s termination of employment is due to death or disability.

The SAR plan provided eligible employees of the Group with the right to receive cash equal to the appreciation of the Group’s common shares over an established strike price. The last rights granted under the SAR plan expired in 2007.

PERFORMANCE OPTIONS

Deutsche Bank used performance options as a remuneration instrument under the Global Partnership Plan and the pre-2004 Global Share Plan. No new options were issued under these plans after February 2004. As of December 31, 2007 all options were exercisable.

The following table summarizes the main features related to performance options granted under the Global Partnership Plan and the pre-2004 Global Share Plan.

Plan	Grant Year	Exercise Price	Additional Partnership Appreciation Rights	Exercisable until	Eligibility
Global Share Plan (pre-2004) Performance Options	2001	€ 87.66	No	Nov 2007	All Employees[1]
	2002	€ 55.39	No	Nov 2008	All Employees[1]
	2003	€ 75.24	No	Dec 2009	All Employees[1]
Global Partnership Plan Performance Options	2002	€ 89.96	Yes	Feb 2008	Select Executives
	2003	€ 47.53	Yes	Feb 2009	Select Executives
	2004	€ 76.61	Yes	Feb 2010	Group Board

1 Participant must have been active and working for the Group for at least one year at date of grant

Under both plans, the option represents the right to purchase one of the Group's common shares at an exercise price equal to 120 % of the reference price. This reference price was set as the higher of the fair market value of the Group's common shares on the date of grant or an average of the fair market value of the Group's common shares for the ten trading days on the Frankfurt Stock Exchange up to, and including, the date of grant.

Performance options under the Global Partnership Plan were granted to select executives in the years 2002 to 2004. All these performance options are fully vested. Participants were granted one Partnership Appreciation Right (PAR) for each option granted. PARs represent a right to receive a cash award in an amount equal to 20 % of the reference price. The reference price was determined in the same way as described above for the performance options. PARs vested at the same time and to the same extent as the performance options. They are automatically exercised at the same time, and in the same proportion, as the Global Partnership Plan performance options.

Performance options under the Global Share Plan (pre-2004), a broad-based employee plan, were granted in the years 2001 to 2003. The plan allowed the purchase of up to 60 shares in 2001 and up to 20 shares in both 2002 and 2003. For each share purchased, participants were granted one performance option in 2001 and five performance options in 2002 and 2003. Performance options under the Global Share Plan (pre-2004) are forfeited upon termination of employment. Participants who retire or become permanently disabled retain the right to exercise the performance options.

COMPENSATION EXPENSE

Compensation expense for awards classified as equity instruments is measured at the grant date based on the fair value of the share-based award.

Compensation expense for share-based awards payable in cash is remeasured to fair value at each balance sheet date, and the related obligations are included in other liabilities until paid. For awards granted under the cash plan version of the DB Equity Plan and DB Global Share Plan, remeasurement is based on the current market price of the Group's common shares.

A further description of the underlying accounting principles can be found in Note [1].

The Group recognized compensation expense related to its significant share-based compensation plans as follows:

in € m.	2007	2006
DB Global Partnership Plan	7	9
DB Global Share Plan	49	43
DB Share Scheme/Restricted Equity Units Plan/DB KEEP/DB Equity Plan	1,088	751
Stock Appreciation Rights Plans[1]	1	19
Total	**1,145**	**822**

1 For the years ended December 31, 2007 and 2006, net gains of € 1 million and € 73 million from non-trading equity derivatives, used to offset fluctuations in employee share-based compensation expense, were included.

Of the compensation expense recognized in 2007 approximately € 10 million was attributable to the cash-settled variant of the DB Global Share Plan and the DB Equity Plan.

Share-based payment transactions which will result in a cash payment give rise to a liability, which, as of December 31, 2007, amounted to € 8 million. This liability is attributable to unvested share awards.

As of December 31, 2007, unrecognized compensation cost related to non-vested share-based compensation was approximately € 1.0 billion.

AWARD-RELATED ACTIVITIES

SHARE PLANS

The following table summarizes the activity in plans involving share awards, which are those plans granting a contingent right to receive Deutsche Bank common shares after a specified period of time. It also includes the grants under the cash plan variant of the DB Equity Plan and DB Global Share Plan.

in thousands of units (except per share data)	Global Partnership Plan Equity Units	DB Share Scheme/ DB KEEP/REU/ DB Equity Plan	Global Share Plan (since 2004)	Total	Weighted-average grant date fair value per unit
Balance at December 31, 2005	**290**	**64,952**	**534**	**65,776**	**€ 51.98**
Granted	93	13,801	555	14,449	€ 76.17
Issued	(24)	(14,792)	(524)	(15,340)	€ 68.19
Forfeited	–	(2,357)	(10)	(2,367)	€ 54.43
Balance at December 31, 2006	**359**	**61,604**	**555**	**62,518**	**€ 53.50**
Granted	92	14,490	600	15,182	€ 95.25
Issued	(127)	(23,956)	(518)	(24,601)	€ 41.17
Forfeited	–	(2,829)	(38)	(2,867)	€ 72.85
Balance at December 31, 2007	**324**	**49,309**	**599**	**50,232**	**€ 71.05**

In addition to the amounts shown in the table above, in February 2008 the Group granted awards of approximately 150,000 units with an average fair value of € 59.60 per unit under the DB Global Partnership Plan, and approximately 14.3 million units with an average fair value of € 64.56 per unit under the DB Equity Plan. Approximately 0.3 million of the grants under the DB Equity Plan were granted under the cash plan variant of this plan.

PERFORMANCE OPTIONS

The following table summarizes the activities for performance options granted under the Global Partnership Plan and the DB Global Share Plan (pre-2004).

in thousands of units (except per share data and exercise prices)	Global Partnership Plan Performance Options	Weighted-average exercise price[1]	DB Global Share Plan (pre 2004) Performance Options	Weighted-average exercise price
Balance at December 31, 2005	**16,105**	**€ 77,82**	**2,510**	**€ 69.77**
Exercised	(9,105)	€ 79,21	(1,128)	€ 70.33
Forfeited	(24)	€ 89,96	(55)	€ 74.13
Balance at December 31, 2006	**6,976**	**€ 75,96**	**1,327**	**€ 69.11**
Exercised	(5,339)	€ 82.91	(293)	€ 69.47
Forfeited	–	–	(154)	€ 65.37
Expired	–	–	(68)	€ 87.66
Balance at December 31, 2007	**1,637**	**€ 53.32**	**812**	**€ 68.14**

1 The weighted-average exercise price does not include the effect of the Partnership Appreciation Rights for the DB Global Partnership Plan.

The following two tables present details related to performance options outstanding as of December 31, 2007 and December 31, 2006, by range of exercise price.

Range of exercise price	Performance options outstanding December 31, 2007		
	Performance options outstanding (in thousands)	Weighted-average exercise price[1]	Weighted-average remaining contractual life
€ 40.00 – 59.99	1,704	€ 48.87	13 months
€ 60.00 – 79.99	522	€ 75.24	24 months
€ 80.00 – 99.99	223	€ 89.96	1 month

1 The weighted-average exercise price does not include the effect of the Partnership Appreciation Rights for the DB Global Partnership Plan.

Range of exercise price	Performance options outstanding December 31, 2006		
	Performance options outstanding (in thousands)	Weighted-average exercise price[1]	Weighted-average remaining contractual life
€ 40.00 – 59.99	2,757	€ 48.89	25 months
€ 60.00 – 79.99	804	€ 75.34	36 months
€ 80.00 – 99.99	4,742	€ 89.91	13 months

1 The weighted-average exercise price does not include the effect of the Partnership Appreciation Rights for the DB Global Partnership Plan.

The weighted average share price at the date of exercise was € 99.70 and € 91.72 in the years ended December 31, 2007 and December 31, 2006, respectively.

On February 1, 2008, approximately 223,000 Global Partnership Plan Performance Options granted in 2002, expired.

STOCK APPRECIATION RIGHTS PLAN

The following table summarizes the activities for the Stock Appreciation Rights Plan.

	Stock Appreciation Rights Plan	
in thousands of units (except for strike prices)	**Units**	**Weighted-average strike price**
Balance at December 31, 2005	**7,107**	**€ 69.79**
Exercised	(6,706)	€ 69.48
Forfeited	–	–
Expired	–	–
Balance at December 31, 2006	**401**	**€ 74.83**
Exercised	(330)	€ 75.82
Forfeited	–	–
Expired	(71)	€ 70.31
Balance at December 31, 2007	**–**	**–**

[32] EMPLOYEE BENEFITS

The Group provides a number of post-employment benefit plans. In addition to defined contribution plans, there are plans accounted for as defined benefit plans. The Group's defined benefit plans are classified as post-employment medical plans and retirement benefit plans such as pensions.

The majority of the beneficiaries of retirement benefit plans are located in Germany, the United Kingdom and the United States. The value of a participant's accrued benefit is based primarily on each employee's remuneration and length of service.

The Group's funding policy is to maintain full coverage of the defined benefit obligation ("DBO") by plan assets within a range of 90 % to 110 % of the obligation, subject to meeting any local statutory requirements. Any obligation for the Group's unfunded plans is accrued for as book provision.

Moreover, the Group maintains unfunded contributory post-employment medical plans for a number of current and retired employees who are mainly located in the United States. These plans pay stated percentages of eligible medical and dental expenses of retirees after a stated deductible has been met. The Group funds these plans on a cash basis as benefits are due.

December 31 is the measurement date for all plans. All plans are valued using the projected unit-credit method.

The following table provides reconciliations of opening and closing balances of the defined benefit obligation and of the fair value of plan assets of the Group's defined benefit plans over the two-year period ended December 31, 2007, as well as a statement of the funded status as of December 31 in each year. As required by IFRS 1, the relevant amounts are presented for each accounting period prospectively from the date of transition to IFRS.

	Retirement benefit plans		Post-employment medical plans	
in € m.	**2007**	**2006**	**2007**	**2006**
Change in defined benefit obligation:				
Opening balance	9,129	9,232	147	191
Current service cost	265	284	3	5
Interest cost	436	395	8	10
Contributions by plan participants	6	1	–	–
Actuarial loss (gain)	(902)	(489)	(21)	(35)
Foreign currency exchange rates changes	(354)	(51)	(15)	(18)
Benefits paid	(378)	(386)	(6)	(9)
Past service cost (credit)	11	32	–	–
Acquisitions[1]	313	41	–	–
Divestitures	(3)	(5)	–	–
Settlements/curtailments	(19)	(35)	–	–
Other[2]	14	110	–	3
Closing balance	**8,518**	**9,129**	**116**	**147**
Change in fair value of plan assets:				
Opening balance	9,447	9,323	–	–
Expected return on plan assets	435	413	–	–
Actuarial gain (loss)	(266)	(371)	–	–
Foreign currency exchange rates changes	(351)	(44)	–	–
Contributions by the employer	171	354	–	–
Contributions by plan participants	6	1	–	–
Benefits paid[3]	(355)	(338)	–	–
Acquisitions[4]	246	35	–	–
Divestitures	–	–	–	–
Settlements	(13)	(23)	–	–
Other[2]	11	97	–	–
Closing balance	**9,331**	**9,447**	**–**	**–**
Funded status at end of year	**813**	**318**	**(116)**	**(147)**

1 Abbey Life, Berliner Bank (2007), Tilney (2006)
2 Includes opening balance of first time application of smaller plans.
3 For funded plans only.
4 Abbey Life (2007), Tilney (2006)

The Group's primary investment objective is to broadly immunize the Bank to large swings in the funded status of the retirement benefit plans, with some limited amount of risk-taking through duration mismatches and asset class diversification. The aim is to maximize returns within a defined risk tolerance level specified by the Group.

The actual return on plan assets for the years ended December 31, 2007 and December 31, 2006 was € 169 million and € 42 million, respectively. In both years, market movements caused the actual returns on plan assets to be lower than expected under the long term actuarial assumptions, but this actuarial loss on plan assets was more than compensated for by an actuarial gain on liabilities due to the same market movements.

The Group expects to contribute approximately € 200 million to its retirement benefit plans in 2008. The final amounts to be contributed in 2008 will be determined in the fourth quarter of 2008.

The table below reflects the benefits expected to be paid in each of the next five fiscal years, and in the aggregate for the five fiscal years thereafter. The amounts include benefits attributable to estimated future employee service.

in € m.	Retirement benefit plans	Post-employment medical plans[1]
2008	352	8
2009	373	8
2010	387	9
2011	411	9
2012	435	9
2013 – 2017	2,400	45

1 Net of expected reimbursements from Medicare for prescription drug benefits of approximately € 1 million each year from 2008 until 2010, € 2 million each year from 2011 until 2012 and € 10 million in the aggregate from 2013 through 2017.

The following table provides an analysis of the defined benefit obligation into amounts arising from plans that are wholly unfunded and amounts arising from plans that are wholly or partly funded.

	Retirement benefit plans		Post-employment medical plans	
in € m.	Dec 31, 2007	Dec 31, 2006	Dec 31, 2007	Dec 31, 2006
Benefit obligation	8,518	9,129	116	147
- unfunded	121	141	116	147
- funded	8,397	8,988	–	–

On transition to IFRS on January 1, 2006, the Group recognized all cumulative actuarial gains and losses in shareholders' equity in accordance with the transitional provisions of IFRS 1. Subsequently, actuarial gains and losses are recognized by applying the 10 % corridor approach.

The following table provides a reconciliation of the funded status to the net amount recognized in the balance sheet as of December 31, 2007 and December 31, 2006, respectively.

	Retirement benefit plans		Post-employment medical plans	
in € m.	Dec 31, 2007	Dec 31, 2006	Dec 31, 2007	Dec 31, 2006
Funded status	813	318	(116)	(147)
Net actuarial loss (gain) not recognized	(752)	(115)	(50)	(35)
Past service cost (credit) not recognized	–	–	–	–
Amount not recognized as an asset because of the limit in IAS 19.58(b)	(4)	(2)	–	–
Net asset (liability) recognized	57	201	(166)	(182)

As of December 31, 2007, the retirement benefit plans are overfunded by € 813 million. Under the corridor approach the recognition of the cumulative net actuarial gain of € 752 million is deferred. Mainly due to this reason, the net pension asset reported in the Group's balance sheet is lower than the funded status. In 2008, € 10 million of the cumulative actuarial gain of € 752 million will be amortized.

As of December 31, 2007, the cumulative net actuarial gain of the post-employment medical plans is € 50 million, of which € 5 million will be amortized in 2008.

Expense for defined benefit plans recognized in the consolidated statement of income for the years ended December 31, 2007 and December 31, 2006 included the following items. All items are part of compensation and benefits expenses.

	Retirement benefit plans		Post-employment medical plans	
in € m.	2007	2006	2007	2006
Current service cost	265	284	3	5
Interest cost	436	395	8	10
Expected return on plan assets	(435)	(413)	–	–
Amortization of actuarial loss (gain)	(1)	–	(3)	–
Past service cost (credit) recognized immediately	11	32	–	–
Amortization of past service cost (credit)	–	–	–	–
Settlements/curtailments	(11)	(7)	–	–
Effect of the limit in IAS 19.58(b)	2	–	–	–
Total expense defined benefit plans	**267**	**291**	**8**	**15**

Expected expense for 2008 is approximately € 210 million for the retirement benefit plans and approximately € 4 million for the post-employment medical plans. This is mainly due to higher discount rates at measurement date compared to the previous year and amortization of actuarial gains.

Expenses for defined contribution plans for the years ended December 31, 2007 and December 31, 2006 totaled € 203 million and € 165 million, respectively. In addition, employer contributions to the mandatory German social security pension plan amounted to € 156 million and € 144 million for the years ended December 31, 2007 and 2006, respectively.

The weighted-average asset allocation of the Group's funded retirement benefit plans as of December 31, 2007 and December 31, 2006, as well as the target allocation by asset category are as follows.

	Target allocation	Percentage of plan assets	
		Dec 31, 2007	Dec 31, 2006
Asset categories:			
Equity instruments	5 %	8 %	10 %
Debt instruments (including Cash)	90 %	89 %	87 %
Alternative Investments (including Property)	5 %	3 %	3 %
Total asset categories	**100 %**	**100 %**	**100 %**

The expected rate of return on assets is developed separately for each plan, using a building block approach recognizing the plan's specific asset allocation and the assumed return on assets for each asset category. The plan's target asset allocation at the measurement date is used, rather than the actual allocation.

The general principle is to use a risk-free rate as benchmark, with adjustments for the effect of duration and specific relevant factors for each major category of plan assets. For example, the expected rate of return for equities and

property is derived by adding a respective risk premium to the yield-to-maturity on ten-year fixed interest government bonds.

Expected returns are adjusted for factors such as taxation, but no allowance is made for expected outperformance due to active management. Finally, the relevant risk premia and overall expected rates of return are confirmed for reasonableness through comparison with other reputable published forecasts and any other relevant market practice.

Plan assets as of December 31, 2007 include derivatives with a negative market value of € 160 million. Derivative transactions are made within the Group and with external counterparties. In addition, there are € 30 million of securities issued by the Group included in the plan assets.

It is not expected that any plan assets will be returned to the Group during the year ended December 31, 2008.

The principal actuarial assumptions applied were as follows. They are provided in the form of weighted averages.

	Retirement benefit plans		Post-employment medical plans	
	Dec 31, 2007	Dec 31, 2006	Dec 31, 2007	Dec 31, 2006
Assumptions used to determine defined benefit obligations, end of year				
Discount rate	5.5 %	4.8 %	6.1 %	5.8 %
Rate of price inflation	2.1 %	2.0 %	N/A	N/A
Rate of nominal increase in future compensation levels	3.3 %	3.2 %	N/A	N/A
Rate of nominal increase for pensions in payment	1.8 %	1.7 %	N/A	N/A
Assumptions used to determine expense, year ended				
Discount rate	4.8 %	4.3 %	5.8 %	5.4 %
Rate of price inflation	2.0 %	2.1 %	N/A	N/A
Rate of nominal increase in future compensation levels	3.2 %	3.3 %	N/A	N/A
Rate of nominal increase for pensions in payment	1.7 %	1.8 %	N/A	N/A
Expected rate of return on plan assets[1]	4.6 %	4.4 %	N/A	N/A

N/A – Not applicable

1 The expected rate of return on assets for determining income in 2008 is 5.0 %.

Mortality assumptions are significant in measuring the Group's obligations under its defined benefit plans. These assumptions have been set in accordance with current best practice in the respective countries. Future longevity improvements have been considered and included where appropriate. The average life expectancy at age 65 used at December 31, 2007 and 2006, weighted on DBO for the Group's retirement benefit plans was as follows.

	Life expectancy at age 65 for a male member currently		Life expectancy at age 65 for a female member currently	
in years	Aged 65	Aged 45	Aged 65	Aged 45
December 31, 2007	19.1	21.0	22.5	24.3
December 31, 2006	18.4	20.5	22.0	24.0

The following table shows the sensitivity to key assumptions of the defined benefit obligation as of December 31, 2007 and the aggregate of service costs and interest costs of the retirement benefit plans for the year ended December 31, 2007. Each assumption is shifted in isolation.

Increase in € million	Defined benefit obligation as of Dec 31, 2007	Aggregate of service costs and interest costs for 2007
Discount rate (fifty basis point decrease)	650	10
Rate of price inflation (fifty basis point increase)	455	40
Rate of real increase in future compensation levels (fifty basis point increase)	80	10
Longevity (improvement by ten percent)[1]	145	10

1 Improvement by ten percent on longevity means that the probability of death at each age is reduced by ten percent. The sensitivity has, broadly, the effect of increasing the expected longevity at age 65 by about one year.

Decreasing the expected return on plan assets assumption by fifty basis points would increase the expense for retirement benefit plans by € 47 million for the year ended December 31, 2007.

In determining expense for post-employment medical plans, an annual weighted-average rate of increase of 8.8 % in the per capita cost of covered health care benefits was assumed for 2008. The rate is assumed to decrease gradually to 4.9 % by the end of 2012 and remain at that level thereafter.

Assumed health care cost trend rates have an effect on the amounts reported for the post-employment medical plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects on the Group's post-employment medical plans.

	One-percentage point increase		One-percentage point decrease	
Increase (Decrease) in € m.	Dec 31, 2007	Dec 31, 2006	Dec 31, 2007	Dec 31, 2006
Effect on defined benefit obligation, end of year	13	17	(11)	(15)
Effect on the aggregate of current service cost and interest cost, year ended	1	2	(1)	(1)

[33] INCOME TAXES

The components of tax expense (income) are as follows.

in € m.	2007	2006
Income tax expense	**2,239**	**2,260**
Current tax expense[1]	**3,157**	**2,095**
Tax expense for current year	3,504	2,782
Adjustments for prior years	(347)	(687)
Deferred tax expense[1]	**(918)**	**165**
Origination and reversal of temporary difference, unused tax losses and tax credits	(651)	288
Effects of changes in tax rates	(181)	(7)
Adjustments for prior years	(86)	(116)

1 Including income taxes which relate to non-current assets or assets and liabilities of disposal groups classified as held for sale. For further information please refer to Note [22] Assets held for sale.

Income tax expense includes policyholder tax attributable to policyholder earnings, amounting to an income tax benefit of € 1 million.

The current tax expense includes benefits from previously unrecognized tax losses, tax credits and deductible temporary differences, which reduced the current tax expense by € 3 million and € 19 million in 2007 and 2006, respectively.

The deferred tax expense includes expenses arising from write-downs of deferred tax assets and benefits from previously unrecognized tax losses (tax credits/temporary differences) and the reversal of previous write-downs of deferred tax assets, which increased the deferred tax expense by € 71 million and € 93 million in 2007 and 2006, respectively.

The following is an analysis of the difference between the amount that results from applying the German statutory (domestic) income tax rate to income before tax and the Group's actual income tax expense.

in € m.	2007	2006
Expected tax expense at domestic income tax rate of 39.2 % (39.2 % for 2006)	**3,429**	**3,269**
Foreign rate differential	(620)	(250)
Tax-exempt gains on securities and other income	(657)	(357)
Loss (income) on equity method investments	(22)	(51)
Non-deductible expenses	393	372
Goodwill impairment	21	10
Changes in recognition and measurement of deferred tax assets	68	74
Effect of changes in tax law or tax rate	(181)	(362)
Effect of policyholder tax	(1)	–
Other	(191)	(445)
Actual income tax expense	**2,239**	**2,260**

The Group is under continuous examinations by tax authorities in various jurisdictions. "Other" in the preceding table mainly includes the nonrecurring effect of these settlements.

The domestic income tax rate, including corporate tax, solidarity surcharge, and trade tax, used for calculating deferred tax assets and liabilities was 30.7 % and 39.2 % for the years ended December 31, 2007 and December 31, 2006, respectively.

In August 2007, the German legislature enacted a tax law change on company taxation ("Unternehmensteuerreformgesetz 2008"), which will lower the statutory corporate income tax rate from 25 % to 15 %, and change the trade tax calculation from 2008 onwards. This tax law change reduced the deferred tax expense for 2007 by € 232 million. Further tax rate changes, mainly in the United Kingdom, Spain, Italy and the United States of America, increased the deferred tax expense for 2007 by € 51 million.

The inventory of each type of temporary differences, each type of unused tax losses and unused tax credits that give rise to significant portions of deferred income tax assets and liabilities are as follows.

in € m.	Dec 31, 2007	Dec 31, 2006
Deferred tax assets	**10,898**	**12,194**
Unused tax losses	1,219	451
Unused tax credits	132	160
Deductible temporary differences:		
Trading activities	5,313	5,858
Property and equipment	319	303
Other assets	821	1,890
Securities valuation	276	697
Allowance for loan losses	162	193
Other provisions	1,510	1,576
Other liabilities	1,146	1,066
Deferred tax liabilities	**8,250**	**10,147**
Taxable temporary differences:		
Trading activities	5,163	5,641
Property and equipment	57	190
Other assets	1,370	1,431
Securities valuation	681	1,119
Allowance for loan losses	89	104
Other provisions	734	1,190
Other liabilities	156	472
Net deferred tax assets	**2,648**	**2,047**

After netting, deferred tax assets and liabilities were included on the balance sheet as follows.

in € m.	Dec 31, 2007	Dec 31, 2006
Disclosed as deferred tax assets	4,772	4,332
Disclosed as deferred tax liabilities	2,124	2,285
Net deferred tax assets	**2,648**	**2,047**

The change in the balance of net deferred tax assets and deferred tax liabilities does not equal the deferred tax expense in this year. This is due to (i) deferred taxes that are booked directly to equity, (ii) the effects of exchange rate changes on tax assets and liabilities denominated in currencies other than euro, (iii) the acquisition and disposal of entities as part of ordinary activities and (iv) the reclassification of deferred tax assets and liabilities which are presented on the face of the balance sheet as components of other assets and liabilities.

Income taxes charged or credited to equity are as follows.

in € m.	2007	2006
Income taxes (charged) credited to recognized income and expenses in total equity	**215**	**(25)**
Financial assets available for sale	197	16
Derivatives hedging variability of cash flows	(1)	22
Other equity movement	19	(63)
Other income taxes (charged) credited to total equity	**(35)**	**195**

As of December 31, 2007 and 2006, no deferred tax assets were recognized for the following items.[1]

in € m.	Dec 31, 2007	Dec 31, 2006
Deductible temporary differences	**(34)**	**(24)**
Unused tax losses	**(1,510)**	**(1,479)**
Not expiring	(1,120)	(1,046)
Expiring in subsequent period	–	(2)
Expiring after subsequent period	(390)	(431)
Unused tax credits	**(100)**	**(84)**
Not expiring	–	–
Expiring in subsequent period	–	–
Expiring after subsequent period	(100)	(84)

1 Amounts in the table refer to unused tax losses and tax credits for federal income tax purposes.

Deferred tax assets were not recognized on these items because it is not probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized.

As of December 31, 2007 and December 31, 2006, the Group recognized deferred tax assets that exceed deferred tax liabilities by € 2,582 million and € 345 million, respectively, in entities which have suffered a loss in either the current or preceding period. This is based on management's assessment that it is probable that the respective entities will have taxable profits against which the deductible temporary differences can be utilized. Generally, in determining the amounts of deferred tax assets to be recognized, management uses historical tax capacity and profitability information and, if relevant, forecasted operating results, based upon approved business plans, including a review of the eligible carry-forward periods, tax planning opportunities and other relevant considerations.

The Group did not recognize deferred tax liabilities, arising from temporary differences associated with the Group's parent company's investments in subsidiaries, branches and associates and interests in jointly controlled entities, of € 255 million and € 228 million at December 31, 2007 and December 31, 2006, respectively.

Since 2007, the payment of dividends to the Group's shareholders no longer has income tax consequences. In 2006, the effect for domestic tax rate differential on the dividend distribution was a tax benefit of € 30 million.

[34] ACQUISITIONS AND DISPOSITIONS

BUSINESS COMBINATIONS FINALIZED IN 2007

In 2007, the Group finalized several acquisitions that were accounted for as business combinations. Of these transactions, the acquisitions of Berliner Bank AG & Co. KG, MortgageIT Holdings, Inc. and Abbey Life Assurance Company Limited were individually significant and are, therefore, presented separately. The other business combinations, which were not individually significant, are presented in the aggregate.

BERLINER BANK AG & CO. KG

Effective January 1, 2007, the Group completed the acquisition of Berliner Bank AG & Co. KG ("Berliner Bank"). The cost of the acquisition consisted of a cash consideration of € 645 million and € 1 million of cost directly attributable to the acquisition. As of year-end 2007, € 508 million of the purchase price was allocated to goodwill, € 45 million was allocated to other intangible assets, and € 93 million reflected net tangible assets. The acquisition expands the Group's market share in the retail banking sector of the German capital. Berliner Bank is included in PBC. The impact of this acquisition on the Group's balance sheet was as follows.

in € m.	Carrying value before the acquisition	Adjustments to fair value	Fair value
Assets			
Cash and due from banks	190	–	190
Interest-earning demand deposits with banks	808	–	808
Interest-earning time deposits with banks	1,945	–	1,945
Loans	2,443	(28)	2,415
Goodwill	–	508	508
Other intangible assets	–	45	45
All remaining assets	18	2	20
Total assets	**5,404**	**527**	**5,931**
Liabilities			
Deposits	5,107	–	5,107
All remaining liabilities	133	45	178
Total liabilities	**5,240**	**45**	**5,285**
Net assets	164	482	646
Total liabilities and equity	**5,404**	**527**	**5,931**

Since the acquisition date, Berliner Bank contributed net revenues and net profits after tax of € 251 million and € 35 million, respectively.

MORTGAGE IT HOLDINGS, INC.

On January 2, 2007, the Group completed the acquisition of 100 % of MortgageIT Holdings, Inc. ("MortgageIT") for a total cash consideration of € 326 million. As of year-end 2007, net tangible assets of € 177 million and goodwill of € 149 million were recorded for this business combination. MortgageIT, a residential mortgage real estate investment trust (REIT) in the U.S., is included in CB&S.

The impact of this acquisition on the Group's balance sheet was as follows.

in € m.	Carrying value before the acquisition	Adjustments to fair value	Fair value
Assets			
Cash and due from banks	29	–	29
Financial assets at fair value through profit or loss	5,854	(5)	5,849
Goodwill	9	140	149
All remaining assets	160	(7)	153
Total assets	**6,052**	**128**	**6,180**
Liabilities			
Financial liabilities at fair value through profit or loss	3,390	–	3,390
Other liabilities	2,349	10	2,359
All remaining liabilities	95	10	105
Total liabilities	**5,834**	**20**	**5,854**
Net assets	218	108	326
Total liabilities and equity	**6,052**	**128**	**6,180**

Since the acquisition date, MortgageIT recorded net negative revenues and net losses after tax of € 38 million and € 212 million, respectively.

ABBEY LIFE ASSURANCE COMPANY LIMITED

On October 1, 2007, the Group completed the acquisition of 100 % of Abbey Life Assurance Company Limited ("Abbey Life") for a cash consideration of € 1,412 million and € 12 million of costs directly related to the acquisition. The allocation of the purchase price resulted in net assets of € 512 million and other intangible assets of € 912 million. These identified intangible assets represent the present value of the future cash flows of the long-term insurance and investment contracts acquired in a business combination (the Value of Business Acquired ("VOBA")). Abbey Life is a UK life assurance company which closed to new business in 2000. The company comprises primarily unit-linked life and pension policies and annuities and is included in CB&S. The impact of this acquisition on the Group's balance sheet was as follows.

in € m.	Carrying value before the acquisition	Adjustments to fair value	Fair value
Assets			
Interest-earning time deposits with banks	232	–	232
Financial assets at fair value through profit or loss	14,145	–	14,145
Financial assets available for sale	2,261	–	2,261
Other intangible assets	–	912	912
All remaining assets	1,317	(1)	1,316
Total assets	**17,955**	**911**	**18,866**
Liabilities			
Financial liabilities at fair value through profit or loss	10,387	–	10,387
Provisions – Insurance policies and reserves	6,339	–	6,339
All remaining liabilities	246	318	564
Total liabilities	**16,972**	**318**	**17,290**
Net assets[1]	983	593	1,576
Total liabilities and equity	**17,955**	**911**	**18,866**

1 Includes minority interest of € 152 million.

Since the acquisition date, Abbey Life contributed net revenues of € 53 million and net profits after tax of € 26 million to the Group.

OTHER BUSINESS COMBINATIONS FINALIZED IN 2007

Other business combinations, not being individually material, which were finalized in 2007, are presented in the aggregate. These transactions involved the acquisition of majority interests ranging between 51 % and 100 % for a total consideration of € 107 million, including € 1 million of costs directly related to these acquisitions. Their impact on the Group's balance sheet was as follows.

in € m.	Carrying value before the acquisition	Adjustments to fair value	Fair value
Total assets	**104**	**132**	**236**
Total liabilities	87	13	100
Net assets	17	119	136
Total liabilities and equity	**104**	**132**	**236**

The effect of these acquisitions on net revenues and net profit or loss of the Group was € 2 million and € 1 million respectively.

POTENTIAL PROFIT OR LOSS IMPACT OF BUSINESS COMBINATIONS FINALIZED IN 2007

If the business combinations described above which were finalized in 2007, had all been effective as of January 1, 2007, the effect on the Group's net revenues and net profit or loss after tax would have been € 426 million and € (74) million, respectively.

BUSINESS COMBINATIONS FINALIZED IN 2006

In 2006, the Group completed several acquisitions that were accounted for as business combinations. The acquisition of United Financial Group, norisbank and Tilney Group Limited were individually significant and are therefore presented separately. The other business combinations, which were not individually significant, are presented in the aggregate.

UNITED FINANCIAL GROUP

On February 27, 2006, the Group completed the acquisition of the remaining 60 % stake of United Financial Group ("UFG"), following the purchase of a 40 % stake in UFG earlier in 2004. The transaction strengthens the Group's position as one of the leading investment banks in Russia. The cost of the acquisition for the 60 % stake consisted of a cash payment of € 189 million and € 2 million of cost directly attributable to the acquisition. An additional € 82 million of the consideration was paid in escrow and deferred until a contingency will be resolved in 2008. The purchase price was allocated as goodwill of € 122 million, other intangible assets of € 13 million and net tangible assets of € 138 million. UFG is included in CB&S.

As of the acquisition date, the impact on the Group's balance sheet was as follows.

in € m.	Carrying value before the acquisition	Adjustments to fair value	Fair value
Assets			
Cash and due from banks	368	33	401
Financial assets at fair value through profit or loss	745	–	745
Goodwill	–	166	166
Other intangible assets	–	13	13
All remaining assets	1,227	(1)	1,226
Total assets	**2,340**	**211**	**2,551**
Liabilities			
Financial liabilities at fair value through profit or loss	728	–	728
All remaining liabilities	1,360	–	1,360
Total liabilities	**2,088**	**–**	**2,088**
Net assets	252	211	463
Total liabilities and equity	**2,340**	**211**	**2,551**

Post-acquisition net revenues and net profits after tax related to UFG in 2006 amounted to € 171 million and € 95 million, respectively.

NORISBANK

On November 2, 2006, the Group completed the acquisition of norisbank's (part of DZ Bank Group) branch network business as well as the "norisbank" brand name. The acquisition, which is reinforcing the Group's strong position in the German consumer finance market, took place by acquiring the assets and liabilities in form of an immediate merger of the acquired entity with the acquirer, which consequently was renamed to norisbank. The cost of the acquisition consisted of a cash consideration of € 414 million and € 1 million of cost directly attributable to the acquisition. The purchase price, which depends on a price-adjustment mechanism and will be finally determined in the course of 2008, was allocated as goodwill of € 230 million, other intangible assets of € 80 million and net tangible assets of € 105 million. norisbank is included in PBC.

The impact of this acquisition on the Group's balance sheet was as follows.

in € m.	Carrying value of the acquirer	Acquired assets and liabilities at fair value	Fair value
Assets			
Cash and due from banks	28	–	28
Interest-earning demand deposits with banks	402	(89)	313
Loans	–	1,641	1,641
Goodwill	–	230	230
Other intangible assets	4	80	84
All remaining assets	3	4	7
Total assets	**437**	**1,866**	**2,303**
Liabilities			
Deposits	–	1,417	1,417
All remaining liabilities	–	449	449
Total liabilities	**–**	**1,866**	**1,866**
Net assets	437	–	437
Total liabilities and equity	**437**	**1,866**	**2,303**

Following the acquisition and up until December 31, 2007, the total consideration, including directly attributable costs, changed to € 417 million due to price adjustments and further acquisition cost. The revised purchase price allocation resulted in goodwill of € 222 million, other intangible assets of € 82 million and net tangible assets of € 113 million. Post-acquisition net revenues and net losses after tax related to norisbank in 2006 amounted to € 30 million and € 5 million, respectively.

TILNEY GROUP LIMITED

The Group closed the acquisition of 100 % of the UK wealth manager Tilney Group Limited ("Tilney") on December 14, 2006, as part of a strategic move to strengthen its presence in the UK private wealth management market. The cost of the acquisition consisted of cash paid of € 317 million, € 11 million in loan notes issued, and € 5 million of cost directly attributable to the acquisition. An additional € 46 million of the consideration was deferred, subject to the acquired entities performance exceeding certain targets over the subsequent three years. The purchase price was allocated as goodwill of € 419 million, other intangible assets of € 97 million and net liabilities of € 137 million. Tilney is included in PWM.

As of the acquisition date, the impact on the Group's balance sheet was as follows.

in € m.	Carrying value before the acquisition	Adjustments to fair value	Fair value
Assets			
Cash and due from banks	47	–	47
Goodwill	163	256	419
Other intangible assets	–	97	97
All remaining assets	36	2	38
Total assets	**246**	**355**	**601**
Liabilities			
Long-term debt	143	8	151
All remaining liabilities	46	25	71
Total liabilities	**189**	**33**	**222**
Net assets	57	322	379
Total liabilities and equity	**246**	**355**	**601**

Following the acquisition and up until December 31, 2007, an adjustment to the consideration led to a repayment of less than € 1 million, resulting in a corresponding adjustment to goodwill. Post-acquisition net revenues and net losses after tax related to Tilney in 2006 amounted to € 3 million and less than € 1 million, respectively.

OTHER BUSINESS COMBINATIONS FINALIZED IN 2006

Other business combinations, not being individually material, which were finalized in 2006, are shown in the aggregate. These transactions involved the acquisition of majority interests ranging between 60 % and 100 % for a total consideration of € 168 million, including € 1 million of costs directly attributable to these acquisitions. Their impact on the Group's balance sheet was as follows.

in € m.	Carrying value before the acquisition	Adjustments to fair value	Fair value
Total assets	**475**	**13**	**488**
Total liabilities	288	8	296
Net assets	187	5	192
Total liabilities and equity	**475**	**13**	**488**

The effect on net revenues and net profit or loss of the Group amounted to € 58 million and € 47 million, respectively.

POTENTIAL PROFIT OR LOSS IMPACT OF BUSINESS COMBINATIONS FINALIZED IN 2006

If the business combinations which were finalized in 2006 had all been effective as of January 1, 2006, the effect on the Group's net revenues and net profit or loss for 2006 would have been € 396 million and € 85 million, respectively.

BUSINESS COMBINATIONS COMPLETED IN 2008

On January 31, 2008, the Group announced that it acquired 100 % of HedgeWorks, LLC, a hedge fund administrator based in the United States. The preliminary cost estimate of the business combination consisted of a cash payment of € 20 million and another € 20 million subject to the acquiree exceeding certain performance targets over the next three years. HedgeWorks will be included in GTB.

On December 20, 2007, the Group's AWM Corporate Division announced the signing of an agreement to acquire a 60 % majority stake in the Taiwanese investment management firm, Far Eastern Alliance Asset Management Co., Ltd. The acquisition is expected to close in March 2008.

DISPOSITIONS

During 2007 and 2006, the Group finalized several dispositions of subsidiaries/businesses. For a list and further detail about these dispositions, please refer to Note [2]. The total cash consideration received for these dispositions in 2007 and 2006 was € 375 million and € 544 million, respectively. The table below includes the assets and liabilities that were included in these disposals.

in € m.	2007	2006
Cash and cash equivalents	52	107
All remaining assets	885	2,810
Total assets disposed	**937**	**2,917**
Total liabilities disposed	**463**	**1,958**

[35] DERIVATIVES

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

Derivative contracts used by the Group include swaps, futures, forwards, options and other similar types of contracts. In the normal course of business, the Group enters into a variety of derivative transactions for both trading and risk management purposes. The Group's objectives in using derivative instruments are to meet customers' risk management needs, to manage the Group's exposure to risks and to generate revenues through proprietary trading activities.

In accordance with the Group's accounting policy relating to derivatives and hedge accounting as described in Note [1], all derivatives are carried at fair value in the balance sheet regardless of whether they are held for trading or non-trading purposes.

DERIVATIVES HELD FOR TRADING PURPOSES

SALES AND TRADING

The majority of the Group's derivatives transactions relate to sales and trading activities. Sales activities include the structuring and marketing of derivative products to customers to enable them to take, transfer, modify or reduce current or expected risks. Trading includes market-making, positioning and arbitrage activities. Market-making involves quoting bid and offer prices to other market participants enabling revenue to be generated based on spreads and volume. Positioning means managing risk positions in the expectation of benefiting from favorable movements in prices, rates or indices. Arbitrage involves identifying and profiting from price differentials between markets and products.

RISK MANAGEMENT

As part of its asset and liability management, the Group uses derivatives for risk management purposes in order to reduce its exposure to credit and market risks. This is achieved by entering into derivatives that hedge specific financial instrument portfolios of fixed rate financial instruments and forecast transactions as well as strategic hedging against overall balance sheet exposures. The Group actively manages interest rate risk through, among other things, the use of derivative contracts. Utilization of derivative financial instruments is modified from time to time within prescribed limits in response to changing market conditions, as well as to changes in the characteristics and mix of the related assets and liabilities.

DERIVATIVES QUALIFYING FOR HEDGE ACCOUNTING

Where derivatives meet the specific criteria set out in Note [1], then the Group applies hedge accounting.

FAIR VALUE HEDGING

The Group undertakes fair value hedging, using primarily interest rate swaps and options, in order to protect itself against movements in the fair value of fixed-rate financial instruments due to movements in market interest rates.

The table below summarizes the value of derivatives held as fair value hedges.

in € m.	Assets 2007	Liabilities 2007	Assets 2006	Liabilities 2006
Derivatives held as fair value hedges:	2,323	961	1,507	1,987

For the years ended December 31, 2007 and 2006, a gain (loss) of € 147 million and € (340) million respectively were recognized on the hedging instruments. For the same period the gain (loss) on the hedged items, which were attributable to the hedged risk, was € (213) million and € 356 million respectively.

CASH FLOW HEDGING

The Group undertakes cash flow hedging, using equity futures, interest rate swaps and foreign exchange forwards, in order to protect itself against exposures to variability in equity indices, interest rates and exchange rates.

The table below summarizes the value of derivatives held as cash flow hedges.

in € m.	Assets 2007	Liabilities 2007	Assets 2006	Liabilities 2006
Derivatives held as cash flow hedges:	14	0	26	18

A schedule indicating the periods when hedged cash flows are expected to occur and when they are expected to affect the income statement is as follows.

in € m.	Within 1 Year	1–3 Years	3–5 Years	Over 5 Years
At December 31, 2007				
Cash inflows from assets	56	163	80	129
Cash outflows from liabilities	(2)	(57)	(5)	(3)
Net cash flows	54	106	75	126
At December 31, 2006				
Cash inflows from assets	11	71	5	9
Cash outflows from liabilities	(3)	(64)	(4)	(7)
Net cash flows	8	7	1	2

Of these expected future cash flows, most will arise in connection with Abbey Life Assurance Company Limited. Under the terms of unit-linked contracts, policyholders are charged an annual management fee expressed as a percentage of assets under management. In order to protect against volatility in the highly probable forecasted cash flow stream arising from the management fees, the Group has entered into 3 month rolling FTSE futures. Other cash flow hedging programs use interest rate swaps and FX forwards as hedging instruments.

For the years ended December 31, 2007 and December 31, 2006, balances of € (79) million and € (73) million, respectively, were reported in equity related to cash flow hedging programs. Of these € (67) million and € (44) million, respectively, related to terminated programs. These amounts will be released to the income statement as appropriate.

For the years ended December 31, 2007 and December 31, 2006, losses of € 19 million and € 68 million, respectively, were recognized in equity in respect of effective cash flow hedging.

For the years ended December 31, 2007 and December 31, 2006, a loss of € 13 million and a gain of € 8 million, respectively, were removed from equity and included in the income statement.

For the years ended December 31, 2007 and December 31, 2006, a loss of € 3 million and a gain of € 3 million, respectively, were recognized due to hedge ineffectiveness.

As of December 31, 2007 the longest term cash flow hedge matures in 2017.

NET INVESTMENT HEDGING

The Group, using foreign exchange forwards and swaps, undertakes hedges of translation adjustments resulting from translating the financial statements of net investments in foreign operations into the reporting currency of the parent.

The table below summarizes the value of derivatives held as net investment hedges.

in € m.	Assets 2007	Liabilities 2007	Assets 2006	Liabilities 2006
Derivatives held as net investment hedges:	193	1,354	550	71

For the years ended December 31, 2007 and December 31, 2006 losses of € 72 million and € 77 million, respectively, were recognized due to hedge ineffectiveness.

[36] REGULATORY CAPITAL

CAPITAL MANAGEMENT AND CAPITAL ADEQUACY

Treasury manages the Group's capital at Group level and locally in each region. The allocation of financial resources in general and capital in particular favors business portfolios with the highest positive impact on the Group's profitability and shareholder value. As a result, Treasury periodically reallocates capital among business portfolios.

Treasury implements the Group's capital strategy which is developed by the Capital and Risk Committee and approved by the Management Board including the issuance and repurchase of shares. The Group is committed to maintaining its sound capitalization. Overall capital demand and supply are constantly monitored and adjusted, if necessary, to meet the need for capital from various perspectives. These include book equity based on IFRS accounting standards, regulatory capital based on the recommendations of the Basel Committee on Banking Supervision, the secretariat of which is provided by the Bank for International Settlements (BIS) and economic capital. Under Basel I, the Group's target range for the BIS Tier 1 capital ratio has been 8-9 %; prospectively, this same range is targeted under Basel II with effect from January 1, 2008.

The allocation of capital, determination of the Group's funding plan and other resource issues are framed by the Capital and Risk Committee.

Regional capital plans covering the capital needs of the Group's branches and subsidiaries are prepared on a semi-annual basis and presented to the Group Investment Committee. Most of the Group's subsidiaries are subject to legal and regulatory capital requirements. Local Asset and Liability Committees attend to those needs under the stewardship of regional Treasury teams. Furthermore, they safeguard compliance with requirements such as restrictions on dividends allowable for remittance to Deutsche Bank AG or on the ability of the Group's subsidiaries to make loans or advances to the parent bank. In developing, implementing and testing the Group's capital and liquidity, the Group takes such legal and regulatory requirements into account.

Capital management in 2007 saw the completion of the share buy-back program 2006/07 and the start of the share buy-back program 2007/08. Under the program 2006/07, which was completed in May 2007, 14.1 million shares were repurchased. Based on the authority to buy back up to 10 % of total shares issued, which was granted at the 2007 Annual General Meeting and will expire at the end of October 2008, the share buy-back program 2007/08 was launched in May 2007. The program serves share-based compensation programs and allows the Group to balance capital supply and demand. Buy-backs were funded from current earnings. As of December 31, 2007, 6.3 million shares (approximately 1.2 % of the Group's share capital) had been repurchased under the program 2007/08. In total, 11.3 million and 28.8 million shares were repurchased in the years ended December 31, 2007 and 2006, respectively, under the Group's share buy-back programs.

The Group issued € 1.3 billion and € 1.1 billion hybrid Tier 1 capital for the years ended December 31, 2007 and 2006, respectively. Total outstanding hybrid Tier 1 capital as of December 31, 2007 amounted to € 5.6 billion compared to € 4.5 billion as of December 31, 2006.

An innovation in 2007 was the Group's first issuance of contingent capital. This form of capital can be exchanged into hybrid Tier 1 capital at the Group's sole discretion, providing dynamic capital to match against Basel II's rating-sensitive measurement of the Group's risk position. The Group placed two issues in 2007 with volumes of € 200 million and U.S. $ 800 million, respectively.

The capital adequacy requirements applicable to the Group are set forth in the recommendations of the Basel Committee and by European Union directives, as transposed into German law, in particular the German Banking Act ("Kreditwesengesetz") and regulations and guidelines issued thereunder.

In 2007, being the year of transition from the recommendations made by the Basel Committee in 1988 ("Basel I") to the revised capital framework adopted by the Basel Committee in 2004 ("Basel II"), Deutsche Bank continued to calculate and publish consolidated capital ratios in direct application of Basel I. From 2008 onwards, Deutsche Bank will calculate and publish consolidated capital ratios pursuant to the Banking Act and the Solvency regulation ("*Solvabilitätsverordnung*") which adopt Basel II into German law.

The BIS capital ratio is the principal measure of capital adequacy for internationally active banks. The ratio as defined under the Basel I framework compares a bank's regulatory capital with its counterparty risks and market price risks (which the Group refers to collectively as the "risk position"). Deutsche Bank's calculation of the ratio is based on the consolidated financial statement prepared in accordance with IFRS. Counterparty risk is measured for asset and off-balance sheet exposures according to broad categories of relative credit risk. The Group's market risk component is a multiple of its value-at-risk figure, which is calculated for regulatory purposes based on the Group's internal models. These models were approved by the BaFin for use in determining the Group's market-risk equivalent component of its risk position.

A bank's regulatory capital is divided into three tiers: core or Tier 1 capital, supplementary or Tier 2 capital, and Tier 3 capital. Core or Tier 1 capital consists primarily of share capital (excluding cumulative preference shares), additional paid-in capital, retained earnings and hybrid capital components, such as noncumulative trust preferred securities and equity contributed on silent partnership interests ("*stille Beteiligungen*"), less goodwill and other intangible assets and other deduction items such as common shares in Treasury. Supplementary or Tier 2 capital consists primarily of cumulative preference shares, profit participation rights ("*Genussrechte*"), cumulative trust preferred securities, long-term subordinated debt, unrealized gains on listed securities and other inherent loss allowance. Tier 3 capital consists mainly of certain short-term subordinated liabilities and it may only cover market price risk. Banks may also use Tier 1 and Tier 2 capital that is in excess of the minimum required to cover counterparty risk in order to cover market price risk. The minimum BIS total capital ratio (Tier 1 + Tier 2 + Tier 3) is 8 % of the risk position. The minimum BIS core capital ratio (Tier 1) is 4 % of the risk-weighted positions and 2.29 % of the market-risk equivalent. The minimum core capital ratio for the total risk position therefore depends on the weighted-average of the risk-weighted position and market-risk equivalent. Under BIS guidelines, the amount of subordinated debt that may be included as Tier 2 capital is limited to 50 % of Tier 1 capital. Total Tier 2 capital is limited to 100 % of Tier 1 capital. Tier 3 capital is limited to 250 % of the Tier 1 capital not required to cover counterparty risk.

The following table presents a summary of the Group's capital adequacy calculation according to the BIS guidelines and the average active equity as of December 31, 2007 and December 31, 2006.

in € m. (except percentages)	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**
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 %
Total capital ratio (Tier 1 + 2)	11.6 %	12.5 %
Average Active Book Equity	**29,846**	**25,468**

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

BIS rules require the Group to cover its market price risk as of December 31, 2007, with € 1,118 million of regulatory capital (Tier 1 + 2 + 3) compared to € 927 million as per December 31, 2006. The Group met this requirement entirely with Tier 1 and Tier 2 capital.

The Group's supplementary capital (Tier 2) of € 9.7 billion on December 31, 2007 and € 10.8 billion on December 31, 2006, amounted to 34 % and 46 % of core capital, respectively.

The Group's BIS total capital ratio was 11.6 % on December 31, 2007, significantly higher than the 8 % minimum required by the BIS guidelines.

The components of core and supplementary capital for the Group of companies consolidated for regulatory purposes are as follows as of December 31, 2007 and December 31, 2006 according to BIS.

in € m.	Dec 31, 2007	Dec 31, 2006
Core (Tier 1) capital:		
Common shares	1,358	1,343
Additional paid-in capital	15,808	15,246
Retained earnings, common shares in Treasury, equity classified as obligation to purchase common shares, foreign currency translation, minority interest	17,717	13,631
Noncumulative trust preferred securities	5,602	4,496
Items deducted (inter alia intangible assets)	(12,165)	(11,177)
Total core capital	**28,320**	**23,539**
Supplementary (Tier 2) capital:		
Unrealized gains on listed securities (45 % eligible)	1,472	1,235
Other inherent loss allowance	358	359
Cumulative preferred securities	841	759
Subordinated liabilities, if eligible according to BIS	7,058	8,417
Total supplementary capital	**9,729**	**10,770**

While considering BIS capital adequacy as the principal measure for internationally active banks, Deutsche Bank also complies with the German capital adequacy requirements.

Failure to meet minimum capital requirements can result in orders and discretionary actions by the BaFin and other regulators that, if undertaken, could have a direct material effect on the Group’s businesses. The Group complied with the regulatory capital adequacy requirements in 2007.

The principal calculation method of the risk position and the regulatory capital according to BIS rules and the Banking Act both as applicable in 2007 are closely aligned. The definition of regulatory capital according to BIS rules and Banking Act include different rules for deduction of first-loss-positions from securitizations, deduction of certain participating interests of other financial institutions and enterprises as well as insurance companies, different treatment of certain items arising on consolidation and different regulatory amortization schedules for subordinated liabilities. In total these variations between BIS rules and the Banking Act did not result in a material difference in the Group's regulatory capital or total risk position for 2007.

The group of companies consolidated for banking regulatory reporting includes all subsidiaries in the meaning of the German Banking Act that are classified as banking institutions, financial services institutions, financial enterprises or bank service enterprises. It does not include insurance companies or companies outside the finance sector.

Insurance companies, however, are included in the capital adequacy calculation for financial conglomerates. The Group has become designated as a financial conglomerate following the acquisition of Abbey Life Assurance Company Limited in October 2007. After determination of the applicable calculation method by the BaFin, the first capital adequacy calculation for the Group as a financial conglomerate will be performed in 2008. It is expected to confirm that the solvency margin as a financial conglomerate is dominated by the Group’s banking activities.

[37] RISK DISCLOSURES

The Group has a dedicated and integrated legal, risk & capital function that is independent of the group divisions. The Group manages risk and capital through a framework of principles, organizational structures, and measurement and monitoring processes that are closely aligned with the activities of the group divisions. The Group’s Management Board provides overall risk and capital management supervision for the consolidated Group. Within the Management Board, the Chief Risk Officer is responsible for the Group’s credit, market, liquidity, operational, business, legal and reputational risk management as well as capital management activities. The Group’s Supervisory Board regularly monitors the risk and capital profile.

CREDIT RISK

Credit risk arises from all transactions that give rise to actual, contingent or potential claims against any counterparty, borrower or obligor (which the Group refers to collectively as “counterparties”). This is the largest single risk the Group faces.

The Group distinguishes among three kinds of credit risk:

- Default risk is the risk that counterparties fail to meet contractual payment obligations.
- Country risk is the risk that the Group may suffer a loss, in any given country, due to any of the following reasons: a possible deterioration of economic conditions, political and social upheaval, nationalization and expropriation of assets, government repudiation of indebtedness, exchange controls and disruptive currency depreciation or devaluation. Country risk includes transfer risk, which arises when debtors are unable to meet their obligations owing to an inability to transfer assets to nonresidents due to direct sovereign intervention.
- Settlement risk is the risk that the settlement or clearance of transactions will fail. It arises whenever the exchange of cash, securities and/or other assets is not simultaneous.

The Group manages credit risk in a coordinated manner at all relevant levels within the organization. This also holds true for complex products which the Group typically manages within a framework established for trading exposures. The following principles underpin the Group’s approach to credit risk management:

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

CREDIT RISK RATINGS

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

The Group has its own in-house assessment methodologies, scorecards and rating scale for evaluating the creditworthiness of its counterparties. The Group’s granular 26-grade rating scale, which is calibrated on a probability of default measure based upon a statistical analysis of historical defaults in the Group’s portfolio, enables the Group to compare its internal ratings with common market practice and ensures comparability between different sub-portfolios of the Group. Several default ratings therein enable the Group to incorporate the potential recovery rate of defaulted exposure.

The Group generally rates all its credit exposures individually. When the Group assigns its internal risk ratings, the Group compares them with external risk ratings assigned to the Group's counterparties by the major international rating agencies, where possible.

CREDIT LIMITS

Credit limits set forth maximum credit exposures the Group is willing to assume over specified periods. They relate to products, conditions of the exposure and other factors.

MONITORING DEFAULT RISK

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

MAXIMUM EXPOSURE TO CREDIT RISK

The following table shows the Group's maximum exposure to credit risk without taking account of any collateral held or other credit enhancements that do not qualify for offset.

in € m.[1]	Dec 31, 2007	Dec 31, 2006
Due from banks	7,458	5,821
Interest earning deposits with banks	21,615	19,199
Central bank funds sold and securities purchased under resale agreements	13,597	14,265
Securities borrowed	55,961	62,943
Financial assets at fair value through profit and loss[2]	1,343,257	974,927
Financial assets available for sale[2]	32,850	29,042
Loans	200,597	180,194
Other assets subject to credit risk	84,761	54,678
Financial guarantees and other credit related contingent liabilities[3]	49,905	43,047
Irrevocable lending commitments and other credit related commitments[3]	128,511	141,331
Maximum exposure to credit risk	**1,938,511**	**1,525,447**

1 All amounts at carrying value unless otherwise indicated.
2 Excludes equities and other equity interests.
3 Financial guarantees, other credit related contingent liabilities and irrevocable lending commitments (including commitments designated under the fair value option) are reflected at notional amounts.

COLLATERAL HELD AS SECURITY

The Group regularly agrees upon collateral in the lending contracts to be received from borrowers. Collateral is security in the form of an asset or third-party obligation that serves to mitigate the inherent risk of credit loss in an exposure, by either substituting the borrower default risk or improving recoveries in the event of a default. While collateral can be an alternative source of repayment, it does not mitigate or compensate for questionable reputation of a borrower or structure.

The Group segregates collateral received into the following two types:

- Financial collateral which substitutes the borrower's ability to fulfill its obligation under the legal contract and as such is provided by third parties. Letters of Credit, insurance contracts, received guarantees and risk participations typically fall into this category.
- Physical collateral which enables the Group to recover all or part of the outstanding exposure by liquidating the collateral asset provided, in cases where the borrower is unable or unwilling to fulfill its primary obligations. Cash collateral, securities (equity, bonds), inventory, equipment (plant, machinery, aircraft) and real estate typically fall into this category.

Additionally the Group is actively managing the credit risk of the Group's loans and lending-related commitments. A specialized unit within the Group, the Loan Exposure Management Group, is concentrating on two primary initiatives within the credit risk framework to further enhance risk management discipline, improve returns and use capital more efficiently:

- to reduce single-name and industry credit risk concentrations within the credit portfolio, and
- to manage credit exposures actively by utilizing techniques including loan sales, securitization via collateralized loan obligations, default insurance cover as well as single-name and portfolio credit default swaps.

To better manage the Group's derivatives-related credit risk, the Group enters into collateral arrangements that generally provide risk mitigation through periodic (usually daily) margining of the covered portfolio or transactions and termination of the master agreement if the counterparty fails to honor a collateral call.

CONCENTRATIONS OF CREDIT RISK

Significant concentrations of credit risk exist where the Group has material exposures to a number of counterparties with similar economic characteristics, or who are engaged in comparable activities, where these similarities may cause their ability to meet contractual obligations to be affected in the same manner by changes in economic or industry conditions. A concentration of credit risk may also exist at an individual counterparty level.

In order to monitor and manage credit risks, the Group uses a comprehensive range of quantitative tools and metrics. Credit limits relating to counterparties, countries, products and other factors set the maximum credit exposures that the Group intends to incur.

The Group's largest concentrations of credit risk with loans are in Western Europe and North America, with a significant share in households. The concentration in Western Europe is principally in the Group's home market Germany, which includes most of the mortgage lending business.

CREDIT QUALITY OF ASSETS THAT ARE NEITHER PAST DUE NOR IMPAIRED

The following table breaks down the Group's corporate credit exposure, according to the creditworthiness of the Group's counterparties, for several of the main exposure categories subject to credit risk. For the Group's derivatives-related credit risk, the Group regularly seeks the execution of master agreements (such as the International Swaps and Derivatives Association's master agreements for derivatives) with the Group's clients. A master agreement allows the netting of obligations arising under all of the derivatives transactions that the agreement covers upon the counterparty's default, resulting in a single net claim against the counterparty (called "close-out netting"). For parts of the Group's derivatives business, the Group also enters into payment netting agreements under which the Group sets off amounts payable on the same day in the same currency and in respect to all transactions covered by these agreements, reducing the Group's principal risk. For the OTC derivative credit exposure in the following table, the Group has applied netting only when the Group believes it is legally enforceable for the relevant jurisdiction and counterparty.

Corporate credit exposure credit risk profile by creditworthiness category in € m.	Loans[1]		Irrevocable lending Commitments[2]		Contingent liabilities		OTC derivatives[3]		Total	
	Dec 31, 2007	Dec 31, 2006	Dec 31, 2007	Dec 31, 2006	Dec 31, 2007	Dec 31, 2006	Dec 31, 2007	Dec 31, 2006	Dec 31, 2007	Dec 31, 2006
AAA–AA	22,765	20,225	28,969	34,172	7,467	5,774	54,164	28,255	113,366	88,427
A	30,064	17,615	31,087	38,356	15,052	13,548	21,092	16,238	97,294	85,757
BBB	30,839	31,893	35,051	34,986	13,380	13,364	8,706	7,194	87,975	87,436
BB	26,590	26,301	25,316	26,536	9,146	6,170	10,018	5,351	71,069	64,358
B	6,628	5,271	7,431	6,254	4,252	3,589	2,601	1,060	20,912	16,175
CCC and below	3,342	5,188	657	1,027	609	602	1,300	114	5,908	6,931
Total	**120,228**	**106,494**	**128,511**	**141,331**	**49,905**	**43,047**	**97,881**	**58,212**	**396,525**	**349,084**

1 Includes IFRS impaired loans mainly in category CCC and below amounting to € 1.5 billion as of December 31, 2007 and € 1.6 billion as of December 31, 2006.
2 Includes Irrevocable Lending Commitments related to the consumer credit exposure of € 2.7 billion as of both, December 31, 2007 and December 31, 2006.
3 Includes the effect of master agreement netting for OTC derivatives where applicable.

The table below presents the total consumer credit exposure split by German and non-German exposure.

	Total exposure	
in € m.	Dec 31, 2007	Dec 31, 2006
Consumer credit exposure Germany:	56,504	53,446
Consumer and small business financing	14,489	12,261
Mortgage lending	42,015	41,185
Consumer credit exposure outside Germany	23,864	20,253
Total consumer credit exposure[1]	**80,368**	**73,699**

1 Includes IFRS impaired loans amounting to € 1.1 billion as of December 31, 2007 and € 1.1 billion as of December 31, 2006.

The following table provides an overview of nonimpaired Troubled Debt Restructurings representing the Group's renegotiated loans that would otherwise be past due or impaired.

in € m.	Dec 31, 2007	Dec 31, 2006
Troubled Debt Restructurings not impaired	43	43

The following table breaks down the nonimpaired past due loan exposure carried at amortized cost according to the past due status.

in € m.	Dec 31, 2007	Dec 31, 2006
Loans less than 30 days past due	8,644	6,268
Loans 30 or more but less than 60 days past due	1,511	1,093
Loans 60 or more but less than 90 days past due	502	280
Loans 90 days or more past due	333	352
Total loans past due but not impaired	**10,990**	**7,993**

The following table shows the aggregated value of collateral – with fair values capped at transactional outstandings – the Group held against the Group's loans past due but not impaired.

in € m.	Dec 31, 2007	Dec 31, 2006
Financial collateral	915	292
Physical collateral	3,724	3,577
Total capped fair value of collateral held for loans past due but not impaired	**4,639**	**3,869**

IMPAIRED LOANS

Under IFRS the Group considers loans to be impaired when the Group recognizes objective evidence that an impairment loss has been incurred. While the Group assesses the impairment for the Group's corporate credit exposure individually, the Group considers smaller-balance, standardized homogeneous loans to be impaired once the credit contract with the customer has been terminated.

The following table shows the breakdown of the Group's impaired loans between German and non-German borrowers based on the country of domicile of borrowers.

in € m.	Dec 31, 2007	Dec 31, 2006
Individually evaluated impaired loans:		
German borrowers	957	1,194
Non-German borrowers	559	431
Total individually evaluated impaired loans	**1,516**	**1,625**
Collectively evaluated impaired loans:		
German borrowers	817	852
Non-German borrowers	312	241
Total collectively evaluated impaired loans	**1,129**	**1,092**
Total impaired loans	**2,645**	**2,717**

The following table shows the aggregated value of collateral – with fair values capped at transactional outstandings – the Group held against impaired loans.

in € m.	Dec 31, 2007	Dec 31, 2006
Financial collateral	26	55
Physical collateral	874	757
Total capped fair value of collateral held for impaired loans	**899**	**812**

The following table shows the aggregated value of collateral the Group obtained on the balance sheet during the reporting period by taking possession of collateral held as security or by calling upon other credit enhancements.

in € m.	2007	2006
Commercial real estate	–	1
Residential real estate	533	15
Other	723	–
Total collateral obtained during the reporting period	**1,255**	**16**

Collateral obtained is made available for sale in an orderly fashion or through public auctions, with the proceeds used to repay or reduce outstanding indebtedness. Generally the Group does not occupy obtained properties for the Group's business use.

The residential real estate collateral obtained in 2007 includes € 396 million in relation to residential real estate obtained and held by securitization trusts which are consolidated for IFRS but where the bank does not hold the majority stake nor has control. Instead the Trustee, on behalf of all note and shareholders, controls the foreclosure and sale process. The collateral obtained by these trusts as reported above represent year-end balances. The bulk of other collateral obtained relates to one individual structured transaction where the Group originally held debt securities as collateral and has subsequently sold off the majority of collateral as of year-end.

GOVERNMENT ASSISTANCE

In the course of the Group's business we regularly apply for and receive government support by means of Export Credit Agency ("ECA") guarantees covering transfer and default risks for the financing of exports and investments into Emerging Markets and to a lesser extent developed markets for Structured Trade & Export Finance business. Almost all export-oriented states have established such ECAs to support its domestic exporters. The ECAs act in the name and on behalf of the government of their respective country but are either constituted directly as governmental departments or organized as private companies vested with the official mandate of the government to act on its behalf. Terms and conditions of such ECA guarantees granted for mid-term and long-term financings are quite comparable due to the fact that most of the ECAs act within the scope of the Organisation for Economic Co-operation and Development ("OECD") consensus rules. The OECD consensus rules, an intergovernmental Agreement of the OECD member states defines benchmarks to ensure that a fair competition between the different exporting nations will take place. The majority of such ECA guarantees we have received were issued by the Euler-Hermes Kredit-versicherungs AG acting on behalf of the Federal Republic of Germany. The Group also receives as collateral, in certain financings, government guarantees from national and international governmental institutions to support financings in the interest of the respective governments.

MARKET RISK

Substantially all of the Group's businesses are subject to the risk that market prices and rates will move and result in profits or losses for the Group. The Group distinguishes among four types of market risk:

- Interest rate risk;
- Equity price risk;
- Foreign exchange risk; and
- Commodity price risk.

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

MARKET RISK MANAGEMENT FRAMEWORK

The Group assumes market risk in both its trading and nontrading activities. The Group assumes risk by making markets and taking positions in debt, equity, foreign exchange, other securities and commodities as well as in equivalent derivatives.

The Group uses a combination of risk sensitivities, value-at-risk, stress testing and economic capital metrics to manage market risks and establish limits. Economic capital is the metric used to describe and aggregate all market risks, both in trading and nontrading portfolios. Value-at-risk is the primary metric used in the management of trading market risks. The risk sensitivities, value-at-risk, stress testing and economic capital metrics also reflect basis risks arising from trading activities.

The Group's Management Board and Risk Executive Committee, supported by Market Risk Management, which is part of the independent legal, risk & capital function, set a Group-wide value-at-risk limit for the market risks in the trading book. Market Risk Management sub-allocates this overall limit to the group divisions. Below that, limits are allocated to specific business lines and trading portfolio groups and geographical regions. The overall value-at-risk limit for the Corporate and Investment Bank Group Division started 2007 at € 90 million and was increased to € 105 million on February 27, 2007. The overall value-at-risk limit for the consolidated Group trading positions was € 92 million at the start of 2007 and was increased to € 110 million on February 27, 2007 (with a 99 % confidence level, as described below, and a one-day holding period).

ASSESSMENT OF MARKET RISK IN TRADING PORTFOLIOS

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

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

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

The Group's value-at-risk model is designed to take into account all material risk factors assuming normal market conditions. Examples of these factors are interest rates (including credit spreads), equity prices, foreign exchange rates and commodity prices, as well as their implied volatilities. The model incorporates both linear and, especially for derivatives, nonlinear effects of the risk factors on the portfolio value. The statistical parameters required for the value-at-risk calculation are based on a 261 trading day history (corresponding to at least one calendar year of trading days) with equal weighting being given to each observation. The Group calculates value-at-risk using the Monte Carlo simulation technique and assuming that changes in risk factors follow a normal or logarithmic normal distribution. In 2007, the Group integrated all risks that had been treated under the variance-covariance approach, namely, specific interest rate risk for some portfolios such as in the credit trading business, into the Monte Carlo simulation.

To determine the aggregated value-at-risk, the Group uses historically-observed correlations between the different general market risk factors. However, when aggregating general and specific market risks, it is assumed that there is zero correlation between them.

LIMITATIONS OF PROPRIETARY RISK MODELS

Although the Group believes that its proprietary market risk models are of a high standard, the Group is committed to their ongoing development and allocates substantial resources to reviewing and improving them.

The stress testing results and economic capital estimations are necessarily limited by the number of stress tests executed and that not all downside scenarios can be predicted and simulated. While the risk managers have used their best judgment to define worst case scenarios based upon the knowledge of past extreme market moves, it is possible for the Group's market risk positions to lose more value than even the economic capital estimates. The Group also continuously assesses and refines the stress tests to ensure they capture the material risks as well as reflect the possible extreme market moves.

The value-at-risk analyses should also be viewed in the context of the limitations of the methodology used and are therefore not maximum amounts that the Group can lose on its market risk positions.

The limitations of the value-at-risk methodology include the following:

- The use of historical data as a proxy for estimating future events may not capture all potential events, particularly those that are extreme in nature.
- The assumption that changes in risk factors follow a normal or logarithmic normal distribution. This may not be the case in reality and may lead to an underestimation of the probability of extreme market movements.
- The use of a holding period of one day (or ten days for regulatory value-at-risk calculations) assumes that all positions can be liquidated or hedged in that period of time. This assumption does not fully capture the market risk arising during periods of illiquidity, when liquidation or hedging in that period of time may not be possible. This is particularly the case for the use of a one-day holding period.
- The use of a 99 % confidence level does not take account of, nor makes any statement about, any losses that might occur beyond this level of confidence.
- The Group calculates value-at-risk at the close of business on each trading day. The Group does not subject intra-day exposures to intra-day value-at-risk calculations.
- Value-at-risk does not capture all of the complex effects of the risk factors on the value of positions and portfolios and could, therefore, underestimate potential losses. For example, the way sensitivities are represented in the value-at-risk model may only be exact for small changes in market parameters.

The Group acknowledges the limitations in the value-at-risk methodology by supplementing the value-at-risk limits with other position and sensitivity limit structures, as well as with stress testing, both on individual portfolios and on a consolidated basis.

MARKET RISK OF TRADING PORTFOLIOS

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

Trading Portfolios		**Value-at-Risk**
in € m.	**Dec 31, 2007**	**Dec 31, 2006**
Interest rate risk	90.8	50.3
Equity price risk	49.5	53.0
Foreign exchange risk	11.3	12.2
Commodity price risk	8.7	5.4
Diversification effect	(59.7)	(44.0)
Total	**100.6**	**76.9**

Besides selectively increased interest rate risk exposures and/or equity positions during the first half of 2007, the increase in the value-at-risk observed in 2007 was mainly driven by an increase in the market volatility and, to a minor extent, by refinements to the value-at-risk measurement in the second half of 2007. The year-end value-at-risk in 2007 was € 101 million which is 31 % above the 2006 year-end value-at-risk of € 77 million.

MARKET RISK OF NONTRADING PORTFOLIOS

The Capital and Risk Committee supervises the Group's nontrading asset activities. It has responsibility for the alignment of the Group-wide risk appetite, capitalization requirements and funding needs based on Group-wide, divisional and sub-divisional business strategies. Its responsibilities also include regular reviews of the exposures within the nontrading asset portfolio and associated stress test results, performance reviews of acquisitions and investments, allocating risk limits to the business divisions within the framework established by the Management Board and approval of policies in relation to nontrading asset activities. The policies and procedures are ratified by the Risk Executive Committee. Multiple members of the Capital and Risk Committee are also members of the Group Investment Committee, ensuring a close link between both committees.

The Group's dedicated Investment & Asset Risk Management team is specialized in risk-related aspects of the nontrading activities and performs monthly reviews of the risk profile of the nontrading asset portfolios, including carrying values, economic capital estimates, limit usages, performance and pipeline activity.

ASSESSMENT OF MARKET RISK IN NONTRADING PORTFOLIOS

Due to the nature of these positions and the lack of transparency of some of the pricing, the Group does not use value-at-risk to assess the market risk in nontrading portfolios. Rather the Group assesses the risk through the use of stress testing procedures that are particular to each risk class and which consider, among other factors, large historically-observed market moves as well as the liquidity of each asset class. This assessment forms the basis of the economic capital estimates which enable the Group to actively monitor and manage the nontrading market risk. As an example, for industrial holdings the Group applies individual price shocks between 23 % and 51 %, which are based on historically-observed market moves. For private equity exposures, all positions are stressed using the standard credit risk economic capital model, as well as market price shocks up to 100 %, depending on the individual asset.

The biggest market risk in the Group's nontrading portfolios is equity price risk. The vast majority of the interest rate and foreign exchange risks arising from nontrading asset and liability positions has been transferred through internal hedges to the Global Markets Business Division within the Corporate and Investment Bank Group Division, and is thus managed on the basis of value-at-risk, as reflected in trading value-at-risk numbers. For the remaining risks that have not been transferred through those hedges, in general foreign exchange risk is mitigated through match funding the investment in the same currency and only residual risk remains in the portfolios. Also, for these residual positions there is minimal interest rate risk remaining from the mismatch between the funding term and the expected maturity of the investment.

There is nontrading market risk held and managed in each of the group divisions. The nontrading market risk, as measured by economic capital in the Corporate and Investment Bank Group Division is the largest in the Group and is incurred mainly through principal investments. The Corporate Investments Group Division assumes nontrading market risk through industrial holdings, private equity investments and certain other corporate investments. The non-trading market risk in the Private Clients and Asset Management Group Division primarily arises from proprietary

investments in real estate, hedge funds and mutual funds, which support the client asset management businesses mainly in the form of minority seed and co-invest fund capital.

The table below shows the economic capital usages separately for the Group's major industrial holdings, other corporate investments and alternative assets.

Nontrading Portfolios	Economic capital usage	
in € bn.	Dec 31, 2007	Dec 31, 2006[1]
Major industrial holdings	0.1	0.2
Other corporate investments	0.7	0.6
Alternative assets	0.9	0.6
Total	**1.7**	**1.4**

1 Revised economic capital usages reflecting the adoption of IFRS accounting standards.

The economic capital usage for these nontrading asset portfolios totaled € 1.7 billion at year-end 2007, which is € 329 million, or 24 %, above the economic capital usage at year-end 2006. This increase primarily reflects the increased risk of the alternative assets portfolio.

— MAJOR INDUSTRIAL HOLDINGS. The economic capital usage of € 75 million at year-end 2007 was mainly due to the newly acquired indirect shareholding in EADS N.V. with a market value of € 133 million at year-end 2007. The economic capital usage for other industrial holdings further decreased due to the continued increase in unrealized gains associated with the shareholding in Daimler AG – which mainly accounted for the previous year's economic capital usage – as well as a reduction of the shareholdings in Allianz SE and Linde AG.
— OTHER CORPORATE INVESTMENTS. The economic capital usage of € 729 million for other corporate investments at year-end 2007 continued to be driven by mutual fund investments and a few other corporate investments. The € 144 million increase of the economic capital usage compared to year-end 2006 primarily reflects the acquisition of Abbey Life Assurance Company Limited in October 2007.
— ALTERNATIVE ASSETS. The Group's alternative assets include principal investments, real estate investments (including mezzanine debt) and small investments in hedge funds. Principal investments are composed of direct investments in private equity, mezzanine debt, short-term investments in financial sponsor leveraged buy-out funds, bridge capital to leveraged buy-out funds and private equity led transactions. The increase in the economic capital usage was largely due to the Asset Management business division's purchase of an interest in an infrastructure asset (onward sale is currently intended) and the growing private equity portfolio in the Global Markets business division. The alternative assets portfolio has some concentration in lower risk infrastructure assets but remains generally well diversified and continues to be dominated by principal investments and real estate investments.

In the Group's total economic capital figures no diversification benefits between these different asset categories are currently taken into account.

LIQUIDITY RISK

Liquidity risk management safeguards the ability of the bank to meet all payment obligations when they come due. Treasury is responsible for the management of liquidity risk. The liquidity risk management framework is designed to identify, measure and manage the liquidity risk position based on underlying policies which are reviewed and approved regularly by the Capital and Risk Committee. In order to ensure adequate liquidity and a healthy funding profile for the Group, Treasury uses various internal tools and systems which are designed and tailored to support the Group's specific management needs:

The Group's liquidity risk management approach starts at the intraday level (operational liquidity) managing the daily payments queue, forecasting cash flows and factoring in the Group's access to Central Banks. The reporting system tracks cash flows on a daily basis over an 18-month horizon. This system allows management to assess the Group's short-term liquidity position in each location, region and globally on a by-currency, by-product and by-division basis. The system captures all cash flows from transactions on the balance sheet, as well as liquidity risks resulting from off-balance sheet transactions. The Group models products that have no specific contractual maturities using statistical methods to capture the behavior of their cash flows. Liquidity outflow limits (Maximum Cash Outflow Limits), which have been set to limit cumulative global and local cash outflows, are monitored on a daily basis and safeguard the Group's access to liquidity.

The Group's approach then moves to tactical liquidity risk management, dealing with access to unsecured funding sources and the liquidity characteristics of the Group's asset inventory (asset liquidity). Unsecured funding is a finite resource. Total unsecured funding represents the amount of external liabilities which the Group takes from the market irrespective of instrument, currency or tenor. Unsecured funding is measured on a regional basis by currency and aggregated to a global utilization report. The Capital and Risk Committee sets limits by business division to protect access to unsecured funding at attractive levels. The Asset Liquidity component tracks the volume and booking location within the consolidated inventory of unencumbered, liquid assets which the Group can use to raise liquidity via secured funding transactions. Securities inventories include a wide variety of securities. As a first step, the Group segregates illiquid and liquid securities in each inventory. Subsequently the Group assigns liquidity values to different classes of liquid securities.

The strategic liquidity perspective comprises the maturity profile of all assets and liabilities (Funding Matrix) on the Group's balance sheet and the Group's Issuance Strategy. The Funding Matrix identifies the excess or shortfall of assets over liabilities in each time bucket facilitating management of open liquidity exposures. The Funding Matrix is a key input parameter for the Group's annual capital market issuance plan, which upon approval by the Capital and Risk Committee establishes issuing targets for securities by tenor, volume and instrument.

The framework is completed by employing stress testing and scenario analysis to evaluate the impact of sudden stress events on the Group's liquidity position. The scenarios have been based on historic events such as the stock market crash of 1987, 1990 U.S. liquidity crunch, September 2001 terrorist attacks, liquidity crises case studies and hypothetical events. The scenarios now also incorporate challenges presented by the 2007 financial markets crisis: prolonged term money-market freeze, collateral repudiation, non-fungibility of currencies and stranded syndications. The hypothetical events encompass internal shocks, such as operational risk events and 3-notch ratings downgrades, as well as external shocks, such as market risk events, emerging market crises and system dislocations. Under each

of these scenarios the Group assumes that all maturing loans to customers will need to be rolled over and require funding whereas rollover of liabilities will be partially impaired resulting in a funding gap. The Group then models the steps it would take to counterbalance the resulting net shortfall in funding. Action steps include selling assets, switching from unsecured to secured funding and adjusting the price the Group would pay on liabilities.

MATURITY ANALYSIS OF FINANCIAL LIABILITIES

The following table shows a maturity analysis of the earliest contractual undiscounted cash flows for financial liabilities as at December 31, 2007 and 2006.

Dec 31, 2007 in € m.	**On demand**	**Due within 3 months**	**Due between 3 and 12 months**	**Due between 1 and 5 years**	**Due after 5 years**
Noninterest bearing deposits	30,187	–	–	–	–
Interest bearing deposits	143,787	206,046	38,067	22,538	17,290
Trading liabilities[2]	715,583	–	–	–	–
Financial liabilities designated at fair value through profit or loss	78,648	127,122	34,001	9,628	30,480
Investment contract liabilities[3]		638	285	1,687	7,186
Negative market values from derivative financial instruments qualifying for hedge accounting[2]	2,315	–	–	–	–
Central bank funds purchased	6,130	16,200	–	–	–
Securities sold under repurchase agreements	43,204	93,119	18,815	452	821
Securities loaned	9,132	266	7	160	–
Other short-term borrowings	2,876	50,025	478	–	–
Long-term debt	4,221	1,759	19,911	70,189	30,879
Trust preferred securities	–	–	–	4,526	1,819
Other financial liabilities	140,005	5,739	495	22	49
Off-balance sheet loan commitments	94,190	–	–	–	–
Financial guarantees	22,444	–	–	–	–
Total[1, 4, 5]	**1,292,722**	**500,914**	**112,059**	**109,202**	**88,524**

1 The balances in the Note will not agree to the numbers in the Group balance sheet as the cash flows included in the table are undiscounted.
2 The only exceptions to this are the trading liabilities and the derivatives balances which represent the present value of all future cash flows. The Group believes that this best represents the cash flow that would have to be paid if these positions had to be closed out. Trading and derivatives balances are shown within 'On Demand' which management believes most accurately reflects the short-term nature of trading activities. The contractual maturity of the instruments may however extend over significantly longer periods.
3 These are investment contracts where the policy terms and conditions result in their redemption value equaling fair value. Refer to Note [40] for more detail on these contracts.
4 This analysis represents the worst case scenario for the Group if they were required to repay all liabilities earlier than expected. The Group believes that the likelihood of such an event occurring is remote.
5 Interest cash flows have been excluded from the table.

Dec 31, 2006 in € m.	On demand	Due within 3 months	Due between 3 and 12 months	Due between 1 and 5 years	Due after 5 years
Noninterest bearing deposits	30,354	–	–	–	–
Interest bearing deposits	113,533	194,712	37,449	21,926	14,167
Trading liabilities[2]	523,628	–	–	–	–
Financial liabilities designated at fair value through profit or loss	73,422	72,155	23,383	1,645	34,260
Investment contract liabilities[3]	–	–	–	–	–
Negative market values from derivative financial instruments qualifying for hedge accounting[2]	2,076	–	–	–	–
Central bank funds purchased	11,961	14,850	–	–	–
Securities sold under repurchase agreements	45,664	29,337	188	200	–
Securities loaned	20,912	262	–	–	–
Other short-term borrowings	2,661	40,724	5,130	–	–
Long-term debt	2,852	2,893	15,401	58,475	32,278
Trust preferred securities	120	–	–	2,807	1,963
Other financial liabilities	119,000	7,804	540	75	139
Off-balance sheet loan commitments	113,757	–	–	–	–
Financial guarantees	23,442	–	–	–	–
Total[1, 4, 5]	**1,083,382**	**362,737**	**82,091**	**85,128**	**82,807**

1 The balances in the Note will not agree to the numbers in the Group balance sheet as the cash flows included in the table are undiscounted.
2 The only exceptions to this are the trading liabilities and the derivatives balances which represent the present value of all future cash flows. The Group believes that this best represents the cash flow that would have to be paid if these positions had to be closed out. Trading and derivatives balances are shown within 'On Demand' which management believes most accurately reflects the short-term nature of trading activities. The contractual maturity of the instruments may however extend over significantly longer periods.
3 These are investment contracts where the policy terms and conditions result in their redemption value equaling fair value. Refer to Note [40] for more detail on these contracts.
4 This analysis represents the worst case scenario for the Group if they were required to repay all liabilities earlier than expected. The Group believes that the likelihood of such an event occurring is remote.
5 Interest cash flows have been excluded from the table.

INSURANCE RISK

The Group’s exposure to insurance risk increased upon the acquisition of Abbey Life Assurance Company Limited in October 2007. Abbey Life was closed to new business in 2000 except where it is contractually obliged to do so in existing policies. Insurance risk results from the Group having a contractual obligation to make a payment to a policyholder based on an uncertain event (that is not a financial risk).

The Group’s insurance activities are characterized as follows:

- ANNUITY PRODUCTS – these are subject to mortality or morbidity risk over a period that extends beyond the premium collection period, with fixed and guaranteed contractual terms.
- UNIVERSAL LIFE PRODUCTS – these are long duration contracts which provide either death or annuity benefits, with terms that are not fixed and guaranteed.
- INVESTMENT CONTRACTS – these do not contain any insurance risk.

The Group also holds an equity investment in Paternoster Limited, which is a regulated insurance company taking on the risks associated with companies' final salary/defined pension schemes and assumes the responsibility for paying their pensioners into the future by writing annuity contracts.

The Group is primarily exposed to the following insurance-related risks:

— MORTALITY AND MORBIDITY RISKS – higher/lower than expected number of death claims on assurance products and occurrence of one or more large claims, and higher/lower than expected disability claims respectively. These are mitigated by the use of reinsurance and the application of discretionary charges. Annually, rates of mortality and morbidity are investigated.
— LONGEVITY RISK – faster/slower than expected improvements in life expectancy on immediate and deferred annuity products. This is carefully monitored against the latest external industry data and emerging trends.
— EXPENSES – policies cost more/less to administer than expected. These are monitored by an analysis of the Group's actual expenses relative to budget. Reasons for any significant divergence from expectations are investigated and remedial action taken. The expense risk is reduced by the Group having in place (until 2010 with the option of renewal for two more years) an outsourcing agreement which covers the administration of the policies.
— PERSISTENCY – higher/lower than expected percentage of lapsed policies. The Group's persistency rates are annually assessed by reference to appropriate risk factors.

The Group monitors the actual claims and persistency against the assumptions used and refines the assumptions for the future assessment of liabilities. Experience may vary from estimates, the more so the further into the future it is projected. Liabilities are evaluated at least annually.

To the extent that actual experience is less favorable than the underlying assumptions, or it is necessary to increase provisions due to more onerous assumptions, the amount of capital required in the insurance entities may be affected.

The profitability of the non unit-linked long-term insurance businesses within the Group depends to a significant extent on the values of claims paid in the future relative to the assets accumulated to the date of claim. Typically, over the lifetime of a contract, premiums and investment returns exceed claim costs in the early years and it is necessary to set aside these amounts to meet future obligations. The amount of such future obligations is assessed on actuarial principles by reference to assumptions about the development of financial and insurance risks.

For unit-linked investment contracts, profitability is based on the charges taken being sufficient to meet expenses and profit. The premium and charges are assessed on actuarial principles by reference to assumptions about the development of financial and insurance risks.

As stated above, reinsurance is used as a mechanism to reduce risk. The Group's strategy is to continue to utilize reinsurance as appropriate.

[38] RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to directly or indirectly control the other party or exercise significant influence over the other party in making financial or operational decisions. The Group's related parties include

— key management personnel, close family members of key management personnel and entities which are controlled, significantly influenced by, or for which significant voting power is held by key management personnel or their close family members,
— subsidiaries, joint ventures and associates, and
— post-employment benefit plans for the benefit of Deutsche Bank employees.

The Group has several business relationships with related parties. Transactions with such parties are made in the ordinary course of business and on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other parties. These transactions also did not involve more than the normal risk of collectibility or present other unfavorable features.

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of Deutsche Bank, directly or indirectly. The Group considers the members of the Management Board and of the Supervisory Board to constitute key management personnel for purposes of IAS 24.

The below table sets forth the compensation of the key management personnel in 2007 and 2006.

Key management compensation: in € m.	**2007**	**2006**
Short-term employee benefits	30	27
Post-employment benefits	4	4
Other long-term benefits	–	–
Termination benefits	–	8
Share-based payment	8	9
Total key management compensation	**42**	**48**

Among the Group's transactions with key management personnel as of December 31, 2007 were loans and commitments of € 4 million and deposits of € 1 million. In addition the Group provides banking services, such as payment and account services as well as investment advice, to key management personnel and their close family members.

TRANSACTIONS WITH SUBSIDIARIES, JOINT VENTURES, ASSOCIATES AND OTHER RELATED PARTIES

Transactions between Deutsche Bank AG and its subsidiaries also meet the definition of related party transactions. Where these transactions are eliminated on consolidation, they are not disclosed in the Group's financial statements. A list of the Group's significant subsidiaries is shown in Note [39].

LOANS

During the years ended December 31, 2007 and December 31, 2006, the Group made loans to third parties and entered into guarantees on behalf of certain related parties. The table below shows the amounts of loans made and repaid, loan balances outstanding, and guarantees made by the Group on behalf of related parties.

	Associated companies and other related parties	
in € m.	2007	2006
Loans outstanding, beginning of year	**622**	**1,934**
Loans issued during the year	728	565
Loan repayment during the year	161	664
Changes in the group of consolidated companies	(1)	(121)
Exchange rate changes	(36)	(5)
Other changes	(107)	(1,087)
Loans outstanding, end of year[1,2]	**1,045**	**622**
Other credit risk related transactions:		
Provision for loan losses	–	22
Guarantees and commitments[3]	233	190

1 The amount of these loans that are past due totaled € 3 million and € 20 million as of December 31, 2007 and 2006, respectively. Loans include also € 24 million loans with joint ventures as of December 31, 2007.
2 For the above loans the Group held collateral of € 616 million and € 27 million as of December 31, 2007 and as of December 31, 2006, respectively.
3 The guarantees above include credit and finance guarantees, financial letter of credits and standby letter of credits as well as guarantees that are related to leasing transactions.

DEPOSITS

	Associated companies and other related parties	
in € m.	2007	2006
Deposits outstanding, beginning of year	**855**	**917**
Deposits received during the year	294	736
Deposits repaid during the year	89	23
Changes in the group of consolidated companies	(43)	(789)
Exchange rate changes	(55)	14
Other changes	–	–
Deposits outstanding, end of year[1]	**962**	**855**

1 The above deposits were made in the ordinary course of business. The deposits are unsecured. Deposits include also € 3 million deposits from joint ventures as of December 31, 2007.

OTHER TRANSACTIONS

In addition, the Group conducted trading transactions with associated companies in the amount of € 67 million in 2007. Other transactions with related parties also reflected the following:

XCHANGING ETB GMBH: The Group holds a stake of 44 % in Xchanging etb GmbH and accounts for it under the equity method. Xchanging etb GmbH is the holding company of Xchanging Transaction Bank GmbH ("XTB"). Two of the four executive directors of Xchanging etb GmbH and one member of the supervisory board of XTB are employees of the Group. The Group's arrangements reached with Xchanging in 2004 include a 12-year outsourcing agreement with XTB for security settlement services and are aimed at reducing costs without compromising service quality. In 2007 and 2006, the Group received services from XTB with volumes of € 95 million and € 100 million, respectively. In 2007 and 2006, the Group provided supply services (e.g., IT and real estate-related services) with volumes of € 28 million and € 35 million, respectively, to XTB.

GRUNDBESITZ-EUROPA: In 2005, grundbesitz europa, formerly grundbesitz-invest ("Grundbesitz"), an open-end property fund sponsored and managed by a subsidiary of the Group, temporarily suspended the issuance and redemption of its share units pending an extraordinary revaluation of its real estate assets. Grundbesitz re-opened for issuance and redemption on March 3, 2006. The Group committed to support Grundbesitz's liquidity upon its re-opening by various means. In December 2006, the fund manager sold a major portion of Grundbesitz's German real estate portfolio to Eurocastle, and Grundbesitz realized significant book gains for its investors on this sale. As a result and as of the date hereof, the Group does not expect to have any further material risk from prior commitments made in relation to Grundbesitz. In 2006, the Group released € 111 million of provision. As of December 2007, a € 5 million provision remained.

TRANSACTIONS WITH PENSION PLANS

Under IFRS, certain post-employment benefit plans are considered related parties. The Group has business relationships with a number of its pension plans pursuant to which it provides financial services to these plans, including investment management services. The Group's pension funds may hold or trade Deutsche Bank shares or securities. A summary of transactions with related party pension plans follows.

in € m.	
Deutsche Bank AG Securities held in plan assets at December 31, 2007:	
Equities	–
Bonds	9
Other Securities	21
Total	**30**
Property occupied by/other assets used by Deutsche Bank	–
Derivatives: Market value as at year-end 2007 for which DB (or subsidiary) is a counterparty	(98)
Derivatives: Notional amount as at year-end 2007 for which DB (or subsidiary) is a counterparty	4,441
Fees paid from Fund to any Deutsche Bank asset manager(s) in 2006	23
Fees paid from Fund to any Deutsche Bank asset manager(s) in 2007	22

[39] INFORMATION ON SUBSIDIARIES

Deutsche Bank AG is the direct or indirect holding company for the Group's subsidiaries.

SIGNIFICANT SUBSIDIARIES

The following table sets forth the significant subsidiaries Deutsche Bank AG owns, directly or indirectly.

Subsidiary	Place of Incorporation
Taunus Corporation[1]	Delaware, United States
Deutsche Bank Trust Company Americas[2]	New York, United States
Deutsche Bank Securities Inc.[3]	Delaware, United States
Deutsche Bank Privat- und Geschäftskunden Aktiengesellschaft[4]	Frankfurt am Main, Germany
DB Capital Markets (Deutschland) GmbH[5]	Frankfurt am Main, Germany
DWS Investment GmbH[6]	Frankfurt am Main, Germany

1 This company is a holding company for most of the Group's subsidiaries in the United States.
2 This company is a subsidiary of Taunus Corporation. Deutsche Bank Trust Company Americas is a New York State-chartered bank which originates loans and other forms of credit, accepts deposits, arranges financings and provides numerous other commercial banking and financial services.
3 This company is a subsidiary of Taunus Corporation. Deutsche Bank Securities Inc. is a U.S. SEC-registered broker dealer and a member of, and regulated by, the New York Stock Exchange. It is also regulated by the individual state securities authorities in the states in which it operates.
4 The company serves private individuals, affluent clients and small business clients with banking products.
5 This company is a German limited liability company and operates as a holding company for a number of European subsidiaries, mainly institutional and mutual fund management companies located in Germany, Luxembourg, France, Austria, Switzerland, Italy, Poland and Russia.
6 This company, in which DB Capital Markets (Deutschland) GmbH indirectly owns 100 % of the equity and voting interests, is a limited liability company that operates as a mutual fund manager.

The Group owns 100 % of the equity and voting interests in these significant subsidiaries. They prepare financial statements as of December 31 and are included in the Group's consolidated financial statements. Their principal countries of operation are the same as their countries of incorporation.

In 2007, none of the Group's subsidiaries experienced significant restrictions on paying dividends or repaying loans and advances.

SUBSIDIARIES WHERE THE GROUP OWNS 50 PER CENT OR LESS OF THE VOTING RIGHTS

The Group also consolidates certain subsidiaries where it owns 50 per cent or less of the voting rights. Most of those subsidiaries are special purpose entities ("SPEs") that are sponsored by the Group for a variety of purposes.

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

INVESTEES WHERE THE GROUP OWNS MORE THAN HALF OF THE VOTING RIGHTS

The Group owns directly or indirectly more than half of the voting rights of investees but does not have control over these investees when

- another investor has the power over more than half of the voting rights by virtue of an agreement with the Group, or
- another investor has the power to govern the financial and operating policies of the investee under a statute or an agreement, or
- another investor has the power to appoint or remove the majority of the members of the board of directors or equivalent governing body and the investee is controlled by that board or body, or when
- another investor has the power to cast the majority of votes at meetings of the board of directors or equivalent governing body and control of the entity is by that board or body.

The 'List of Shareholdings 2007' is published as a separate document and deposited with the German Electronic Federal Gazette ("elektronischer Bundesanzeiger"). It is available in the Investor Relations section of Deutsche Bank's website (http://www.deutsche-bank.de/ir/en/content/reports.htm).

[40] INSURANCE AND INVESTMENT CONTRACTS

LIABILITIES ARISING FROM INSURANCE AND INVESTMENT CONTRACTS

			Dec 31, 2007			Dec 31, 2006
in € m.	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Insurance contracts	6,450	(119)	6,331	1,411	(187)	1,224
Investment contracts	9,796	–	9,796	–	–	–
Total	**16,246**	**(119)**	**16,127**	**1,411**	**(187)**	**1,224**

CARRYING AMOUNT

An analysis of the change in insurance and investment contracts liabilities is as follows.

		2007		2006
in € m.	Insurance contracts	Investment contracts	Insurance contracts	Investment contracts
Balance as of January 1	**1,411**	**–**	**1,297**	**–**
Business classified as held for sale	(847)	–	–	–
Business acquired	6,339	10,387	–	–
New business	114	14	128	–
Claims paid	(340)	(214)	(143)	–
Other changes in existing business	111	168	129	–
Foreign exchange rate movements	(338)	(559)	–	–
Balance as of December 31	**6,450**	**9,796**	**1,411**	**–**

Included in Other changes in existing business for the investment contracts is € 122 million attributable to changes in the underlying assets' fair value in the year ended December 31, 2007.

KEY ASSUMPTIONS IN RELATION TO INSURANCE BUSINESS

The liabilities will vary with movements in interest rates, which is applicable, in particular, to the cost of guaranteed benefits payable in the future, investment returns and the cost of life assurance and annuity benefits where future mortality is uncertain.

Assumptions are made in respect of all material factors affecting future cash flows, including future interest rates, mortality and costs. The assumptions to which the long term business amount is most sensitive are the interest rates used to discount the cash flows and the mortality assumptions, particularly those for annuities.

The assumptions are set out below:

INTEREST RATES

Interest rates are used that reflect a best estimate of future investment returns taking into account the nature and term of the assets used to support the liabilities. Suitable margins for default risk are allowed for in the assumed interest rate.

MORTALITY

Mortality rates are based on published tables, adjusted appropriately to take account of changes in the underlying population mortality since the table was published, company experience and forecast changes in future mortality. Where appropriate, a margin is added to assurance mortality rates to allow for adverse future deviations. Annuitant mortality rates are adjusted to make allowance for future improvements in pensioner longevity. Improvements in annuitant mortality are based on a percentage of the medium cohort projection subject to a minimum of rate of improvement of 1.25 % per annum.

COSTS

For non-linked contracts, allowance is made for future expected per policy costs explicitly.

OTHER ASSUMPTIONS

The take-up rate of guaranteed annuity rate options on pension business is assumed as 57 %.

KEY ASSUMPTIONS IMPACTING VALUE OF BUSINESS ACQUIRED (VOBA)

The opening VOBA arising on the purchase of Abbey Life Assurance Company Limited was determined by capitalizing the present value of the future cash flows of the business over the reported liability at the date of acquisition. Where assumptions were required about future mortality, morbidity, persistency and expenses, these were determined on a best estimate basis taking account of the business's own experience. General economic assumptions were set considering the economic indicators at the date of acquisition.

The rate of VOBA amortization is determined by considering the profile of the business acquired and the expected depletion in future value. At the end of each accounting period, the remaining VOBA is tested against the future net profit expected to arise in respect of the business that was in force at the date of acquisition. If there is insufficient net profit, the VOBA will be written down to its supportable value.

KEY CHANGES IN ASSUMPTIONS

Upon acquisition of Abbey Life Assurance Company Limited, in October 2007, liabilities for insurance contracts were recalculated from a UK GAAP to a U.S. GAAP best estimate basis in line with the provisions of IFRS 4. The non-economic assumptions set at that time have not been changed before December 31, 2007, but the economic assumptions have been reviewed in line with changes in key economic indicators. For annuity contracts, the liability was valued using the locked-in basis determined at the date of acquisition.

SENSITIVITY ANALYSIS (IN RESPECT OF INSURANCE CONTRACTS ONLY)

The following table shows the sensitivity of the Group's profit before tax and equity to changes in some of the key assumptions used for insurance contract liability calculations. For each sensitivity test, the impact of a reasonably possible change in a single factor is shown with other assumptions left unchanged.

	Impact on profit before tax		Impact on equity	
in € m.	2007	2006	2007	2006
Variable:				
Mortality (worsening by ten percent)[1]	(16)	(44)	(16)	(44)
Renewal expense (ten percent increase)	(1)	(2)	(1)	(2)
Interest rate (one percent increase)	(115)	(25)	88	(25)

1 The impact of mortality assumes a ten percent decrease in annuitant mortality and a ten percent increase in mortality for other business.

For certain insurance contracts, the underlying valuation basis contains a Provision for Adverse Deviations ("PADs"). For these contracts, under U.S. GAAP, any worsening of expected future experience would not change the level of reserves held until all the PADs have been eroded while any improvement in experience would not result in an increase to these reserves. Therefore, in the sensitivity analysis, where the variable change represents a worsening of experience, the impact shown represents the excess of the best estimate liability over the PADs held at the balance sheet date. As a result, the figures disclosed in this table should not be used to imply the impact of a different level of change, and it should not be assumed that the impact would be the same if the change occurred at a different point in time.

[41] CURRENT AND NON-CURRENT ASSETS AND LIABILITIES

The following tables present an analysis of each asset and liability line item by contractual maturity as of December 31, 2007 and December 31, 2006.

Asset items as of December 31, 2007 follow.

	Amounts recovered or settled		Total
in € m.	within one year	after one year	Dec 31, 2007
Cash and due from banks	8,632	–	8,632
Interest earning deposits with banks	21,156	459	21,615
Central bank funds sold and securities purchased under resale agreements	12,193	1,404	13,597
Securities borrowed	55,548	413	55,961
Financial assets at fair value through profit or loss	1,441,656	32,447	1,474,103
Financial assets available for sale	6,168	36,126	42,294
Equity method investments	–	3,366	3,366
Loans	73,826	125,066	198,892
Premises and equipment	–	2,409	2,409
Goodwill and intangible assets	–	9,383	9,383
Other assets	180,489	2,408	182,897
Assets for current tax	2,014	414	2,428
Total assets before deferred tax assets	**1,801,682**	**213,895**	**2,015,577**
Deferred tax assets			4,772
Total assets			**2,020,349**

Liability items as of December 31, 2007 follow.

	Amounts recovered or settled		Total
in € m.	within one year	after one year	Dec 31, 2007
Deposits	417,994	39,952	457,946
Central bank funds purchased and securities sold under repurchase agreements	177,468	1,273	178,741
Securities loaned	9,405	160	9,565
Financial liabilities at fair value through profit or loss	914,528	51,649	966,177
Other short-term borrowings	53,410	–	53,410
Other liabilities	168,135	3,374	171,509
Provisions	1,295	–	1,295
Liabilities for current tax	2,754	1,761	4,515
Long-term debt	23,255	103,448	126,703
Trust preferred securities	–	6,345	6,345
Obligation to purchase common shares	871	2,682	3,553
Total liabilities before deferred tax liabilities	**1,769,115**	**210,644**	**1,979,759**
Deferred tax liabilities			2,124
Total liabilities			**1,981,883**

Asset items as of December 31, 2006 follow.

	Amounts recovered or settled		Total
in € m.	within one year	after one year	Dec 31, 2006
Cash and due from banks	7,008	–	7,008
Interest earning deposits with banks	17,493	1,706	19,199
Central bank funds sold and securities purchased under resale agreements	13,758	507	14,265
Securities borrowed	62,527	416	62,943
Financial assets at fair value through profit or loss	1,103,470	1,180	1,104,650
Financial assets available for sale	7,019	31,018	38,037
Equity method investments	–	2,541	2,541
Loans	59,281	119,243	178,524
Premises and equipment	–	3,241	3,241
Goodwill and intangible assets	–	8,612	8,612
Other assets	136,159	2,862	139,021
Assets for current tax	1,772	348	2,120
Total assets before deferred tax assets	**1,408,487**	**171,674**	**1,580,161**
Deferred tax assets			4,332
Total assets			**1,584,493**

Liability items as of December 31, 2006 follow.

	Amounts recovered or settled		Total
in € m.	within one year	after one year	Dec 31, 2006
Deposits	375,837	36,079	411,916
Central bank funds purchased and securities sold under repurchase agreements	102,000	200	102,200
Securities loaned	21,174	–	21,174
Financial liabilities at fair value through profit or loss	669,274	25,345	694,619
Other short-term borrowings	48,433	–	48,433
Other liabilities	141,205	2,924	144,129
Provisions	1,768	–	1,768
Liabilities for current tax	2,237	1,796	4,033
Long-term debt	16,226	95,137	111,363
Trust preferred securities	–	4,771	4,771
Obligation to purchase common shares	1,547	2,780	4,327
Total liabilities before deferred tax liabilities	**1,379,701**	**169,032**	**1,548,733**
Deferred tax liabilities			2,285
Total liabilities			**1,551,018**

[42] SUPPLEMENTARY INFORMATION TO THE CONSOLIDATED FINANCIAL STATEMENTS ACCORDING TO SECTION 315A HGB

As required by Section 315a German Commercial Code ("HGB") the consolidated financial statements prepared in accordance with IFRS have to provide additional disclosures which are given below.

STAFF COSTS

in € m.	2007	2006
Staff costs:		
Wages and salaries	11,298	10,721
Social security costs	1,824	1,777
thereof: those relating to pensions	478	471
Total	**13,122**	**12,498**

STAFF

The average number of effective staff employed in 2007 was 75,047 (2006: 65,745) of whom 31,898 (2006: 27,510) were women. Part-time staff is included in these figures proportionately. An average of 47,540 (2006: 39,451) staff members worked outside Germany.

MANAGEMENT BOARD AND SUPERVISORY BOARD REMUNERATION

The total compensation of the Management Board was € 33,182,395 and € 32,901,538 for the years ended December 31, 2007 and 2006, respectively, thereof € 28,832,085 and € 28,294,058 for variable components.

Former members of the Management Board of Deutsche Bank AG or their surviving dependents received € 33,479,343 and € 27,453,021 for the years ended December 31, 2007 and 2006, respectively.

The Supervisory Board received in addition to a fixed payment (including meeting fees) of € 2,366,000 and € 998,000 (excluding value-added tax), variable emoluments totaling € 3,656,084 and € 2,390,583 for the years ended December 31, 2007 and 2006, respectively.

Provisions for pension obligations to former members of the Management Board and their surviving dependents totaled € 176,061,752 and € 193,366,824 at December 31, 2007 and 2006, respectively.

Loans and advances granted and contingent liabilities assumed for members of the Management Board amounted to € 2,186,400 and € 1,219,000 and for members of the Supervisory Board of Deutsche Bank AG to € 1,713,528 and € 1,567,000 for the years ended December 31, 2007 and 2006, respectively. Members of the Supervisory Board repaid € 1.1 million loans in 2007.

OTHER PUBLICATIONS

The 'List of Shareholdings 2007' is published as a separate document and deposited with the German Electronic Federal Gazette ("elektronischer Bundesanzeiger"). It is available in the Investor Relations section of Deutsche Bank's website (http://www.deutsche-bank.de/ir/en/content/reports.htm).

CORPORATE GOVERNANCE

Deutsche Bank AG and its only German listed consolidated subsidiary, Varta AG, have approved the Declaration of Conformity in accordance with section 161 of the German Corporation Act (AktG) and made it accessible to shareholders.

PRINCIPAL ACCOUNTING FEES AND SERVICES

The table below gives a breakdown of the fees charged by our auditors for the 2007 and 2006 financial year.

Fee category in € m.	2007	2006
Audit fees	43	44
thereof to KPMG Germany	18	18
Audit-related fees	8	10
thereof to KPMG Germany	2	4
Tax fees	8	7
thereof to KPMG Germany	2	3
Total fees	**59**	**61**

For further information please refer to our Corporate Governance Report.

[43] 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, the Group had total exposures of € 36.2 billion in its Leveraged Finance business. The financial effect of potential further adjustments on the Group's 2008 results will depend on exposures and conditions at the respective balance sheet dates, and is therefore not estimable at this point in time.

[44] RECONCILIATION OF IFRS COMPARABLES FROM PREVIOUS GAAP

MAIN POLICY DIFFERENCES BETWEEN U.S. GAAP AND IFRS

Until December 31, 2006, the Group prepared its consolidated financial statements in accordance with U.S. GAAP. The following sets out, by accounting topic, the main differences between the Group's U.S. GAAP accounting policies applied at that date and the IFRS accounting policies set out in Note [1].

U.S. GAAP	IFRS
CONSOLIDATION (A)	
Three models are used to assess consolidation status: voting rights, variable interest entities ('VIEs') and Qualifying Special Purpose Entities ('QSPEs'). Voting rights: Ownership of a majority voting interest (of over 50 %), directly or indirectly, of voting shares leads to consolidation, unless control does not rest with the majority owners. VIEs: VIEs are consolidated by the interest holder that is exposed to the majority of the entity's expected losses or residual returns, that is, the primary beneficiary. QSPE: A special purpose entity ('SPE') that qualifies as a QSPE is not consolidated.	For operating companies, ownership of the majority of voting rights, either directly or indirectly, leads to consolidation. Potential voting rights are considered. A SPE is consolidated by the Group where it is deemed to control it. Indicators of control include the SPE conducting activities on behalf of the Group and/or the Group holding the majority of the risks and rewards of the SPE. There is no concept of a QSPE under IFRS.
LOAN ORIGINATION COSTS (B)	
All cost of the loan origination activities, for example, the costs of evaluating a prospective borrower's financial condition, which are deemed directly attributable to loan origination, using a per unit cost calculation, are deferred regardless of whether they are incremental or not.	Only those costs associated with loan origination activities which are directly attributable and incremental to the origination of a loan are deferred together with the related fees and thus, included in the calculation of the effective yield.
FAIR VALUE OPTION (C)	
The fair value option available in U.S. GAAP was never adopted as a U.S. GAAP policy for the Group reporting under U.S. GAAP.	Financial assets and financial liabilities may be designated as at fair value through profit or loss (the fair value option) on initial recognition/on transition to IFRS where; — a measurement or recognition inconsistency (accounting mismatch) is significantly reduced that would otherwise arise from measuring financial assets or liabilities or recognizing the gains and losses on them on different bases; — they are managed and their performance is evaluated on a fair value basis with a documented risk management or investment strategy and reported to key management personnel on that basis; or — they contain one or more embedded derivatives that significantly modify the cash flows resulting from those financial instruments. Transaction costs in relation to financial assets and financial liabilities designated as at fair value through profit or loss are recognized in the income statement at inception. The decision to classify financial assets or financial liabilities under the fair value option is irrevocable.
EQUITY METHOD INVESTMENTS (D)	
There is specific accounting guidance on limited partnerships and entities of similar nature. A 3-20 % or more interest is required to be accounted for under the equity method of accounting as it is deemed to represent an 'other than minor influence'.	There is no specific guidance on accounting for limited partnerships and similar entities; significant influence is usually demonstrated by a holding of 20-50 % of voting rights including the consideration of potential voting rights.

U.S. GAAP	IFRS
DEFINITION OF A DERIVATIVE (E)	
Derivative contracts must have a notional and a mechanism to settle net or alternatively the derivative or the underlying asset is readily convertible to cash.	Derivative contracts are not required to have a mechanism to settle net to be classified as derivatives under IFRS.
HEDGE ACCOUNTING (P)	
Under U.S. GAAP, the entire term of the hedged item must be considered when assessing hedge effectiveness, not only for a portion of the hedged item's life. Where hedge accounting is achieved under IFRS but not under U.S. GAAP the hedge accounting has been reversed for U.S. GAAP.	IFRS permits more hedging relationships than U.S. GAAP. Under IFRS it is permitted to designate a derivative as hedging for only a portion of the time period to maturity of a hedged item in a fair value hedge.
LOANS HELD FOR SALE RECLASSIFIED TO TRADING (F)	
Loans held for sale are held at lower of cost or market value. Loan origination fees and costs are recognized upon disposal of the loan. Temporary impairment on loans held for sale under U.S. GAAP is taken through the income statement.	There is no 'loans held for sale' classification. Loans with the intention to sell or securitize in the near term are classified as trading.
FINANCIAL ASSETS CLASSIFIED AS AVAILABLE FOR SALE (G)	
EQUITY INVESTMENTS Equity securities that do not have a readily determinable fair value and other non-securitized equity interests are classified as other investments and carried at cost, less any other than temporary impairment.	Non-marketable equity investments and other non-securitized equity interests are classified as financial assets available for sale and are accounted for at fair value unless it can not be reliably determined.
AVAILABLE-FOR-SALE SECURITIES – TREATMENT OF FOREIGN EXCHANGE Changes in the fair value of available for sale debt securities arising from changes in foreign exchange rates are recorded in accumulated other comprehensive income and transferred to income on disposal of the security.	Changes in the fair value of debt instruments classified as available for sale due to changes in foreign exchange rates are reflected in the income statement.
IMPAIRMENT OF ASSETS AVAILABLE FOR SALE Impairments on available for sale debt securities cannot be subsequently reversed if they are no longer considered to be impaired.	Impairments on debt instruments classified as available for sale should be reversed if, in a subsequent period, the fair value increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the income statement.
INVESTMENT WITH A SALE RESTRICTION In general, investments with a sale restriction of more than one year are classified as other investments and carried at cost, less any other than temporary impairment. When an investment with a sale restriction is held by an entity that is regulated in the U.S. as a broker-dealer then it is carried at fair value with changes through the income statement.	Investments with a restriction on sale are classified as financial assets available for sale with changes through equity.
FINANCIAL ASSET DERECOGNITION (H)	
Derecognition of financial assets is primarily based on control. The relationship between true sale analysis and consolidation generally is that derecognition is considered first and then consolidation. Special rules apply to accounting for repurchase and reverse repurchase agreements – a collateralization close to 100 % is required to preserve financing accounting.	Derecognition is based on risks and rewards. Control is only considered when substantially all risks and rewards have been neither transferred nor retained. The consolidated group has to be determined prior to applying the derecognition criteria. A partial derecognition of transferred financial assets may occur where the Group has a continuing involvement in them.

U.S. GAAP	IFRS
REAL ESTATE & LEASING (I)	
GAINS ON SALE AND LEASEBACK Gains arising from a sale and operating leaseback transaction are deferred and amortized over the period of the operating lease.	Gains arising from a sale and operating leaseback transaction are recognized immediately in profit or loss provided that the transaction has been entered into at fair value.
CONTINUING INVOLVEMENT IN SALE AND LEASEBACKS Any form of continuing involvement precludes sales accounting.	If continuing involvement exists, this needs to be considered when determining the classification of the lease arrangement.
IMPAIRMENT OF INVESTMENT PROPERTIES The assessment as to whether an investment property is impaired is calculated by assessing the undiscounted expected future cash flows arising from the property.	The assessment of impairment is performed on a net present value basis, applying a discounting factor to the expected future cash flows.
SHARE-BASED COMPENSATION (J)	
SHARE AWARDS – 'EARLY RETIREMENT' Where plan rules allow staff of a certain age and/or service period to retain their awards on leaving, the expense is fully accelerated at the date the employee becomes eligible for early retirement. Early retirement rules were applied prospectively for awards granted after January 1, 2006.	Early retirement rules (accelerated amortization) are applied to all awards granted after November 7, 2002.
SHARE AWARDS – FORFEITURES Amortization of the total number of shares expected to vest over the service period (net of expected forfeitures) is required. Forfeitures were no longer accounted for on an actual basis from January 1, 2006.	The rules relating to expected forfeitures apply to all share awards granted after November 7, 2002.
PENSIONS (K)	
PENSIONS – ACCUMULATED ACTUARIAL GAINS AND LOSSES From December 31, 2006, any unrecognized gains/losses at year-end are reported as part of accumulated other comprehensive income ('OCI'). The Group used the corridor method whereby actuarial gains and losses exceeding 10 % of the greater of plan assets and plan liabilities are recognized in profit or loss in equal amounts over the remaining service lives of current employees.	On transition the Group recognized all cumulative actuarial gains and losses in shareholders' equity in accordance with the transitional provisions of IFRS 1. Since transition, the corridor approach is used for actuarial gains and losses.
PENSIONS – LONG-TERM EMPLOYEE BENEFITS No specific valuation rules apply.	Long-Term Employee Benefits are required to be valued using actuarial methods.
DERIVATIVES ON DEUTSCHE BANK SHARES (L)	
Put and call options indexed to Deutsche Bank shares which are physically settled are classified as derivatives.	Put and call options indexed to Deutsche Bank shares which are physically settled are classified as equity instruments. For the physically settled written put options on Deutsche Bank shares the present value of the redemption amount is recorded as a liability. The liability is accreted over the life of the options to the redemption amount recognizing interest expense in accordance with the effective interest rate method.

U.S. GAAP	IFRS
TAX (O)	
DEFERRED TAX ON SHARE-BASED COMPENSATION	
If a jurisdiction allows a tax deduction for expenses relating to share-based compensation the permissible amount for the tax deduction might differ from the cumulative remuneration expense recognized in the income statement and/or the deduction might be allowed in a later period (e.g. with delivery of the shares).	
The difference between the tax deductible amount of compensation expense and the cumulative compensation expense recognized for financial reporting (tax benefit/shortfall) has to be recognized only at delivery of the shares to the employees. Benefits are recorded in additional paid-in capital (‘APIC’), and shortfalls are recognized through the income statement.	In addition to the recognition of excess tax benefits/shortfalls in taxes when shares are delivered the difference between the expected future tax deduction for share awards outstanding and the cumulative compensation expense recognized for financial reporting (tax benefit/shortfall) has to be (i) estimated based on the current share price and (ii) recognized at any reporting date.
Any credit to APIC is conditional upon the tax-paying position of the respective entity/tax group.	As IFRS allows for recognition of the expected future tax deduction a credit to APIC would be disallowed only if it is expected that the entity will not be in the position to make use of the excess tax deduction.
Shortfalls can be offset against excess tax benefits recognized in the same accounting period and in prior accounting periods.	Possibilities to offset shortfalls against excess tax benefits are limited.
DEFERRED TAXES AND TAX REVERSAL ON AVAILABLE FOR SALE SECURITIES	
The impact of changes in tax rate/tax law are included in net income even if the original deferred taxes have been recognized in equity.	Tax rate/tax law changes are accounted for consistently with the accounting for the transaction itself. Therefore, if the underlying temporary difference and related deferred taxes have been recorded in equity, a change due to tax law/tax rates is recorded in equity as well.

The following tables show reconciliations from U.S. GAAP to IFRS for the income statement for the year ended December 31, 2006, the consolidated balance sheets as of January 1, 2006 and December 31, 2006 and the impacts on shareholders' equity as of January 1, 2006 and December 31, 2006.

As the consolidated financial statements for the year ending December 31, 2007 were prepared, a number of adjustments relating to the 2006 transition year were identified and applied to the previously unaudited IFRS financial information that was presented in the Group's Transition Report (which was published on April 19, 2007) and subsequent Interim Reports. These adjustments were limited to the balance sheet and had no effect on net income. These adjustments are indicated below and reflected in the following reconciliation tables. These adjustments should be considered when referring to the Transition Report for interim periods.

— shareholders' equity as of the transition date of January 1, 2006 increased by € 91 million;
— total assets and total liabilities each increased by € 17.5 billion as of January 1, 2006 and by € 12.7 billion as of December 31, 2006, and there were similar effects as of each interim quarter end; and
— several reclassification adjustments between asset and liability categories were made, all of which did not exceed € 16 billion in any category or period affected.

Both the gross-up of assets and liabilities and the reclassifications between asset and liability categories were driven by the consolidation of certain securitization vehicles.

INCOME STATEMENT AND BALANCE SHEET RECONCILIATIONS

U.S.GAAP/IFRS RECONCILIATIONS

Consolidated Statement of Income	U.S. GAAP	Reclassification						Revaluation
			Consolidation	Loan origination costs	Fair value option	Equity method investments	Definition of a derivative	Hedge Accounting
in € m.			(A)	(B)	(C)	(D)	(E)	(P)
Year ended Dec 31, 2006								
Interest revenues	55,217	572	2,203	91	–	3	–	–
Interest expense	48,298	630	2,245	–	–	–	–	–
Net interest income	**6,919**	**(57)**	**(42)**	**91**	**–**	**3**	**–**	**–**
Provision for loan losses	330	(330)						
Net interest income after provision for loan losses	**6,589**	**(6,589)**						
Provision for credit losses		268	(3)	–	(1)	–	–	–
Net interest income after provision for credit losses		**6,594**	**(38)**	**91**	**1**	**3**	**–**	**–**
Commissions and fees from fiduciary activities	3,995	(3,995)						
Commissions, broker's fees, markups on securities underwriting and other securities activities	5,019	(5,019)						
Fees for other customer services	2,530	(2,530)						
Commissions and fee income		11,123	76	–	–	–	–	–
Trading revenues, net	8,247	(8,247)						
Net gains (losses) on financial assets/liabilities at fair value through profit or loss		9,061	53	–	(44)	(11)	61	–
Net gains on securities available for sale	407	(407)						
Net gains (losses) on financial assets available for sale	–	582	2	–	–	1	(1)	–
Net income (loss) from equity method investments	512	(53)	(27)	–	–	(19)	–	–
Other revenues	709	(473)	24	32	85	–	6	–
Total noninterest revenues	**21,419**	**41**	**127**	**32**	**41**	**(29)**	**66**	**–**
Compensation and benefits	12,649	–	–	154	–	–	–	–
Occupancy expense of premises	1,020	(1,020)						
Furniture and equipment	157	(157)						
IT costs	1,586	(1,586)						
Professional service fees	1,202	(1,202)						
Communication and data services	634	(634)						
Other expenses	2,412	(2,412)						
General and administrative expenses		6,982	57	4	–	–	–	–
Policyholder benefits and claims		67						
Impairment of intangible assets	31	–	–	–	–	–	–	–
Restructuring activities	192	–	–	–	–	–	–	–
Total noninterest expenses	**19,883**	**37**	**57**	**157**	**–**	**–**	**–**	**–**
Income before income tax expense	8,125	8	32	(34)	42	(26)	66	–
Income tax expense	2,186	–	(10)					
Reversal of 1999/2000 credits for tax rate changes	(1)	–	–					
Cumulative effect of accounting changes, net of tax	46	–	–	–	–	–	–	–
Net income	**5,986**	**8**	**41**					
Net income attributable to minority interest	–	9	–	–	–	–	–	–
Net income attributable to Deutsche Bank's shareholders	5,986	–	41	(34)	42	(26)	66	–

by accounting topic											IFRS
Loans held for sale reclassified to trading	Financial assets available for sale	Financial asset derecognition	Real estate & leasing	Share-based compensation	Pensions	Derivatives on Deutsche Bank shares	Currency translation adjustments	Other	Tax	Total revaluation	
(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)	(N)	(O)		
(4)	–	132	–	–	–	–	–	28	32	2,486	58,275
(1)	–	64	(1)	–	–	19	–	–	13	2,339	51,267
(3)	**–**	**68**	**1**	**–**	**–**	**(19)**	**–**	**28**	**19**	**146**	**7,008**
–	–	1	–	–	–	–	–	34	–	30	298
(3)	**–**	**68**	**1**	**–**	**–**	**(19)**	**–**	**(5)**	**19**	**116**	**6,710**
1	–	(4)	–	–	–	–	–	–	–	72	11,195
(48)	(35)	(65)	–	–	–	(75)	1	(7)	–	(169)	8,892
–	7	–	–	–	–	–	–	–	–	9	591
–	–	–	–	–	–	–	2	3	–	(40)	419
–	(16)	22	(7)	–	–	–	(1)	11	–	153	389
(47)	**(45)**	**(47)**	**(7)**	**–**	**–**	**(75)**	**2**	**8**	**–**	**26**	**21,486**
–	–	–	–	(232)	(73)	–	–	–	–	(151)	12,498
–	2	1	11	–	–	–	–	13	–	87	7,069
											67
–	–	–	–	–	–	–	–	–	–	–	31
–	–	–	–	–	–	–	–	–	–	–	192
–	**2**	**1**	**11**	**(232)**	**(73)**	**–**	**–**	**13**	**–**	**(63)**	**19,857**
(50)	(46)	20	(17)	232	73	(94)	2	(11)	19	206	8,339
									84	74	2,260
									1	1	–
–	–	–	–	(68)	(8)	–	–	–	30	(46)	–
									(37)	**85**	**6,079**
–	–	–	–	–	–	–	–	–	–	–	9
(50)	(46)	20	(17)	163	65	(94)	2	(11)	(37)	84	6,070

Consolidated Balance Sheet	U.S. GAAP	Gross up	Reclassi-fication	Revaluation					
				Consoli-dation	Loan origina-tion costs	Fair value option	Equity method invest-ments	Definition of a derivative	Hedge Account-ing
in € m.				(A)	(B)	(C)	(D)	(E)	(P)
Balance at January 1, 2006									
Cash and due from banks	6,571	–	–	297	–	–	–	–	–
Interest-earning deposits with banks	11,963	–	–	160	–	–	–	–	–
Central bank funds sold and securities purchased under resale agreements	130,993	35,240	(149,680)	–	–	–	–	–	–
Securities borrowed	101,125	16,322	(64,083)	–	–	–	–	–	–
Trading assets	448,393		(448,393)						
Financial assets at fair value through profit or loss		313,717	689,321	22,996	–	(163)	1	55	–
Securities available for sale	21,675		(21,675)	–	–	–	–	–	–
Financial assets available for sale		7	23,536	9,753	–	–	60	–	–
Other investments	7,382		(7,382)						
Equity method investments		–	4,607	(60)	–	–	12	–	–
Loans	151,355	–	(283)	12,579	(266)	–	–	–	–
Premises and equipment	5,079	(97)	(1,798)	44	–	–	–	–	–
Goodwill	7,045		(7,045)						
Other intangible assets, net	1,198		(1,198)						
Intangible assets		–	8,340	1	–	–	–	–	–
Other assets	99,382	42,676	(29,657)	1,333	(6)	–	–	–	–
Income tax assets		–	5,390	119	–	–	–	–	–
Total assets	**992,161**	**407,865**	**–**	**47,222**	**(272)**	**(163)**	**73**	**55**	**–**
Deposits	380,787	–	(1,089)	(568)	–	–	–	–	–
Central bank funds purchased and securities sold under repurchase agreements	143,524	51,561	(108,386)	–	–	–	–	–	–
Securities loaned	24,581	–	(411)	–	–	–	–	–	–
Trading liabilities	194,347		(194,347)						
Financial liabilities at fair value through profit or loss		314,548	317,117	14,994	–	261	–	63	–
Other short-term borrowings	20,549	–	20	23,214	–	–	–	–	–
Other liabilities	81,377	41,756	(10,932)	1,055	(12)	(18)	–	1	–
Provisions		–	2,336	(3)	–	(2)	–	–	–
Income tax liabilities		–	6,893	227	–	–	–	–	–
Long-term debt	113,554	–	(11,118)	3,726	–	–	–	–	(55)
Trust preferred securities	–	–	(706)	4,628	–	–	–	–	–
Obligation to purchase common shares	3,506	–	–	–	–	–	–	–	–
Total liabilities	**962,225**	**407,865**	**(623)**	**47,272**	**(12)**	**240**	**–**	**63**	**(55)**
Common shares, no par value, nominal value of € 2.56	1,420	–	–	–	–	–	–	–	–
Additional paid-in capital	13,793	–	–	–	–	–	–	–	–
Retained earnings	22,628	–	–	(93)	(260)	(285)	12	(8)	55
Common shares in treasury, at cost	(3,368)	–	–	–	–	–	–	–	–
Equity classified as obligation to purchase common shares	(3,506)	–	–	–	–	–	–	–	–
Accumulated other comprehensive income (loss)	(1,031)		1,031						
Net gains (losses) not recognized in the income statement, net of tax		–	(1,031)	42	–	(118)	61	–	–
Total shareholders' equity	**29,936**	**–**	**–**	**(51)**	**(260)**	**(403)**	**73**	**(8)**	**55**
Minority interest	–	–	624	–	–	–	–	–	–
Total equity	**29,936**	**–**	**624**	**(51)**	**(260)**	**(403)**	**73**	**(8)**	**55**
Total liabilities and equity	**992,161**	**407,865**	**–**	**47,222**	**(272)**	**(163)**	**73**	**55**	**–**

by accounting topic											IFRS
Loans held for sale reclassified to trading	Financial assets available for sale	Financial asset derecognition	Real estate & leasing	Share-based compensation	Pensions	Derivatives on Deutsche Bank shares	Currency translation adjustments	Other	Tax	Total revaluation	
(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)	(N)	(O)		
–	–	–	–	–	–	–	–	–	–	298	6,869
–	–	–	–	–	–	–	–	–	–	160	12,123
–	–	–	–	–	–	–	–	–	–	–	16,553
–	–	–	–	–	–	–	–	–	–	–	53,364
44	–	1,907	–	–	–	(357)	–	15	–	24,497	1,027,535
–	–	–	–	–	–	–	–	–	–	–	–
–	263	(564)	–	–	–	–	–	1	–	9,513	33,055
–	–	–	–	–	–	–	–	(5)	–	(53)	4,554
–	(2)	2,094	–	–	–	–	–	(1)	(67)	14,338	165,411
–	–	–	–	–	–	–	–	1	–	44	3,228
–	–	–	–	–	–	–	–	–	–	1	8,341
–	–	(595)	(74)	–	(909)	–	–	–	–	(253)	112,148
–	–	–	–	–	–	–	–	–	741	860	6,250
44	**261**	**2,842**	**(74)**	**–**	**(909)**	**(357)**	**–**	**11**	**674**	**49,405**	**1,449,431**
–	–	4,849	–	–	–	–	–	–	–	4,281	383,979
–	–	–	–	–	–	–	–	–	–	–	86,699
–	–	(161)	–	–	–	–	–	–	–	(160)	24,010
–	–	(407)	–	–	–	(220)	–	–	–	14,688	646,353
–	–	(106)	–	–	–	–	–	–	–	23,108	43,677
(3)	–	204	(136)	50	133	–	–	6	–	1,281	113,482
–	2	–	–	–	–	–	–	–	–	(3)	2,333
–	–	–	–	–	–	–	(36)	–	(460)	(269)	6,624
–	–	(1,499)	–	–	–	(1)	–	–	–	2,171	104,606
–	–	–	–	–	–	–	–	–	–	4,627	3,921
–	–	–	–	–	–	943	–	–	–	943	4,449
(3)	**2**	**2,880**	**(136)**	**50**	**133**	**722**	**(36)**	**6**	**(460)**	**50,667**	**1,420,133**
–	–	–	–	–	–	–	–	–	–	–	1,420
–	–	–	–	493	–	(94)	–	–	272	671	14,464
47	(2)	(39)	62	(543)	(1,056)	(41)	(1,344)	6	(1,281)	(4,772)	17,856
–	–	–	–	–	–	–	–	–	–	–	(3,368)
–	–	–	–	–	–	(943)	–	–	–	(943)	(4,449)
–	261	–	–	–	14	–	1,380	(1)	2,143	3,782	2,751
47	**259**	**(39)**	**62**	**(50)**	**(1,042)**	**(1,078)**	**36**	**5**	**1,133**	**(1,262)**	**28,674**
–	–	–	–	–	–	–	–	–	–	–	624
47	**259**	**(39)**	**62**	**(50)**	**(1,042)**	**(1,078)**	**36**	**5**	**1,133**	**(1,262)**	**29,298**
44	**261**	**2,842**	**(74)**	**–**	**(909)**	**(357)**	**–**	**11**	**674**	**49,405**	**1,449,431**

Consolidated Balance Sheet	U.S. GAAP	Gross up	Reclassi-fication	Revaluation					
				Consoli-dation	Loan origina-tion costs	Fair value option	Equity method invest-ments	Definition of a derivative	Hedge Account-ing
in € m.				(A)	(B)	(C)	(D)	(E)	(P)
Balance at Dec 31, 2006									
Cash and due from banks	7,009	(4)	–	3	–	–	–	–	–
Interest-earning deposits with banks	19,470	–	–	(279)	–	–	–	–	–
Central bank funds sold and securities purchased under resale agreements	138,763	34,342	(159,532)	–	–	–	–	–	–
Securities borrowed	108,266	16,897	(62,220)	–	–	–	–	–	–
Trading assets	516,839		(516,839)						
Financial assets at fair value through profit or loss		300,752	778,513	25,590	–	(113)	(10)	89	–
Securities available for sale	22,054		(22,054)	–	–	–	–	–	–
Financial assets available for sale		–	28,263	9,355	–	–	89	–	–
Other investments	5,357		(5,357)						
Equity method investments		–	2,627	(85)	–	–	(1)	–	–
Loans	168,134	–	(7,383)	16,786	(292)	–	–	–	–
Premises and equipment	4,149	(67)	(886)	45	–	–	–	–	–
Goodwill	7,144		(7,144)						
Other intangible assets, net	1,267		(1,267)						
Intangible assets		50	8,561	1	–	–	–	–	–
Other assets	127,778	53,499	(41,033)	536	(10)	–	–	5	–
Income tax assets		–	5,751	83	–	–	–	–	–
Total assets	**1,126,230**	**405,468**	**–**	**52,035**	**(301)**	**(113)**	**78**	**94**	**–**
Deposits	408,782	–	(1,252)	(898)	–	–	–	–	–
Central bank funds purchased and securities sold under repurchase agreements	187,129	51,239	(136,167)	–	–	–	–	–	–
Securities loaned	23,240	–	(669)	–	–	–	–	–	–
Trading liabilities	218,854		(218,854)						
Financial liabilities at fair value through profit or loss		300,834	382,803	12,397	–	139	–	34	–
Other short-term borrowings	19,793	–	172	28,566	–	–	–	–	–
Other liabilities	99,672	53,395	(9,888)	626	(6)	2	–	–	–
Provisions		–	1,768	(1)	–	(3)	–	–	–
Income tax liabilities		–	6,646	158	–	–	–	–	–
Long-term debt	132,495	–	(24,972)	6,114	–	–	–	–	(55)
Trust preferred securities	–	–	(304)	5,075	–	–	–	–	–
Obligation to purchase common shares	3,457	–	–	–	–	–	–	–	–
Total liabilities	**1,093,422**	**405,468**	**(717)**	**52,038**	**(6)**	**138**	**–**	**34**	**(55)**
Common shares, no par value, nominal value of € 2.56	1,343	–	–	–	–	–	–	–	–
Additional paid-in capital	14,424	–	–	–	–	–	–	–	–
Retained earnings	25,069	–	–	(86)	(295)	(250)	(14)	61	55
Common shares in treasury, at cost	(2,378)	–	–	–	–	–	–	–	–
Equity classified as obligation to purchase common shares	(3,457)	–	–	–	–	–	–	–	–
Accumulated other comprehensive income (loss)	(2,193)		2,193						
Net gains (losses) not recognized in the income statement, net of tax		–	(2,193)	84	–	(1)	92	–	–
Total shareholders' equity	**32,808**	**–**	**–**	**(2)**	**(295)**	**(251)**	**78**	**61**	**55**
Minority interest	–	–	717	–	–	–	–	–	–
Total equity	**32,808**	**–**	**717**	**(2)**	**(295)**	**(251)**	**78**	**61**	**55**
Total liabilities and equity	**1,126,230**	**405,468**	**–**	**52,035**	**(301)**	**(113)**	**78**	**94**	**–**

by accounting topic											IFRS
Loans held for sale re-classified to trading	Financial assets available for sale	Financial asset derecogni-tion	Real estate & leasing	Share-based compen-sation	Pensions	Deriva-tives on Deutsche Bank shares	Currency transla-tion adjust-ments	Other	Tax	Total revalu-ation	
(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)	(N)	(O)		
–	–	–	–	–	–	–	–	–	–	3	7,008
–	–	–	–	–	–	–	–	7	–	(271)	19,199
–	–	692	–	–	–	–	–	–	–	692	14,265
–	–	–	–	–	–	–	–	–	–	–	62,943
(2)	–	52	–	–	–	(225)	–	3	–	25,385	1,104,650
–	–	–	–	–	–	–	–	–	–	–	–
–	331	–	–	–	–	–	–	–	–	9,775	38,037
–	–	–	–	–	–	–	–	–	–	(86)	2,541
(3)	(1)	1,342	–	–	–	–	–	(10)	(50)	17,773	178,524
–	–	–	–	–	–	–	–	–	–	45	3,241
–	–	–	–	–	–	–	–	–	–	1	8,612
(10)	–	(1,582)	(80)	–	(82)	–	–	–	–	(1,224)	139,021
–	–	–	–	–	–	–	–	–	618	701	6,452
(14)	**330**	**504**	**(80)**	**–**	**(82)**	**(225)**	**–**	**–**	**568**	**52,795**	**1,584,493**
–	–	5,283	–	–	–	–	–	–	–	4,386	411,916
–	–	–	–	–	–	–	–	–	–	(1)	102,200
–	–	(1,396)	–	–	–	–	–	–	–	(1,397)	21,174
–	–	(1,379)	–	–	–	(209)	–	–	–	10,981	694,619
–	–	(98)	–	–	–	–	–	–	–	28,468	48,433
(9)	–	335	(125)	36	86	–	–	6	1	951	144,129
–	3	–	–	–	–	–	–	–	–	–	1,768
–	–	–	–	–	–	–	(36)	–	(450)	(328)	6,318
–	–	(2,220)	–	–	–	–	–	–	–	3,841	111,363
–	–	–	–	–	–	–	–	–	–	5,075	4,771
–	–	–	–	–	–	870	–	–	–	870	4,327
(9)	**3**	**525**	**(125)**	**36**	**86**	**660**	**(36)**	**6**	**(449)**	**52,846**	**1,551,018**
–	–	–	–	–	–	–	–	–	–	–	1,343
–	–	–	–	344	–	(4)	–	–	482	822	15,246
(3)	(56)	(20)	45	(380)	(966)	(32)	(1,328)	(5)	(1,343)	(4,618)	20,451
–	–	–	–	–	–	–	–	–	–	–	(2,378)
–	–	–	–	–	–	(850)	–	–	–	(850)	(4,307)
(3)	383	–	–	–	798	–	1,364	(1)	1,878	4,595	2,403
(6)	**327**	**(20)**	**45**	**(36)**	**(168)**	**(886)**	**36**	**(6)**	**1,017**	**(51)**	**32,758**
–	–	–	–	–	–	–	–	–	–	–	717
(6)	**327**	**(20)**	**45**	**(36)**	**(168)**	**(886)**	**36**	**(6)**	**1,017**	**(51)**	**33,475**
(14)	**330**	**504**	**(80)**	**–**	**(82)**	**(225)**	**–**	**–**	**568**	**52,795**	**1,584,493**

Confirmations

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Independent Auditors' Report

We have audited the consolidated financial statements prepared by the Deutsche Bank Aktiengesellschaft, comprising the balance sheet, the income statement, the statement of recognized income and expense, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from January 1, 2007 to December 31, 2007. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to section 315a paragraph 1 HGB (German Commercial Code) are the responsibility of Deutsche Bank Aktiengesellschaft's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit. In addition we have been instructed to express an opinion as to whether the consolidated financial statements comply with full IFRS.

We conducted our audit of the consolidated financial statements in accordance with section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany), and in supplementary compliance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to section 315a paragraph 1 HGB and full IFRS and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, March 10, 2008

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Becker	Bose
Wirtschaftsprüfer	Wirtschaftsprüfer

Responsibility Statement by the Management Board

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

Frankfurt am Main, March 4, 2008

Josef Ackermann

Hugo Bänziger

Anthony Di Iorio

Hermann-Josef Lamberti

Report of the Supervisory Board

For banks, 2007 was a year of great challenges. The global financial system was put to a serious test by the turbulence on the U.S. mortgage market. In this difficult environment, Deutsche Bank achieved good results, which confirms our successful implementation of the bank's strategy, the continued appropriateness of our business model and the bank's effective system of corporate governance. The Management Board and our staff made an important contribution to this success. We would like to thank them very much for their great personal dedication.

Last year, the Supervisory Board extensively discussed the bank's economic and financial development, risk position, planning and internal control systems. We held in-depth discussions with the Management Board on the bank's strategy and implementation of the measures on the management agenda. The Management Board reported to us regularly, without delay and comprehensively on business policies and other fundamental issues relating to management and corporate planning, the bank's financial development and earnings situation, the bank's risk, liquidity and capital management as well as transactions and events that were of significant importance to the bank. We advised the Management Board and monitored its management of business. We were involved in decisions of fundamental importance. Between meetings, the Management Board kept us informed in writing of important matters. Resolutions were passed by circulation procedure, when necessary between the meetings. Important topics and upcoming decisions were also dealt with in regular discussions between the Chairman of the Supervisory Board and the Chairman of the Management Board.

As our five-year term of office comes to a close upon conclusion of the General Meeting on May 29, 2008, we are optimistic about the future. We are convinced that Deutsche Bank is well positioned to continue its success. In this context, leveraging the potential of our global platform has a high priority. To this end, the bank intends to continue to consistently invest in its core businesses, through measures resulting in organic growth, but also through targeted complementary acquisitions. We intend to further expand PCAM, our Private Clients and Asset Management Group Division, which delivers stable contributions to our earnings even in a volatile market environment, as well as our already well positioned investment banking platform. Synergies between the business divisions will be leveraged further. Additionally, the bank will maintain its strict discipline on costs, risks, capital and regulatory compliance.

MEETINGS OF THE SUPERVISORY BOARD

The Supervisory Board held five meetings in the 2007 financial year.

At the first meeting of the year on January 31, 2007, we discussed the development of business in 2006, the key figures of the Annual Financial Statements for 2006, the dividend proposal and the corporate planning for the years 2007 to 2009. Furthermore, we discussed Dr. von Heydebreck's succession and resolved to transfer his responsibilities to the other members of the Management Board after his departure from the Management Board upon the conclusion of the Ordinary General Meeting 2007.

At the financial statements meeting on March 21, 2007, chaired by Dr. Eick, Chairman of the Audit Committee, we approved the Annual Financial Statements for 2006, which were thus established. Furthermore, the Corporate Governance Report as well as the Compliance and Anti-Money Laundering Report were discussed. The adjustment of the Supervisory Board compensation was discussed in detail, and the resolution proposals for the Agenda of the General Meeting 2007 were approved. In addition, we obtained extensive information on the Group's risk management.

On the evening before the General Meeting, we discussed the current developments in connection with the General Meeting's Agenda items and the announced counterproposals. As necessary, resolutions were approved. Furthermore, subject to the General Meeting's confirmation of his election to the Supervisory Board, Dr. Börsig was re-elected its Chairman until the conclusion of the Supervisory Board's term of office.

At the meeting on July 31, 2007, we reviewed the development of the bank's business in the first half of 2007. The current situation on the credit markets was discussed in detail. Furthermore, the development of business in connection with the larger company acquisitions over the last two years was examined, along with the reasons for deviations from the original planning. The Management Board informed us of the acquisition and disposal of participations that do not require the Supervisory Board's approval according to section 13 paragraph 1 d) of the Articles of Association.

At the last meeting of the year on October 30, 2007, discussions focused in detail on the development of business during the first nine months and, in particular, on the current risk situation as well as the bank's further strategic development with the corresponding targets and planned measures. Based on supplements to the German Corporate Governance Code approved by the Government Commission in June 2007, we established a Nomination Committee and resolved amendments to the terms of reference of the Supervisory Board, its committees and the Management Board as well as changes to the Management Board's Business Allocation Plan. Furthermore, we discussed the Human Resources Report on staff development and succession planning.

All members of the Supervisory Board participated in the Supervisory Board meetings with only few exceptions in the year 2007.

THE COMMITTEES OF THE SUPERVISORY BOARD

The Chairman's Committee met four times during the reporting period. At its meetings, the Committee primarily addressed matters relating to the Management Board. This involved, above all, the determination of the variable compensation components for the Management Board for the year 2007 as well as issues in connection with the long-term succession planning for the Management Board. In addition, it prepared resolutions for the Supervisory Board and discussed the new structure of the Supervisory Board's compensation. Where required, the Committee gave its approval to Management Board members accepting directorships at other companies. Furthermore, it discussed the implementation of the new recommendations and suggestions of the German Corporate Governance Code.

At its six meetings, the Risk Committee discussed the bank's exposures subject to mandatory approval under German law and the Articles of Association as well as all major loans and loans entailing increased risks. Where necessary, the Risk Committee gave its approval. Apart from credit, liquidity, country and market risks, the Committee also discussed operational, legal and reputational risks. The Committee also extensively focused on the risk situation and developments in the U.S. mortgage market and their impacts. Furthermore, global industry portfolios were presented according to a specified plan and discussed at length.

The Audit Committee met seven times last year. Representatives of the bank's auditor were also present at all of the meetings. Subjects covered were the audit and approval of the Annual Financial Statements and Consolidated Financial Statements, quarterly financial statements, Forms 20-F and 6-K for the U.S. Securities and Exchange Commission (SEC), as well as the interim reports. The Committee dealt with the proposal for the election of the auditor for the 2007 financial year, issued the audit mandate, specified audit areas of focus, resolved on the auditor's remuneration and verified the auditor's independence in accordance with the German Corporate Governance Code and the rules of the U.S. Public Company Accounting Oversight Board (PCAOB). The Audit Committee is convinced that, as in the previous years, there are no conflicts of interest on the part of the bank's auditor. It discussed, in detail, the regulations of the Sarbanes-Oxley Act relating to the implementation of the internal control system and regularly received progress reports on this. When necessary, resolutions were passed or recommended for the Supervisory Board's approval. The Audit Committee had reports submitted to it regularly on the engagement of accounting firms, including the auditor, with non-audit-related tasks, on the work of Internal Audit as well as on legal and reputational risks. The Audit Committee did not receive any complaints in connection with accounting, internal accounting controls and auditing matters. Furthermore, at an extraordinary meeting, the Audit Committee discussed the transition in accounting from U.S. Generally Accepted Accounting Principles (U.S. GAAP) to International Financial Reporting Standards (IFRS). Also, at its last meeting of the year, the Committee requested the Management Board and the auditor to present the planned audit areas of focus for the Annual Financial Statements 2007 and financial reporting according to IFRS, fair value accounting, accounting treatment of loan commitments as well as consolidated and non-consolidated special purpose entities.

The Nomination Committee established on October 30, 2007 met for the first time in December 2007. It analyzed the current composition of the shareholder representatives' side of the Supervisory Board and defined the requirements for the future composition of the shareholder representatives' side. Furthermore, it commissioned an external consulting firm operating internationally to assist in the search for qualified candidates for the Supervisory Board.

Meetings of the Mediation Committee, established pursuant to the provisions of Germany's Co-Determination Act (MitbestG), were not necessary in 2007.

The committee chairmen reported regularly to the Supervisory Board on the work of the committees.

CORPORATE GOVERNANCE

The implementation of the new recommendations and suggestions of the German Corporate Governance Code was discussed at several meetings of the Supervisory Board, Chairman's Committee and Audit Committee. The Supervisory Board resolved to take up the recommendation of the Code and to establish a Nomination Committee. It comprises three shareholder representatives and is responsible for preparing the full Supervisory Board's proposals for the General Meeting's election of the shareholder representatives and for preparing appointments by the court. This task was previously allocated to the Chairman's Committee. Furthermore, responsibility for handling issues of compliance has been clearly assigned to the Audit Committee. The terms of reference of the Supervisory Board and its committees were adjusted correspondingly.

The compensation of the Supervisory Board was readjusted by resolution of the General Meeting 2007 in accordance with the requirements of the German Corporate Governance Code. Additional information on the structure of the new remuneration system and on the individual compensation of the Supervisory Board members is published in the Compensation Report on pages 44 ff.

In October 2007, it was resolved to carry out another review of the Supervisory Board's efficiency at the end of its term of office. A company-specific questionnaire was drawn up for this and sent to all Supervisory Board members at the end of 2007. The responses showed that suggestions and measures that had been proposed during the last efficiency review had been effectively implemented and led to an increase in the efficiency of the work of the Supervisory Board. The results were discussed in detail at today's meeting of the Supervisory Board.

Meetings of the Supervisory Board without the Management Board, i.e. “executive sessions”, took place on several occasions.

The Supervisory Board determined that it has what it considers to be an adequate number of independent members.

In accordance with the regulations of the Management Board's Terms of Reference, the Management Board, in agreement with the Chairman of the Supervisory Board, appointed Dr. Bänziger to succeed Dr. von Heydebreck as the bank's Corporate Governance Officer, effective with the conclusion of the General Meeting on May 24, 2007.

The Declaration of Conformity pursuant to § 161 German Stock Corporation Act (AktG), last issued by the Supervisory Board and Management Board in October 2006, was reissued at the meeting of the Supervisory Board on October 30, 2007.

A comprehensive presentation of the bank's corporate governance, including the text of the Declaration of Conformity issued on October 30, 2007, can be found in the Financial Report on pages 260 ff. and on our Internet website at www.deutsche-bank.com. The terms of reference of the Supervisory Board and its committees as well as of the Management Board are also published there.

CONFLICTS OF INTEREST AND THEIR HANDLING

The Risk Committee dealt with the loan approvals required pursuant to § 15 German Banking Act (KWG). Supervisory Board members who were also board members of the respective borrowing company when the resolutions were taken did not participate in the discussion and voting.

Dr. Börsig did not participate in the voting on the Chairman's Committee's resolution determining the variable compensation components for the Management Board for the financial year 2006 to the extent it related to him. In addition, Dr. Börsig did not participate in the Audit Committee and Supervisory Board discussions and resolutions to establish the Annual Financial Statements 2006. For this agenda item, the Supervisory Board meeting was chaired by Dr. Eick. Dr. Börsig did not participate in one resolution taken by written circulation as it involved his activities as a former member of the Management Board. The circulation procedure was carried out under the direction of Mr. Todenhöfer.

LITIGATION

As in the preceding years, the Supervisory Board was kept informed regularly on Dr. Kirch's lawsuits against Deutsche Bank and Dr. Breuer, and discussed further courses of action. Also the actions for rescission and to obtain information filed in connection with the General Meetings 2003, 2004, 2005, 2006 and 2007 were regularly and comprehensively discussed, along with possible consequences. Dr. Börsig's election as member of the Supervisory Board by the General Meeting on June 1, 2006, was confirmed by the General Meeting on May 24, 2007, after the Frankfurt District Court had declared the election void in the first instance.

Furthermore, we obtained reports on a regular basis concerning important lawsuits.

ANNUAL FINANCIAL STATEMENTS

KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, the auditor of the Annual Financial Statements elected at last year's General Meeting, has audited the accounting, the Annual Financial Statements and the Management Report for 2007 as well as the Consolidated Financial Statements with the related Notes and Management Report for 2007. The audits led in each case to an unqualified opinion. We agreed with the results of these audits after an inspection of the auditors' reports as well as extensive discussion, in accordance with the Audit Committee's recommendation.

Today, we established the Annual Financial Statements prepared by the Management Board and approved the Consolidated Financial Statements. We agree with the Management Board's proposal for the appropriation of profits and with the payment of a dividend of € 4.50 per no par value share entitled to dividend payment.

PERSONNEL ISSUES

Dr. von Heydebreck left the Management Board with effect from the conclusion of the General Meeting on May 24, 2007. His tasks and functional responsibilities were assumed by the other members of the Management Board. Mr. Lamberti is responsible for Human Resources, including the tasks of Deutsche Bank's Labour Director. In addition to his previous tasks, Dr. Ackermann took on functional responsibility for the Corporate Social Responsibility area, Dr. Bänziger the Legal and Compliance areas, and Mr. Di Iorio the Internal Audit area. We thank Dr. von Heydebreck for his successful work for Deutsche Bank over many years, his great dedication as a member of the Management Board and his consistently constructive cooperation with the Supervisory Board.

At today's meeting of the Supervisory Board, Mr. Stefan Krause was appointed member of the Management Board with effect from April 1, 2008. Mr. Krause became a member of the Board of Management of BMW AG in May 2002, served as Chief Financial Officer until September 2007 and subsequently had functional responsibility for Sales and Marketing. As a member of the Management Board of Deutsche Bank AG, Mr. Krause will take on the responsibilities of Chief Financial Officer with effect from Mr. Di Iorio's retirement on October 1, 2008.

There were no changes in the composition of the Supervisory Board during 2007.

Frankfurt am Main, March 19, 2008
The Supervisory Board

Dr. Clemens Börsig
Chairman

Corporate Governance Report

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Corporate Governance Report

MANAGEMENT BOARD AND SUPERVISORY BOARD

MANAGEMENT BOARD

The Management Board is responsible for managing the company. Its members are jointly accountable for the management of the company. The duties, responsibilities and procedures of our Management Board and the committees installed by the Board are specified in its Terms of Reference, which are available on our Internet website (www.deutsche-bank.com/corporate-governance).

On May 24, 2007 Dr. Tessen von Heydebreck left the Management Board. His responsibilities were taken over by the remaining members of the Management Board. The following paragraphs show information on the current members of the Management Board. The information includes their ages as of December 31, 2007, the year in which they were appointed and the year in which their term expires, their current positions or area of responsibility and their principal business activities outside our company. The members of our Management Board have generally undertaken not to assume chairmanships of supervisory boards of companies outside our consolidated group.

DR. JOSEF ACKERMANN

Age: 59
First Appointed: 1996
Term Expires: 2010

Dr. Josef Ackermann joined Deutsche Bank as a member of the Management Board in 1996, where he was responsible for the investment banking division. On May 22, 2002, Dr. Ackermann was appointed Spokesman of the Management Board and Chairman of our Group Executive Committee. On February 1, 2006, he was appointed Chairman of the Management Board.

After studying Economics and Social Sciences at the University of St. Gallen, he worked at the University's Institute of Economics as research assistant and received a doctorate in Economics. Dr. Ackermann started his professional career in 1977 at Schweizerische Kreditanstalt (SKA) where he held a variety of positions in Corporate Banking, Foreign Exchange/Money Markets and Treasury, Investment Banking and Multinational Services. He worked in London and New York, as well as at several locations in Switzerland. Between 1993 and 1996, he served as President of SKA's Executive Board, following his appointment to that board in 1990.

Dr. Ackermann is a member of the Supervisory Board of Siemens AG (Second Deputy Chairman) and a member of the International Advisory Council of Zurich Financial Services Group (since January 2007). Until April 2007, he was a member of the Supervisory Board of Bayer AG.

DR. HUGO BÄNZIGER
Age: 51
First Appointed: 2006
Term Expires: 2009

Dr. Hugo Bänziger became a member of our Management Board on May 4, 2006. He is our Chief Risk Officer and a member of the Group Executive Committee. He joined Deutsche Bank in London in 1996 as Head of Global Markets Credit. He was appointed Chief Credit Officer in 2000 and became Chief Risk Officer for Credit and Operational Risk in 2004.

Dr. Bänziger began his career in 1983 at the Swiss Federal Banking Commission in Berne. From 1985 to 1996, he worked at Schweizerische Kreditanstalt (SKA) in Zürich and London, first in Retail Banking and subsequently as Relationship Manager in Corporate Finance. In 1990 he was appointed Global Head of Credit for CS Financial Products.

He studied Modern History, Law and Economics at the University of Berne, where he subsequently earned a doctorate in Economic History.

Dr. Bänziger engages in the following principal business activities outside our company: He is a member of the Supervisory Board of EUREX Clearing AG, EUREX Frankfurt AG and a member of the Board of Directors of EUREX Zürich AG.

ANTHONY DI IORIO
Age: 64
First Appointed: 2006
Term Expires: 2008

Anthony Di Iorio became member of our Management Board on May 4, 2006. He is our Chief Financial Officer and a member of the Group Executive Committee. He joined Deutsche Bank in April 2001 as Head of Corporate Center Controlling and shortly thereafter became the Group Controller, based in Frankfurt.

Mr. Di Iorio began his professional career with KPMG. Joining as a member of their audit department in New York, he later moved to the management consulting unit and was ultimately responsible for the financial institutions advisory practice in the Midwest region of the United States, based in Chicago. His career in the financial services industry includes positions at Goldman Sachs & Co. (serving in several capacities in the finance function, ultimately as Co-Controller, based in New York), Bank of America (then: Nationsbank, Chief Financial Officer of the Trading & Sales and Corporate Finance businesses, based in Charlotte, North Carolina), and PaineWebber Group (joining as Executive Vice President in New York, ultimately Chairman/Chief Executive Officer of PaineWebber International, Ltd., based in London).

Mr. Di Iorio holds a Bachelor of Business Administration from Iona College and a Master of Business Administration from Columbia University and qualified as a Certified Public Accountant in New York.

HERMANN-JOSEF LAMBERTI
Age: 51
First Appointed: 1999
Term Expires: 2009

Hermann-Josef Lamberti was appointed a member of our Management Board in 1999. He is our Chief Operating Officer and a member of the Group Executive Committee. He joined us in 1998 as an Executive Vice President, based in Frankfurt.

Mr. Lamberti began his professional career in 1982 with Touche Ross in Toronto and subsequently joined Chemical Bank in Frankfurt. From 1985 to 1998 he worked for IBM, initially in Germany in the areas Controlling, Internal Application Development and Sales Banks/Insurance Companies. In 1993, he was appointed General Manager of the Personal Software Division for Europe, the Middle East and Africa at IBM Europe in Paris. In 1995, he moved to IBM in the U.S., where he was Vice President for Marketing and Brand Management. He returned to Germany in 1997 to take up the position of Chairman of the Management of IBM Germany in Stuttgart.

Mr. Lamberti studied Business Administration at the Universities of Cologne and Dublin and graduated in 1982 with a master's degree in Business Administration.

Mr. Lamberti engages in the following principal business activities outside our company: He is a member of the supervisory board or similar bodies of Deutsche Börse AG, BVV Versicherungsverein (since June 2007), BVV Versicherungskasse (since June 2007), EADS N.V. (since October 2007) and Carl Zeiss AG, and he was a member of the Supervisory Board of Fiat S.p.A. until July 2007.

GROUP EXECUTIVE COMMITTEE

The Group Executive Committee was established in 2002. It comprises the members of the Management Board, the Business Heads of our Group Divisions CIB and PCAM and the head of the management of our regions. The Group Executive Committee serves as a tool to coordinate our businesses and regions through the following tasks and responsibilities:

- Provision of ongoing information to the Management Board on business developments and particular transactions;
- Regular review of our business segments;
- Consultation with and furnishing advice to the Management Board on strategic decisions; and
- Preparation of decisions to be made by the Management Board.

SUPERVISORY BOARD

The Supervisory Board appoints, supervises and advises the Management Board and is directly involved in decisions of fundamental importance to the bank. The Management Board regularly informs the Supervisory Board of the intended business policies and other fundamental matters relating to the assets, liabilities, financial and profit situation as well as its risk situation, risk management and risk controlling. A report is made to the Supervisory Board on corporate planning at least once a year. On the basis of recommendations by the Chairman's Committee, the Supervisory Board regularly discusses and reviews the structure of the Management Board's compensation system. The Chairman of the Supervisory Board coordinates work within the Supervisory Board. He maintains regular contact with the Management Board, especially with the Chairman of the Management Board, and consults with him on strategy, the development of business and risk management. The Supervisory Board Chairman is informed by the Chairman of the Management Board without delay of important events of substantial significance for the situation and development as well as for the management of Deutsche Bank Group. The types of business that require the approval of the Supervisory Board to be transacted are specified in Section 13 of our Articles of Association. The Supervisory Board meets if required without the Management Board. For the performance of its duties, the Supervisory Board may, at its professional discretion, use the services of auditors, legal advisors and other internal and external consultants.

The duties, procedures and committees of the Supervisory Board are specified in its Terms of Reference, which are available on the Deutsche Bank Internet website (www.deutsche-bank.com/corporate-governance)

The following table shows information on the current members of our Supervisory Board. Most of the members representing our shareholders were elected at the Annual General Meeting on June 10, 2003, and the members representing our employees were elected on May 8, 2003. As described further below, a number of the current members were originally appointed by a court or elected by subsequent General Meetings to fill vacancies created by members who left the Supervisory Board, or had been designated as the substitute for a departing member. The information includes their ages as of December 31, 2007, the years in which they were first elected or appointed, the years when their terms expire, their principal occupation and their membership on other companies' supervisory boards, other non-executive boards and other positions.

Member	Principal occupation	Supervisory board memberships and other directorships
Dr. Clemens Börsig Age: 59 Appointed by the court: 2006 Term expires: 2008	Chairman of the Supervisory Board of Deutsche Bank AG, Frankfurt	Deutsche Lufthansa AG (until April 2008); Linde AG; Heidelberger Druckmaschinen AG (until March 2007); Foreign & Colonial Eurotrust Plc (until December 2007); Bayer AG (since April 2007); Daimler AG (since April 2007)
Dr. Karl-Gerhard Eick Age: 53 Appointed by the court: 2004 Term expires: 2008	Deputy Chairman of the Board of Managing Directors of Deutsche Telekom AG, Bonn	DeTe Immobilien Deutsche Telekom Immobilien und Service GmbH; T-Mobile International AG; T-Systems Enterprise Services GmbH; T-Systems Business Services GmbH; Sireo Real Estate Asset Management GmbH (until December 2007); FC Bayern München AG; Corpus Immobiliengruppe GmbH & Co KG (since September 2007)
Heidrun Förster* Age: 60 First elected: 1993 Term expires: 2008	Deputy Chairperson of the Supervisory Board of Deutsche Bank AG; Chairperson of the Combined Staff Council Berlin of Deutsche Bank AG	
Ulrich Hartmann Age: 69 First elected: 2003 Term expires: 2008	Chairman of the Supervisory Board of E.ON AG, Düsseldorf	Deutsche Lufthansa AG; Hochtief AG (until July 2007); IKB Deutsche Industriebank AG (Chairman, until March 2008); Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft; Henkel KGaA (member of the Shareholders' Committee)
Gerd Herzberg* Age: 57 Appointed by the court: 2006 Term expires: 2008	Deputy Chairman of ver.di Vereinte Dienstleistungsgewerkschaft, Berlin	Franz Haniel & Cie GmbH (Deputy Chairman); DBV Winterthur Lebensversicherung AG; BGAG – Beteiligungsgesellschaft der Gewerkschaften AG; DAWAG – Deutsche Angestellten Wohnungsbau AG (Chairman); Vattenfall Europe AG
Sabine Horn* Age: 46 First elected: 1998 Term expires: 2008	Employee of Deutsche Bank AG, Frankfurt	
Rolf Hunck* Age: 62 First elected: 2003 Term expires: 2008	Member of the management of PWM Germany of Deutsche Bank AG, Hamburg	Fibula Finanz AG; HCI Capital AG (until May 2007); Kühne-Stiftung, Switzerland
Sir Peter Job Age: 66 Appointed by the court: 2001 Term expires: 2008		Schroders Plc; Tibco Software Inc.; Royal Dutch Shell Plc; Mathon Systems (Advisory Board, since January 2007)
Prof. Dr. Henning Kagermann Age: 60 First elected: 2000 Term expires: 2008	CEO of SAP AG, Walldorf	Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft; Nokia Corporation (since May 2007)
Ulrich Kaufmann* Age: 61 First elected: 1988 Term expires: 2008	Deutscher Bankangestellten-Verband, labor union for financial services providers	
Peter Kazmierczak* Age: 50 First elected: 2002 Term expires: 2008	Deputy Chairman of the Staff Council Deutsche Bank Ruhrgebiet-West	
Maurice Lévy Age: 65 First elected: 2006 Term expires: 2008	Chairman and CEO, Publicis Groupe S.A. Paris	Publicis Conseil SA (France); Publicis USA Holdings Inc. (until December 2007); Medias et Régies Europe SA (France); MMS USA Holdings, Inc.; Fallon Group, Inc.; Zenith Optimedia Group Ltd.
Henriette Mark* Age: 50 First elected: 2003 Term expires: 2008	Chairperson of the Combined Staff Council Munich and Southern Bavaria of Deutsche Bank AG	

Member	Principal occupation	Supervisory board memberships and other directorships
Prof. Dr. jur. Dr.-Ing. E. h. Heinrich von Pierer Age: 66 First elected: 2005 Term expires: 2008		Hochtief AG; Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft; ThyssenKrupp AG; Volkswagen AG; Koç Holding A.S. (since January 2008)
Gabriele Platscher* Age: 50 First elected: 2003 Term expires: 2008	Chairperson of the Combined Staff Council Braunschweig/Hildesheim of Deutsche Bank AG	Deutsche Bank Privat- und Geschäftskunden AG; BVV Versicherungsverein des Bankgewerbes a.G.; BVV Pensionsfonds des Bankgewerbes AG (since November 2007)
Karin Ruck* Age: 42 First elected: 2003 Term expires: 2008	Deputy Chairperson of the Combined Staff Council Frankfurt branch of Deutsche Bank AG	Deutsche Bank Privat- und Geschäftskunden AG; BVV Versicherungsverein des Bankgewerbes a.G; BVV Pensionsfonds des Bankgewerbes AG (since November 2007)
Dr. Theo Siegert Age: 60 Appointed by the court: 2006 Term expires: 2012	Managing Partner of de Haen Carstanjen & Söhne, Düsseldorf	E.ON AG (since July 2007); ERGO AG; Merck KGaA; E. Merck OHG, (member of the Shareholders' Committee); DKSH Holding Ltd. (member of the Board of Administration)
Tilman Todenhöfer Age: 64 Appointed by the court: 2001 Term expires: 2008	Managing Partner of Robert Bosch Industrietreuhand KG, Stuttgart	Robert Bosch GmbH; Robert Bosch Int. Beteiligungen AG (President of the Board of Administration); Carl Zeiss AG (Chairman); Schott AG (Chairman)
Dipl.-Ing. Dr.-Ing. E. h. Jürgen Weber Age: 66 First elected: 2003 Term expires: 2008	Chairman of the Supervisory Board of Deutsche Lufthansa AG, Cologne	Allianz Lebensversicherungs-AG; Bayer AG; Deutsche Post AG (Chairman); Voith AG; LP Holding GmbH (Chairman); Tetra Laval Group, Willy Bogner GmbH & Co. KGaA
Leo Wunderlich* Age: 58 First elected: 2003 Term expires: 2008	Chairman of the Group Staff Council of Deutsche Bank AG, Mannheim	

* Employee-elected member of the Supervisory Board.

Dr. Clemens Börsig was a member of the Management Board of Deutsche Bank AG until May 3, 2006. He was appointed member of the Supervisory Board by the court from May 4, 2006, until the end of the General Meeting on June 1, 2006, and elected by the Supervisory Board to be its Chairman. The General Meeting on June 1, 2006 elected him for the remainder of the term of office of the Supervisory Board. Subsequently, the Supervisory Board reelected him as its Chairman. The General Meeting on May 24, 2007, confirmed this resolution, and the Supervisory Board elected him again as Chairman. Dr. Börsig has declared that he would abstain from voting in his function as member of the Supervisory Board and its committees on all questions that relate to his former membership of the Management Board and could create a conflict of interest.

According to Section 5.4.2 of the German Corporate Governance Code, the Supervisory Board determined that it has what it considers to be an adequate number of independent members.

STANDING COMMITTEES

The Supervisory Board has established the following five standing committees. The Report of the Supervisory Board provides information on the concrete work to the committees over the preceding year.

CHAIRMAN'S COMMITTEE: The Chairman's Committee is responsible for all Management Board and Supervisory Board matters. It prepares the decisions for the Supervisory Board on the appointment and dismissal of members of the Management Board, including long-term succession planning, and is responsible for deciding on the amount and structure of the Management Board members' compensation and entering into, amending and terminating the service contracts and other agreements with the Management Board members. It provides its approval for ancillary activities of Management Board members pursuant to Section 112 of the German Stock Corporation Act and for certain contracts with Supervisory Board members pursuant to Section 114 of the German Stock Corporation Act. Furthermore, it prepares the decisions of the Supervisory Board in the field of corporate governance. The Chairman's Committee held four meetings in 2007.

The current members of the Chairman's Committee are Dr. Clemens Börsig (Chairman), Heidrun Förster, Ulrich Hartmann and Ulrich Kaufmann.

NOMINATION COMMITTEE: In accordance with a new recommendation of the German Corporate Governance Code (No. 5.3.3), the Nomination Committee was formed on October 30, 2007. This Committee prepares the Supervisory Board's proposals for the election or appointment of new shareholder representatives to the Supervisory Board. The Nomination Committee held one meeting in 2007.

The current members of the Nomination Committee are Dr. Clemens Börsig (Chairman), Ulrich Hartmann and Dr. Jürgen Weber.

AUDIT COMMITTEE: The Audit Committee reviews the documentation relating to the annual and consolidated financial statements and discusses the audit reports with the auditor. It prepares the decisions of the Supervisory Board on the annual financial statements and the approval of the consolidated financial statements and discusses important changes to the audit and accounting methods. The Audit Committee also discusses the quarterly financial statements and the report on the limited review of the quarterly financial statements with the Management Board and the auditor. In addition, the Audit Committee issues the audit mandate to the auditor elected by the General Meeting. It resolves on the compensation paid to the auditor and monitors the auditor's independence, qualifications and efficiency. The Head of Internal Audit reports to the Audit Committee several times during the year on the work done by internal audit. The Audit Committee is informed about special audits, substantial complaints and other exceptional measures on the part of bank regulatory authorities. It has functional responsibility for taking receipt of and dealing with complaints concerning accounting, internal controls and issues relating to the audit. At its meetings, reports are regularly presented on issues of compliance. Subject to its review, the Audit Committee grants its approval for mandates engaging the auditor for non-audit-related services (in this context, see also "Principal Accountant Fees and Services" on pages 270-271 of the Corporate Governance Report). The Audit Committee held seven meetings in 2007.

The current members of the Audit Committee are Dr. Karl-Gerhard Eick (Chairman), Dr. Clemens Börsig, Heidrun Förster, Sabine Horn, Rolf Hunck and Sir Peter Job.

RISK COMMITTEE: The Risk Committee handles loans which require a resolution by the Supervisory Board pursuant to law or our Articles of Association. Subject to its review, it grants its approval for the acquisition of shareholdings in other companies that amount to between 2 % and 3 % of our regulatory banking capital. At the meetings of the Risk Committee, the Management Board reports on credit, market, liquidity, operational, litigation and reputational risks. The Management Board also reports on risk strategy, credit portfolios, loans requiring a Supervisory Board approval pursuant to law or the Articles of Association, questions of capital resources and matters of special importance due to the risks they entail. The Risk Committee held six meetings in 2007.

The current members of the Risk Committee are Dr. Clemens Börsig (Chairman), Professor Dr. Henning Kagermann and Sir Peter Job. Tilman Todenhöfer and Professor Dr. Heinrich von Pierer are substitute members of the Risk Committee. They are invited to all meetings and regularly attend them.

In addition to these four committees, the MEDIATION COMMITTEE, which is required by German law, makes proposals to the Supervisory Board on the appointment or dismissal of members of the Management Board in those cases where the Supervisory Board is unable to reach a two-thirds majority decision with respect to the appointment or dismissal. The Mediation Committee only meets if necessary and did not hold any meetings in 2007.

The current members of the Mediation Committee are Dr. Clemens Börsig (Chairman), Heidrun Förster, Ulrich Hartmann and Henriette Mark.

The duties, responsibilities and procedures of the Chairman's Committee, the Risk Committee, the Audit Committee and the Nomination Committee are set out in separate terms of reference, which are available on our Internet website, along with the Terms of Reference of our Supervisory Board (www.deutsche-bank.de/corporate-governance).

COMPENSATION

For a description of the principles of our compensation system and the compensation for the Management Board and the Supervisory Board, please refer to our detailed Compensation Report on pages 44-50 of this document.

SHARE PLANS

For a description of our employee share programs, please refer to Note [31] to the consolidated financial statements.

REPORTING AND TRANSPARENCY

DIRECTORS' SHARE OWNERSHIP

MANAGEMENT BOARD. For the Directors' Share Ownership of the Management Board, please refer to our Compensation Report in the Management Report.

SUPERVISORY BOARD. As of February 29, 2008, the current members of our Supervisory Board held the following numbers of our shares, share grants under our employee share plans and options on our shares.

Members of the Supervisory Board	Number of shares	Number of share grants	Number of Derivatives	Number of options
Dr. Clemens Börsig[1]	124,834	49,674	–	–
Dr. Karl-Gerhard Eick	–	–	–	–
Heidrun Förster	585	10	–	–
Ulrich Hartmann	–	–	–	–
Gerd Herzberg	–	–	–	–
Sabine Horn	61	10	–	–
Rolf Hunck	–	10,869	2,000	200
Sir Peter Job	–	–	–	–
Prof. Dr. Henning Kagermann	–	–	–	–
Ulrich Kaufmann	85	–	–	100
Peter Kazmierczak	20	10	–	–
Maurice Lévy	–	–	–	–
Henriette Mark	368	10	–	100
Prof. Dr. jur. Dr.-Ing. E. h. Heinrich von Pierer	295	–	–	–
Gabriele Platscher	729	–	–	–
Karin Ruck	94	8	–	100
Dr. Theo Siegert	–	–	–	–
Tilman Todenhöfer	300	–	–	–
Dipl.-Ing. Dr.-Ing. E. h. Jürgen Weber	–	–	–	–
Leo Wunderlich	702	10	–	200
Total	**128,073**	**60,601**	**2,000**	**700**

1 Excluding 150 Deutsche Bank shares, pooled in a family held partnership, in which Dr. Clemens Börsig has an interest of 25 %.

As of February 29, 2008, the members of the Supervisory Board held 128,073 shares, amounting to less than 0.03 % of our shares issued on that date.

Some of the Supervisory Board members who are or were formerly employees received grants under our employee share plans entitling them to receive shares at specified future dates or granting them options to acquire shares at future dates. For a description of our employee share plans, please refer to Note [20] of the consolidated financial statements. Shares that have been delivered to such employees as a result of grants under the plans (including following the exercise of options granted thereunder), and that have not been disposed by them, are shown in the "Number of Shares" column in the table above, as are shares otherwise acquired by them. Shares granted under the plans that have not yet been delivered to such employees are shown in the "Number of Share Grants" column.

As listed in the "Number of Share Grants" column in the table, Dr. Clemens Börsig holds 49,674 DB Equity Units granted under the DB Global Partnership Plan in connection with his prior service as a member of our Management Board, which are scheduled to be delivered to him in installments through August 2010. The share grants to Rolf

Hunck include 7,937 under the Restricted Equity Units Plan in connection with his employment with us, which are scheduled to be delivered to him in annual installments in August 2008, 2009, 2010 and 2011 and a further 2,922 shares granted under the DB Equity Units Plan, which are scheduled to be delivered to him in portions in February 2009, 2010, 2011 and 2012. The other grants reflected in the table were made to employee members of our Supervisory Board under the DB Global Share Plan 2007, and are scheduled to be delivered on November 1, 2008.

The derivatives reflected in the table were acquired by Rolf Hunck in February 2008 and include a discount certificate on Deutsche Bank shares.

The options reflected in the table were acquired via the voluntary participation of employee members of our Supervisory Board in the DB Global Share Plan. DB Global Share Plan options issued in 2002 generally have a strike price of € 55.39, can be exercised since January 2, 2005, and have an expiration date of November 13, 2008; those issued in 2003 generally have a strike price of € 75.24, can be exercised since January 2, 2006, and have an expiration date of December 11, 2009. All options are with respect to our ordinary shares.

RELATED PARTY TRANSACTIONS

For information on related party transactions please refer to Note [38].

AUDITING AND CONTROLLING

AUDIT COMMITTEE FINANCIAL EXPERT

Our Supervisory Board has determined that Dr. Clemens Börsig and Dr. Karl-Gerhard Eick, who are members of its Audit Committee, are “audit committee financial experts”, as such term is defined by the regulations of the Securities and Exchange Commission issued pursuant to Section 407 of the Sarbanes-Oxley Act of 2002. As an audit committee financial expert, Dr. Karl Gerhard Eick is “independent” of the bank, as defined in Rule 10A-3 under the U.S. Securities Exchange Act of 1934. Dr. Clemens Börsig was Chief Financial Officer and Chief Risk Officer as well as member of our Management Board until May 3, 2006. Since May 4, 2006, he has been Chairman of the Supervisory Board and a member of the Audit Committee. All compensation payments for his position as Management Board member and as CFO/CRO were paid or determined before his appointment as member of the Supervisory Board and his election to the Audit Committee, or were determined without his involvement in the Chairman’s Committee. Dr. Börsig has declared that he would abstain from voting in his function as member of the Supervisory Board and its committees on all questions that relate to his former membership of the Management Board and could create a conflict of interest. As an audit committee financial expert, he is “independent” as defined in Rule 10A-3 under the U.S. Securities Exchange Act.

CODE OF ETHICS

In accordance with Section 406 of the Sarbanes-Oxley Act of 2002, we adopted a Code of Ethics that applies to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions (“senior financial officers”). Currently at Deutsche Bank these are the Chairman of the Management Board, Chief Financial Officer and Head of Group Accounting as well as members of the Group Finance Committee. A copy of this Code of Ethics is available on our Internet website at http://www.deutsche-bank.com/corporate-governance. In 2007 no complaints were reported to the Corporate Governance Officer regarding the Code of Ethics.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

In accordance with German law, our principal accountants are appointed by our Annual General Meeting based on a recommendation of our Supervisory Board. The Audit Committee of our Supervisory Board prepares the board's recommendation on the selection of the principal accountants. Subsequent to the principal accountants' appointment, the Audit Committee awards the contract and in its sole authority approves the terms and scope of the audit and all audit engagement fees as well as monitors the principal accountants' independence. At our 2006 and 2007 Annual General Meetings, our shareholders appointed KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, which had been our principal accountants for a number of years, as our principal accountants for the 2006 and 2007 financial years, respectively.

The table set forth below contains the aggregate fees billed for each of the last two financial years by our principal accountants in each of the following categories: (i) Audit Fees, which are fees for professional services for the audit of our annual financial statements or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for those financial years, (ii) Audit-Related Fees, which are fees for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements and are not reported as Audit Fees, (iii) Tax Fees, which are fees for professional services rendered for tax compliance, tax consulting and tax planning. These amounts exclude expenses and VAT.

Fee category in € m.	2007	2006
Audit fees	43	44
Audit-related fees	8	10
Tax-related fees	8	7
Total fees	**59**	**61**

Our Audit-Related Fees included fees for accounting advisory, due diligence relating to actual or contemplated acquisitions and dispositions, attestation engagements and other agreed-upon procedure engagements. Our Tax Fees included fees for services relating to the preparation and review of tax returns and related compliance assistance and advice, tax consultation and advice relating to Group tax planning strategies and initiatives and assistance with assessing compliance with tax regulations.

United States law and regulations, and our own policies, generally require that all engagements of our principal accountants be pre-approved by our Audit Committee or must be pursuant to policies and procedures adopted by it. Our Audit Committee has adopted the following policies and procedures for consideration and approval of requests to engage our principal accountants to perform non-audited services. Engagement requests must in the first instance be submitted to our Group Finance Committee, whose members consist of our Chief Financial Officer and senior members of our Finance and Tax departments. If the request relates to services that would impair the independence of our principal accountants, the request must be rejected. Our Audit Committee has given its pre-approval for specified assurance, financial advisory and tax services, provided the expected fees for any such service do not exceed € 1 million. If the engagement request relates to such specified pre-approved services, it may be approved by the Group Finance Committee, which must thereafter report such approval to the Audit Committee. If the engagement request relates neither to prohibited non-audit services nor to pre-approved non-audit services, it must be forwarded by the Group Finance Committee to the Audit Committee for consideration. In addition, to facilitate the consideration of engagement requests between its meetings, the Audit Committee has delegated approval authority to several of its

members who are "independent" as defined by the Securities and Exchange Commission and the New York Stock Exchange. Such members are required to report any approvals made by them to the Audit Committee at its next meeting.

Additionally, United States law and regulations permit the pre-approval requirement to be waived with respect to engagements for non-audit services aggregating no more than five percent of the total amount of revenues we paid to our principal accountants, if such engagements were not recognized by us at the time of engagement and were promptly brought to the attention of our Audit Committee or a designated member thereof and approved prior to the completion of the audit. In the financial years 2006 and 2007, the percentage of the total amount of revenue we paid to our principal accountants for non-audit services in the individual categories that were subject to such a waiver was less than 5 %.

COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE

DECLARATION OF CONFORMITY 2007

The Management Board and Supervisory Board issued a new Declaration of Conformity in accordance with § 161 German Stock Corporation Act (AktG) on October 30, 2007. Since the last Declaration of Conformity dated October 31, 2006, Deutsche Bank AG has complied with the recommendations of the "Government Commission's German Corporate Governance Code" with the following exception:

— For the members of the Management Board and Supervisory Board, there is a directors' and officers' liability insurance policy without a deductible (Code No. 3.8). This is actually a group insurance policy for a large number of staff members in Germany and abroad. Internationally, a deductible is unusual; a differentiation between board members and staff members does not appear to be appropriate.

Deutsche Bank will act in conformity with the recommendations of the "Government Commission's German Corporate Governance Code" in the Code version dated June 14, 2007, published in the Bundesanzeiger on July 20, 2007, with the following exception:

— For the members of the Management Board and Supervisory Board, there is a directors' and officers' liability insurance policy without a deductible (Code No. 3.8). This is actually a group insurance policy for a large number of staff members in Germany and abroad. Internationally, a deductible is unusual; a differentiation between board members and staff members thus does not appear to be appropriate.

The Declaration of Conformity dated October 30, 2007, and all of the previous versions of the Declaration of Conformity are published on Deutsche Bank's website at www.deutsche-bank.com/corporate-governance, where a copy of the German Corporate Governance Code is also available.

STATEMENT ON THE SUGGESTIONS OF THE GERMAN CORPORATE GOVERNANCE CODE

The General Meeting on May 24, 2007, elected Dr. Siegert as a new member of the Supervisory Board for 5 years, with the result that the suggestion of Code No. 5.4.6 was implemented for the first time. Deutsche Bank voluntarily complies with the suggestions of the Code in the version dated June 14, 2007, with the following exceptions:

— The representatives appointed by Deutsche Bank to exercise shareholders' voting rights can be reached by those attending the General Meeting until just before voting commences. The representatives are reachable by those not attending until 12 noon on the day of the General Meeting using the instruction tool in the Internet (Code No. 2.3.3). In this manner, the risk of any technical disruptions directly before voting takes place can basically be excluded. The broadcast through the Internet also ends at the latest at this time, which means information useful for non-participants in forming an opinion can no longer be expected thereafter.

— Our broadcast of the General Meeting through the Internet (Code No. 2.3.4) covers the opening of the General Meeting by the Chairman and the report of the Management Board. The shareholders are thus free to hold their discussions with management unencumbered by a public broadcast to a wide audience.

Supplementary Information

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Management Board

Josef Ackermann
Chairman

Hugo Bänziger

Anthony Di Iorio

Hermann-Josef Lamberti

Supervisory Board

Dr. Clemens Börsig
Chairman,
Frankfurt am Main

Heidrun Förster*
Deputy Chairperson,
Deutsche Bank Privat- und
Geschäftskunden AG,
Berlin

Dr. Karl-Gerhard Eick
Deputy Chairman of the Board
of Management of
Deutsche Telekom AG,
Cologne

Ulrich Hartmann
Chairman of the Supervisory
Board of E.ON AG,
Düsseldorf

Gerd Herzberg*
Deputy Chairman of
ver.di Vereinte Dienstleistungs-
gewerkschaft,
Hamburg

Sabine Horn*
Deutsche Bank AG,
Frankfurt am Main

Rolf Hunck*
Deutsche Bank AG,
Seevetal

Sir Peter Job
London

**Prof. Dr.
Henning Kagermann**
CEO of SAP AG,
Hockenheim

Ulrich Kaufmann*
Deutscher Bankangestellten-
Verband, labor union for financial
services providers, Ratingen

Peter Kazmierczak*
Deutsche Bank AG,
Herne

Maurice Lévy
Chairman and Chief Executive
Officer, Publicis Groupe S.A.,
Paris

Henriette Mark*
Deutsche Bank AG,
Munich

**Prof. Dr. jur. Dr.-Ing. E.h.
Heinrich von Pierer**
Erlangen

Gabriele Platscher*
Deutsche Bank Privat- und
Geschäftskunden AG,
Braunschweig

Karin Ruck*
Deutsche Bank AG,
Bad Soden am Taunus

Dr. Theo Siegert
Managing Partner of
de Haen Carstanjen & Söhne,
Düsseldorf

Tilman Todenhöfer
Managing Partner of
Robert Bosch Industrie-
treuhand KG,
Stuttgart

**Dipl.-Ing. Dr.-Ing. E.h.
Jürgen Weber**
Chairman of the Supervisory
Board of Deutsche Lufthansa AG,
Hamburg

Leo Wunderlich*
Deutsche Bank AG,
Mannheim

* Elected by the employees in Germany.

COMMITTEES

Chairman's Committee
Dr. Clemens Börsig
Chairman

Heidrun Förster*

Ulrich Hartmann

Ulrich Kaufmann*

Mediation Committee
Dr. Clemens Börsig
Chairman

Heidrun Förster*

Ulrich Hartmann

Henriette Mark*

Audit Committee
Dr. Karl-Gerhard Eick
Chairman

Dr. Clemens Börsig

Heidrun Förster*

Sabine Horn*

Rolf Hunck*

Sir Peter Job

Risk Committee
Dr. Clemens Börsig
Chairman

Sir Peter Job

Prof. Dr. Henning Kagermann

Prof. Dr. jur. Dr.-Ing. E.h.
Heinrich von Pierer
Substitute Member

Tilman Todenhöfer
Substitute Member

Nomination Committee
since October 30, 2007

Dr. Clemens Börsig
Chairman

Ulrich Hartmann

Dipl.-Ing. E.h. Dr.-Ing. E.h.
Jürgen Weber

* Elected by the employees in Germany.

European Advisory Board

Werner Wenning
– Chairman
Chairman of the Board of Managing Directors, Bayer AG, Leverkusen

Dr. Kurt Bock
Member of the Group Board, BASF Aktiengesellschaft, Ludwigshafen

Dr. Karl-Ludwig Kley
Chairman of the Executive Board and General Partner, Merck KGaA, Darmstadt

Francis Mer
Bourg-la-Reine

Alexey A. Mordashov
Chairman of the Board of Directors, Severstal; Director General, Company Severstal-Group, Cherepovets

Dr. h. c. August Oetker
General Partner, Dr. August Oetker KG, Bielefeld

Eckhard Pfeiffer
Kitzbühel

Dr. Bernd Pischetsrieder
Volkswagen AG, Wolfsburg

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President and CEO, Linde AG, Munich

Dr. rer. pol. Michael Rogowski
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Håkan Samuelsson
President and CEO, MAN Aktiengesellschaft, Munich

Maria-Elisabeth Schaeffler
Partner and Chairman of the Supervisory Board, INA-Holding Schaeffler KG, Herzogenaurach

Jürgen R. Thumann
President, BDI – Federation of German Industries, Chairman of the Shareholders' Committee, Heitkamp & Thumann KG, Düsseldorf

Dr. Dieter Zetsche
Chairman of the Board of Management, Daimler AG, and Mercedes-Benz Cars Division, Stuttgart

Americas Advisory Board

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Former CEO & Chairman,
Lockheed Martin

Michael Capellas
Senior Advisor, Silver Lake Partners;
former President & CEO, MCI

Anthony W. Deering
Chairman, Exeter Capital

Archie Dunham
Former Chairman, ConocoPhillips

Benjamin H. Griswold, IV
Chairman, Brown Advisory

Robert L. Johnson
Founder & Chairman,
the RLJ Companies

Edward Kangas
Chairman, Tenet Healthcare

Ellen R. Marram
President,
The Barnegat Group LLC

Lynn Martin
President, Martin Hall Group;
former U.S. Secretary of Labor

Robert P. May
CEO, Calpine Corp.

George J. Mitchell
Former Chairman,
Walt Disney Company;
former U.S. Senator

Michael E. J. Phelps
Chairman, Dornoch Capital

John Snow
Chairman,
Cerberus Capital Management;
former U.S. Secretary of the
Treasury

Latin American Advisory Board

Mauricio Botelho
Former President and CEO,
Embraer, Brazil

Fernando Henrique Cardoso
Former President of the
Federative Republic of Brazil

Nicolás Eyzaguirre Guzmán
Former Minister of Finance of the
Republic of Chile

Enrique Iglesias
Secretary-General,
Ibero-American Conference

Pedro Pablo Kuczynski
Partner & Senior Advisor,
the Rohatyn Group;
former Prime Minister of Peru

Amalia Lacroze de Fortabat
Owner and President,
Grupo Fortabat, Argentina

Lynn Martin
President, Martin Hall Group;
former U.S. Secretary of Labor

Luis Pagani
President, Asociación Empresaria,
Argentina

Miguel Urrutia Montoya
Professor at the Universidad de
los Andes; former Governor of the
Central Bank of Colombia

Asia Pacific Advisory Board

Pham Thanh Binh
Chairman and CEO,
Vinashin, Vietnam

Robert E. Fallon
Former Chairman,
Korea Exchange Bank, Korea

Toru Hashimoto
Senior Advisor,
Deutsche Securities Inc., Japan

Nobuyuki Idei
Founder and CEO,
Quantum Leaps Corporation,
Japan

Dr. Tony Tan Keng Yam
Former Deputy Prime Minister and
Co-ordinating Minister for Security
and Defence of Singapore

Gang-Yon Lee
Chairman of the Board,
Korea Gas Corporation and
Senior Advisor to Lee International
IP & Law Group, Korea

Dr. David K.P. Li
Chairman and Chief Executive,
The Bank of East Asia, China

Dr. Li Qingyuan
Director-General, Office of Strategy
and Development Committee at the
Securities Regulatory Commission,
China

Subramaniam Ramadorai
CEO and Managing Director,
Tata Consultancy Services Limited,
India

Sofjan Wanandi
Chairman and CEO,
Gemala Group, Indonesia

Zhang Yunling
Professor of International Economics
at the Chinese Academy of Social
Science, China

Group Five-Year Record

	Data according to IFRS		Data according to U.S. GAAP [1]		
Balance Sheet in € m.	**2007**	**2006**	**2005**	**2004**	**2003**
Total assets	2,020,349	1,584,493	992,161	840,068	803,614
Loans, net	198,892	178,524	151,355	136,344	144,946
Liabilities[2]	1,981,883	1,551,018	961,603	813,616	775,065
Total shareholders' equity	37,044	32,758	29,936	25,904	28,202
Minority interest[3]	1,422	717	622	548	347
Tier 1 risk-based capital (BIS)	28,320	23,539	21,898	18,727	21,618
Total risk-based capital (BIS)	38,049	34,309	33,886	28,612	29,871

Income Statement in € m.	**2007**	**2006**	**2005**	**2004**	**2003**
Net interest income	8,849	7,008	6,001	5,182	5,847
Provision for credit losses[4]	612	298	350	307	1,063
Commissions and fee income	12,289	11,195	10,089	9,506	9,332
Net gains (losses) on financial assets/liabilities at fair value through profit or loss[5]	7,175	8,892	7,429	6,186	5,611
Other noninterest revenues	2,432	1,399	2,121	1,044	478
Total noninterest revenues	**21,896**	**21,486**	**19,639**	**16,736**	**15,421**
Compensation and benefits	13,122	12,498	10,993	10,222	10,495
General and administrative expenses[4,6]	7,954	7,069	7,366	6,681	6,759
Policyholder benefits and claims	193	67	52	260	110
Impairment of intangible assets	128	31	–	19	114
Restructuring activities	(13)	192	767	400	(29)
Total noninterest expenses[4,6]	**21,384**	**19,857**	**19,178**	**17,582**	**17,449**
Income before income tax expense[6,7]	**8,749**	**8,339**	**6,112**	**4,029**	**2,756**
Income tax expense (benefit)	2,239	2,260	2,039	1,437	1,327
Effect from the reversal of 1999/2000 credits for tax rate changes			544	120	215
Cumulative effect of accounting changes, net of tax			–	–	151
Net income[8]	**6,510**	**6,079**	**3,529**	**2,472**	**1,365**
Net income attributable to minority interest	36	9			
Net income attributable to Deutsche Bank shareholders	6,474	6,070			

Key figures	**2007**	**2006**	**2005**	**2004**	**2003**
Basic earnings per share	€ 13.65	€ 12.96	€ 7.62	€ 5.02	€ 2.44
Diluted earnings per share	€ 13.05	€ 11.48	€ 6.95	€ 4.53	€ 2.31
Dividends paid per share in period	€ 4.00	€ 2.50	€ 1.70	€ 1.50	€ 1.30
Return on average total shareholders' equity (post-tax)	18.0%	20.4%	12.5%	9.1%	4.7%
Pre-tax return on average shareholders' equity	24.3%	28.0%	21.7%	14.8%	9.5%
Cost/income ratio	69.6%	69.7%	74.7%	79.9%	81.8%
BIS core capital ratio (Tier 1)	8.6%	8.5%	8.7%	8.6%	10.0%
BIS capital ratio (Tier 1 + 2 + 3)	11.6%	12.5%	13.5%	13.2%	13.9%
Employees (full-time equivalent)	78,291	68,849	63,427	65,417	67,682

1 U.S. GAAP Balance Sheet, Income Statement and Key figures are only partially comparable with IFRS, presentation of U.S. GAAP Income Statement data was adjusted to IFRS definition.
2 Excluding minority interest
3 Minority interest is included in total equity under IFRS and included in other liabilities under U.S. GAAP.
4 For U.S. GAAP: Provision for off-balance sheet positions reclassified from General and administrative expenses to provisions for credit losses.
5 For U.S. GAAP: Trading revenues, net
6 For U.S. GAAP: Includes minority interest expense
7 For U.S. GAAP: Income before income tax expense and cumulative effect of accounting changes
8 For U.S. GAAP: Net income attributable to Deutsche Bank shareholders

Declaration of Backing[1]

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

Berliner Bank AG & Co. KG, Berlin

DB Investments (GB) Limited, London

Deutsche Asset Management International GmbH, Frankfurt am Main

Deutsche Asset Management Investmentgesellschaft mbH vormals DEGEF Deutsche Gesellschaft für Fondsverwaltung mbH, Frankfurt am Main

Deutsche Australia Limited, Sydney

Deutsche Bank Americas Holding Corp., Wilmington

Deutsche Bank (China) Co., Ltd., Beijing

Deutsche Bank Luxembourg S.A., Luxembourg

Deutsche Bank (Malaysia) Berhad, Kuala Lumpur

Deutsche Bank Polska S.A., Warsaw

Deutsche Bank (Portugal), S.A., Lisbon

Deutsche Bank Rt., Budapest

Deutsche Bank S.A., Buenos Aires

Deutsche Bank S.A. – Banco Alemão, São Paulo

Deutsche Bank S.A./N.V., Brussels

Deutsche Bank, Sociedad Anónima Española, Barcelona

Deutsche Bank Società per Azioni, Milan

Deutsche Bank (Suisse) S.A., Geneva

Deutsche Futures Singapore Pte Ltd., Singapore

Deutsche Morgan Grenfell Group plc, London

Deutsche Securities Asia Limited, Hong Kong

Deutsche Securities Limited, Hong Kong

DWS Holding & Service GmbH, Frankfurt am Main

DWS Investment GmbH, Frankfurt am Main

DWS Investment S.A., Luxembourg

OOO Deutsche Bank, Moscow

Schiffshypothekenbank zu Lübeck Aktiengesellschaft, Hamburg

1 Companies with which a profit and loss transfer agreement exists are marked in the List of shareholdings.

Glossary

Alternative assets/investments
Direct investments in → Private equity, venture capital, mezzanine capital, real estate capital investments and investments in leveraged buyout funds, venture capital funds and → Hedge funds.

Asset-backed securities
Particular type of securitized payment receivables in the form of tradable securities. These securities are created by the repackaging of certain financial assets → (Securitization).

Average Active Equity
We calculate active equity to make it easier to compare us to our competitors and we refer to active equity for several ratios. However, active equity is not a measure provided for in → IFRS and you should not compare our ratios based on average active equity to other companies' ratios without considering the differences in the calculation. The items for which we adjust the average shareholders' equity are average unrealized net gains on assets available for sale, average fair value adjustments on cash flow hedges (both components net of applicable taxes), as well as average dividends, for which a proposal is accrued on a quarterly basis and for which payments occur once a year following the approval by the general shareholders' meeting.

Back-testing
Back-testing is used to verify the predictive power of the → Value-at-risk model. Hypothetical daily profits and losses are compared with the estimates we had forecasted using the Value-at-risk model.

Banking book
All risk positions that are not allocated to the → Trading book.

BIS capital ratio
Key figure for international banks expressing in % the ratio between their capital and their risk-weighted position for regulatory purposes. The minimum total capital ratio to be complied with is 8 % and the minimum core capital ratio 4 %.

BIS
Bank for International Settlements domiciled in Basel.

Book value per share issued
Book value value per share issued is defined as shareholders' equity divided by the number of shares issued (both at period end).

Book value per basic share outstanding
Book value per basic share outstanding is defined as shareholders' equity divided by the number of basic shares outstanding (both at period end).

Broker/brokerage
Brokers accept orders to buy and sell securities from banks and private investors and execute them on behalf of the customer. For this activity, the broker usually receives a commission.

Buyout
Purchase (in full or in part) of a company or specific corporate activities.

Capital according to BIS
Capital recognized for regulatory purposes according to the Basel Capital Adequacy Accord of 1988 (last amended in January 1996) for international banks.
Total capital consists of:
– core capital or Tier 1 capital: primarily share capital, reserves and hybrid capital components,
– supplementary capital or Tier 2 capital: primarily participatory capital, long-term subordinated debt, unrealized gains on listed securities and other inherent loss allowances,
– Tier 3 capital: mainly short-term subordinated debt and excess Tier 2 capital.
Supplementary capital is limited to 100 % of core capital and the amount of long-term subordinated debt that can be recognized as supplementary capital is limited to 50 % of core capital.

Cash flow statement
Calculation and presentation of the cash flow generated or consumed by a company during a financial year as a result of its business, investing and financing activities, and reconciliation of holdings of cash and cash equivalents (cash reserve) at the beginning and end of a financial year.

Cash management
Refers to the management of liquid assets in dollars, euro and other currencies for companies and financial institutions to optimize financial transactions.

Cash margin receivables/payables
Balances placed by/placed with Deutsche Bank at/by → broker-dealers and clearing organizations for clearing purposes.

Clearing
The process of transmitting, reconciling and, in some cases, confirming payment orders.

Compensation ratio
Compensation and benefits as a percentage of total net revenues, which is defined as net interest income before provision for credit losses plus noninterest income.

Confidence level
In the framework of the → Value-at-risk concept it is the level of probability that the loss stated by the Value-at-risk will arise in the respective interval.

Cost/income ratio
In general: a ratio expressing a company's cost effectiveness which sets operating expenses in relation to operating income.

Country risk
The risk that we may suffer a loss, in any given country, due to political and social unrest, nationalization and expropriation of assets, government repudiation of external indebtedness, exchange controls and currency depreciation or devaluation.

Credit default swap
An agreement between two parties whereby one party pays the other a fixed coupon over a specified term. The other party makes no payment unless a specified credit event such as a default occurs, at which time a payment is made and the swap terminates.

Credit derivatives
Financial instruments with which → Credit risk connected with loans, bonds or other risk-weighted assets or market risk positions is transferred to parties providing protection. This does not alter or re-establish the underlying credit relationship of the original risk-takers (parties selling the credit risks).

Credit risk
Risk that customers may not be able to meet their contractual payment obligations. Credit risk includes default risk, → Country risk and settlement risk.

Custody
Custody and administration of securities as well as additional securities services.

Derivatives
Financial instruments whose value derives largely from the price, price fluctuations and price expectations of an underlying instrument (e.g. share, bond, foreign exchange or index). Derivatives include → Swaps, → Options and → Futures.

Deferred taxes
Income tax to be paid or received as a result of temporary differences between the carrying amounts in the financial accounts and the relevant tax base or the value of unused tax losses and unused tax credits. At the balance sheet date, deferred taxes do not yet represent actual amounts receivable or payable from or to tax authorities.

Earnings per share
Key figure determined according to → IFRS and expressing a company's net income attributable to its shareholders in relation to the average number of common shares outstanding. Apart from basic earnings per share, diluted earnings per share must also be reported if the assumed conversion and exercise of outstanding share options, unvested deferred share awards and convertible debt and certain forward contracts could increase the number of shares.

Economic capital
A figure which states with a high degree of certainty the amount of equity capital we need at any given time to absorb unexpected losses arising from current exposures. It must be clearly distinguished from reported capital and reserves.

Emerging markets
Expanding markets in developing nations, primarily financial markets.

Equity capital markets
Primarily, activities connected with a company's IPO or the placement of new shares. It also covers the privatization of state-owned companies.

Equity method
Valuation method for investments in companies over which significant influence can be exercised. The pro-rata share of the company's net income (loss) increases (decreases) the carrying value of the investment affecting net income. Distributions decrease the carrying value of the investment without affecting net income.

Event risk scenarios
Scenarios representing important events, e.g. large movements in interest or exchange rates.

Expected loss
Measurement of the default loss to be expected in our loan portfolio within one year on the basis of historical loss data.

Exposure
The amount which the bank may lose in case of losses incurred due to risks taken, e.g. in case of a borrower's or counterparty's default.

Fair value
Amount at which assets or liabilities would be exchanged between knowledgeable, willing and independent counterparties.

Financial assets available for sale
Non-derivatives financial assets that are designated as available for sale or are not classified as loans and receivables or financial assets at fair value through profit and loss. They are reported in the balance sheet at their → Fair value. Changes in Fair value are generally reported in → Net gains/losses not recognized in the income statement in shareholders' equity. Impairments and realized gains and losses are reported in the consolidated statement of income.

Futures
Forward contracts standardized with respect to quantity, quality and delivery date, in which an instrument traded on the money, capital, precious metal or foreign exchange markets, is to be delivered or taken receipt of at an agreed price at a certain future time. Cash settlement is often stipulated for such contracts (e.g. futures based on equity indices) to meet the obligation (instead of delivery or receipt of securities).

General business risk
Risk arising from changes in general business conditions, such as market environment, client behavior and technological progress. These factors can affect our earnings if we are unable to adjust quickly to changes in them.

Goodwill
The amount which the buyer of a company pays, taking account of future earnings, over and above the → Fair value of the company's individually identifiable assets and liabilities.

Hedge accounting
Financial reporting of hedging relationships which are subject to certain conditions.

Hedge fund
A fund whose investors are generally institutions and wealthy individuals. Hedge funds can employ strategies which mutual funds are not permitted to use. Examples include short selling, leveraging and → Derivatives. Hedge fund returns are often uncorrelated with traditional investment returns.

IFRS (International Financial Reporting Standards) / previously IAS (International Accounting Standards)
Financial Reporting Rules of the International Accounting Standards Board to ensure globally transparent and comparable accounting and disclosure. Main objective is to present information that is useful in making economic decisions, mainly for investors.

Investment banking
Generic term for capital market-oriented business. This includes primarily the issuing and trading of securities and their → Derivatives, interest and currency management, corporate finance, M&A advisory, structured finance and → Private equity.

Liquidity risk
Risk to our earnings and capital arising from the bank's potential inability to meet matured obligations without incurring unacceptably high losses.

Market risk
Arises from the uncertainty concerning changes in market prices and rates (including interest rates, share prices, foreign exchange rates and commodity prices), the correlations among them and their levels of volatility.

Mark-to-market valuation
Valuation at current market prices. Applies, for instance, to trading activities .

Mezzanine
Flexible, mixed form of financing comprising equity and debt capital.
Here: long-term subordinated financing instrument used to finance growth while at the same time strengthening the borrower's economic equity capital base.

Monte Carlo simulation
A Monte Carlo simulation is a model that calculates the gain or loss from a transaction by analyzing a large number of different market scenarios (e.g.10,000).

Netting agreements
Contracts between two parties that under certain circumstances – e.g. insolvency – mutual claims from outstanding business can be offset against each other. The inclusion of a legally binding netting agreement reduces the default risk from a gross to a net amount.

Net gains (losses) not recognized in the income statement
Primarily includes unrealized gains and losses on foreign currency translation and on financial assets available for sale. These unrealized gains and losses are not included in net income but reported in net gains (losses) not recognized in the income statement in shareholders' equity.

Non-compensation ratio
Non-compensation noninterest expenses, which is defined as total noninterest expenses less compensation and benefits, as a percentage of total net revenues, which is defined as net interest income before provision for credit losses plus noninterest income.

Operational risk
Potential for incurring losses in relation to employees, project management, contractual specifications and their documentation, technology, infrastructure failure and disasters, external influences and customer relationships. This definition includes legal and regulatory risk.

Option
Right to purchase (call option) or sell (put option) a specific underlying (e.g. security or foreign exchange) from or to a counterparty (option seller) at a predetermined price on or before a specific future date.

OTC derivatives
Nonstandardized financial instruments (→ Derivatives) not traded on a stock exchange, but directly between market participants (over the counter).

Portfolio
In general: part or all of one or all categories of asset (e.g. securities, loans, equity investments or real estate). Portfolios are formed primarily to diversify risk.
Here: combination of similar transactions, especially in securities and/or → Derivatives, under price risk considerations.

Private banking
Business with investment-oriented and high net worth clients.

Private equity
Equity investment in non-listed companies. Examples are venture capital and buyout funds.

Probability of default
States the expected average probability of counterparty default, based on a statistical analysis of historical defaults in our → Portfolio.

Projected unit credit method
An accrued benefit valuation method, according to IAS 19, used to determine the actuarial present value of an enterprise's defined benefit obligations and the related current service cost. This method takes into account the expected rates of salary increases, for instance, as the basis for future benefit increases. The rate used to discount post-employment benefit obligations is determined by reference to market yields at the balance sheet date on high quality corporate bonds.

Rating
External: standardized evaluation of issuers' credit standing and debt instruments, carried out by specialized agencies.
Internal: detailed risk assessment of every → Exposure associated with an obligor.

Receivables/payables related to prime brokerage
Receivables/payables related to prime brokerage are amounts owed to/owed by Deutsche Bank from activities such as acting as settlement agent, custody provider, financing/funding provider and preparer of account statements for clients who are money managers, → hedge funds, market makers and other professional investors.

Registered shares
Shares registered in a person's name. As required under joint stock company law, that person is registered in the share register with several personal details and the number of shares owned. Only those persons entered in the share register are deemed to be shareholders of the company and are entitled, for instance, to exercise rights at the General Meeting.

Repo (repurchase agreement)
An agreement to repurchase securities sold (genuine repurchase agreement where the asset remains the seller's property). From the buyer's viewpoint, the transaction is a reverse repo.

Pre-tax return on average active equity
Income before income tax expense attributable to Deutsche Bank shareholders (annualized), which is defined as Income before income taxes less minority interest, as a percentage of → average active equity.

Return on average total shareholders' equity (RoE)
In general: ratio showing the income situation of a company, setting profit (net income) in relation to capital employed.
Here: net income as a percentage of average capital employed over the year

Risk position according to BIS
The risk position according to → BIS is made up of risk-weighted assets, comprising above all the counterparty risks in the → Banking book and the → Trading book, and the market risk equivalent for interest, foreign exchange, equity and commodity price risks.

While the risk-weighted assets are calculated on the basis of regulatory standard methods, the market risk equivalent corresponds to 12.5 times our → Value-at-risk figure (99 % → Confidence level and ten days holding period), which is calculated on the basis of our regulatorily recognized internal models and scaled up with a bank-specific multiplier (at least 3).

Sarbanes-Oxley-Act (SOX)
U.S. capital market law passed in 2002 to strengthen corporate governance and restore investor confidence in response to a number of major corporate and accounting scandals. Legislation establishes new or enhanced standards ranging from additional Corporate Board responsibilities to criminal penalties for all companies that have listed their shares on a U.S. stock exchange.

Securitization
In general: rights evidenced by securities (e.g. shares or bonds).
Here: replacing loans or financing various kinds of claims by issuing securities (such as bonds or commercial paper).

Segment information
Disclosure of a company's assets and income, broken down by activity (division) and geographical area (region).

Shareholder value
Management concept that focuses strategic and operational decision-making on the steady growth of a company's value. The guiding principle is that only returns above the cost of capital add value for shareholders.

Swaps
In general: exchange of one payment flow for another.
Interest rate swap: exchange of interest payment flows in the same currency with different terms and conditions (e.g. fixed or floating).
Currency swap: exchange of interest payment flows and principal amounts in different currencies.

Target definition
Target definition excludes significant gains (such as gains from the sale of industrial holdings, businesses or premises) or significant charges (such as charges from restructuring, goodwill impairment or litigation) if they are not indicative of the future performance of Deutsche Bank core businesses.

Total recognized income and expense
Change of equity excluding transactions with shareholders (e.g. dividends, issuance of shares). It consists primarily of net income recognized in the income statement and → Net gains (losses) not recognized in the income statement.

Trading book
A bank-regulatory term for positions in financial instruments, shares and tradable claims held by a bank which are intended for resale in the short term to benefit from price and interest rate fluctuations. This also includes business that is closely associated with trading book positions (e.g. for hedging purposes). Risk positions not belonging to the trading book are shown in the → Banking book.

Trust preferred securities
Hybrid capital instruments characterized by profit-related interest payments. Under banking regulations they are part of core capital if interest payments are not accumulated in case of losses (non cumulative trust preferred securities) and if the instruments do not have a stated maturity date or if they are not redeemable at the option of the holder. Otherwise they are included in supplementary capital (for example cumulative trust preferred securities).

U.S. GAAP (United States Generally Accepted Accounting Principles)
U.S. accounting principles drawn up by the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants (AICPA). In addition, the interpretations and explanations furnished by the Securities and Exchange Commission (SEC) are particularly relevant for companies listed on the stock exchange. As in the case of → IFRS the main objective is to provide decision useful information, especially for investors.

Value-at-risk
Value-at-risk measures, for a given → Portfolio, the potential future loss (in terms of market value) that, under normal market conditions, will not be exceeded in a given period and with a given → Confidence level.

Impressum/Publications

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Cautionary statement regarding forward-looking statements

This report contains forward-looking statements. Forward-looking statements are statements that are not historical facts; they include statements about our beliefs and expectations and the assumptions underlying them. These statements are based on plans, estimates and projections as they are currently available to the management of Deutsche Bank. Forward-looking statements therefore speak only as of the date they are made, and we undertake no obligation to update publicly any of them in light of new information or future events.

By their very nature, forward-looking statements involve risks and uncertainties. A number of important factors could therefore cause actual results to differ materially from those contained in any forward-looking statement. Such factors include the conditions in the financial markets in Germany, in Europe, in the United States and elsewhere from which we derive a substantial portion of our trading revenues, potential defaults of borrowers or trading counterparties, the implementation of our management agenda, the reliability of our risk management policies, procedures and methods, and other risks referenced in our filings with the U.S. Securities and Exchange Commission. Such factors are described in detail in our SEC Form 20-F of 26 March 2008 in the section “Risk Factors”. Copies of this document are available upon request or can be downloaded from www.deutsche-bank.com/ir

We will be happy to send you the following publications relating to the financial statements.
Please note that Deutsche Bank Group’s annual report consists of two separate sections: Annual Review 2007 and Financial Report 2007.

Annual Review 2007
(German and English)

Financial Report 2007
(German and English)

Annual Report 2007 on Form 20-F
(English)

Annual Financial Statements and Management Report of Deutsche Bank AG 2007
(German and English)

List of Mandates 2007
(German and English)

List of shareholdings 2007
(German and English)

List of Advisory Council Members
(German)

Corporate Social Responsibility – Report 2007
(from May 2008 in German and English)

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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

Annex 2
Financial Report 2006

Deutsche Bank

THE GROUP AT A GLANCE

	2006	2005
Share price at period end	€ 101.34	€ 81.90
Share price high	€ 103.29	€ 85.00
Share price low	€ 80.74	€ 60.90
Dividend per share (proposed for 2006)	€ 4.00	€ 2.50
Basic earnings per share	€ 13.31	€ 7.62
Diluted earnings per share[1]	€ 11.55	€ 6.95
Average shares outstanding, in m., basic	450	463
Average shares outstanding, in m., diluted	511	509
Return on average total shareholders' equity (post-tax)	19.5 %	12.5 %
Adjusted return on average active equity (post-tax)[2, 3]	22.2 %	16.2 %
Pre-tax return on average total shareholders' equity	26.4 %	21.7 %
Pre-tax return on average active equity[3]	30.4 %	24.3 %
Cost/income ratio[4]	70.2 %	74.7 %
	in € m.	in € m.
Total revenues	28,338	25,640
Provision for loan losses	330	374
Total noninterest expenses	19,883	19,154
Income before income tax expense and cumulative effect of accounting changes	8,125	6,112
Net income	5,986	3,529
	Dec 31, 2006	Dec 31, 2005
	in € bn.	in € bn.
Total assets	1,126	992
Loans, net	168	151
Shareholders' equity	32.8	29.9
BIS core capital ratio (Tier I)	8.9 %	8.7 %
	Number	Number
Branches	1,717	1,588
thereof in Germany	934	836
Employees (full-time equivalent)	68,849	63,427
thereof in Germany	26,401	26,336
Long-term rating		
Moody's Investors Service, New York	Aa3	Aa3
Standard & Poor's, New York	AA–	AA–
Fitch Ratings, New York	AA–	AA–

1 Including effect of dilutive derivatives, net of tax.

2 Net income of € 5,986 million for 2006 and € 3,529 million for 2005 is adjusted for the reversal of 1999/2000 credits for tax rate changes of € (1) million for 2006 and € 544 million for 2005, and cumulative effect of accounting changes, net of tax of € 46 million for 2006.

3 We calculate this adjusted measure of our return on average total shareholders' equity to make it easier to compare us to our competitors. We refer to this adjusted measure as our "return on average active equity". However, this is not a measure of performance under U.S. GAAP and you should not compare our ratio to other companies' ratios without considering the differences in calculation of the ratios. The items for which we adjust the average shareholders' equity of € 30,765 million for 2006 and € 28,201 million for 2005 are the average unrealized net gains on securities available for sale, net of applicable tax effects of € 2,382 million for 2006 and € 2,023 million for 2005 and the average dividends of € 1,615 million for 2006 and € 1,048 million for 2005. The dividend is paid once a year following its approval by the general shareholders' meeting.

4 Noninterest expenses as a percentage of net interest revenues before provision for loan losses plus noninterest revenues.

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

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Management Report

The following discussion and analysis should be read in conjunction with the consolidated financial statements and the related notes to them. Our consolidated financial statements for the years ended December 31, 2006 and 2005 have been audited by KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft that issued an unqualified opinion.

BUSINESS AND OPERATING ENVIRONMENT

OUR ORGANIZATION

Headquartered in Frankfurt am Main, Germany, we are the largest bank in Germany, and one of the largest financial institutions in Europe and the world, as measured by total assets of € 1,126 billion as of December 31, 2006. As of that date, we employed 68,849 people on a full-time equivalent basis, operating in 73 countries out of 1,717 facilities worldwide, of which 54 % were in Germany. We offer a wide variety of investment, financial and related products and services to private individuals, corporate entities and institutional clients around the world.

We are organized into three group divisions, two of which are further sub-divided into corporate divisions. As of December 31, 2006, our group divisions were:

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

In addition, we have organized our internal service providers into an infrastructure group, which also includes the Corporate Center, and we created a regional management function that covers regional responsibilities worldwide.

ECONOMIC ENVIRONMENT IN 2006

The global economy expanded by another 5 % in the past year, which means that growth remained well above its long-term average. About half of the increase in real global GDP was generated in China and the United States, where the growth rates were 10.7 % and 3.4 % respectively. In Japan the growth rate remained at just over 2 %, whereas real GDP growth in the eurozone nearly doubled to 2.7 %. Germany managed to keep up with its neighbors' growth rates, helped by exceptional factors, in particular the bringing-forward of purchases to beat the increase in value-added tax (VAT). Real German GDP also grew 2.7 % in 2006. In previous years Germany's growth rates still lagged well behind those of other EMU countries. Capital markets remained benign overall during 2006, although global monetary policy became tighter. The U.S. Federal Reserve hiked its key rates by a further 200 basis points to 5.25 %. The European Central Bank stepped up the rate-hike campaign embarked upon in late 2005 by raising key rates 100 basis points to 3.5 %. The Japanese Central Bank also ended its extremely loose monetary policy by implementing its first rate hike to 0.25 %. Equity markets also continued to flourish in 2006. The DAX gained 22 % in the past year. The Dow Jones rose 16 %. The Nikkei Index gained just 7 %; this came, however, after a 40 % increase in 2005.

In 2006, the banks even achieved another substantial increase in profits from the previous year's record highs. This was attributable mainly to the particularly benign capital market environment and still accommodative monetary policy. Thanks to the ongoing rally in the international financial markets and the absence of negative shocks, commissions and trading revenues reached new all-time highs. Interest income, by contrast, remained as weak as in the preceding year, so non-interest revenue components continued to gain in relative importance for the banks. Under the pressure of rising interest rates in the major industrialized countries, mortgage lending – a segment with hitherto highly dynamic growth – started to lose momentum in a number of markets even though the US-led interest cycle began to turn. Consumer credit business, however, expanded further, benefiting from the optimistic outlook of households as a result of the favorable macroeconomic situation. The pronounced increase in investment in the European corporate sector, and especially in Germany, as well as high M&A intensity helped the banks to expand corporate lending markedly. Despite strong demand, fierce competition still prevented a widening of the tight margins, though. In the course of the year, risk provisioning rose considerably from historically very low levels but, in keeping with low default rates, remained limited. At the same time, after several years of strict cost control and conservative capital management, many banks have been aiming at stronger growth again, in the form of both organic growth and M&A activity. Consequently, consolidation in the European banking sector and in the USA has continued via cross-border and national mergers. All in all, however, the rise in costs triggered by higher investment and moderate hiring was outstripped by the rise in revenues.

EXECUTIVE SUMMARY

In 2006, we reaped the benefits of this generally favorable environment. We believe that we reaped these benefits because our business model has become more efficient, we hold leading positions in key businesses and we possess a global network. We also profited because we maintained a leading position in our home market, Germany. We generated higher revenues in most business areas, which combined with performance-related expense growth, decreased loan loss provisions and lower tax expenses, resulted in a significant increase in profitability.

Income before income tax expense increased from € 6.1 billion in 2005 to € 8.1 billion in 2006. These results included restructuring charges related to the Business Realignment Program of € 192 million in 2006 and € 767 million in 2005. We reported a pre-tax return on average active equity of 30 % in 2006, a substantial improvement over 24 % in 2005 (pre-tax return on average total shareholders' equity was 26 % and 22 %, for 2006 and 2005, respectively). Net income for 2006 increased by 70 % to € 6.0 billion compared to € 3.5 billion in 2005. Results in 2006 included € 355 million of corporate tax credits due to changes, in 2006, in the German corporate income tax law. Diluted earnings per share grew significantly by 66 % to € 11.55.

Compared to 2005, total net revenues excluding the provision for loan losses increased by € 2.7 billion, or 11 %, to € 28.3 billion in 2006. Net interest and trading revenues were up € 918 million, or 15 %, and € 818 million, or 11 %, respectively. This growth was primarily attributable to the record performance of our Sales & Trading businesses, which achieved total revenues (net interest, trading, fee and other revenues) of € 13.1 billion, up 23 % from the previous year. Most of our businesses performed very strongly, driven by innovative, "intellectual capital" businesses. Commission and fee revenues improved by € 1.5 billion to € 11.5 billion in 2006, driven by strong results in our origination/advisory, investment management and transaction service businesses. Revenues from our portfolio of securities available for sale declined significantly compared to 2005, mainly due to prior year gains from the reduction of our stake in DaimlerChrysler AG.

Our total noninterest expenses were € 19.9 billion in 2006 compared to € 19.2 billion in 2005. This increase was primarily attributable to higher performance-related bonuses, in line with strong business results, and continued investments in growth businesses. Partly offsetting the increase was a decline of € 575 million in restructuring charges to € 192 million in 2006.

In 2006, the provision for loan losses was € 330 million compared to € 374 million in 2005. The level in 2006 reflected the continuation of our growth strategy in the consumer lending business, more than offset by releases and recoveries from successful workout activities. At the end of 2006, problem loans were € 3.3 billion, down 15 % from € 3.9 billion at the end of 2005, reflecting the quality of our loan book, tight credit risk management, the positive results of workout processes and the overall benign credit environment.

The following table presents our condensed consolidated statement of income for 2006 and 2005.

			2006 increase (decrease) from 2005	
in € m.	2006	2005	in €	in %
Net interest revenues	6,919	6,001	918	15
Provision for loan losses	330	374	(44)	(12)
Net interest revenues after provision for loan losses	**6,589**	**5,627**	**962**	**17**
Commissions and fee revenues	11,544	10,089	1,455	14
Trading revenues, net	8,247	7,429	818	11
Net gains on securities available for sale	407	1,055	(648)	(61)
Net income (loss) from equity method investments	512	418	94	22
Other noninterest revenues	709	648	61	9
Total noninterest revenues	**21,419**	**19,639**	**1,780**	**9**
Total net revenues	**28,008**	**25,266**	**2,742**	**11**
Compensation and benefits	12,649	10,993	1,656	15
Goodwill impairment/impairment of intangibles	31	–	31	N/M
Restructuring activities	192	767	(575)	(75)
Other noninterest expenses	7,011	7,394	(383)	(5)
Total noninterest expenses	**19,883**	**19,154**	**729**	**4**
Income before income tax expense and cumulative effect of accounting changes	**8,125**	**6,112**	**2,013**	**33**
Income tax expense	2,186	2,039	147	7
Effect from the reversal of 1999/2000 credits for tax rate changes	(1)	544	(545)	N/M
Income before cumulative effect of accounting changes, net of tax	**5,940**	**3,529**	**2,411**	**68**
Cumulative effect of accounting changes, net of tax	46	–	46	N/M
Net income	**5,986**	**3,529**	**2,457**	**70**

N/M – Not meaningful

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

in € m. (except per share amounts)	2006	Per share (basic)	Per share (diluted)	2005	Per share (basic)	Per share (diluted)
Net income	**5,986**	**13.31**	**11.55**	**3,529**	**7.62**	**6.95**
Add (deduct):						
Reversal of 1999/2000 credits for tax rate changes	(1)	–	–	544	1.18	1.07
Cumulative effect of accounting changes, net of tax	(46)	(0.10)	(0.09)	–	–	–
Net income before reversal of 1999/2000 credits for tax rate changes and cumulative effect of accounting changes, net of tax	**5,939**	**13.20**	**11.46**	**4,073**	**8.80**	**8.02**

Net income above included pre-tax gains of € 10 million in 2006, € 750 million in 2005 and € 140 million in 2004 on sales of securities that generated the reversal of the 1999/2000 credits for tax rate changes.

EFFECTS OF 1999/2000 GERMAN TAX REFORM LEGISLATION AND ACCOUNTING FOR INCOME TAXES

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

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

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

in € bn.	2006	2005	2004	2003	2002
Market value	4.8	4.1	5.4	6.3	5.3
Cost	2.2	2.2	4.0	4.6	5.0
Unrealized gains in other comprehensive income	**2.6**	**1.9**	**1.4**	**1.7**	**0.3**
Less: deferred tax relating to 1999 and 2000 tax rate changes in Germany	2.1	2.1	2.7	2.8	2.9
Other comprehensive income (loss), net	**0.5**	**(0.2)**	**(1.3)**	**(1.1)**	**(2.6)**

As a consequence, the accounting for income tax rate changes related to eligible equity securities may result in significant impacts on our results of operations in periods in which we sell these securities. This effect is illustrated in the years 2002 to 2006, when we sold portions of our eligible equity securities. The gains resulting from most of these sales were not subject to tax. We reversed the deferred taxes which had accumulated in other comprehensive income, through December 31, 2000, in respect of these securities. We recognized these reversals as tax benefit of € 1 million in 2006, and as tax expense of € 544 million in 2005, € 120 million in 2004, € 215 million in 2003 and € 2.8 billion in 2002.

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

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

For more information on this accounting method, see the respective section of our Form 20-F filed March 27, 2007.

OPERATING RESULTS

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

NET INTEREST REVENUES

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

			2006 increase (decrease) from 2005	
in € m. (except percentages)	**2006**	**2005**	**in €**	**in %**
Total interest revenues	55,217	41,708	13,509	32
Total interest expenses	48,298	35,707	12,591	35
Net interest revenues	**6,919**	**6,001**	**918**	**15**
Average interest-earning assets[1]	978,849	866,750	112,099	13
Average interest-bearing liabilities[1]	909,435	809,321	100,114	12
Gross interest yield[2]	5.64 %	4.81 %	0.83 ppt	17
Gross interest rate paid[3]	5.31 %	4.41 %	0.90 ppt	20
Net interest spread[4]	0.33 %	0.40 %	(0.07) ppt	(18)
Net interest margin[5]	0.71 %	0.69 %	0.01 ppt	2

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

Net interest revenues in 2006 were € 6.9 billion, an increase of € 918 million from 2005. Average interest-bearing volumes of assets and liabilities increased by € 112.1 billion and € 100.1 billion respectively, the overall net interest spread narrowed by seven basis points and our net interest margin increased by one basis point. Much of the increase in net interest revenues was related to Sales & Trading (equity) activity and was largely offset by decreased trading revenues from related activity. Interest revenues from loans increased along with rising interest rates and expansions of our average loans outstanding year-on-year. Our overall funding costs rose by 90 basis points due primarily to the higher interest rates in the U.S. and the Euro zone, in line with rate decisions of the Federal Reserve and the European Central Bank.

The development of our net interest revenues is also impacted by the accounting treatment of some of our hedging-related derivative transactions. We enter into nontrading derivative transactions primarily as economic hedges of the interest rate risks of our nontrading interest-earning assets and interest-bearing liabilities. Some of these derivatives qualify as hedges for accounting purposes while others do not. When derivative transactions qualify as hedges for accounting purposes, the interest arising from the derivatives is reported in interest revenues and expense, where it offsets interest flows from the hedged items. When derivatives do not qualify for hedge accounting treatment, the interest flows that arise from those derivatives will appear in trading revenues.

TRADING REVENUES, NET

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

			2006 increase (decrease) from 2005	
in € m. (except percentages)	2006	2005	in €	in %
CIB – Sales & Trading (equity)	2,577	3,273	(696)	(21)
CIB – Sales & Trading (debt and other products)	5,747	3,726	2,021	54
Other trading revenues	(77)	430	(507)	N/M
Total trading revenues, net	**8,247**	**7,429**	**818**	**11**

N/M – Not meaningful

Trading revenues from CIB – Sales & Trading (equity) decreased by € 696 million; as mentioned previously this decrease was more than offset by higher net interest revenues. The significant increase in Sales & Trading (debt & other products) reflected in particular the strong performances in rates and credit trading and emerging markets. The decrease in other trading revenues was driven by mark-to-market losses from credit default swaps used to hedge our investment-grade loan exposure in 2006 compared to gains in 2005.

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

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

in € m.	2006	2005	2006 increase (decrease) from 2005 in €	in %
Net interest revenues	6,919	6,001	918	15
Trading revenues, net	8,247	7,429	818	11
Total net interest and trading revenues	**15,166**	**13,430**	**1,736**	**13**
Breakdown by Group Division/CIB product[1]:				
Sales & Trading (equity)	2,739	2,465	273	11
Sales & Trading (debt and other products)	8,027	6,434	1,593	25
Total Sales & Trading	10,765	8,899	1,866	21
Loan products[2]	345	764	(419)	(55)
Transaction services	1,074	915	159	17
Remaining products[3]	(38)	(20)	(18)	90
Total Corporate and Investment Bank	12,147	10,558	1,589	15
Private Clients and Asset Management	2,955	2,818	137	5
Corporate Investments	(16)	37	(53)	N/M
Consolidation & Adjustments	80	17	63	N/M
Total net interest and trading revenues	**15,166**	**13,430**	**1,736**	**13**

N/M – Not meaningful

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

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

3 Includes origination, advisory and other products.

CORPORATE AND INVESTMENT BANK (CIB). The significant increase in combined net interest and trading revenues from sales and trading products of 21 % to € 10.8 billion reflected large increases across the Sales & Trading (debt & other products) platform, with particularly strong performances in rates and credit trading. Significant improvements in Sales & Trading (equity) also contributed to the increases. In Loan products, combined net interest and trading revenues declined by € 419 million primarily due to mark-to-market losses on credit risk hedge positions in 2006 compared to gains in 2005. The increase of € 159 million in Transaction services was due to higher interest revenues from Cash Management products and from Trust & Securities Services.

PRIVATE CLIENTS AND ASSET MANAGEMENT (PCAM). Combined net interest and trading revenues were € 3.0 billion in 2006, an increase of € 137 million, or 5 %, compared to 2005, mainly due to higher loan volumes and to improved deposit margins.

CORPORATE INVESTMENTS (CI). Results include the cost of carrying CI's investment portfolio. The decrease of € 53 million to a loss of € 16 million included lower dividend income from our smaller industrial holdings portfolio.

PROVISION FOR LOAN LOSSES

Our provision for loan losses in 2006 was € 330 million, down € 44 million, or 12 %, from the prior year, reflecting tight credit risk management, positive results of workout processes and the overall benign credit environment. In 2006, our loan loss provision was principally driven by our smaller-balance standardized homogeneous loan portfolio.

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

NONINTEREST REVENUES, EXCLUDING TRADING REVENUES

			2006 increase (decrease) from 2005	
in € m.	2006	2005	in €	in %
Commissions and fee revenues[1]	11,544	10,089	1,455	14
Net gains on securities available for sale	407	1,055	(648)	(61)
Net income from equity method investments	512	418	94	22
Other noninterest revenues	709	648	61	9
Total noninterest revenues, excluding trading revenues	**13,172**	**12,210**	**962**	**8**

N/M – Not meaningful

1 Includes:

	2006	2005	in €	in %
Commissions and fees from fiduciary activities:				
Commissions for administration	440	396	44	11
Commissions for assets under management	3,363	3,009	354	12
Commissions for other securities business	192	151	41	27
Total	**3,995**	**3,556**	**439**	**12**
Commissions, broker's fees, markups on securities underwriting and other securities activities:				
Underwriting and advisory fees	2,629	2,059	570	28
Brokerage fees	2,390	1,998	392	20
Total	**5,019**	**4,057**	**962**	**24**
Fees for other customer services	2,530	2,476	54	2
Total commissions and fee revenues	**11,544**	**10,089**	**1,455**	**14**

COMMISSIONS AND FEE REVENUES. Total 2006 commissions and fee revenues were € 11.5 billion, an increase of € 1.5 billion compared with 2005. The increase of € 439 million in commissions and fees from fiduciary activities mainly resulted from higher performance fees in AWM's Real Estate business. Underwriting and advisory fees increased by € 570 million, mainly attributable to CIB's Corporate Finance business. Brokerage fees were up € 392 million with Equities in CIB having the most significant impact.

NET GAINS ON SECURITIES AVAILABLE FOR SALE. Total net gains on securities available for sale were € 407 million in 2006, down € 648 million compared to 2005. The 2006 result was mainly attributable to CIB's sales & trading areas as well as to net gains in CI, of which the most significant was a gain of € 92 million related to selling part of our investment in Linde AG. Results in 2005 included € 666 million gains from the reduction of our stake in DaimlerChrysler AG. Additionally, the gains from the disposal of our interest in Südzucker AG and from the partial disposal of HCL Technologies Ltd. contributed to the 2005 results.

NET INCOME FROM EQUITY METHOD INVESTMENTS. Net income from our equity method investments was € 512 million and € 418 million in 2006 and 2005, respectively. The key contributors in 2006 were equity method investments in CI and CIB's sales & trading areas, and disposal gains from our real estate investments in AWM. In 2005, the profit was also mainly driven by CI and CIB's sales & trading areas. Significantly impacting CI's equity method income in both years was the disposal of our investment in EUROHYPO AG with sales gains of € 85 million and € 44 million in 2006 and 2005, respectively.

OTHER NONINTEREST REVENUES. Total other noninterest revenues were € 709 million in 2006, an increase of € 61 million compared to 2005. The improvement resulted from higher net gains from loans held for sale and the receipt of € 125 million from the settlement of insurance claims, in respect of business interruption losses and costs related to the terrorist attacks of September 11, 2001 in the United States. These factors were partly offset by several decreasing items, such as lower results from qualifying hedges and a decline in both net gains related to premises and businesses sold.

NONINTEREST EXPENSES

The following table sets forth information on our noninterest expenses.

in € m.	2006	2005	2006 increase (decrease) from 2005 in €	in %
Compensation and benefits	12,649	10,993	1,656	15
Other noninterest expenses[1]	7,011	7,394	(383)	(5)
Goodwill impairment/impairment of intangibles	31	–	31	N/M
Restructuring activities	192	767	(575)	(75)
Total noninterest expenses	**19,883**	**19,154**	729	4

N/M – Not meaningful

1 Includes:

	2006	2005	in €	in %
Net occupancy expense of premises	1,020	1,014	6	1
Furniture and equipment	157	169	(12)	(7)
IT costs	1,586	1,539	47	3
Agency and other professional service fees	1,202	895	307	34
Communication and data services	634	599	35	6
Other expenses	2,412	3,178	(766)	(24)
Total other noninterest expenses	**7,011**	**7,394**	**(383)**	**(5)**

COMPENSATION AND BENEFITS. The increase of € 1.7 billion in 2006 compared to 2005 was mainly driven by higher performance-related compensation due to improved operating results across almost all businesses. Also contributing to the increase were higher severance payments, which were up € 105 million in 2006, and higher salaries and benefits following our hiring initiatives in growth businesses.

OTHER NONINTEREST EXPENSES. Total other noninterest expenses decreased by € 383 million in 2006. The decrease of € 766 million in "Other expenses" was mainly attributable to significant 2005 provisions for both legal exposures and investor compensation related to the real estate fund grundbesitz-invest, as well as a provision release relating to grundbesitz-invest, in 2006. The remaining other noninterest expenses increased mainly due to transaction- and revenue-related expenses, primarily reflected in agency and other professional service fees.

GOODWILL IMPAIRMENT/IMPAIRMENT OF INTANGIBLES. The current year included a goodwill impairment charge of € 31 million related to a fully consolidated private equity investment in CI.

RESTRUCTURING ACTIVITIES. We continued our Business Realignment Program in 2006, with restructuring charges totaling € 192 million compared to € 767 million in 2005. For further information on restructuring activities see Note [28] to our consolidated financial statements.

INCOME TAX EXPENSE

Income tax expense was € 2.2 billion in 2006 compared to € 2.6 billion in 2005. The decrease was primarily attributable to the effect of a German tax law change for the refund of prior years distribution tax credits, which resulted in the accelerated recognition of € 355 million of corporate tax credits. The tax expense was further reduced by the settlement of tax audits in some regions at favorable terms. The reversal of 1999/2000 credits for German tax rate changes led to an income tax benefit of € 1 million in 2006 compared to a € 544 million tax expense in 2005. The actual effective tax rates were 27 % in 2006 and 42 % in 2005. Excluding the effect of the reversal, our effective tax rates were 27 % in 2006 but 33 % in 2005.

RESULTS OF OPERATIONS BY SEGMENT

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

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

The criterion for segmentation into divisions is our organizational structure as it existed at December 31, 2006. For further discussion of our business segments, see "Item 4: Information on the Company" and Note [27] to the consolidated financial statements. Segment results were prepared in accordance with our management reporting systems.

2006 in € m. (except percentages)	Corporate and Investment Bank	Private Clients and Asset Management	Corporate Investments	Total Management Reporting	Consolidation & Adjustments	Total Consolidated
Net revenues[2]	**18,712**	**9,191**	**613**	**28,516**	**(178)**	**28,338**
Provision for loan losses	(55)	368	18	330	(0)	330
Provision for off-balance sheet positions	(33)	(1)	(15)	(50)	0	(50)
Total provision for credit losses	**(88)**	**366**	**2**	**281**		
Operating cost base[1]	12,894	6,760	133	19,787		
Policyholder benefits and claims	–	53	–	53	4	57
Minority interest	26	(1)	(6)	20	(1)	19
Restructuring activities	99	91	1	192	–	192
Goodwill impairment/impairment of intangibles	–	–	31	31	–	31
Total noninterest expenses[3]	**13,019**	**6,904**	**160**	**20,082**	**(150)**	**19,933**
Income (loss) before income taxes[4]	**5,781**	**1,921**	**451**	**8,153**	**(28)**	**8,125**
Add (deduct):						
Net (gains) from businesses sold/held for sale	–	(54)	–	(54)		
Significant equity pick-ups/net (gains) from investments	–	–	(356)	(356)		
Net (gains) on securities available for sale/industrial holdings including hedging	–	–	(134)	(134)		
Net (gains) on the sale of premises			(12)	(12)		
Restructuring activities	99	91	1	192		
Goodwill impairment/impairment of intangibles	–	–	31	31		
Underlying pre-tax profit	**5,880**	**1,958**	**(20)**	**7,819**		
Cost/income ratio in %	70	75	26	70	N/M	70
Underlying cost/income ratio in %	69	74	121	71		
Assets[5]	1,012,050	129,740	17,406	1,119,235	6,995	1,126,230
Risk-weighted positions (BIS risk positions)	191,892	76,407	5,354	273,653	1,984	275,637
Average active equity[6]	17,701	7,249	1,106	26,055	713	26,768
Return on average active equity in %	33	27	41	31	N/M	30
Underlying return on average active equity in %	33	27	(2)	30		

N/M – Not meaningful

1 Includes

Severance payments	100	23	0	123	33	156

2 Net interest revenues and noninterest revenues.

3 Excludes provision for off-balance sheet positions (reclassified to provision for credit losses).

4 Before cumulative effect of accounting changes.

5 The sum of corporate divisions does not necessarily equal the total of the corresponding group division because of consolidation items between corporate divisions, which are to be eliminated on the group division level. The same approach holds true for the sum of group divisions compared to Total Management Reporting.

6 See Note [27] to the consolidated financial statements for a description of how average active equity is allocated to the divisions.

2005 in € m. (except percentages)	Corporate and Investment Bank	Private Clients and Asset Management	Corporate Investments	Total Management Reporting	Consolidation & Adjustments	Total Consolidated
Net revenues[2]	**15,923**	**8,589**	**1,229**	**25,741**	**(102)**	**25,640**
Provision for loan losses	32	342	(0)	374	0	374
Provision for off-balance sheet positions	(22)	(2)	(0)	(24)	(0)	(24)
Total provision for credit losses	**10**	**340**	**(1)**	**350**		
Operating cost base[1]	11,122	6,339	181	17,642		
Policyholder benefits and claims	–	49	–	49	3	52
Minority interest	37	30	(2)	66	(11)	55
Restructuring activities	417	346	2	767	–	767
Goodwill impairment/impairment of intangibles	–	–	–	–	–	–
Total noninterest expenses[3]	**11,577**	**6,766**	**181**	**18,523**	**654**	**19,178**
Income (loss) before income taxes[4]	**4,336**	**1,484**	**1,049**	**6,868**	**(756)**	**6,112**
Add (deduct):						
Net (gains) from businesses sold/held for sale	0	(90)	–	(90)		
Significant equity pick-ups/net (gains) from investments	–	–	(156)	(156)		
Net (gains) on securities available for sale/industrial holdings including hedging	–	–	(801)	(801)		
Net (gains) on the sale of premises	–	–	(57)	(57)		
Restructuring activities	417	346	2	767		
Goodwill impairment/impairment of intangibles	–	–	–	–		
Underlying pre-tax profit	**4,753**	**1,740**	**37**	**6,531**		
Cost/income ratio in %	73	79	15	72	N/M	75
Underlying cost/income ratio in %	70	75	84	72		
Assets[5]	881,649	123,640	15,025	984,184	7,977	992,161
Risk-weighted positions (BIS risk positions)	167,753	74,064	7,448	249,264	1,938	251,202
Average active equity[6]	14,385	6,700	3,047	24,132	998	25,130
Return on average active equity in %	30	22	34	28	N/M	24
Underlying return on average active equity in %	33	26	1	27		

N/M – Not meaningful

1 Includes						
Severance payments	17	21	(0)	38	13	51

2 Net interest revenues and noninterest revenues.

3 Excludes provision for off-balance sheet positions (reclassified to provision for credit losses).

4 Before cumulative effect of accounting changes.

5 The sum of corporate divisions does not necessarily equal the total of the corresponding group division because of consolidation items between corporate divisions, which are to be eliminated on the group division level. The same approach holds true for the sum of group divisions compared to Total Management Reporting.

6 See Note [27] to the consolidated financial statements for a description of how average active equity is allocated to the divisions.

GROUP DIVISIONS

CORPORATE AND INVESTMENT BANK GROUP DIVISION

The following table sets forth the results of our Corporate and Investment Bank Group Division for the years ended December 31, 2006 and 2005, in accordance with our management reporting systems.

in € m. (except percentages)	2006	2005
Net revenues:		
Sales & Trading (equity)	4,080	3,316
Sales & Trading (debt and other products)	9,046	7,337
Origination (equity)	760	647
Origination (debt)	1,328	1,017
Advisory	783	604
Loan products	805	1,252
Transaction services	2,228	1,975
Other	(318)	(225)
Total net revenues	**18,712**	**15,923**
Therein: Net interest and trading revenues	12,147	10,558
Provision for credit losses:		
Provision for loan losses	(55)	32
Provision for off-balance sheet positions	(33)	(22)
Total provision for credit losses	**(88)**	**10**
Noninterest expenses[1]:		
Operating cost base	12,894	11,122
Minority interest	26	37
Restructuring activities	99	417
Goodwill impairment	–	–
Total noninterest expenses[1]	**13,019**	**11,577**
Therein: Severance payments	100	17
Income before income taxes	**5,781**	**4,336**
Add (deduct):		
Net (gains) from businesses sold/held for sale	–	0
Restructuring activities	99	417
Goodwill impairment	–	–
Underlying pre-tax profit	**5,880**	**4,753**
Cost/income ratio in %	70	73
Underlying cost/income ratio in %	69	70
Assets	1,012,050	881,649
Risk-weighted positions (BIS risk positions)	191,892	167,753
Average active equity[2]	17,701	14,385
Return on average active equity in %	33	30
Underlying return on average active equity in %	33	33

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

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

CORPORATE BANKING & SECURITIES CORPORATE DIVISION

The following table sets forth the results of our Corporate Banking & Securities Corporate Division for the years ended December 31, 2006 and 2005, in accordance with our management reporting systems.

in € m. (except percentages)	2006	2005
Net revenues:		
Sales & Trading (equity)	4,080	3,316
Sales & Trading (debt and other products)	9,046	7,337
Origination (equity)	760	647
Origination (debt)	1,328	1,017
Advisory	783	604
Loan products	805	1,252
Other	(318)	(225)
Total net revenues	**16,484**	**13,948**
Provision for credit losses:		
Provision for loan losses	(58)	25
Provision for off-balance sheet positions	(1)	3
Total provision for credit losses	**(59)**	**28**
Noninterest expenses[1]:		
Operating cost base	11,354	9,650
Minority interest	26	37
Restructuring activities	77	330
Goodwill impairment	–	–
Total noninterest expenses[1]	**11,458**	**10,017**
Therein: Severance payments	97	18
Income before income taxes	**5,086**	**3,903**
Add (deduct):		
Net (gains) losses from businesses sold/held for sale	–	–
Restructuring activities	77	330
Goodwill impairment	–	–
Underlying pre-tax profit	**5,163**	**4,233**
Cost/income ratio in %	70	72
Underlying cost/income ratio in %	69	69
Assets	1,003,273	872,977
Risk-weighted positions (BIS risk positions)	177,672	155,447
Average active equity[2]	16,610	13,070
Return on average active equity in %	31	30
Underlying return on average active equity in %	31	32

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

Income before income taxes increased by € 1.2 billion to € 5.1 billion for the year ended December 31, 2006. The improvement was driven by revenue growth of 18 %, reflecting record revenues for the year, while noninterest expenses increased by 14 % driven by performance-related compensation. Underlying pre-tax profit, which excludes restructuring charges of € 77 million in 2006 and € 330 million in 2005, increased by € 930 million to € 5.2 billion in 2006.

Net revenues of € 16.5 billion in 2006 were € 2.5 billion higher than net revenues of € 13.9 billion in 2005.

Sales & Trading (debt and other products) revenues were a record € 9.0 billion in 2006 and increased by € 1.7 billion compared to 2005. Sales & Trading (equity) revenues were € 4.1 billion, up by € 764 million versus 2005, to their highest level in 5 years.

The improved earnings in our Debt and Equity franchises continued to reflect our leadership positions in high-value structured products including credit, equity, foreign exchange and interest rate derivatives, distressed debt and securitized products. Both investing and issuing clients showed strong demand for these products throughout the year. In particular, credit and equity derivatives benefited from increasingly widespread customer demand and a growing range of client solutions. Emerging markets also remained robust, with our emerging markets equity business in particular posting substantial increases in revenues versus 2005. While customer business remained the predominant source of our sales and trading earnings, we also benefited from a good level of revenues from our designated proprietary positions in favorable market conditions. Margin compression remained significant in more mature “flow” businesses such as cash equities, foreign exchange and money markets. We nonetheless achieved significant revenue growth in these business lines by continuing to increase market share and leveraging technology.

Revenues from Origination and Advisory were a record € 2.9 billion, € 603 million higher than in 2005. Origination (debt) revenues continued to be driven by high levels of leveraged finance activity with the combined market fees from high-yield bonds and syndicated loans exceeding equity market fees for the year by nearly U.S.$ 2 billion. Due to our leading position in leveraged finance, we maintained a top 5 position globally in the fee league tables in both high-yield bonds and syndicated loans for the year. We also maintained a top 5 position for the year in high-grade bonds. In Origination (equity) our market share of the equity fee pool increased in both the Americas and Asia Pacific excluding Japan. In Advisory, we achieved a ranking of 4 in Europe, Middle East and Africa (“EMEA”) and gained market share in the Americas as measured by share of fee pool (source for all rankings: Dealogic).

Revenues from Loan Products were € 805 million, € 447 million lower than in 2005. The main driver of this reduction was credit default swaps used to hedge the bank’s investment grade loan exposure, with mark-to-market losses incurred in 2006 compared with mark-to-market gains in 2005. Credit spreads across most industry sectors tightened, reflecting the continuing overall benign credit environment.

The provision for credit losses resulted in a net release of € 59 million in 2006, compared to a net charge of € 28 million in 2005, reflecting a number of significant releases and recoveries from workout situations in the first half of 2006.

Noninterest expenses in 2006 were € 11.5 billion, an increase of € 1.4 billion compared to € 10.0 billion in 2005, mainly driven by an increase in performance-related compensation consistent with improved operating results.

The cost income ratio improved by 2 percentage points in 2006 to 70 %, resulting from the increased revenues and an ongoing focus on disciplined cost management. The underlying cost income ratio, which excludes restructuring charges, remained unchanged at 69 %.

GLOBAL TRANSACTION BANKING CORPORATE DIVISION

The following table sets forth the results of our Global Transaction Banking Corporate Division for the years ended December 31, 2006 and 2005, in accordance with our management reporting systems.

in € m. (except percentages)	2006	2005
Net revenues:		
Transaction services	2,228	1,975
Other	–	(0)
Total net revenues	**2,228**	**1,975**
Provision for credit losses:		
Provision for loan losses	3	7
Provision for off-balance sheet positions	(32)	(25)
Total provision for credit losses	**(29)**	**(18)**
Noninterest expenses[1]:		
Operating cost base	1,540	1,472
Minority interest	–	–
Restructuring activities	22	88
Goodwill impairment	–	–
Total noninterest expenses[1]	**1,561**	**1,560**
Therein: Severance payments	3	(1)
Income before income taxes	**696**	**433**
Add (deduct):		
Net (gains) from businesses sold/held for sale	–	0
Restructuring activities	22	88
Goodwill impairment	–	–
Underlying pre-tax profit	**717**	**521**
Cost/income ratio in %	70	79
Underlying cost/income ratio in %	69	75
Assets	24,244	18,081
Risk-weighted positions (BIS risk positions)	14,220	12,306
Average active equity[2]	1,091	1,315
Return on average active equity in %	64	33
Underlying return on average active equity in %	66	40

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

Income before income taxes increased by € 263 million to € 696 million for the year ended December 31, 2006. Underlying pre-tax profit, which excludes restructuring charges of € 22 million in 2006 and € 88 million in 2005, increased by € 196 million to € 717 million in 2006.

Net revenues increased by 13 % to € 2.2 billion in 2006. Revenue growth was mainly due to robust customer demand in our Cash Management and Trust & Securities Services (TSS) businesses. The Cash Management payments business generated significantly higher revenues due to improved interest margins, increased deposit balances in all regions and improved transaction volumes in euro clearing. Revenues in TSS increased from both issuer-related services in line with increased capital markets activity and from our investor-related domestic custody business, largely driven by an increase of 35 % to € 1.2 trillion in assets under custody.

The provision for credit losses amounted to a net release of € 29 million in 2006, compared to a net release of € 18 million for 2005 reflecting the continued benign credit conditions.

Noninterest expenses were € 1.6 billion in both 2006 and 2005 and included an increase in performance-related compensation due to improved results and reduced restructuring expenses in 2006.

The cost income ratio of 70 % was 9 percentage points lower than in 2005, reflecting the aforementioned improvements in revenues. After adjusting for the decline in charges for restructuring activities, the underlying cost income ratio improved by 6 percentage points from 75 % in 2005 to 69 % in 2006.

PRIVATE CLIENTS AND ASSET MANAGEMENT GROUP DIVISION

The following table sets forth the results of our Private Clients and Asset Management Group Division for the years ended December 31, 2006 and 2005, in accordance with our management reporting systems.

in € m. (except where indicated)	2006	2005
Net revenues:		
Portfolio/fund management	3,089	2,718
Brokerage	1,910	1,843
Loans/deposits	2,633	2,415
Payments, account & remaining financial services	899	857
Other	660	757
Total net revenues	**9,191**	**8,589**
Therein: Net interest and trading revenues	2,955	2,818
Provision for credit losses:		
Provision for loan losses	368	342
Provision for off-balance sheet positions	(1)	(2)
Total provision for credit losses	**366**	**340**
Noninterest expenses[1]:		
Operating cost base	6,760	6,339
Policyholder benefits and claims	53	49
Minority interest	(1)	30
Restructuring activities	91	346
Goodwill impairment/impairment of intangibles	–	–
Total noninterest expenses[1]	**6,904**	**6,766**
Therein: Severance payments	23	21
Income before income taxes	**1,921**	**1,484**
Add (deduct):		
Net (gains) losses from businesses sold/held for sale	(54)	(90)
Restructuring activities	91	346
Goodwill impairment/impairment of intangibles	–	–
Underlying pre-tax profit	**1,958**	**1,740**
Cost/income ratio in %	75	79
Underlying cost/income ratio in %	74	75
Assets	129,740	123,640
Risk-weighted positions (BIS risk positions)	76,407	74,064
Average active equity[2]	7,249	6,700
Return on average active equity in %	27	22
Underlying return on average active equity in %	27	26
Invested assets – adjusted (in € bn.)[3]	908	862

1 Excludes provision for off-balance sheet positions (reclassified to provision for credit losses).
2 See Note [27] to the consolidated financial statements for a description of how average active equity is allocated to the divisions.
3 We define invested assets as (a) assets we hold on behalf of customers for investment purposes and/or (b) client assets that are managed by us. We manage invested assets on a discretionary or advisory basis, or these assets are deposited with us. Invested Assets in PWM were adjusted following a review in fourth quarter 2006. A total of € 5 billion assets were reclassified from the “Invested Assets” category to “Custody – Only Assets”. This reclassification was retrospectively reflected in the periods in which the assets were originally reported.

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

ASSET AND WEALTH MANAGEMENT CORPORATE DIVISION

The following table sets forth the results of our Asset and Wealth Management Corporate Division for the years ended December 31, 2006 and 2005, in accordance with our management reporting systems.

in € m. (except where indicated)	2006	2005
Net revenues:		
Portfolio/fund management (AM)	2,470	2,199
Portfolio/fund management (PWM)	332	303
Total portfolio/fund management	**2,803**	**2,501**
Brokerage	811	769
Loans/deposits	191	165
Payments, account & remaining financial services	18	15
Other	354	431
Total net revenues	**4,177**	**3,880**
Provision for credit losses:		
Provision for loan losses	0	0
Provision for off-balance sheet positions	(1)	(0)
Total provision for credit losses	**(1)**	**(0)**
Noninterest expenses[1]:		
Operating cost base	3,213	2,984
Policyholder benefits and claims	53	49
Minority interest	(1)	30
Restructuring activities	43	220
Goodwill impairment/impairment of intangibles	–	–
Total noninterest expenses[1]	**3,307**	**3,284**
Therein: Severance payments	12	4
Income before income taxes	**870**	**597**
Add (deduct):		
Net (gains) losses from businesses sold/held for sale	(43)	(81)
Restructuring activities	43	220
Goodwill impairment/impairment of intangibles	–	–
Underlying pre-tax profit	**870**	**735**
Cost/income ratio in %	79	85
Underlying cost/income ratio in %	79	80
Assets	35,400	37,150
Risk-weighted positions (BIS risk positions)	12,339	13,811
Average active equity[2]	4,927	4,993
Return on average active equity in %	18	12
Underlying return on average active equity in %	18	15
Invested assets – adjusted (in € bn.)[3]	732	698

1 Excludes provision for off-balance sheet positions (reclassified to provision for credit losses).
2 See Note [27] to the consolidated financial statements for a description of how average active equity is allocated to the divisions.
3 We define invested assets as (a) assets we hold on behalf of customers for investment purposes and/or (b) client assets that are managed by us. We manage invested assets on a discretionary or advisory basis, or these assets are deposited with us. Invested Assets in PWM were adjusted following a review in fourth quarter 2006. A total of € 5 billion assets were reclassified from the “Invested Assets” category to “Custody – Only Assets”. This reclassification was retrospectively reflected in the periods in which the assets were originally reported.

Income before income taxes was € 870 million in 2006, € 273 million higher than in 2005. The results for 2006 included charges of € 43 million for restructuring activities and net gains of € 43 million from the sale of businesses. In 2005, income before income taxes included charges of € 220 million for restructuring activities and net gains of € 81 million from the sale of businesses. Underlying pre-tax profit, which excludes these items, increased by € 135 million from € 735 million in 2005 to € 870 million in 2006.

Net revenues were € 4.2 billion in 2006, an increase of € 296 million, or 8 %, compared to 2005. This was a record year for net revenues in AWM, with growth in all major product areas.

Portfolio/fund management revenues of € 2.5 billion in AM represented an increase of € 272 million, or 12 %, from 2005. This improvement mainly reflected higher levels of performance fees in the Real Estate business, as well as a continued increase in invested assets, particularly in Germany. Partly offsetting these results was a decline in revenues due to the sale of a substantial part of our UK- and Philadelphia-based AM businesses to Aberdeen Asset Management PLC in 2005.

Portfolio/fund management revenues of € 332 million in PWM were € 30 million above those of 2005 predominantly due to increased invested assets.

Continued strong customer demand for high-value products, as well as higher levels of transaction-based revenues, resulted in an increase of € 43 million, or 6 %, in Brokerage revenues, which also benefited from net inflows of invested assets.

Revenues related to loans/deposits of € 191 million were up by € 26 million, or 16 %, due to higher volumes in our margin loan and time-deposit businesses.

Revenues from other products of € 354 million were € 76 million, or 18 %, lower than in 2005, due to lower gains from the sale of investments, mainly in the Real Estate business, and a decrease of € 38 million in net gains from the sale of businesses. Such gains totaled € 43 million in 2006 and € 81 million in 2005.

Noninterest expenses were € 3.3 billion in 2006, an increase of € 23 million, or 1 %, from 2005. The increase in noninterest expenses was primarily driven by higher performance-related compensation and expenses related to the implementation of PWM's growth strategy, partly offset by a decrease in charges for restructuring activities, which declined from € 220 million in 2005 to € 43 million in 2006.

The cost/income ratio was 79 % in 2006, an improvement of 6 percentage points compared to 85 % in 2005. After adjusting for restructuring charges and gains from the sale of businesses, the underlying cost/income ratio was 79 % in 2006, compared to 80 % in 2005.

Invested assets increased by € 34 billion to € 732 billion in 2006. Invested Assets in PWM grew from € 163 billion in 2005 to € 189 billion at the end of 2006. The increase of € 26 billion or 16 % was mainly due to net new assets of € 15 billion spread across all major regions. A total of € 5 billion assets was reclassified from "Invested Assets" to "Custody-Only Assets" following a review of invested assets in the fourth quarter 2006. This reclassification was retrospectively reflected in the periods in which the assets were reported.

Invested Assets in AM grew from € 536 billion in 2005 to € 543 billion at the end of 2006. The increase of € 7 billion or 1 % was mainly due to net new assets of € 6 billion. In Germany (as measured by the German Investment Association, BVI), our mutual fund company DWS achieved net inflows, which at € 6 billion, represented 30 % of the total net inflows in the market, and had record funds under management of € 122 billion at year-end 2006. DWS continued to be the market leader in Germany with a 25 % market share (source: BVI) and it remains one of the leading retail asset managers in Europe by size and investment performance. In 2006, DWS was awarded the Standard & Poor's Fund Award for the best-performing mutual fund company in Germany for the twelfth consecutive year.

PRIVATE & BUSINESS CLIENTS CORPORATE DIVISION

The following table sets forth the results of our Private & Business Clients Corporate Division for the years ended December 31, 2006 and 2005, in accordance with our management reporting systems.

in € m. (except where indicated)	2006	2005
Net revenues:		
Portfolio/fund management	287	216
Brokerage	1,099	1,074
Loans/deposits	2,442	2,251
Payments, account & remaining financial services	881	842
Other	305	326
Total net revenues	**5,014**	**4,709**
Provision for credit losses:		
Provision for loan losses	368	342
Provision for off-balance sheet positions	(1)	(2)
Total provision for credit losses	**367**	**340**
Noninterest expenses[1]:		
Operating cost base	3,547	3,355
Policyholder benefits and claims	–	–
Minority interest	0	0
Restructuring activities	49	127
Goodwill impairment/impairment of intangibles	–	–
Total noninterest expenses[1]	**3,596**	**3,482**
Therein: Severance payments	11	17
Income before income taxes	**1,051**	**887**
Add (deduct):		
Net (gains) losses from businesses sold/held for sale	(11)	(9)
Restructuring activities	49	127
Goodwill impairment/impairment of intangibles	–	–
Underlying pre-tax profit	**1,089**	**1,005**
Cost/income ratio in %	72	74
Underlying cost/income ratio in %	71	71
Assets	94,380	86,528
Risk-weighted positions (BIS risk positions)	64,068	60,252
Average active equity[2]	2,321	1,707
Return on average active equity in %	45	52
Underlying return on average active equity in %	47	59
Invested assets (in € bn.)[3]	176	163
Loan volume (in € bn.)	79	73
Deposit volume (in € bn.)	72	66

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

Income before income taxes was € 1.1 billion in 2006, € 164 million higher than in 2005. The current year included charges of € 49 million for restructuring activities and net gains of € 11 million from the partial sale of PBC’s credit card processing activities in Italy. In 2005, income before income taxes included charges of € 127 million for restructuring activities and net gains of € 9 million from the sale of the private banking business in the Netherlands. Underlying pre-tax profit, which excludes these items, increased by € 84 million from € 1.0 billion in 2005 to € 1.1 billion in 2006, as revenue growth more than offset higher noninterest expenses and an increased provision for credit losses.

Net revenues of € 5.0 billion increased by € 306 million, or 6 %, compared to 2005, outperforming GDP growth in Germany and Italy, PBC's core markets. Revenues from norisbank were included since the first-time consolidation at the beginning of November 2006.

Portfolio/fund management revenues and brokerage revenues increased by € 70 million and € 25 million, respectively. The improvements reflected successful placements of innovative investment products, as well as higher transaction-based flow revenues.

Loans/deposits revenues were the key factors in the growth in 2006 and increased by € 192 million, driven by higher loan volumes resulting from PBC's strategy to grow its consumer lending business. Revenues attributable to deposits increased due to both higher volumes and improved margins.

Payments, account and remaining financial services revenues increased by € 39 million, mainly due to higher revenues from payment services but also from increased insurance brokerage revenues in 2006.

Revenues from other products of € 305 million in 2006 decreased by € 21 million compared to 2005, primarily due to lower results from asset and liability management.

Provision for credit losses increased by € 27 million, or 8 %, to € 367 million in 2006 reflecting the growth in loan volume and the impact from the first time consolidation of norisbank.

Noninterest expenses of € 3.6 billion were € 116 million, or 3 %, higher than in 2005, primarily due to an increase of € 193 million in the operating cost base, which excludes restructuring charges and other items. The increased expenses reflect investments in business growth, including the branch banking and credit card offerings in India and the extension of the branch network in Poland, as well as the expansion of our sales forces in Western European markets. Also contributing to the rise in expenses were integration-related costs from the norisbank and Berliner Bank acquisitions. Charges for restructuring activities were € 49 million, which was € 78 million lower than in the previous year.

The cost/income ratio was 72 % in 2006, an improvement of 2 percentage points compared to 74 % in 2005. Excluding restructuring charges and gains from the sale of businesses, the underlying cost/income ratio of 71 % remained unchanged compared to 2005.

Invested assets of € 176 billion at the end of 2006 grew by € 13 billion or 8 %. The increase was attributable to both the impact of market appreciation of € 6 billion and net inflows of € 6 billion driven by the supply of innovative products across PBC's broad customer base.

CORPORATE INVESTMENTS GROUP DIVISION

The following table sets forth the results of our Corporate Investments Group Division for the years ended December 31, 2006 and 2005, in accordance with our management reporting systems.

in € m. (except percentages)	2006	2005
Net revenues	**613**	**1,229**
Therein: Net interest and trading revenues	(16)	37
Provision for credit losses:		
Provision for loan losses	18	(0)
Provision for off-balance sheet positions	(15)	(0)
Total provision for credit losses	**2**	**(1)**
Noninterest expenses[1]:		
Operating cost base	133	181
Minority interest	(6)	(2)
Restructuring activities	1	2
Goodwill impairment/impairment of intangibles	31	–
Total noninterest expenses[1]	**160**	**181**
Therein: Severance payments	0	0
Income before income taxes	**451**	**1,049**
Add (deduct):		
Net (gains) losses from businesses sold/held for sale	–	–
Significant equity pick-ups/net (gains) losses from investments	(356)	(156)
Net (gains) losses on securities available for sale/industrial holdings including hedging	(134)	(801)
Net (gains) losses on sale of premises	(12)	(57)
Restructuring activities	1	2
Goodwill impairment/impairment of intangibles	31	–
Underlying pre-tax profit (loss)	**(20)**	**37**
Cost/income ratio in %	26	15
Underlying cost/income ratio in %	121	84
Assets	17,406	15,025
Risk-weighted positions (BIS risk positions)	5,354	7,448
Average active equity[2]	1,106	3,047
Return on average active equity in %	41	34
Underlying return on average active equity in %	(2)	1

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

CI reported income before income taxes of € 451 million in 2006 compared to € 1.0 billion in 2005.

Net revenues were € 613 million in 2006, a decrease of € 617 million compared to the previous year. Net revenues in 2006 included net gains of € 134 million from selling some of our industrial holdings. The most significant impact of € 92 million, resulted from the sale of Linde AG shares after having participated in Linde's capital increase earlier in 2006. Also included was a gain from the partial sale of HCL Technologies Ltd. Net gains from significant equity method and other investments of € 356 million included a gain of € 85 million from the sale of our remaining share in EUROHYPO AG and a significant gain on sale of our investment in Germanischer Lloyd AG.

Net revenues in 2005 included net gains of € 801 million from selling some of our industrial holdings. The largest gain, totaling € 666 million, resulted from the further reduction of our investment in DaimlerChrysler AG from 10.4 % to 4.4 %. Also reflected were significant gains on the sale of our stake in Südzucker AG and the partial sale of HCL Technologies Ltd. Net revenues in 2005 also included net gains of € 156 million from significant equity method and other investments, including a € 44 million gain from the reduction of our stake in EUROHYPO AG. Additional net gains of € 57 million resulted from the disposal of premises.

Excluding these items, the remaining variance between net revenues in 2006 and 2005 was mainly attributable to lower dividend income from our smaller industrial holdings portfolio and lower revenues subsequent to the sale of investments.

Total noninterest expenses decreased in 2006 to € 144 million from € 181 million in 2005 mainly as a result of the sale of investments in prior periods. This decrease was partly offset by a goodwill impairment charge of € 31 million related to a fully consolidated Private Equity investment.

At year end 2006, the alternative assets portfolio of CI had a carrying value of € 811 million, of which 33 % was private equity direct investments, 44 % was real estate investments and 23 % was private equity indirect and other investments. This compares to a value at year end 2005 of € 1.4 billion.

OTHER FINANCIAL INFORMATION

PENSION PLANS

ASSUMPTIONS

We have a global policy for determining the assumptions that are applied to our pension and other employee benefit plans. These assumptions are measurable against market factors or equivalents where market factors are not available. As stated in Note [24] to our consolidated financial statements, “Pension and Other Employee Benefit Plans”, below are the significant assumptions related to our defined benefit pension plans and postretirement medical plans. For all financial assumptions, the derived annual rates are rounded up or down to a multiple of ten basis points.

The discount rate in the Eurozone, the UK and the U.S. is determined by reference to a hypothetical portfolio of AA-rated corporate bonds for which the timing and amount of cash outflows approximates the estimated payouts of the plan at different future dates (the “yield curve”). For other countries the discount rate is based on yields to maturity of AA-rated corporate bond indices of the same currency and similar duration of the liability, and representing sufficient depth of market to be considered a reliable indicator. Benchmark government bonds are used for countries where sufficient depth of AA-corporate bond markets is not available. In cases of significant differences between the published bond duration and the calculated duration of the obligation, an adjustment is made equal to this difference multiplied by the slope of the yield curve. At December 31, 2006, the weighted-average discount rate used to measure our pension obligations was 4.8 %. In determining our pension expense for the year ended December 31, 2006, an average discount rate of 4.3 % (i.e., the December 31, 2005 rate) was applied. The respective average discount rates for the postretirement medical plans were 5.8 % as of December 31, 2006 and 5.4 % for determining the expected expense for 2006.

The expected return on our defined benefit pension plans’ assets is calculated by applying a risk premium which reflects the inherent risks associated with each relevant asset category (i.e. equities, corporate bonds, alternative investments) over a risk-free return. Using this so-called “building block” approach globally helps ensure that we have a consistent framework in place. In addition, it provides sufficient flexibility to allow for changes that need to be built in to reflect local specific conditions regarding risk premiums. The average expected return on plan assets for the net periodic benefit cost for 2006 (NPBC 2006) was 4.4 %. The determination of the expected return on plan assets for 2007 was based on the target asset allocation as of the measurement date. We used the ten-year government fixed interest bond yield for the country in which each plan is located as the benchmark for the risk-free return. For equities and alternative investments, we derived the expected rate of return by adding a risk premium based on a blend of historical data and future macroeconomic expectations. We derived the expected rate of return for fixed interest government bonds, taking into account the duration of the bonds held compared to the ten-year benchmark. For fixed interest non-government bonds, we set the expected rate of return as either the relevant point on the yield curve or the corporate bond index used to set the discount rate, adjusted for differences in duration. For cash, we estimated the expected return to be equivalent to the market yield on three-month treasury instruments for the applicable country. The average expected return for the NPBC 2007 is 4.6 %.

The long term price inflation assumption is set by reference to region-specific consensus indices adjusted where necessary for differences in duration. Increases in pensionable pay are expressed as a percentage over this base inflation assumption. For the mortality assumptions, the most recent or generally accepted tables were applied for the major plans in accordance with our global policy and the best estimate principle.

FUNDING

We made contributions of € 354 million and € 521 million to our defined benefit pension plans for the fiscal years 2006 and 2005, respectively.

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

Our principle is to finance pension plans using external financing vehicles (i.e., a segregated pool of assets) unless circumstances justify an exception, for example, where it would not comply with legislation or be tax-inefficient. Our funding policy is to maintain full coverage of the Projected Benefit Obligation (PBO) by plan assets within a range of 90 % to 110 % of the obligation for our funded plans subject to meeting any local statutory requirements. Any obligation for our unfunded plans was accrued for accordingly and is funded when paid to the beneficiaries.

Our primary investment objective is to limit our exposure to large swings in the funded status of our plans. Therefore the asset allocation is reviewed regularly and as part of the review of the investment strategy in 2006, the target equity allocation was reduced further. Given this strategy, we expect that the volatility from the defined benefit pension plans will be reduced since earnings variations on the assets will be offset by compensating movements in the obligation.

EXPENSE

The net periodic benefit cost for the year ended 2006 was determined in January 2006 by independent local actuaries and based on certain estimates and market-related assumptions as of January 1, 2006 (e.g., discount rates, expected return on plan assets, etc.). The expense was subsequently revised for the effects of special events such as settlements and curtailments as well as prior service costs to be recognized immediately. This process was reviewed by our independent global actuary.

A one-percentage point change in the discount rates and in the expected rates of return on plan assets would have had the following effects on 2006 expense for the defined benefit pensions plans.

in € m.	One-percentage point increase	One-percentage point decrease
Discount rate	(76)	135
Expected return rate on plan assets	(93)	93

We expect an overall decrease in the charge for our defined benefit pension plans as well as for the postretirement medical plans in 2007 mainly due to the upward market trends in discount rates. The expected decrease in the charge in 2007 is approximately 13 % for our defined benefit pension plans (2006 NPBC: € 357 million) and approximately 35 % for our postretirement medical plans (2006 NPBC: € 20 million).

AMOUNTS NOT YET RECOGNIZED THROUGH EARNINGS

The unrecognized actuarial losses in respect of our defined benefit pension plans amounted to a total of € 856 million as of December 31, 2006. Following the corridor approach we generally amortize, as part of the net periodic benefit cost, the excess of the corridor (10 % of the higher of PBO or the Fair Value of Plan Assets) over the average future service periods (approximately 11 years). The loss amortized for our defined benefit pension plans was € 67 million for fiscal year 2006 and € 40 million for fiscal year 2005. In 2007, the actuarial loss amortized will be € 67 million for the defined benefit pension plans. Furthermore, as of December 31, 2006, a net prior service credit of € 59 million was not yet recognized through earnings. Thereof, € 6 million will be amortized in 2007.

For the postretirement medical plans the unrecognized actuarial gain was € 2 million as of December 31, 2006. The losses amortized for the postretirement medical plans were € 3 million for fiscal year 2006 and € 1 million for fiscal year 2005. The amortization period for these losses is the average future service period of approximately 9 years. In 2007, we do not expect any amortization charge or credit for the postretirement medical plans in this respect. Moreover, as of December 31, 2006, prior service costs of € 4 million were not yet recognized through earnings. Thereof, € 2 million will be amortized in 2007.

OFF-BALANCE SHEET ARRANGEMENTS WITH UNCONSOLIDATED ENTITIES

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

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

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

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

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

Unlike securitization vehicles, commercial paper programs pose liquidity risk since the commercial paper issued is short-term whereas the issuer's assets are longer term. We take on this risk whenever we provide a liquidity support facility to the issuer. These contingent liabilities are incorporated in our liquidity risk framework (including stress testing).

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

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

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

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

TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

The table below shows the cash payment requirements from specified contractual obligations outstanding as of December 31, 2006.

Contractual obligations					Payment due by period
in € m.	**Total**	**Less than 1 year**	**1–3 years**	**3–5 years**	**More than 5 years**
Long-term debt obligations	132,495	18,563	33,846	28,725	51,361
Capital (finance) lease obligations	908	123	255	103	427
Operating lease obligations	3,264	564	925	663	1,112
Purchase obligations	3,386	809	1,262	820	495
Long-term deposits	33,511	–	12,537	6,588	14,386
Other long-term liabilities	6,375	1,214	2,000	985	2,176
Total	**179,939**	**21,273**	**50,825**	**37,884**	**69,957**

Figures above do not include the benefit of noncancelable sublease rentals of € 437 million on capital leases and € 330 million on operating leases. Purchase obligations for goods and service include future payments for, among other things, processing, information technology and custodian services. Some figures above for purchase obligations represent minimum contractual payments and actual future payments may be higher. Long-term deposits exclude contracts with a remaining maturity of less than one year. Other long-term liabilities consist primarily of obligations to purchase common shares, and insurance policy reserves. The latter are classified in the "More than 5 years" column since the obligations are long term in nature and actual payment dates cannot be specifically determined. See the following notes to the consolidated financial statements for further information: Note [11] regarding lease obligations, Note [15] regarding deposits, Note [17] regarding long-term debt and Note [18] regarding obligation to purchase common shares.

LONG-TERM CREDIT RATINGS

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

	Dec 31, 2006	Dec 31, 2005
Moody's Investors Service, New York[1]	Aa3	Aa3
Standard & Poor's, New York[2]	AA–	AA–
Fitch Ratings, New York[3]	AA–	AA–

1 Moody's defines the Aa3 rating as denoting bonds that are judged to be high quality by all standards. Moody's rates Aa bonds lower than the best bonds (which it rates Aaa) because margins of protection may not be as large as in Aaa securities or fluctuation of protective elements may be of greater amplitude or there may be other elements present which make the long-term risk appear somewhat greater than Aaa securities. The numerical modifier 3 indicates that Moody's ranks the obligation in the lower end of the Aa category.

2 Standard and Poor's defines its AA rating as denoting an obligor that has a very strong capacity to meet its financial commitments. The AA rating is the second-highest category of Standard and Poor's ratings. Standard and Poor's notes that an AA rated obligor differs from the highest rated obligors only in small degree. The minus sign shows relative standing within the AA rating category.

3 Fitch Ratings defines its AA rating as very high credit quality. Fitch Ratings uses the AA rating to denote a very low expectation of credit risk. According to Fitch Ratings, AA-ratings indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events. Category AA is Fitch Ratings second-highest rating category.

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

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

BALANCE SHEET DEVELOPMENT

The table below shows information on the balance sheet development.

in € m.	2006	2005
Total assets	1,126,230	992,161
Central Bank funds sold and securities purchased under resale agreements	138,763	130,993
Securities borrowed	108,266	101,125
Trading assets	516,839	448,393
Loans, net	168,134	151,355
Total liabilities	1,093,422	962,225
Deposits	408,782	380,787
Trading liabilities	218,854	194,347
Central bank funds purchased and securities sold under repurchase agreement	187,129	143,524
Long-term debt	132,495	113,554
Total shareholders' equity	32,808	29,936
Tier I risk-based capital (BIS)	24,498	21,898
Total risk-based capital (BIS)	35,323	33,886

The Group's total assets at the end of the year were € 1,126.2 billion, an increase compared to the previous year of € 134.1 billion or 14 % (2005: € 992.2 billion).

The growth in total assets was largely reflecting the increase of our trading activities with a corresponding growth in trading assets by € 68.4 billion to € 516.8 billion. Securities borrowed increased by € 7.1 billion to € 108.3 billion, and central bank funds sold and securities purchased under resale agreements grew by € 7.8 billion to € 138.8 billion. In addition, loans rose by € 16.8 billion to € 168.1 billion. This increase partly reflected a growth in PBC's mortgage and consumer lending business. In other assets, loans held for sale increased by € 11.3 billion to € 36.7 billion and receivables from prime brokerage were € 26.1 billion, € 10.8 billion higher compared to 2005. The development of loans held for sale was mainly driven by an increase in syndications and securitizations in North America.

The development in total liabilities was mainly driven by central bank funds purchased and securities sold under repurchase agreements, which increased by € 43,6 billion. More than two thirds of the increase in deposits of € 28.0 billion to € 408.8 billion was attributable to our foreign offices. Our long-term debt increased by € 18.9 billion to € 132.5 billion, reflecting € 64.6 billion of new issuances, partly offset by € 42.9 billion early repayments, repurchases and bond repayments. Furthermore, our trading liabilities rose by € 24.5 billion to € 218.9 billion at the end of 2006 and other liabilities increased by € 18.3 billion to € 99.7 billion, primarily reflecting higher payables from prime brokerage.

Group shareholders' equity increased in 2006 by € 2.9 billion, or 10 %, to € 32.8 billion. The main contributors to this development were net income of € 6.0 billion, the issuance of common shares in connection with employee stock option programs (€ 0.7 billion), and unrealized gains on securities available for sale (€ 0.3 billion). These factors were partly offset by items reducing shareholders' equity, including net share buybacks (€ 1.8 billion), the cash dividend paid for the 2005 financial year (€ 1.2 billion), negative effects of exchange rate changes (especially the U.S. dollar) of € 0.8 billion and the adjustment to initially apply SFAS 158, net of tax (€ 0.5 billion).

Total regulatory capital in accordance with the recommendations of the Basel Committee on Banking Supervision increased in 2006 by € 1.4 billion, to € 35.3 billion. While Tier I increased by € 2.6 billion, Tier II declined by € 1.2 billion as a result of expiring cumulative preferred securities and subordinated liabilities. Retained earnings, partially offset by dividend accrual and share buy backs, and newly issued noncumulative trust preferred securities were the principal drivers of the increase in Tier I capital.

INFORMATION PURSUANT TO SECTION 315 (4) OF THE GERMAN COMMERCIAL CODE

STRUCTURE OF THE SHARE CAPITAL

As of 31 December 2006, Deutsche Bank's issued share capital amounted to € 1,343,406,103.04 consisting of 524,768,009 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

We are not aware of any 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 has so far been 5 per cent, however, since January 20, 2007, it has been reduced to 3 per cent. We are not aware of any shareholder holding directly or indirectly more than 10 per cent 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 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.

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 determines 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. At December 31, 2006, Deutsche Bank had authorized but unissued capital of € 426,000,000 which may be issued at various dates through April 30, 2009 as follows.

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

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

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 June 1, 2006 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, 2007, 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 June 1, 2006 authorized the Management Board pursuant to Section 71 (1) No. 8 of the Stock Corporation Act to buy, on or before October 31, 2007, 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. In the case of purchase through the stock exchange, the company may use the services of third parties and employ derivatives, provided the third parties observe the following restrictions. 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 pur-

chase. 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.

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 framework 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 cause or 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 the total remuneration (base salary as well as variable – cash and equity-based – compensation) granted in the past.

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 members' compensation. This Compensation Report has been prepared in accordance with the requirements of Germany's new Act on Disclosure of Management Board Compensation (VorstOG) as well as the recommendations of the German Corporate Governance Code.

The individualized disclosure of the compensation of our Management Board members has been adjusted to the new requirements of the Act on Disclosure of Management Board Compensation (VorstOG), sub-divided into non-performance-related and performance-related components as well as components with long-term incentives.

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

in €	2006
Non-performance-related components:	
Salary	4,081,111
Other benefits	526,369
Performance-related components	18,332,086
Components with long-term incentives	9,961,972
Total compensation	**32,901,538**

This presentation conforms with the reward components defined in the German Act on the Disclosure of Management Board Compensation (VorstOG). The individual positions are therefore not directly comparable in all cases with the prior-year figures published in our 2005 Financial Report. The aggregate compensation taking into account the expense booked in the 2006 financial year for long-term incentive components granted in the financial year 2006 and in previous years amounted to € 26,835,169.

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 2007, members of the Management Board were granted a total of 91,821 equity rights (DB Equity Units) for their performance in the 2006 financial year. With receipt subject to certain conditions, the shares from these rights will be delivered on August 1, 2010.

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 [20] to the consolidated financial statements.

MANAGEMENT BOARD COMPENSATION

Our Management Board members received the following compensation components for their service on the Management Board for the year 2006:

Members of the Management Board	Non-performance-related components		Performance-related components	Components with long-term incentives[2]	Total Compensation
in €	Salary	Other benefits[1]			
Dr. Josef Ackermann	1,150,000	156,930	8,134,813	3,770,000	13,211,743
Dr. Hugo Bänziger[3]	528,889	40,359	1,615,194	1,117,278	3,301,720
Dr. Clemens Börsig[4]	273,333	51,555	1,197,009	577,416	2,099,313
Anthony Di Iorio[3]	528,889	35,217	1,615,194	1,117,278	3,296,578
Dr. Tessen von Heydebreck	800,000	147,918	2,884,938	1,690,000	5,522,856
Hermann-Josef Lamberti	800,000	94,390	2,884,938	1,690,000	5,469,328

1 Unlike last year, other benefits are reported on an individualized basis.
2 The number of DB Equity Units granted 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. Josef Ackermann: 34,749, Dr. Hugo Bänziger: 10,298, Dr. Clemens Börsig: 5,322, Anthony Di Iorio: 10,298, Dr. Tessen von Heydebreck: 15,577, and Hermann-Josef Lamberti: 15,577. The expense in the 2006 financial year for the long-term incentive components of compensation granted in the 2006 financial year and in prior years for their service on the Management Board was as follows: Dr. Josef Ackermann: € 1,918,067, Dr. Clemens Börsig: € 255,234, Dr. Tessen von Heydebreck: € 861,151, and Hermann-Josef Lamberti: € 861,151.
3 Member of the Management Board since May 4, 2006.
4 Member of the Management Board until May 3, 2006.

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 pension based on a defined contribution plan. In its structure, the plan corresponds to the general pension plan for our employees. Under this defined contribution pension plan, a personal pension account has been set up for each member of the Management Board. A payment is made annually by us into this pension account. This annual payment 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.

For the 2006 financial year, the annual payments made by us under this plan were € 379,500 for Dr. Ackermann, € 158,668 for Dr. Bänziger, € 302,000 for Dr. Börsig, € 79,334 for Mr. Di Iorio, € 333,605 for Dr. von Heydebreck and € 440,000 for Mr. Lamberti. Dr. Ackermann, Dr. von Heydebreck 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. The different sizes of the annual payments are due to the respective age-related factors, the different contribution rates and the individual pensionable compensation amounts. A further factor is that Dr. Bänziger and Mr. Di Iorio joined the Management Board during the year and Dr. Börsig left the Management Board during the year, as a result of which their contribution periods were shorter.

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 service agreement at our initiative, without us having been entitled to give notice of summary dismissal for cause. The severance payment comprises the salary for the remaining term of the contract, as well as the average bonus and MTI paid in the last three years for a period of up to one year.

If a Management Board member leaves office he is entitled, for a period of six months, to a transition payment consisting of his salary and target bonus. Exceptions to this arrangement exist where, for instance, the Management Board member gives cause for summary dismissal. 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 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.

If a Management Board member’s departure is in connection with a change of control, he is entitled to receive his contractual compensation for the remaining period of his appointment, or if such period is less than three years, three times his compensation, in the form of a one-time payment. The payment is calculated on the basis of the compensation (salary, bonus and MTI) received in the last full calendar year before the departure. Any rights under the DB Global Partnership Plan will remain in place.

Dr. Clemens Börsig, a former member of the Management Board, left that Board effective May 3, 2006 at the request of the Supervisory Board to join the Supervisory Board and become its Chairman. The agreement negotiated with him, before May 3, 2006, in consideration for his leaving the Management Board at our request, prior to the end of his contract in 2010 and without cause, provides for periodic payments over the remaining term of his original contract which in the aggregate amount to € 15.0 million. As part of the agreement, Dr. Börsig also agreed to a non-compete arrangement. In settlement of his contractual pension rights, an amount of € 3.0 million will be added to the existing balance in his defined contribution pension account no later than December 31, 2008.

The total compensation paid to former Management Board members or their surviving dependents in 2006 amounted to an aggregate of € 27,453,021.

PRINCIPLES OF THE COMPENSATION SYSTEM FOR SUPERVISORY BOARD MEMBERS

The compensation of Supervisory Board members is set forth in our Articles of Association, which our shareholders amend from time to time at their Annual General meetings. Such compensation provisions were last amended at our Annual General Meeting on June 10, 2003.

For 2006, the following compensation policies apply. The compensation generally consists of a fixed remuneration of € 30,000 per year (plus value-added tax (Umsatzsteuer), currently 19 %) and a dividend-based bonus of € 1,000 per year for every full or fractional € 0.05 increment by which the dividend we distribute to our shareholders exceeds € 0.15 per share. We increase both the fixed remuneration and the dividend-based bonus of each Supervisory Board member by 25 % for each committee on which the Supervisory Board member sits, except that for the chair of a committee the rate of increment is 50 % and if the committee chairperson is not identical with the Supervisory Board chairperson the rate of increment is 75 %. These amounts are based on the premise that the respective committee has met during the financial year. We pay the chairperson of the Supervisory Board three times the total compensation of a regular member, and we pay the deputy chairperson one and a half times the total compensation of a regular member. The members of the Supervisory Board also receive an annual remuneration linked to our long-term performance; this remuneration varies in size depending on how the ratio between the total return on our shares – based on share price development, dividend and capital actions – and the average total return of shares of a group of peer companies currently consisting of Citigroup Inc., Credit Suisse Group, JPMorgan Chase & Co., Merrill Lynch & Co. Inc. and UBS AG, has developed in the three financial years immediately preceding the year for which the remuneration is paid. If the ratio lies between –10 % and +10 %, each member receives an amount of € 15,000; if our shares outperform the peer group by 10 % to 20 %, the payment increases to € 25,000; and in case of a more than 20 % higher performance it rises to € 40,000. The members of the Supervisory Board receive a meeting fee of € 1,000 for each meeting of the Supervisory Board and its committees in which they take part. In addition, in our interest, the members of the Supervisory Board will be included in any financial liability insurance policy held in an appropriate amount by us, with the corresponding premiums being paid by us.

We also reimburse members of the Supervisory Board for all cash expenses and any value-added tax (Umsatzsteuer) they incur in connection with their roles as members of the Supervisory Board. Employee-elected members of the Supervisory Board also continue to receive their employee benefits. For Supervisory Board members who served on the board for only part of the year, we pay a fraction of their total compensation based on the number of months they served, rounding up or down to whole months.

SUPERVISORY BOARD COMPENSATION

We compensate our Supervisory Board members after the end of each fiscal year. In January 2007, we paid each Supervisory Board member the fixed portion of their remuneration for their services in 2006 and their meeting fees. In addition, we will pay each of them for their services in 2006 a remuneration linked to our long-term performance of € 15,000 as well as a dividend-based bonus. The following table shows the individual remuneration of the members of the Supervisory Board for their services in 2006 (excluding value-added tax), assuming that the Annual General Meeting in May 2007 approves the proposed dividend of € 4.00 per share.

Members of the Supervisory Board	Compensation for fiscal year 2006			
in €	**Fixed**	**Variable**	**Meeting fee**	**Total**
Dr. Clemens Börsig[1]	85,000	228,167	11,000	324,167
Dr. Rolf-E. Breuer[2]	42,500	114,083	10,000	166,583
Heidrun Förster	60,000	169,000	16,000	245,000
Dr. Karl-Gerhard Eick	52,500	149,750	10,000	212,250
Klaus Funk[3]	2,500	7,667	1,000	11,167
Ulrich Hartmann	37,500	111,250	9,000	157,750
Gerd Herzberg[4]	17,500	53,667	2,000	73,167
Sabine Horn	37,500	111,250	11,000	159,750
Rolf Hunck	37,500	111,250	10,000	158,750
Sir Peter Job	45,000	130,500	16,000	191,500
Prof. Dr. Henning Kagermann	37,500	111,250	10,000	158,750
Ulrich Kaufmann	37,500	111,250	11,000	159,750
Peter Kazmierczak[5]	27,500	84,333	5,000	116,833
Prof. Dr. Paul Kirchhof[6]	15,000	46,000	2,000	63,000
Maurice Lévy[7]	17,500	53,667	2,000	73,167
Henriette Mark	30,000	92,000	5,000	127,000
Margret Mönig-Raane[8]	12,500	38,333	2,000	52,833
Prof. Dr. jur. Dr.-Ing. E.h. Heinrich von Pierer	37,500	111,250	11,000	159,750
Gabriele Platscher	30,000	92,000	6,000	128,000
Karin Ruck	30,000	92,000	6,000	128,000
Theo Siegert[9]	12,500	38,333	2,000	52,833
Tilman Todenhöfer	37,500	111,250	11,000	159,750
Dipl.-Ing. Dr.-Ing. E.h. Jürgen Weber	30,000	92,000	5,000	127,000
Dipl.-Ing. Albrecht Woeste[8]	12,500	38,333	3,000	53,833
Leo Wunderlich	30,000	92,000	6,000	128,000
Total	**815,000**	**2,390,583**	**183,000**	**3,388,583**

1 New member since May 4, 2006.
2 Member until May 3, 2006.
3 Member until February 1, 2006.
4 New member since June 2, 2006.
5 New member since February 1, 2006.
6 Member until July 15, 2006.
7 New member since June 1, 2006.
8 Member until June 1, 2006.
9 New member since July 16, 2006.

EMPLOYEES AND SOCIAL RESPONSIBILITY

EMPLOYEES

As of December 31, 2006, we employed a total of 68,849 staff members as compared to 63,427 as of December 31, 2005. We calculate our employee figures on a full-time equivalent basis, meaning we include proportionate numbers of part-time employees.

The following table shows our numbers of full-time equivalent employees as of December 31, 2006 and 2005.

Employees[1]	Dec 31, 2006	Dec 31, 2005
Germany	26,401	26,336
Europe (outside Germany)[2]	19,923	18,444
Asia-Pacific	10,825	7,169
North America[3]	11,306	11,134
South America	394	345
Total employees	**68,849**	**63,427**

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

The number of our employees increased in 2006 by 5,422, or 8.5 %, to 68,849 employees. This increase is attributable mainly to the implementation of the growth initiatives in the business divisions. At the same time, jobs were created at less expensive locations, especially in the infrastructure group. Most of this expansion took place in the growth markets of the Asia-Pacific region. The region's share of total staff increased from 11.3 % (2005) to 15.7 % (2006).

CORPORATE CITIZENSHIP

The assumption of social responsibility is a prerequisite for the generation of value for shareholders. As a good corporate citizen, we are more than glad to accept our responsibility for our society. We are committed to improving educational prospects for young people and are there to provide assistance to victims of natural disasters that often affect entire regions. We consider it our duty to support our employees in various ways in their active social commitment. Expenditure on Deutsche Bank's commitment to society and its worldwide foundations amounted to almost € 85 million in 2006.

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

SUBSEQUENT EVENTS

There have been no subsequent events after December 31, 2006.

SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

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

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

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

For more information on critical accounting estimates, see the respective section of our Form 20-F of March 27, 2007.

RECENT ACCOUNTING DEVELOPMENTS

SFAS 158

In September 2006, the FASB issued SFAS No. 158, “Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans” (“SFAS 158”) which requires an employer to recognize the overfunded or underfunded status of a defined benefit plan as an asset or liability in its consolidated balance sheet. Under SFAS 158, actuarial gains and losses and prior service costs or credits that have not yet been recognized through earnings as net periodic benefit cost will be recognized in other comprehensive income, net of tax, until they are amortized as a component of net periodic benefit cost. SFAS 158 is effective as of the end of the fiscal year ending after December 15, 2006 and shall not be applied retrospectively. Upon adoption of SFAS 158, we recognized a charge to Accumulated other comprehensive income of € 799 million, before related taxes.

SAB 108

In September 2006, the SEC issued Staff Accounting Bulletin No. 108, “Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements” (“SAB 108”). SAB 108 provides guidance on how prior year misstatements, when they are identified, should be considered in the current year financial statements. The SAB requires registrants to quantify misstatements using both a balance sheet and an income statement approach and evaluate whether either approach results in quantifying a misstatement that, when all relevant quantitative and qualitative factors are considered, is material. SAB 108 does not change the guidance in SAB 99, “Materiality”, when evaluating the materiality of misstatements. SAB 108 is effective for fiscal years ending after November 15, 2006. Upon initial application, SAB 108 permits a one-time cumulative effect adjustment to beginning retained earnings. No adjustment was required to beginning retained earnings as a result of the adoption of SAB 108.

FSP FIN 46(R)-6

In April 2006, the FASB issued FSP FIN 46(R)-6, "Determining the Variability to Be Considered in Applying FASB Interpretation No. 46(R)" ("FSP FIN 46(R)-6"). FSP FIN 46(R)-6 addresses whether certain arrangements associated with variable interest entities should be treated as variable interests or considered as creators of variability, and indicates that the variability to be considered shall be based on an analysis of the design of the entity. FSP FIN 46(R)-6 is required to be applied prospectively to all entities with which we first become involved and to all entities previously required to be analyzed under FIN 46(R) upon the occurrence of certain events, beginning the first day of the first reporting period after June 15, 2006. The adoption of FSP FIN 46(R)-6 did not have a material impact on our consolidated financial statements.

FSP FTB 85-4-1

In March 2006, the FASB issued FSP FTB 85-4-1, "Accounting for Life Settlement Contracts by Third-Party Investors" ("FSP FTB 85-4-1"). FSP FTB 85-4-1 requires that purchased life settlement contracts, which are contracts between the owner of a life insurance policy and a third party investor, are measured at either fair value or by applying the investment method, whereas previously such contracts were held at the lower of cash surrender value and cost. Under the investment method, a life settlement contract is initially recorded at the transaction price plus all initial direct external costs; continuing costs to keep the policy in force are capitalized; and a gain is only recognized when the insured dies. The fair value method or the investment method is permitted to be elected on an instrument-by-instrument basis, and we elected to apply the fair value method to all life settlement contracts including those held at January 1, 2006. A cumulative effect adjustment to beginning retained earnings of € 13 million was recognized as of January 1, 2006 relating to the life settlement contracts held at this date.

EITF 05-5

In June 2005, the FASB ratified the consensus reached in EITF Issue No. 05-5, "Accounting for Early Retirement or Postemployment Programs with Specific Features (Such As Terms Specified in Altersteilzeit Early Retirement Arrangements)" ("EITF 05-5"). Under EITF 05-5 salaries, bonuses and additional pension contributions associated with certain early retirement arrangements typical in Germany (as well as similar programs) should be recognized over the period from the point at which the Altersteilzeit period begins until the end of the active service period. Previously, we had recognized the expense based on an actuarial valuation upon signature of the Altersteilzeit contract by the employee. The EITF also specifies the accounting for government subsidies related to these arrangements. EITF 05-5 is effective in fiscal years beginning after December 15, 2005. We adopted EITF 05-5 on January 1, 2006, and recognized a gain of € 4 million, net of taxes, as a cumulative effect of a change in accounting principle.

SFAS 154

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

SFAS 123 (REVISED 2004)

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

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

Upon adoption on January 1, 2006, we recognized a gain of € 42 million, net of taxes, as a cumulative effect of a change in accounting principle. This effect relates to an adjustment of accrued compensation costs, which under SFAS 123(R) are required to be based on the estimated number of share-based payment awards to vest, with consideration of expected forfeitures. Under SFAS 123, we had accounted for forfeitures on an actual basis, and therefore had reversed compensation expense in the period an award was forfeited. Compensation expense for future awards granted in relation to annual bonuses, but which include a vesting period, will no longer be recognized in the applicable performance year as part of compensation earned for that year.

In addition, as a result of adopting SFAS 123(R), certain balance sheet amounts associated with share-based compensation costs have been reclassified within the equity section of the balance sheet. This change in presentation had no net effect on our total equity. Effective January 1, 2006, deferred compensation (representing unearned costs of share-based payments) and common shares issuable are presented on a net basis, with the net amount being reclassified into additional paid-in capital.

Prior to the adoption of SFAS 123(R), we had recognized compensation cost for all awards granted as a retention incentive over the vesting period. With the adoption of SFAS 123(R), we have accelerated the expense accrual for awards granted in February 2006 which, due to early retirement provisions, are determined to include a nominal, but nonsubstantive service period. The expense recognized for these awards was € 21 million. For awards granted prior to the adoption of SFAS 123(R), the accounting remains unchanged.

If compensation expense for such awards had previously been recognized on an accelerated basis, the additional compensation expense recognized for the years ended December 31, 2005, 2004 and 2003 would have been € 101 million, € 177 million and € 130 million, respectively. Had accelerated recognition of compensation expense been made in the earlier years, the compensation expense recognized for the year ended December 31, 2006 for such awards would have been € 230 million less than the actual compensation expense.

On November 10, 2005, the FASB released the final FASB Staff Position No. FAS 123(R)-3, "Transition Election Related to Accounting for the Tax Effects of Share-Based Payment Awards" ("FSP FAS 123(R)-3"), which provides a practical transition election related to the calculation of excess tax benefits available to absorb tax deficiencies recognized subsequent to the adoption of SFAS 123(R) (that is, the additional paid-in-capital (APIC) pool). We elected to follow the alternative transition method as permitted by the FSP.

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

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

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

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

SFAS 159

In February 2007, the FASB issued SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities” (“SFAS 159”) which permits entities, at specified election dates, to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. The fair value option is applied on an instrument-by-instrument basis, is irrevocable and can only be applied to an entire instrument and not to specified risks, specific cash flows, or portions of that instrument. Unrealized gains and losses on items for which the fair value option has been elected will be reported in earnings at each subsequent reporting date and upfront fees and costs related to those items will be recognized in earnings as incurred and not deferred. SFAS 159 is effective in fiscal years beginning after November 15, 2007 and may not be applied retrospectively. For eligible items to which we elect to apply the fair value option as of the effective date, the effect of the first remeasurement to fair value is reported as a cumulative effect adjustment to the opening balance of retained earnings. We are currently evaluating the potential impact that the adoption of SFAS 159 will have on our consolidated financial statements.

SFAS 157

In September 2006, the FASB issued SFAS No. 157, “Fair Value Measurements” (“SFAS 157”). SFAS 157 defines fair value, establishes a framework for measuring fair value under other accounting pronouncements that permit or require fair value measurements, changes the methods used to measure fair value and expands disclosures about fair value measurements. In particular, disclosures are required to provide information on the extent to which fair value is used to measure assets and liabilities; the inputs used to develop measurements; and the effect of certain of the measurements on earnings (or changes in net assets). SFAS 157 also nullifies the specific guidance in EITF Issue No. 02-3, “Issues Involved in Accounting for Derivative Contracts Held for Trading Purposes and Contracts Involved in Energy Trading and Risk Management Activities” which prohibited the recognition of gains and losses at the inception of a derivative transaction in the absence of observable market data. SFAS 157 eliminates the use of a blockage factor for fair value measurements of financial instruments trading in an active market. SFAS 157 is effective for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. We are currently evaluating the potential impact, if any, that the adoption of SFAS 157 will have on our consolidated financial statements.

FIN 48

In July 2006, the FASB issued FASB Interpretation No. 48, “Accounting for Uncertainty in Income Taxes” (“FIN 48”). FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Interpretation also provides guidance on derecognition, classification, interest (that we will classify in our financial statements as interest expense, consistent with our current accounting policy) and penalties, accounting in interim periods, disclosure, and transition. FIN 48 is effective in fiscal years beginning after December 15, 2006. The provisions of FIN 48 are to be applied to all tax positions upon initial adoption, with the cumulative effect adjustment reported as an adjustment to the opening balance of retained earnings. The cumulative effect of less than € 5 million will be recognized as a decrease to beginning retained earnings on the adoption of FIN 48 on January 1, 2007.

SFAS 156

In March 2006, the FASB issued SFAS No. 156, "Accounting for Servicing of Financial Assets" ("SFAS 156"). SFAS 156 addresses the accounting for recognized servicing assets and servicing liabilities related to certain transfers of the servicer's financial assets and for acquisitions or assumptions of obligations to service financial assets that do not relate to the financial assets of the servicer and its related parties. SFAS 156 requires that all recognized servicing assets and servicing liabilities are initially measured at fair value, and subsequently measured at either fair value or by applying an amortization method for each class of recognized servicing assets and servicing liabilities. SFAS 156 is effective in fiscal years beginning after September 15, 2006. The adoption of SFAS 156, on January 1, 2007, is not expected to have a material impact on our consolidated financial statements.

SFAS 155

In February 2006, the FASB issued SFAS No. 155, "Accounting for Certain Hybrid Financial Instruments" ("SFAS 155"). SFAS 155 allows any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," to be carried at fair value in its entirety, with changes in fair value recognized in earnings. In addition, SFAS 155 requires that beneficial interests in securitized financial assets be analyzed to determine whether they are freestanding derivatives or contain an embedded derivative. SFAS 155 also eliminates a prior restriction on the types of passive derivatives that a qualifying special purpose entity is permitted to hold. SFAS 155 is applicable to new or modified financial instruments in fiscal years beginning after September 15, 2006, though the provisions related to fair value accounting for hybrid financial instruments can also be applied to existing instruments. We will recognize a cumulative effect adjustment of €41 million as a decrease to beginning retained earnings on the adoption of SFAS 155 on January 1, 2007.

IFRS

REGULATIONS REGARDING IFRS

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

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

IFRS PROJECT

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

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

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

In order to provide shareholders with comparative data as required by IFRS 1, we collected 2006 IFRS data in parallel to the U.S. GAAP data.

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

The project has advanced according to plan and is monitored via normal project controls and change management and is substantially completed. We are on track to meet all requirements for financial reporting under IFRS in 2007.

MAIN DIFFERENCES BETWEEN IFRS AND U.S. GAAP

Although IFRS and U.S. GAAP are similar in many ways and the IASB and FASB are committed to convergence, currently several differences remain for financial institutions, with the major differences relating to financial instrument classification and measurement, financial instrument recognition and derecognition, and consolidation assessments.

In addition, the use of the initial adoption exemptions, as allowed by IFRS 1, "First-Time Adoption of International Financial Reporting Standards", may create differences, such as the recognition of cumulative actuarial gains and losses on defined benefit plans in equity at the transition date.

OUTLOOK

THE GLOBAL ECONOMY

The global economy's robust growth during 2006 is expected to continue in the near term, although the pace of growth may moderate to just over 4 % in 2007, compared to 5 % in 2006. Slower growth is foreseen in the U.S. economy, where rises in interest rates will impact the housing sector and consumer spending. The Eurozone is expected to grow at a slightly lower rate than the 2.7 % achieved in 2006. In the Eurozone's largest economy, Germany, the economy will continue to benefit from the factors which contributed to solid growth last year: strong exports, corporate confidence, capital investment, and recovery in the construction sector; nevertheless, the recent 3 % increase in Value Added Tax rate may dampen consumer spending.

Emerging growth economies will again be important contributors to global economic performance. China and India are expected to grow at 9 % and 8 % respectively, sustaining the strong momentum achieved in 2006, underpinning continued demand for energy and other commodities. Growth in other emerging economies, and energy-producing nations, is also expected to remain strong. The leading corporations of these economies will be increasingly visible as global players in their markets, while economic growth and sustained industrialization will continue to drive personal wealth in these nations. The pace of globalization will continue to accelerate, characterized by increased volumes of traded goods, growing international capital flows, and markets will become more globally integrated. Global trade imbalances, with surpluses in major emerging economies and energy producers, offsetting a substantial current account deficit in the U.S., will again be a feature of the world economy.

Several risks exist in the global economy. Major geopolitical events, including war, natural disasters, political instability or significant terrorist activity, have the potential to destabilize financial markets. Stronger-than-expected monetary tightening, worsening trade imbalances, a harder-than-expected landing in the U.S. economy, a significant rise in energy prices, and sharper-than-expected interest rate rises, could all dampen prospects for economic growth across the world.

THE BANKING INDUSTRY

The outlook for the banking sector will include both challenges and opportunities. The factors underpinning the growth of the capital markets witnessed since 2003 look set to continue in the near term, as growth in the global economy continues to be financed increasingly via the capital markets rather than traditional bank lending, as the world's financial markets become more globally accessible, and as investor appetite remains strong. In standardized trading products, including cash equities and foreign exchange, margin pressure will remain; however, growth and margins will likely be more robust in more sophisticated products including derivatives and structured credit instruments. Against a background of high valuations and robust cash flows, strong levels of corporate activity are set to continue, sustaining the growth in M&A witnessed in 2006 and generating healthy levels of both equity and debt issuance. These factors will positively influence the outlook for investment banking revenues.

In asset gathering, positive impetus is expected from several factors. In mature economies, invested asset growth will be stimulated by increasing focus on private retirement and pension funding, while in emerging growth markets, the creation of new wealth will continue to stimulate demand for investment management. Both institutional and private investors are likely to sustain their appetite for new asset classes, including hedge funds, private equity and real estate, which will continue to drive growth in these areas.

Lending activities will face the prospect of upward pressure on interest rates in most industrialized countries. In retail banking, rising interest rates will mitigate growth of consumer credit and mortgage products in some markets, although demand will likely remain strong for investment advisory products and services, with sustained strong growth in demand for personal banking services in emerging growth markets.

Major banks will continue to expand their international operations, seeking to take advantage of the opportunities offered by the globalization of the world economy and to overcome growth constraints in their domestic markets. Banking sector consolidation is expected to continue, both via incremental acquisitions and cross-border mergers.

Some downside risks exist. Financial markets are by nature unpredictable. After positive market conditions in late 2006, continuing into early 2007, leading indices in both mature and emerging markets reached high and in some cases record levels, giving rise to the possibility of corrections and periods of volatile conditions. Such conditions may, in turn, inhibit origination volumes and M&A activity. Higher interest rates may trigger a rise in provisioning, reflecting higher default rates for corporate credits – especially in the sub-investment-grade segment – and for highly indebted households. However, the impact of this development would be mitigated by advances in risk management, such as increased use of hedging techniques. The aforementioned major geopolitical events, which pose risks for the global economy, could also have a potentially significant impact on financial markets, including stock market corrections or increased volatility, which could in turn impact the earnings prospects of banks with substantial capital markets-related activities.

The industry will also face several important regulatory changes in 2007, some of which will necessitate substantial adjustments. For instance, parallel application of old and new regulations marks the transition to the new regime for capital adequacy requirements under Basel II. Moreover, the forthcoming implementation of the European Markets in Financial Instruments Directive (MiFID) has to be implemented. It aims to further integrate the securities markets in the European Economic Area and improve competition by harmonizing regulations on transparency and investor protection in securities dealings.

THE DEUTSCHE BANK GROUP

The outlook for Deutsche Bank is favorably influenced by several factors. Against a backdrop of increasing globalization in the world economy, Deutsche Bank is very well-positioned, with a presence in 73 countries, significant regional diversification and substantial revenue streams from all the major regions of the world. We have established strong bases in all major emerging markets, and therefore have good prospects for business growth in fast-growing economies, including the Asia-Pacific region, Central and Eastern Europe, and Latin America. In Europe, we are well placed to benefit from the aforementioned resilient conditions in our home market, Germany, and from continued strong levels of corporate activity in the Eurozone.

As one of the world's leading investment banks (as measured by publicly available revenue data), Deutsche Bank is also well-positioned to benefit from continued growth in the world's capital markets. We command strong positions in emerging capital markets, notably in Asia, which continue to expand rapidly. Our corporate finance business is well-positioned to benefit from sustained high levels of corporate activity, both in M&A and in debt and equity issuance, including high yield debt and syndicated loans. Our sales and trading businesses stand to gain from sustained growth in more complex, high-value areas, including derivatives, securitization, and structured credit products. In periods of market uncertainty, the diversification of our investment banking business, spanning different client types, products and regions, mitigates the impact of challenging conditions in specific areas. As financial markets witness increasing levels of leverage and risk distribution, Deutsche Bank's risk management competencies, including innovative techniques such as loan exposure management and dynamic hedging, are likely to play an increasingly important role in our business growth.

As invested assets continue to grow across the world, Deutsche Bank is likewise well-positioned to capture growth opportunities. At the end of 2006, Deutsche Bank managed €966 billion in assets for institutional clients, high net worth individuals and private customers. As mature economies see growing levels of private retirement funding and pension planning, Deutsche Bank's mutual fund subsidiary, DWS, is well-placed to benefit, with a top-three position among European mutual fund providers (as measured by publicly available invested asset data), and clear leadership in the German market. As new wealth is created in emerging economies, the DWS franchise has favorable prospects for growth in these markets. As a leader in real estate asset management, Deutsche Bank is also poised to benefit from growing demand for alternative asset classes. Substantial investment in our Private Wealth Management platform during 2006, including the hiring of more than 400 new employees and the acquisition of Tilney Group in the UK, positions us well to capture growth in assets invested by wealthy individuals around the world.

In personal banking, Deutsche Bank is well-positioned to benefit from resilient economic conditions in our home market, Germany, and from the added capacity created by two acquisitions, Berliner Bank and norisbank. Our investments in India, China and Vietnam, including both organic expansion and local partnerships, also enable us to tap growth in demand for personal banking products and services in these fast-growing economies.

In the context of the outlook for the global economy and banking industry, several downside risks exist for Deutsche Bank. Fundamental trends continue to support the long-term growth of capital markets-related businesses, but due to the intrinsic unpredictability of financial markets, corrections and periods of increased volatility may occur. The aforementioned higher interest rates and provisioning levels (while mitigated by advances in risk management) as well as major geopolitical events and financial markets corrections or increased volatility could in turn impact the earnings prospects of the bank. These general risks are discussed in detail in the next section of this report. The specific risks affecting our businesses are outlined in the paragraphs below.

Deutsche Bank's commitment to continued cost, risk, capital and regulatory discipline will play a critical role in the development of our business. As our core businesses expand, risk appetite and cost pressures will continue, and any increases will be subject to strict internal controls. Potential acquisitions are also rigorously monitored against strict criteria, both before and after completion. Against a backdrop of increasing regulatory and legal scrutiny, we will continue to operate a rigorous control environment, in order to minimize reputational, regulatory and litigation risk

On the back of increased regulation and complexity of the financial markets, efforts are repeatedly undertaken to subject financial services providers to increased responsibilities and liabilities. As a result, we need to devote additional resources to address these requirements and our exposure to legal risks such as litigation, arbitration and regulatory proceedings has increased, in particular in the U.S. We may settle such proceedings prior to a final judgment on the claim and its amount, even when we believe we have valid defenses against liability. This applies in particular where the potential economic, business, regulatory or reputational consequences of failing to prevail would be disproportionate to the cost of settlement. The ongoing financial impact of legal risks might be considerable but is impossible to estimate with confidence.

The outlook for Deutsche Bank is consistent with the Bank's published financial objectives. We aim to deliver pre-tax profit (target definition) of € 8.4 billion for the Group in 2008, and to maintain, over the business cycle, a sustainable pre-tax return on average equity, per our target definition, of at least 25 %, together with double-digit growth in diluted earnings per share. Our commitment to sustained capital discipline is reflected in our target of a BIS Tier 1 capital ratio of between 8 and 9 %. The bank internal models for measuring credit risk which are necessary pursuant to the capital adequacy requirements under Basel II are being audited by the relevant regulators. To the extent that such process will be completed without substantial delays or changes, we currently expect the requirement for regulatory capital to generally decrease from 2008 onwards. As a result of the increased risk sensitivity of such capital adequacy requirements, however, capital requirements may also increase compared to current levels in times of economic downturn and increase our financing costs.

CORPORATE AND INVESTMENT BANK GROUP DIVISION

The Corporate and Investment Bank, or CIB, comprises Deutsche Bank's Corporate Banking & Securities and Global Transaction Banking Corporate Divisions.

In CORPORATE BANKING & SECURITIES we aim to take advantage of the business environment to further build on our position as one of the world's leading investment banks. In our sales & trading businesses, we foresee sustained demand for higher-margin, structured trading products, including derivatives, as institutional clients, including insurers and pension funds, seek to optimize returns, protect themselves against risk, and seek solutions for complex requirements such as asset-liability mismatches and pension funding gaps. The outlook for securitization will also benefit from sustained demand from both issuers and investors, while financial markets in emerging economies will benefit from sustained economic growth in those nations and from sustained investor demand. In this context, we have a clear and focused strategy to further strengthen our platform.

We will continue to invest in our equities platform. In Equity Derivatives, we plan to substantially expand our platform for exchange-traded funds (ETF), roll-out retail structured funds in Europe and Asia, and expand our structured hedge fund product set. In Prime Brokerage, we will invest substantially in our technology platform and intend to grow market share with "middle tier" hedge funds. In Cash Equity, we aim to achieve market leadership in direct market access (DMA)/algorithmic trading and build out our global industry sector research.

We will continue to invest in key markets by building on our already strong position in several emerging markets. In the U.S., we aim to grow our mortgage-backed securities business, taking advantage of our acquisition, during 2006, of MortgageIT and Chapel LLC. We are committed to developing a differentiated commodities business and see exciting growth prospects with retail investors and borrowers in structured products.

In our origination and advisory businesses, the outlook remains positive after very strong conditions in 2006. Corporate balance sheets and cash flows remain solid, creating conditions for sustained M&A activity and funding of corporate expansion through capital market issuance, and for continued growth of high yield debt, in part driven by demand for leveraged buyouts. In this context, Deutsche Bank is aiming to achieve a sustainable top-5 position globally, as measured by fee pool and profitability. We see our greatest growth opportunity in the Americas, which represents the

largest fee pool, and where we have a clear strategy of organic growth to expand our market share and grow profitability. In addition, we will seek to invest more aggressively in target emerging markets to capture a good share of this fast growing fee pool and to mitigate margin erosion in this business. We have integrated our coverage model and aligned our coverage intensity to our new client tiering system, allowing us to focus intensely on adding value to our priority clients which will raise our productivity.

We aim to further integrate our various businesses within CIB to capture cross-divisional opportunities. For example, our sales & trading business can be an enabler to connect with advisory clients and open up relationships. We will focus on managing our products globally as one of the key ways we can do more for our clients.

While the outlook for Corporate Banking & Securities is positive, it will to some extent be mitigated by margin erosion on standardized or commoditized products, reflecting rapid maturity cycles in a highly innovative and competitive global industry. Furthermore, corrections and periods of uncertainty may occur in equity markets, including emerging markets, and this may impact Deutsche Bank’s business. Also, a reduction in volumes, a cyclical market downturn, or the possibility of a market shock would negatively affect all market participants, including Deutsche Bank.

Corporate Banking & Securities aims to deliver pre-tax profit (target definition) of € 5.3 billion in 2008.

In GLOBAL TRANSACTION BANKING (GTB), we see a favorable outlook and prospects for growth, against a backdrop of continued strength in the corporate sector, notably in Germany, where Deutsche Bank commands a very strong position, and demand from the mid-cap corporate segment across Europe. The outlook in major emerging markets will be positively impacted by sustained economic and corporate-sector growth, notably among large local corporate clients. With a well-diversified business mix of Trade Finance and Cash Management for Corporates as well as Trust & Securities Services and Cash Management for Financial Institutions, GTB aims to achieve further profitable growth by means of several initiatives. In Europe, we aim to grow revenues by expanding on our current position in Germany, by building out our European domestic custody platform, and by increasing our business with European mid-cap clients, particularly in Spain and Italy. GTB also intends to benefit from the creation of the Single Euro Payment Area (SEPA).

In the Asia-Pacific region, our growth strategy focuses on large local corporate clients and on fast-growing markets such as China, India and Korea. We also aim to grow in Central and Eastern Europe and the Middle East, and to support our growth with incremental acquisitions. Increased co-operation and cross-selling with Corporate Banking & Securities, and with Private Clients and Asset Management, is central to our strategy.

Declining global trading volumes and stagnating economic growth may negatively impact revenues in our Trade Finance business, while downward interest rate trends, decreasing payment volumes as well as pricing pressure would present substantial risks to our Cash Management business. Market value reductions driving pricing reductions of custody assets and aggressive price competition from industry consolidation could potentially negatively impact our Trust & Securities Services business.

GTB aims to achieve € 1 billion pre-tax profit (target definition) in 2008.

PRIVATE CLIENTS AND ASSET MANAGEMENT GROUP DIVISION

Private Clients and Asset Management, or PCAM, covers our Asset and Wealth Management Corporate Division, which comprises our Asset Management and Private Wealth Management businesses, and our Private and Business Clients Corporate Division.

In ASSET AND WEALTH MANAGEMENT (AWM), we expect to benefit from sustained asset growth across the world, both in mature markets and in emerging growth regions, and in all major investor segments – institutional, high net worth and private individuals. The outlook for our Asset Management business will be strongly influenced by five 'mega trends' which are shaping our industry and we have developed focused strategies to capitalize on each of them.

INSTITUTIONALIZATION OF THE ALTERNATIVES BUSINESS. We want to globalize our real estate asset management business RREEF and expand the depth and breadth of its product range to take full advantage of this industry-transforming trend. In addition, we are developing our private equity fund of fund business and exploring growth options in the hedge funds business.

INSURANCE OUTSOURCING. In traditional institutional asset management, we aim to leverage our position as the world's largest insurance asset manager to benefit from this trend, which we expect to be a multi-trillion Euro business dominated by a few huge scale players.

NEW PACKAGING AND INNOVATION. In retail asset management, we want to leverage our DWS business to drive future sales. By developing and offering new products in areas like the certificates market in Germany or the market for exchange-traded funds (ETFs) in the U.S, we aim to capture opportunities in markets where exceptional growth is expected.

GROWTH IN THE PENSION MARKET IN EUROPE. Here, we are building our institutional business which is crucial to capturing the retirement trend. Western European pension assets are expected to more than double in the next 10 years to over € 16 trillion.

WEALTH CREATION IN EMERGING MARKETS. We are also focusing on key emerging markets, where wealth creation in Asia-Pacific and the Middle East offers enormous long-term growth potential. In China, we have taken an ownership stake in Harvest Fund Management – a Top 5 Chinese mutual fund company. In the Middle East, we are launching a Sharia compliant product range (Equities/Fixed Income), strengthen distribution through our Riyadh branch and expanding into Dubai and Bahrain.

Deutsche Bank's Asset Management business is well-positioned to grow in this environment, thanks to the strong positions we command in our four global business lines. Our mutual fund platform, organized around the DWS brand, our alternative investments business, which includes the real estate asset management business RREEF, and our asset management business to the insurance sector are market leaders, and we are in the process of addressing the Institutional business.

In private wealth management, the outlook will benefit from growth in the value of assets held by wealthy individuals and families around the world, by the creation of new wealth in both mature and emerging economies, and by the increasing range and diversity of asset classes and wealth management strategies sought by investors. Our Private Wealth Management (PWM) business has positioned itself to take advantage of this outlook via a series of strategic initiatives. We are aiming to increase quality of earnings via improved return on assets and a higher share of recurring income. We target to achieve this by capitalizing on our distinct success factors: Our 'House View', our global investment process which leverages the intellectual capital of Deutsche Bank with specific emphasis on new trends in risk management; cutting edge products and solutions for best-in-class asset diversification and addressing of individual client needs; a client-centric model with a focused expansion strategy to meet growing client demand; and taking advantage of the PWM network as an integral part of Deutsche Bank's global presence ("Connectivity").

We have identified a number of priority initiatives for increased annuity income and margin expansion. We will expand Discretionary Portfolio Management (DPM) as PWM's key proposition, and establish an industry-leading and globally consistent advisory process with a structured approach supported by the Advisory Portfolio Tool (APT). We aim to become the market leader in Alternative Investments, including Real Estate, Private Equity, Hedge Funds, and FX, and to significantly grow our credit-driven business.

These initiatives will be complemented by dedicated regional growth strategies. We aim to expand our client proposition for the UK Onshore market to enhance PWM's growth prospects following the acquisition of Tilney, gain distribution scale in the U.S. through business model convergence, and leverage existing client relationships with corporate customers in Germany. We are taking a systematic approach to key growth markets such as Latin America, the Middle East and Africa, Russia, Greater China and India. Lastly, we intend to enhance our proposition in the Swiss Onshore market and strengthen our global business with financial intermediaries.

Lower GDP growth, inflation and interest rates remaining at lower levels would lead to lower than expected growth in Net New Assets and would jeopardize planned improvements in return on assets. As a result, we may generate lower revenues from brokerage and other commission- and fee-based businesses. Initiatives launched by us or partnerships we enter into may not match expectations, and intense competition, in our home market of Germany as well as in international markets, could hurt our revenues and profitability.

Asset and Wealth Management is aiming to contribute pre-tax profit (target definition) of € 1.3 billion in 2008, with € 0.8 billion coming from the Asset Management business and € 0.5 billion from the Private Wealth Management business.

PRIVATE & BUSINESS CLIENTS (PBC) provides traditional banking products, including current account, deposit and lending products together with investment management products. PBC serves over 14 million clients – the majority in Germany, Italy and Spain and is currently expanding into important emerging markets in Europe and Asia.

In Germany, the improved economic conditions alluded to above and sustained demand for consumer financing options both support our business. In both Germany and other mature European economies, the outlook for personal savings and investment products will be positively impacted by sustained interest in private retirement planning. In Central and Eastern Europe, and in fast-growing Asian markets, economic growth and rising prosperity will continue to spur demand for personal banking services, including credit cards, consumer finance and savings and investment products.

Against this backdrop, PBC's strategic focus will be to keep revenue momentum and capitalize on acquisitions in Germany. We seek to strengthen our consumer finance business by capitalizing on the acquisition of norisbank and by rolling out non-conforming mortgage products. We also aim to accelerate growth in advisory banking by capitalizing on the acquisition of Berliner Bank.

We aim to expand our franchises in Europe to further develop our proposition in high growth markets. In Poland, we are building our business through a further expansion of our branch network and the launch of our consumer finance business, where we intend to become a major player in consumer finance in the mid-term. In India, we want to build on the positive growth momentum with the expansion of our credit cards business and a strong growth in customer acquisition. In China, we are supporting the partnership with HuaXia Bank, our local partner, in the affluent segment and distributing a credit card nationwide through an exclusive joint venture. In Vietnam, our equity stake in and cooperation with Hanoi Building Commercial Joint Stock Bank (Habubank) complements our position in Asia.

Lower than expected GDP growth, inflation and interest rates remaining at lower levels would translate into lower revenues for PBC. Intense competition, in our home market of Germany as well as in international markets, could negatively impact our revenues and profitability.

PBC aims to contribute pre-tax profit (target definition) of € 1.3 billion in 2008.

Risk Report

RISK AND CAPITAL MANAGEMENT

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

RISK AND CAPITAL MANAGEMENT PRINCIPLES

The following key principles underpin our approach to risk and capital management:

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

RISK AND CAPITAL MANAGEMENT ORGANIZATION

Our Chief Risk Officer, who is a member of our Management Board, is responsible for our credit, market, liquidity, operational and business risk management as well as capital management activities within our consolidated Group. In 2006, we merged Risk Management and Treasury & Capital Management, previously called Group Treasury, to form an integrated risk and capital management function. Additionally, the Capital and Risk Committee was formed as a functional committee of Deutsche Bank to integrate further our risk and capital management activities. It 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 management and control of the aforementioned risks across our consolidated Group. The two Deputy Chief Risk Officers that report directly to the Chief Risk Officer – one being the Chief Credit Officer and the other being responsible for Market Risk Management, Investment Risk Management and Treasury & Capital Management – are among the voting members of our Risk Executive Committee.

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

Dedicated risk and capital management units are established with the mandate to:

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

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

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

On January 31, 2007, the Supervisory Board announced that the Chief Risk Officer will take charge of the legal and compliance departments in conjunction with the retirement of the current Chief Administrative Officer from the Management Board at the close of our Annual General Meeting on May 24, 2007.

CATEGORIES OF RISK

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

SPECIFIC BANKING RISKS

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

- CREDIT RISK arises from all transactions that give rise to actual, contingent or potential claims against any counterparty, borrower or obligor (which we refer to collectively as “counterparties”). This is the largest single risk we face. We distinguish among three kinds of credit risk:
  - DEFAULT RISK is the risk that counterparties fail to meet contractual payment obligations.
  - COUNTRY RISK is the risk that we may suffer a loss, in any given country, due to any of the following reasons: a possible deterioration of economic conditions, political and social upheaval, nationalization and expropriation of assets, government repudiation of indebtedness, exchange controls and disruptive currency depreciation or devaluation. Country risk includes transfer risk which arises when debtors are unable to meet their obligations owing to an inability to transfer assets to nonresidents due to direct sovereign intervention.
  - SETTLEMENT RISK is the risk that the settlement or clearance of transactions will fail. It arises whenever the exchange of cash, securities and/or other assets is not simultaneous.

- MARKET RISK arises from the uncertainty concerning changes in market prices and rates (including interest rates, equity prices, foreign exchange rates and commodity prices), the correlations among them and their levels of volatility.
- LIQUIDITY RISK is the risk arising from our potential inability to meet all payment obligations when they come due.
- OPERATIONAL RISK is the potential for incurring losses in relation to employees, contractual specifications and documentation, technology, infrastructure failure and disasters, projects, external influences and customer relationships. This definition includes legal and regulatory risk, but excludes business and reputational risk.

REPUTATIONAL RISK

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

BUSINESS RISK

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

INSURANCE SPECIFIC RISK

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

RISK MANAGEMENT TOOLS

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

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

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

— EXPECTED LOSS. We use expected loss as a measure of the default, transfer, and settlement risk elements of our credit risk. Expected loss is a measurement of the loss we can expect within a one-year period on our credit exposure, based on our historical loss experience. When calculating expected loss, we take into account credit risk ratings, collateral, maturities and statistical averaging procedures to reflect the risk characteristics of our different types of exposures and facilities. All parameter assumptions are based on statistical averages of our internal default and loss history as well as external benchmarks. We use expected loss as a tool of our risk management process and as part of our management reporting systems. We also consider the applicable results of the expected loss calculations when establishing the other inherent loss allowance included in our financial statements. Applicable results in this context are those that are used to estimate losses inherent in loans and contingent liabilities that are not already considered in the specific loss component of our allowance or our allowance for smaller-balance standardized homogeneous loans.
— VALUE-AT-RISK. We use the value-at-risk approach to derive quantitative measures for our trading book market risks under normal market conditions. Our value-at-risk figures play a role in both internal and external (regulatory) reporting. For a given portfolio, value-at-risk measures the potential future loss (in terms of market value) that, under normal market conditions, will not be exceeded with a defined confidence level in a defined period. The value-at-risk for a total portfolio represents a measure of our diversified market risk (aggregated using pre-determined correlations) in that portfolio.
— STRESS TESTING. We supplement our analysis of credit, market, operational and liquidity risk with stress testing. For market risk management purposes, we perform stress tests because value-at-risk calculations are based on relatively recent historical data, only purport to estimate risk up to a defined confidence level and assume good asset liquidity. Therefore, they only reflect possible losses under relatively normal market conditions. Stress tests help us determine the effects of potentially extreme market developments on the value of our market risk sensitive exposures, both on our highly liquid and less liquid trading positions as well as our investments. We use stress testing to determine the amount of economic capital we need to allocate to cover our market risk exposure under extreme market conditions. For credit risk management purposes, we perform stress tests to assess the impact of changes in general economic conditions on our credit exposures or parts thereof. For operational risk management purposes, we perform stress tests on our economic capital model to assess its sensitivity to changes in key model components. Among other things, the results of these stress tests enable us to assess the impact of significant changes in the frequency and/or severity of operational risk events on our operational risk economic capital. For liquidity risk management purposes, we perform stress tests and scenario analysis to evaluate the impact of sudden stress events on our liquidity position.
— REGULATORY RISK REPORTING. German banking regulators assess our capacity to assume risk in several ways, which are described in more detail in Note [22] of the consolidated financial statements.

CREDIT RISK

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

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

CREDIT RISK RATINGS

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

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

CREDIT LIMITS

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

MONITORING DEFAULT RISK

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

LOAN EXPOSURE MANAGEMENT GROUP

As part of our overall framework of risk management, the Loan Exposure Management Group (LEMG) focuses on managing the credit risk of loans and lending-related commitments of the international investment-grade portfolio and the medium-sized German companies' portfolio within our Corporate and Investment Bank Group Division.

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

LEMG is concentrating on two primary initiatives within the credit risk framework to further enhance risk management discipline, improve returns and use capital more efficiently:

— to reduce single-name and industry credit risk concentrations within the credit portfolio, and
— to manage credit exposures actively by utilizing techniques including loan sales, securitization via collateralized loan obligations, and single-name and portfolio credit default swaps.

The notional amount of LEMG's risk reduction activities increased 10.5 % from € 34.6 billion as of December 31, 2005, to € 38.3 billion as of December 31, 2006.

As of year-end 2006, LEMG held credit derivatives with an underlying notional amount of € 24.8 billion. This position totaled € 24.7 billion as of December 31, 2005.

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

LEMG also mitigated the credit risk of € 13.4 billion of loans and lending-related commitments as of December 31, 2006, by synthetic collateralized loan obligations supported predominantly by financial guarantees and, to a lesser extent, credit derivatives for which the first loss piece has been sold. This position totaled € 9.7 billion as of December 31, 2005. LEMG further mitigated € 0.1 billion of loans and lending-related commitments as of December 31, 2006, by way of credit-linked notes. This position totaled € 0.2 billion as of December 31, 2005. Credit mitigation by way of credit-linked notes or synthetic collateralized loan obligations supported by financial guarantees is especially important as it not only addresses the credit risk of the underlying positions but also eliminates the accounting asymmetry that arises under SFAS 133 between the lending positions and credit default swaps, and allows us to manage the risk of illiquid positions.

CREDIT EXPOSURE

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

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

Although we consider them in monitoring our credit exposures, the following are not included in the tables below: cash and due from banks, interest-earnings deposits with banks, and accrued interest receivables, amounting to € 32.5 billion at December 31, 2006 and € 23.5 billion at December 31, 2005; forward committed repurchase and reverse repurchase agreements, of € 77.8 billion at December 31, 2006 and € 119.2 billion at December 31, 2005; and irrevocable lending-related commitments, of € 159.2 billion at December 31, 2006 and € 145.0 billion at December 31, 2005. At December 31, 2006, 85 % of our lending-related commitments were extended to counterparties rated at the equivalent of investment-grade debt ratings from the major international rating agencies.

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

Credit risk profile by region	Loans		Contingent liabilities		OTC derivatives		Tradable assets		Total	
in € m.	Dec 31, 2006	Dec 31, 2005	Dec 31, 2006	Dec 31, 2005	Dec 31, 2006	Dec 31, 2005	Dec 31, 2006	Dec 31, 2005	Dec 31, 2006	Dec 31, 2005
Eastern Europe	2,600	2,242	808	548	742	750	8,344	5,569	12,494	9,109
Western Europe	130,468	119,890	28,311	20,452	29,313	33,799	121,095	110,033	309,187	284,174
Africa	587	272	357	172	436	548	1,489	934	2,869	1,926
Asia-Pacific	12,654	11,328	3,381	4,419	7,325	6,507	55,698	50,328	79,058	72,582
North America	21,994	17,760	10,827	9,344	19,606	20,926	126,262	113,780	178,689	161,810
Central and South America	1,513	1,765	309	372	973	818	8,969	8,020	11,764	10,975
Other[1]	72	26	–	2	253	434	1,806	583	2,131	1,045
Total	**169,888**	**153,283**	**43,993**	**35,309**	**58,648**	**63,782**	**323,663**	**289,247**	**596,192**	**541,621**

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

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

Credit risk profile by industry sector in € m.	Loans		Contingent liabilities		OTC derivatives		Tradable assets		Total	
	Dec 31, 2006	Dec 31, 2005	Dec 31, 2006	Dec 31, 2005	Dec 31, 2006	Dec 31, 2005	Dec 31, 2006	Dec 31, 2005	Dec 31, 2006	Dec 31, 2005
Banks and insurance	8,965	7,676	8,829	6,270	37,327	43,914	132,499	106,433	187,620	164,293
Manufacturing	15,379	15,703	9,689	8,996	2,642	2,366	18,257	16,426	45,967	43,491
Households	66,332	62,457	1,232	1,299	781	425	–	–	68,345	64,181
Public sector	3,742	2,629	688	515	4,239	4,582	120,367	121,853	129,036	129,579
Wholesale and retail trade	12,056	12,077	2,546	2,531	827	496	4,981	4,143	20,410	19,247
Commercial real estate activities	14,099	13,259	2,144	2,168	540	619	1,744	1,449	18,527	17,495
Other	49,315[1]	39,482[1]	18,865	13,530	12,292	11,380	45,815	38,943	126,287	103,335
Total	**169,888**	**153,283**	**43,993**	**35,309**	**58,648**	**63,782**	**323,663**	**289,247**	**596,192**	**541,621**

1 Includes lease financing.

Our loans and contingent liabilities-related credit exposure to our ten largest counterparties accounts for 5 % of our total credit exposure in these categories as of December 31, 2006. Included in our top ten counterparty exposures are exposures relating to structured trades which show high levels of collateralization.

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

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

CORPORATE CREDIT EXPOSURE

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

This table reflects an increase in our corporate loan book, as well as a continued overall improvement in the credit quality of our lending-related credit exposures. The change in the creditworthiness of our corporate loan book in 2006 compared to 2005 is primarily a consequence of our tight credit discipline and the overall benign credit environment. This is evidenced by the portion of our corporate loan book carrying an investment-grade rating increasing, from 65 % at December 31, 2005 to 67 % at December 31, 2006.

Credit risk profile by creditworthiness category in € m.	Loans		Contingent liabilities		OTC derivatives		Tradable assets		Total	
	Dec 31, 2006	Dec 31, 2005	Dec 31, 2006	Dec 31, 2005	Dec 31, 2006	Dec 31, 2005	Dec 31, 2006	Dec 31, 2005	Dec 31, 2006	Dec 31, 2005
AAA–AA	18,669	17,086	5,807	3,152	28,343	25,026	170,398	161,181	223,217	206,445
A	15,025	11,940	13,642	9,336	16,459	19,365	47,573	40,155	92,699	80,796
BBB	30,748	26,183	13,512	13,012	7,188	10,065	27,596	24,143	79,044	73,403
BB	22,152	22,036	6,821	7,088	5,485	7,853	59,149	41,564	93,607	78,541
B	4,718	5,067	3,607	2,060	1,060	1,132	14,236	16,633	23,621	24,892
CCC and below	4,834	3,123	604	661	113	341	4,711	5,571	10,262	9,696
Total	**96,146**	**85,435**	**43,993**	**35,309**	**58,648**	**63,782**	**323,663**	**289,247**	**522,450**	**473,773**

CONSUMER CREDIT EXPOSURE

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

	Total exposure (in € m.)		90 days or more past due as a % of total exposure		Net credit costs as a % of total exposure	
	Dec 31, 2006	Dec 31, 2005	Dec 31, 2006	Dec 31, 2005	Dec 31, 2006	Dec 31, 2005
Consumer credit exposure Germany:	53,489	50,569	1.90 %	2.04 %	0.55 %	0.54 %
Consumer and small business financing	12,301	10,955	2.20 %	2.11 %	1.48 %	1.38 %
Mortgage lending	41,188	39,614	1.80 %	2.02 %	0.27 %	0.31 %
Consumer credit exposure outside Germany	20,253	17,279	1.04 %	1.12 %	0.36 %	0.37 %
Total consumer credit exposure	**73,742**	**67,848**	**1.66 %**	**1.80 %**	**0.50 %**	**0.50 %**

The volume of our consumer credit exposure rose by € 5.9 billion, or 9 %, from 2005 to 2006, driven mainly by the volume growth of our portfolio in Germany (up € 2.9 billion) and even stronger relative growth in Italy (up € 1.6 billion) and Spain (up € 1.0 billion). Total net credit costs as a percentage of total exposure remained constant compared to 2005 as an increase in consumer and small business finance in Germany was offset by a reduction in German mortgage lending. In Germany, loans delinquent by 90 days or more decreased from 2.04 % to 1.90 % reflecting disciplined risk management in our mortgage portfolio partly offset by the effect from the acquisition of norisbank, impacting our German consumer and small business financing portfolio. The lower percentage of delinquent loans outside Germany is predominantly a reflection of volume growth.

CREDIT EXPOSURE FROM DERIVATIVES

To reduce our derivatives-related credit risk, we regularly seek the execution of master agreements (such as the International Swaps & Derivatives Association's master agreements for derivatives) with our clients. A master agreement allows the netting of obligations arising under all of the derivatives transactions that the agreement covers upon the counterparty's default, resulting in one single net claim against the counterparty (called "close-out netting"). For parts of our derivatives business we also enter into payment netting agreements under which we set off amounts payable on the same day in the same currency and in respect to all transactions covered by these agreements, reducing our principal risk.

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

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

TREATMENT OF DEFAULT SITUATIONS UNDER DERIVATIVES

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

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

The following table shows the notional amounts and gross market values of OTC and exchange-traded derivative contracts we held for trading and nontrading purposes as of December 31, 2006.

Dec 31, 2006	Notional amount maturity distribution				Positive market value	Negative market value	Net market value
in € m.	Within one year	> 1 and ≤ 5 years	After five years	Total			
Interest-rate-related transactions:							
OTC products:							
FRAs	2,127,198	82,255	453	2,209,906	909	(852)	57
Interest rate swaps (single currency)	9,553,658	8,920,058	6,606,970	25,080,686	187,502	(191,509)	(4,007)
Purchased interest rate options	421,613	494,336	600,824	1,516,773	25,901	–	25,901
Written interest rate options	433,266	686,765	657,593	1,777,624	–	(27,410)	(27,410)
Other interest rate trades	–	–	–	–	–	–	–
Exchange-traded products:							
Interest rate futures	312,411	260,321	1,100	573,832	–	–	–
Purchased interest rate options	96,778	3,644	–	100,422	71	–	71
Written interest rate options	248,993	5,640	–	254,633	–	(127)	(127)
Sub-total	**13,193,917**	**10,453,019**	**7,866,940**	**31,513,876**	**214,383**	**(219,898)**	**(5,515)**
Currency-related transactions:							
OTC products:							
Forward exchange trades	504,686	27,588	3,643	535,917	5,564	(6,459)	(895)
Cross currency swaps	1,372,900	457,470	376,526	2,206,896	39,300	(37,571)	1,729
Purchased foreign currency options	315,321	51,139	11,107	377,567	6,596	–	6,596
Written foreign currency options	317,108	59,331	7,755	384,194	–	(7,074)	(7,074)
Exchange-traded products:							
Foreign currency futures	12,563	172	–	12,735	–	–	–
Purchased foreign currency options	4,519	70	–	4,589	42	–	42
Written foreign currency options	4,811	13	–	4,824	–	(39)	(39)
Sub-total	**2,531,908**	**595,783**	**399,031**	**3,526,722**	**51,502**	**(51,143)**	**359**
Equity/index-related transactions:							
OTC products:							
Equity forward	1,289	5	–	1,294	40	(16)	24
Equity/index swaps	105,199	47,654	12,226	165,079	5,549	(7,382)	(1,833)
Purchased equity/index options	109,264	102,257	21,817	233,338	35,326	–	35,326
Written equity/index options	135,257	123,587	36,842	295,686	–	(42,825)	(42,825)
Exchange-traded products:							
Equity/index futures	50,843	–	–	50,843	–	–	–
Equity/index purchased options	140,699	61,890	8,795	211,384	14,992	–	14,992
Equity/index written options	124,598	69,775	12,272	206,645	–	(18,737)	(18,737)
Sub-total	**667,149**	**405,168**	**91,952**	**1,164,269**	**55,907**	**(68,960)**	**(13,053)**
Credit derivatives	**152,477**	**1,921,525**	**1,098,988**	**3,172,990**	**30,019**	**(31,187)**	**(1,168)**
Other transactions:							
OTC products:							
Precious metal trades	37,162	26,870	4,646	68,678	4,191	(3,030)	1,161
Other trades	128,511	178,307	4,135	310,953	20,439	(19,232)	1,207
Exchange-traded products:							
Futures	14,300	7,758	29	22,087	33	(42)	(9)
Purchased options	11,310	5,348	–	16,658	1,761	–	1,761
Written options	11,918	5,516	–	17,434	–	(1,857)	(1,857)
Sub-total	**203,201**	**223,799**	**8,810**	**435,810**	**26,424**	**(24,161)**	**2,263**
Total OTC business	**15,714,909**	**13,179,147**	**9,443,525**	**38,337,581**	**361,336**	**(374,547)**	**(13,211)**
Total exchange-traded business	**1,033,743**	**420,147**	**22,196**	**1,476,086**	**16,899**	**(20,802)**	**(3,903)**
Total	**16,748,652**	**13,599,294**	**9,465,721**	**39,813,667**	**378,235**	**(395,349)**	**(17,114)**
Positive market values after netting agreements					**75,515**		

COUNTRY RISK

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

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

COUNTRY RISK RATINGS

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

- — SOVEREIGN RATING. A measure of the probability of the sovereign defaulting on its foreign or local currency obligations.
- — TRANSFER RISK RATING. A measure of the probability of a "transfer risk event."
- — EVENT RISK RATING. A measure of the probability of major disruptions in the market risk factors relating to a country.

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

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

COUNTRY RISK LIMITS

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

MONITORING COUNTRY RISK

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

COUNTRY RISK EXPOSURE

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

Emerging Markets net counterparty exposure in € m.	Dec 31, 2006	Dec 31, 2005
Total net counterparty exposure	11,537	9,516
Total net counterparty exposure (excluding OTC derivatives)	8,921	6,838

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

Emerging Markets net transfer risk exposure in € m.	Dec 31, 2006	Dec 31, 2005
Africa	352	340
Asia (excluding Japan)	1,569	1,136
Eastern Europe	1,092	906
Latin America	411	508
Middle East	1,492	1,244
Total Emerging Markets net transfer risk exposure	**4,916**	**4,134**

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

At December 31, 2006, our net transfer risk exposure to Emerging Markets (excluding irrevocable commitments and exposures to non-Emerging Markets bank branches) amounted to € 4.9 billion, an increase of 19 %, or € 0.8 billion, from December 31, 2005. This increase was a result of selective increases in exposure due to improved credit quality in our Emerging Markets target countries.

PROBLEM LOANS

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

Additionally, as of December 31, 2006, we had € 1 million of lease financing transactions that were nonperforming. This amount is not included in our total problem loans.

The following table presents the components of our December 31, 2006 and December 31, 2005 problem loans.

			Dec 31, 2006			Dec 31, 2005
in € m.	Impaired loans[1]	Nonperforming homogeneous loans	Total	Impaired loans[1]	Nonperforming homogeneous loans	Total
Nonaccrual loans	1,906	1,097	3,003	2,444	1,106	3,550
Loans 90 days or more past due and still accruing	4	181	185	13	189	202
Troubled debt restructurings	114	–	114	119	–	119
Total problem loans	**2,024**	**1,278**	**3,302**	**2,576**	**1,295**	**3,871**

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

The € 569 million decrease in our total problem loans in 2006 was due to € 744 million of gross charge-offs, a € 39 million decrease as a result of exchange rate movements and a € 213 million net increase of problem loans. Substantially all of the reduction in problem loans took place in our impaired loans with gross charge-offs of € 284 million, net reductions of € 229 million and a € 39 million decrease as a result of exchange rate movements. In the homogeneous loan portfolio charge-offs were substantially offset by net increases. Included in the € 1.3 billion nonperforming smaller-balance standardized homogeneous loans, as of December 31, 2006, are € 1.2 billion of loans that are 90 days or more past due as well as € 0.1 billion of loans that are less than 90 days past due but in the judgment of management the accrual of interest should be ceased.

Our commitments to lend additional funds to debtors with problem loans amounted to € 46 million as of December 31, 2006, a decrease of € 23 million or 33 %, compared to December 31, 2005. Of these commitments € 4 million had been committed to debtors whose loan terms have been modified in a troubled debt restructuring, a decrease of € 5 million or 56 %, compared to December 31, 2005.

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

in € m.	Dec 31, 2006	Dec 31, 2005
Nonaccrual loans:		
German	2,228	2,771
Non-German	775	779
Total nonaccrual loans	**3,003**	**3,550**
Loans 90 days or more past due and still accruing:		
German	183	198
Non-German	2	4
Total loans 90 days or more past due and still accruing	**185**	**202**
Troubled debt restructurings:		
German	90	48
Non-German	24	71
Total troubled debt restructurings	**114**	**119**

NONACCRUAL LOANS

We place a loan on nonaccrual status if:

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

When a loan is placed on nonaccrual status, the recorded investment in the loan includes accrued interest. Cash receipts of interest on nonaccrual loans are recorded as either interest revenue or a reduction of principal according to management's judgment as to collectibility of principal.

As of December 31, 2006, our nonaccrual loans totaled € 3.0 billion, a net decrease of € 547 million, or 15 %, from 2005. The net decrease in nonaccrual loans took place substantially in our impaired loans driven by charge-offs, net reductions and a decrease as a result of exchange rate movements.

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

LOANS NINETY DAYS OR MORE PAST DUE AND STILL ACCRUING

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

In 2006, our 90 days or more past due and still-accruing loans decreased by € 17 million, or 8 %, from 2005.

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

TROUBLED DEBT RESTRUCTURINGS

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

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

In 2006, the volume of troubled debt restructurings remained stable, showing only a minor reduction of € 5 million, or 4 %.

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

CREDIT LOSS EXPERIENCE AND ALLOWANCE FOR LOAN LOSSES

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

SPECIFIC LOSS COMPONENT

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

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

INHERENT LOSS COMPONENT

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

- COUNTRY RISK ALLOWANCE. We establish a country risk allowance for loan exposures in countries where according to management's judgment a "transfer risk event" is probable. We determine the percentage rates for our country risk allowance on the basis of historical loss experience and current market data, such as economic, political and other relevant factors affecting a country's financial condition. In making our decision we focus primarily on the transfer risk ratings that we assign to a country and the amount and type of collateral.
- SMALLER-BALANCE STANDARDIZED HOMOGENEOUS LOAN LOSS ALLOWANCE. Our smaller-balance standardized homogeneous loan portfolio includes smaller-balance personal loans, residential and nonresidential mortgage loans, overdrafts, and loans to self-employed and small business customers of our private and retail business. These loans are evaluated for inherent loss on a collective basis, based on analyses of historical loss experience from each product type according to criteria such as past due status and collateral recovery values. The resulting allowance encompasses the loss inherent both in performing loans, as well as in nonperforming loans within the smaller-balance standardized homogeneous loan portfolio.
- OTHER INHERENT LOSS ALLOWANCE. The other inherent loss allowance represents our estimate of losses inherent in our loan book that have not yet been individually identified, and reflects the imprecisions and uncertainties in estimating our loan loss allowances. This estimate of inherent losses excludes those exposures we have already considered when establishing our allowance for smaller-balance standardized homogeneous loans. It incorporates the expected loss results, which we generate as part of our economic capital calculations, outlined above.

CHARGE-OFF POLICY

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

ALLOWANCE FOR LOAN LOSSES

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

in € m. (except percentages)	Dec 31, 2006		Dec 31, 2005	
German:				
Specific loan loss allowance:				
Banks and insurance	–	1 %	–	1 %
Manufacturing	245	4 %	288	4 %
Households (excluding mortgages)	31	10 %	46	11 %
Households – mortgages	11	16 %	14	18 %
Public sector	–	1 %	–	1 %
Wholesale and retail trade	109	2 %	137	2 %
Commercial real estate activities	183	6 %	261	7 %
Other	205	8 %	229	8 %
Specific German loan loss allowance total	784		975	
Inherent loss allowance	439		461	
German total	**1,223**	**48 %**	**1,436**	**52 %**
Non-German:				
Specific loan loss allowance	284		255	
Inherent loss allowance	247		237	
Non-German total	**531**	**52 %**	**492**	**48 %**
Total allowance for loan losses	**1,754**	**100 %**	**1,928**	**100 %**
Total specific allowance	1,068		1,230	
Total inherent loss allowance	686		698	
Total allowance for loan losses	**1,754**		**1,928**	

MOVEMENTS IN THE ALLOWANCE FOR LOAN LOSSES

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

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

in € m. (except percentages)	2006	2005
Allowance at beginning of year	**1,928**	**2,345**
Charge-offs:		
German:		
Banks and insurance	2	1
Manufacturing	78	61
Households (excluding mortgages)	244	216
Households – mortgages	35	36
Public sector	–	–
Wholesale and retail trade	40	54
Commercial real estate activities	100	112
Lease financing	–	3
Other	109	162
German total	608	645
Non-German:		
Excluding lease financing	135	373
Lease financing only	1	–
Non-German total	136	373
Total charge-offs	**744**	**1,018**
Recoveries:		
German:		
Banks and insurance	1	1
Manufacturing	19	11
Households (excluding mortgages)	45	41
Households – mortgages	8	–
Public sector	–	–
Wholesale and retail trade	9	10
Commercial real estate activities	7	4
Lease financing	–	–
Other	42	42
German total	131	109
Non-German:		
Excluding lease financing	133	61
Lease financing only	–	–
Non-German total	133	61
Total recoveries	**264**	**170**
Net charge-offs	**480**	**848**
Provision for loan losses	330	374
Other changes (currency translation and allowance related to acquisitions/divestitures)	(24)	57
Allowance at end of year	**1,754**	**1,928**
Percentage of total net charge-offs to average loans for the year	0.29 %	0.58 %

Our allowance for loan losses as of December 31, 2006 was € 1.8 billion, a 9 % decrease from the € 1.9 billion reported at the end of 2005. The reduction in our allowance was principally due to charge-offs exceeding our net provisions.

Our gross charge-offs amounted to € 744 million in 2006, a decrease of € 274 million, or 27 %, from 2005. Of the charge-offs for 2006, € 284 million were related to our corporate credit exposure, mainly driven by our German portfolio, and € 460 million were related to our consumer credit exposure.

Our provision for loan losses in 2006 was € 330 million, down € 44 million, or 12 %, from the prior year, reflecting tight credit risk management, positive results of workout processes as well as the continued benign credit environment. In 2006, our total loan loss provision was principally driven by our smaller-balance standardized homogeneous loan portfolio.

Our specific loan loss allowance was € 1.1 billion as of December 31, 2006, a decrease of € 162 million, or 13 %, from 2005. The change in our allowance is comprised of net charge-offs of € 153 million, a decrease of € 13 million as a result of exchange rate movements and a net specific loan loss provision of € 5 million, which was 91 % lower than in the previous year. The specific loan loss allowance is the largest component of our total allowance for loan losses.

Our inherent loan loss allowance totaled € 686 million as of December 31, 2006, a marginal decrease from the level at the end of 2005 (€ 698 million).

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

Our gross charge-offs amounted to € 1.0 billion in 2005. Of the charge-offs for 2005, € 580 million were related to our corporate credit exposure, mainly driven by our German and American portfolios, and € 437 million were related to our consumer credit exposure.

Our provision for loan losses in 2005 was € 374 million, reflecting tight credit risk management, positive results of workout processes as well as the overall benign credit environment. In 2005, our total loan loss provision was principally driven by our smaller-balance standardized homogeneous loan portfolio.

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

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

NON-GERMAN COMPONENT OF THE ALLOWANCE FOR LOAN LOSSES

The following table presents an analysis of the changes in the non-German component of the allowance for loan losses. As of December 31, 2006, 30 % of our total allowance was attributable to international clients.

in € m.	2006	2005
Allowance at beginning of year	**492**	**800**
Charge-offs	136	373
Recoveries	133	61
Net charge-offs	3	312
Provision for loan losses	66	(53)
Other changes (currency translation and allowance related to acquisitions/divestitures)	(24)	57
Allowance at end of year	**531**	**492**

ALLOWANCE FOR OFF-BALANCE SHEET POSITIONS

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

in € m.	2006	2005
Allowance at beginning of year	**329**	**345**
Provision for off-balance sheet positions	(50)	(24)
Other changes (currency translation and allowance related to acquisitions/divestitures)	(8)	8
Allowance at end of year	**271**	**329**

SETTLEMENT RISK

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

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

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

MARKET RISK

Substantially all of our businesses are subject to the risk that market prices and rates will move and result in profits or losses for us. We distinguish among four types of market risk:

— Interest rate risk;
— Equity price risk;
— Foreign exchange risk; and
— Commodity price risk.

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

MARKET RISK MANAGEMENT FRAMEWORK

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

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

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

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

Our value-at-risk disclosure is intended to ensure consistency of market risk reporting for internal risk management, for external disclosure and for regulatory purposes. The overall value-at-risk limit for our Corporate and Investment Bank Group Division was € 90 million throughout the year 2006 and the overall value-at-risk limit for our consolidated Group trading positions was € 92 million (with a 99 % confidence level, as described below, and a one-day holding period), both unchanged from the previous year.

SPECIFICS OF MARKET RISK REPORTING UNDER GERMAN BANKING REGULATIONS

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

- CONSOLIDATION. For German regulatory purposes we do not consolidate entities other than banking institutions, financial services institutions, financial enterprises, bank service enterprises and certain fund management companies. However, we do consolidate a number of entities under U.S. GAAP, which we do not consolidate for German regulatory purposes. These companies mainly include variable interest entities.
- OVERALL MARKET RISK POSITION. We do not include in our market risk disclosure the foreign exchange risk arising from currency positions that German banking regulations permit us to exclude from market risk reporting. These are currency positions which are fully deducted from, or covered by, equity capital recognized for regulatory reporting as well as participating interests, including shares in affiliated companies that we record in foreign currency and value at historical cost (structural currency positions). Our largest structural currency positions arise from our investments in entities located in the United States.
- DEFINITION OF TRADING ASSETS AND NONTRADING ASSETS. The regulatory definition of trading book and banking book assets generally parallels the definition of trading and nontrading assets under U.S. GAAP. However, due to specific differences between the regulatory and accounting framework, certain assets are classified as trading book for market risk reporting purposes even though they are nontrading assets under U.S. GAAP. Conversely, we also have assets that are assigned to the banking book even though they are trading assets under U.S. GAAP.

VALUE-AT-RISK ANALYSIS

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

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

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

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

BACK-TESTING

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

A committee chaired by Market Risk Management and with participation from Market Risk Operations and Finance meets on a quarterly basis to discuss back-testing results of our Group as a whole and of individual businesses. The committee analyzes performance fluctuations and assesses the predictive power of our value-at-risk model, which in turn allows us to improve the risk estimation process.

STRESS TESTING AND ECONOMIC CAPITAL

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

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

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

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

Our stress test scenarios include:

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

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

Our economic capital usage for market risk arising from the trading units totaled € 1.6 billion at year-end 2006, materially unchanged compared to year-end 2005.

LIMITATIONS OF OUR PROPRIETARY RISK MODELS

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

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

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

— The use of historical data as a proxy for estimating future events may not capture all potential events, particularly those that are extreme in nature.
— The assumption that changes in risk factors follow a normal or logarithmic normal distribution. This may not be the case in reality and may lead to an underestimation of the probability of extreme market movements.
— The use of a holding period of one day (or ten days for regulatory value-at-risk calculations) assumes that all positions can be liquidated or hedged in that period of time. This assumption does not fully capture the market risk arising during periods of illiquidity, when liquidation or hedging in that period of time may not be possible. This is particularly the case for the use of a one-day holding period.
— The use of a 99 % confidence level does not take account of, nor makes any statement about, any losses that might occur beyond this level of confidence.
— We calculate value-at-risk at the close of business on each trading day. We do not subject intra-day exposures to intra-day value-at-risk calculations.
— Value-at-risk does not capture all of the complex effects of the risk factors on the value of positions and portfolios and could, therefore, underestimate potential losses. For example, the way sensitivities are represented in our value-at-risk model may only be exact for small changes in market parameters.

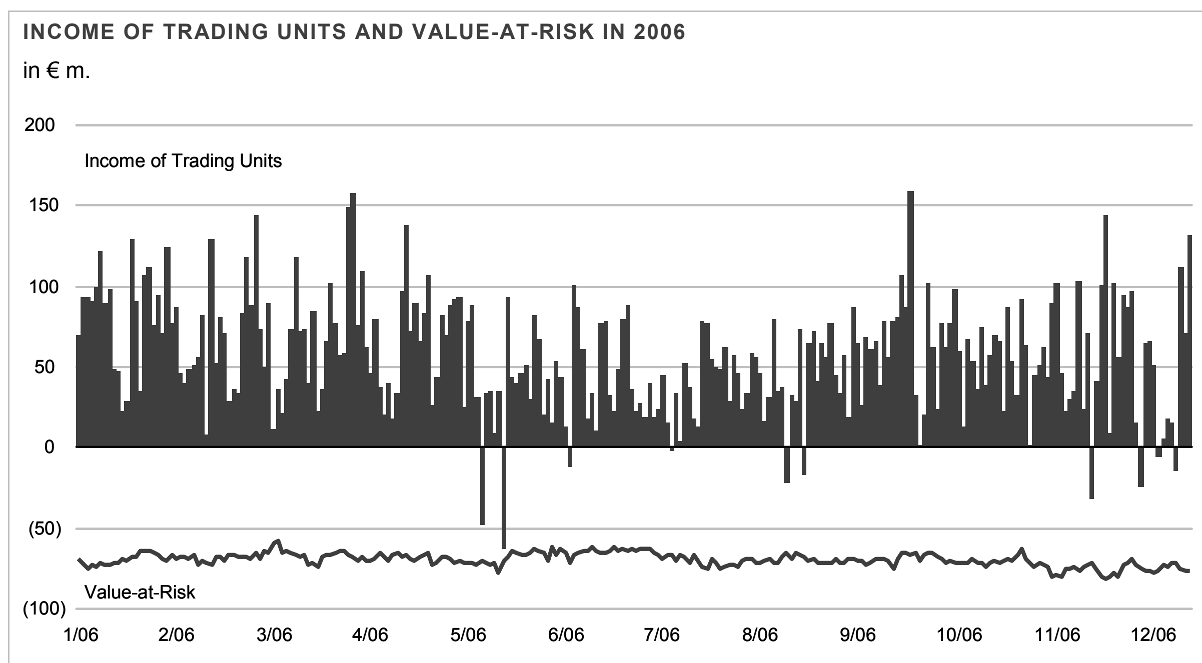
The aggregate value-at-risk estimates for our trading market risk are adequate risk estimates when measured against our back-testing procedures (as shown by the number of hypothetical buy-and-hold portfolio losses against the predicted value-at-risk). However, we acknowledge the limitations in the value-at-risk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

VALUE-AT-RISK OF THE TRADING UNITS OF OUR CORPORATE AND INVESTMENT BANK GROUP DIVISION

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

Value-at-risk of Trading Units	Total		Diversification effect		Interest rate risk		Equity price risk		Foreign exchange risk		Commodity price risk	
in € m.	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Average	69.5	65.8	(49.2)	(37.5)	51.0	52.8	41.7	33.3	14.1	10.3	11.8	7.0
Maximum	82.0	79.2	(65.5)	(47.4)	66.1	61.6	60.2	43.1	46.2	18.2	25.0	11.3
Minimum	58.3	57.8	(38.5)	(29.4)	42.1	41.9	31.4	22.9	4.5	5.5	5.2	3.5
Year-end	76.9	69.8	(44.0)	(40.9)	50.3	55.3	53.0	32.8	12.2	12.9	5.4	9.6

The following graph shows the daily aggregate value-at-risk of our trading units in 2006, including diversification effects, and actual income of the trading units throughout the year.

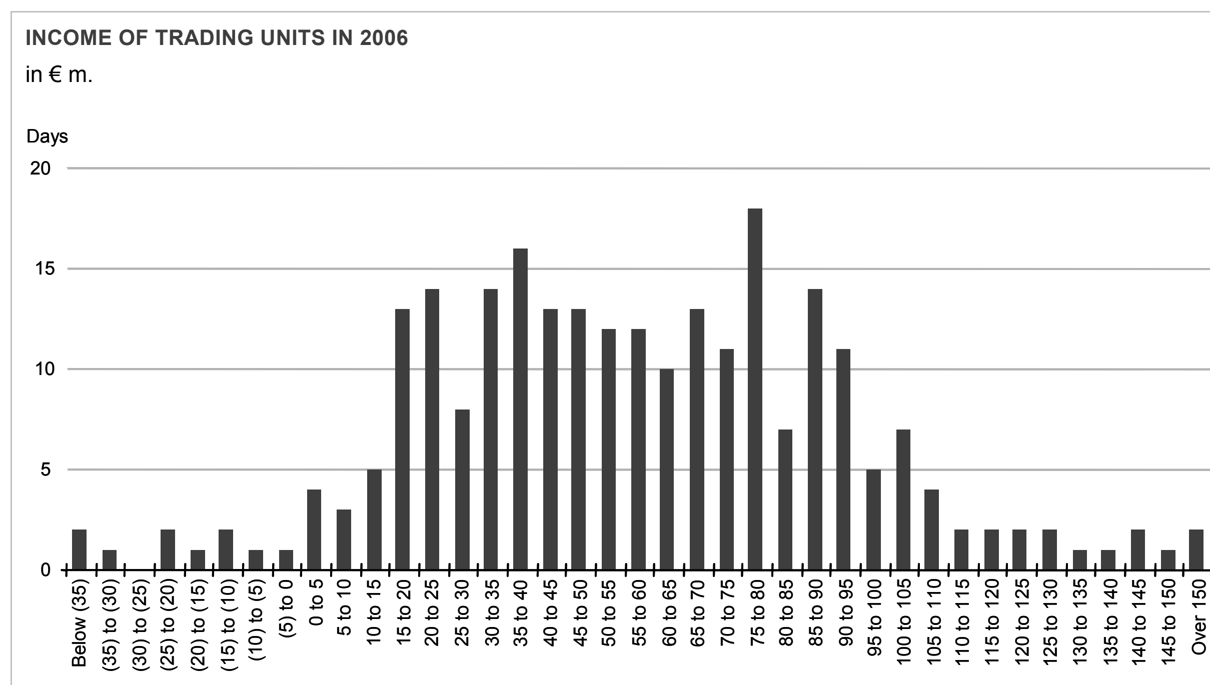


While we have taken selective trading opportunities and risks throughout the year, our value-at-risk for the trading units remained within a band between € 58.3 million and € 82.0 million. The higher value-at-risk levels continue to be driven by interest rate risk exposures and/or equity positions. The average value-at-risk in 2006 was € 69.5 million, which is 5.5 % above the 2005 average of € 65.8 million.

Our trading units achieved a positive actual income for over 96 % of the trading days in 2006 (over 93 % in 2005). On no trading day in either year did they incur an actual loss that exceeded the value-at-risk estimate for that day.

In our regulatory back-testing in 2006, we observed three outliers, which are hypothetical buy-and-hold losses that exceeded our value-at-risk estimate for the trading units as a whole. This is in line with the two to three outliers a year that are statistically expected when using a 99 % confidence level value-at-risk model. All outliers were driven by exceptionally high levels of volatility in equity markets.

The following histogram illustrates the distribution of actual daily income of our trading units in 2006. The histogram displays the number of trading days on which we reached each level of trading income shown on the horizontal axis in millions of euro.



MARKET RISK IN OUR NONTRADING PORTFOLIOS

The market risk in our nontrading portfolios, as measured by economic capital, slightly decreased from € 1.4 billion at year-end 2005 to € 1.3 billion at year end 2006.

MANAGEMENT OF OUR NONTRADING PORTFOLIOS

The Capital and Risk Committee supervises our nontrading asset activities. It has responsibility for the alignment of our group-wide risk appetite, capitalization requirements and funding needs based on group-wide, divisional and sub-divisional business strategies. Its responsibilities also include regular review of the exposures within the nontrading asset portfolio and associated stress test results, performance review of acquisitions and investments, allocating risk limits to the Business Divisions within the framework established by the Management Board and approval of policies in relation to nontrading asset activities. Multiple members of the Capital and Risk Committee are also members of the Group Investment Committee, ensuring a close link between both committees.

Our dedicated Investment Risk Management team was carved out of the Market Risk Management team and was established within our risk and capital management function during 2006 to specialize in risk-related aspects of our nontrading activities. Investment Risk Management performs monthly reviews of the risk profile of the nontrading asset portfolios, including market values, economic capital estimates, limit usages, performance and pipeline activity.

The policies and procedures governing our nontrading activities are ratified by the Risk Executive Committee.

ASSESSMENT OF MARKET RISK IN OUR NONTRADING PORTFOLIOS

Unlike for our trading portfolios we do not use value-at-risk as the primary metric to assess the market risk in our nontrading portfolios due to the nature of these positions as well as the lack of transparency of some of the pricing. Rather we assess the market risk in our nontrading portfolios through the use of stress testing procedures that are particular to each risk class and which consider, among other factors, large historically observed market moves as well as the liquidity of each asset class. This assessment forms the basis of our economic capital estimates which enable us to monitor and manage the nontrading market risk positions actively using a methodology which is consistent with that used for the trading market risk positions. As an example, for our industrial holdings we apply individual price shocks between 22 % and 38 %, which are based on historically observed market moves. In addition, we consider value reductions between 10 % and 15 % to reflect liquidity constraints. For private equity exposures, all our positions are stressed using our standard credit risk economic capital model as well as market price shocks up to 100 %, depending on the individual asset. See also section “Risk Management Tools – Economic Capital” and “Market Risk – Stress Testing and Economic Capital”.

NONTRADING MARKET RISK BY RISK CLASS

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

NONTRADING MARKET RISK BY GROUP DIVISION

There is nontrading market risk held and managed in each of our Group Divisions. The nontrading market risk in our Corporate Investments Group Division remains the biggest in the Group and is incurred through private equity investments, industrial holdings and other corporate investments. Our Private Clients and Asset Management Group Division primarily assumes nontrading market risk through its proprietary investments in real estate, hedge funds and mutual funds, which support the client asset management businesses primarily in the form of minority seed and co-invest fund capital. In our Corporate and Investment Bank Group Division the most significant part arises from principal investments.

CARRYING VALUE AND ECONOMIC CAPITAL USAGE FOR OUR NONTRADING PORTFOLIOS

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

Nontrading Portfolios	**Carrying value**		**Economic capital usage**	
in € bn.	**Dec 31, 2006**	**Dec 31, 2005**	**Dec 31, 2006**	**Dec 31, 2005**
Major industrial holdings	5.0	4.1	0.2	0.3
Other corporate investments	2.5	4.2	0.6	0.5
Alternative assets:	2.5	2.5	0.5	0.7
Principal investments[1]	1.1	1.1	0.4	0.4
Real estate	1.1	1.1	0.1	0.2
Hedge funds[2]	0.3	0.4	0.0	0.0
Total	**10.0**	**10.9**	**1.3**	**1.4**

1 Principal investments include transactions previously disclosed as Private Equity.
2 There is a small economic capital usage of € 40 million as of December 31, 2006 and € 39 million as of December 31, 2005.

Our economic capital usage for these nontrading asset portfolios totaled € 1.3 billion at year-end 2006, which is € 0.1 billion, or 7 %, below our economic capital usage at year-end 2005. This decrease primarily reflects the reduced risk of our alternative assets portfolio as well as the reduced risk from major industrial holdings.

— MAJOR INDUSTRIAL HOLDINGS. The decrease in economic capital usage for our major industrial holdings was primarily driven by an increase of unrealized gains. Our economic capital usage of € 0.2 billion at year-end 2006 was mainly due to the residual shareholding in DaimlerChrysler AG, while the economic capital usage for our other industrial holdings was comparatively small due to our unrealized gains associated with these holdings.
— OTHER CORPORATE INVESTMENTS. The decrease in the carrying value of other corporate investments was largely due to the transfer of the residual shareholding of 27.99 % in EUROHYPO AG to Commerzbank AG in 2006. This transfer was agreed in 2005 and already reflected in the economic capital usage at year-end 2005. The economic capital usage of € 0.6 billion for our other corporate investments at year-end 2006 was driven by our mutual fund investments and a few other corporate investments.
— ALTERNATIVE ASSETS. Our alternative assets include principal investments, real estate investments (including mezzanine debt) and small investments in hedge funds. Principal investments are composed of direct investments in private equity, mezzanine debt, short-term investments in financial sponsor leveraged buy-out funds, bridge capital to leveraged buy-out funds and private equity led transactions. The alternative assets portfolio is well diversified and continues to be dominated by principal investments and real estate investments. Within our principal investments portfolio, we shifted our focus from longer-term private equity investments to investments that we plan to repackage and redistribute within a short to medium timeframe.

In our total economic capital figures no diversification benefits between these different asset categories are currently taken into account.

MAJOR INDUSTRIAL HOLDINGS

The following table shows the percentage share of capital and the market values of our major industrial holdings which were directly and/or indirectly attributable to us at year-end 2006, and the corresponding holdings at year-end 2005. Our Corporate Investments Group Division currently plans to continue selling most of its publicly listed holdings over the next few years, subject to the legal environment and market conditions.

Major industrial holdings		Share of capital (in %)		Market value (in € m.)	
Name	**Country of domicile**	**Dec 31, 2006**	**Dec 31, 2005**	**Dec 31, 2006**	**Dec 31, 2005**
DaimlerChrysler AG	Germany	4.4	4.4	2,103	1,930
Allianz SE	Germany	2.2	2.4	1,494	1,234
Linde AG	Germany	7.8	10.0	983	785
Fiat S.p.A.	Italy	0.8	0.8	144	73
Deutsche Börse	Germany	1.0	–	142	–
Other	N/M	N/M	N/M	108	122
Total				**4,975**	**4,144**

N/M – Not meaningful

LIQUIDITY RISK

Liquidity Risk Management safeguards the ability of the bank to meet all payment obligations when they come due. Our liquidity risk management framework has been an important factor in maintaining adequate liquidity and a healthy funding profile during the year 2006.

LIQUIDITY RISK MANAGEMENT FRAMEWORK

Treasury & Capital Management is responsible for the management of liquidity risk. Our liquidity risk management framework is designed to identify, measure and manage the liquidity risk position. The underlying policies are reviewed and approved on a regular basis by the Risk Executive Committee. The policies define the methodology which is applied to the Group.

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

Our cash flow based reporting tool provides daily liquidity risk information to global and regional management.

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

SHORT-TERM LIQUIDITY

Our reporting tool tracks cash flows on a daily basis over an 18-month horizon. This scheme allows management to assess our short-term liquidity position in any location and region and globally on a by-currency, by-product and by-division basis. The system captures all of our cash flows from transactions on our balance sheet, as well as liquidity risks resulting from off-balance sheet transactions. We model products that have no specific contractual maturities using statistical methods to capture the behavior of their cash flows. Liquidity outflow limits (Maximum Cash Outflow Limits), which have been set to limit cumulative global and local cash outflows, are monitored on a daily basis and ensure our access to liquidity.

UNSECURED FUNDING

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

ASSET LIQUIDITY

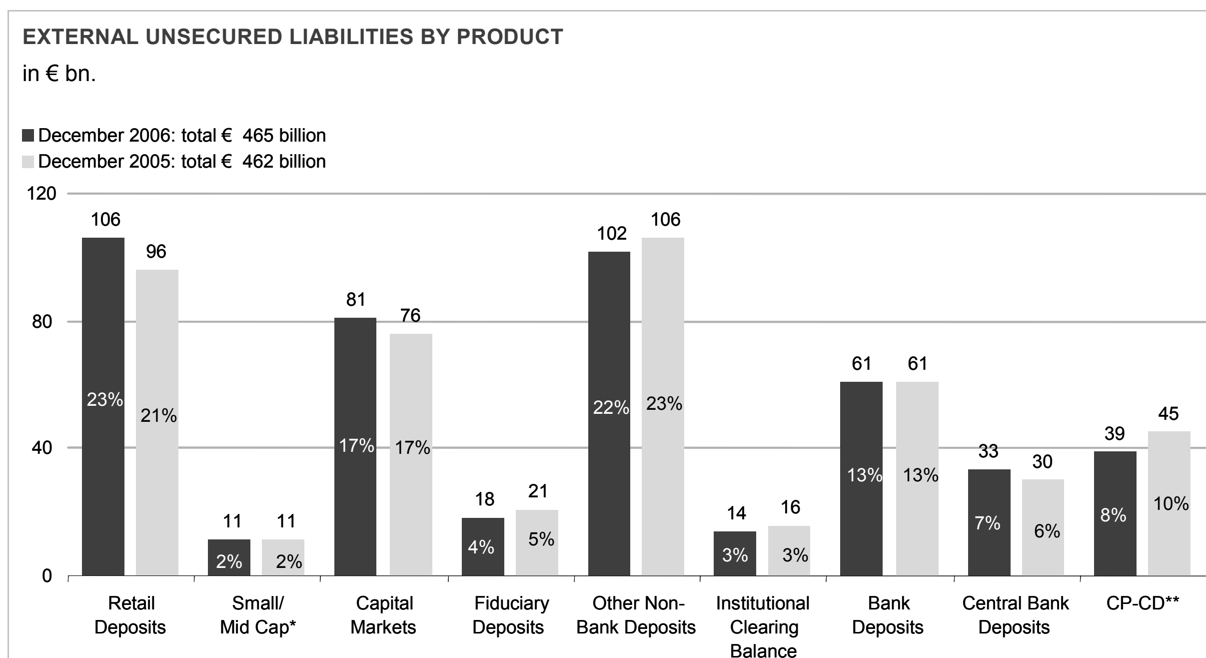
The Asset Liquidity component tracks the volume and booking location within our consolidated inventory of unencumbered, liquid assets which we can use to raise liquidity via secured funding transactions. Securities inventories include a wide variety of different securities. In a first step, we segregate illiquid and liquid securities in each inventory. Subsequently we assign liquidity values to different classes of liquid securities.

The liquidity of these assets is an important element in protecting us against short-term liquidity squeezes. In addition, we continue to keep a portfolio of highly liquid securities in major currencies around the world to supply collateral for cash needs associated with clearing activities in euro, U.S. dollar and other currencies. As a result of various efficiency initiatives in security settlement systems, we were able to reduce this dedicated portfolio by 13 % to € 17.6 billion as of December 31, 2006.

FUNDING DIVERSIFICATION

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

The following chart shows the composition of our external unsecured liabilities that contribute to the liquidity risk position (which excludes, for example, structured arrangements which are self-funding) as of December 31, 2006 and December 31, 2005, both in euro billion and as a percentage of our total external unsecured liabilities.



* Refers to deposits by small and medium-sized German corporates.

** Commercial Paper/Certificates of Deposit with a maturity of one year or less.

FUNDING MATRIX

We have mapped all funding-sensitive assets and all liabilities into time buckets corresponding to their maturities to compile a maturity profile (Funding Matrix). Given that trading assets are typically more liquid than their contractual maturities suggest, we have determined individual liquidity profiles reflecting their relative liquidity value. We have taken assets and liabilities from the retail bank that show a behavior of being renewed or prolonged regardless of capital market conditions (mortgage loans and retail deposits) and assigned them to time buckets reflecting the expected prolongation. Wholesale banking products are included with their contractual maturities.

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

In 2006, Treasury & Capital Management issued capital market instruments with a total value of approximately € 21 billion.

For information regarding the maturity profile of our long-term debt, please refer to Note [17] of our consolidated financial statements.

STRESS TESTING AND SCENARIO ANALYSIS

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

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

Our stress testing analysis provides guidance as to our ability to generate sufficient liquidity under critical conditions and is a valuable input parameter when defining our target liquidity risk position. The analysis is performed monthly. The following table is illustrative for our stress testing results as of December 31, 2006. For each scenario, the table shows what our maximum funding gap would be over an eight-week horizon after occurrence of the triggering event. We analyze whether the risk to our liquidity would be temporary and whether it would improve or worsen over time. We determine how much liquidity we believe we would have been able to generate at the time to close the gap.

Scenario	Funding gap[1] (in € bn.)	Liquidity impact	Gap closure[2] (in € bn.)
Market risk	8.7	Gradually increasing	117.7
Emerging markets	23.7	Gradually increasing	140.1
Systemic shock	31.5	Temporary disruption	84.2
Operational risk	19.3	Temporary disruption	124.9
DB downgrade to A1/P1 (short term) and A1/A+ (long term)	30.2	Gradually increasing	155.0
DB downgrade to A2/P2 (short term) and A3/A- (long term)	108.0	Gradually increasing	155.0

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

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

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

CAPITAL MANAGEMENT

Capital is managed by Treasury & Capital Management at Group level and locally in each region. The allocation of financial resources (capital and liquidity) in general and capital in particular favors business portfolios with the highest positive impact on our profitability and shareholder value. As a result, Treasury & Capital Management periodically reallocates available capital among business portfolios.

Treasury & Capital Management implements our capital strategy – which itself is developed by the Capital and Risk Committee and approved by the Management Board – including the issuance and repurchase of shares. We are committed to maintain our sound capitalization. Overall capital demand and supply are constantly monitored and adjusted, if necessary, to meet the need for capital from various perspectives. These include book equity based on U.S. GAAP accounting standards, regulatory capital based on BIS and economic capital. Our target for the BIS Tier I capital ratio is to stay within an 8-9 % target range.

Milestones in capital management in 2006 were the completion of the share buy-back program 2005/06 and the start of the share buy-back program 2006/07. Under the program 2005/06, which was completed in June 2006, 35.8 million shares were repurchased. Based on the authority to buy back up to 10 % of total shares issued, which was granted at the 2006 Annual General Meeting and expires at the end of October 2007, the share buy-back program 2006/07 was launched in June 2006. The program serves equity-based compensation programs and allows us to return excess capital to shareholders. Buy-backs were mainly funded from current earnings. As of December 31, 2006, 9.1 million shares (approximately 1.7 % of our share capital) had been repurchased under the program 2006/07. In total, 28.8 million shares were repurchased in 2006 under our share buy-back programs.

In 2006, we issued € 1.1 billion hybrid Tier I capital. Total outstanding hybrid Tier I capital as of December 31, 2006 amounted to € 4.5 billion.

The allocation and re-allocation of resources such as capital, the determination of our funding plan and other resource issues are framed by the Capital and Risk Committee.

Regional capital plans covering the capital needs of our branches and subsidiaries are prepared on a semi-annual basis and presented to the Group Investment Committee for approval. Most of our subsidiaries are subject to legal and regulatory capital requirements. Local Asset and Liability Committees attend to those needs under the stewardship of regional Treasury & Capital Management teams. Furthermore, they safeguard compliance with requirements such as restrictions on dividends allowable for remittance to Deutsche Bank AG or on the ability of our subsidiaries to make loans or advances to the parent bank. In developing, implementing and testing our capital and liquidity, we take such legal and regulatory requirements into account.

OPERATIONAL RISK

We define operational risk as the potential for incurring losses in relation to employees, contractual specifications and documentation, technology, infrastructure failure and disasters, projects, external influences and customer relationships. This definition includes legal and regulatory risk, but excludes business and reputational risk.

ORGANIZATIONAL SET-UP

Group 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 is a permanent sub-committee of the Risk Executive Committee and is composed of representatives from Group Operational Risk Management, Operational Risk Officers from our Business Divisions and select representatives from our infrastructure functions. The Operational Risk Management Committee is the main decision-making committee for all operational risk management matters and approves our Group standards for identification, measurement, assessment, reporting and monitoring of operational risk.

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

MANAGING OUR OPERATIONAL RISK

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

We apply a number of techniques to efficiently manage the operational risk in our business, for example:

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

In 2006, we further refined our methodology for calculating economic capital for operational risk as part of our Basel II preparation for the Advanced Measurement Approach (AMA). We use this model for internal economic capital calculation and allocation purposes.

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

OVERALL RISK POSITION

The table below shows our overall risk position at year-end 2006 and 2005 as measured by the economic capital calculated for credit, market, business and operational risk; it does not include liquidity risk.

Economic capital usage in € m.	Dec 31, 2006	Dec 31, 2005
Credit risk	7,351	7,125
Market risk:	2,951	3,042
Trading market risk	1,605	1,595
Nontrading market risk	1,346	1,447
Operational risk	3,323	2,270
Diversification benefit across credit, market and operational risk[1]	(2,158)	(563)
Sub-total credit, market and operational risk[1]	11,467	11,874
Business risk	226	411
Total economic capital usage[1]	**11,693**	**12,285**

1 The amounts for December 31, 2005 include the diversification benefit across credit and market risk only.

To determine our overall (nonregulatory) risk position, we generally consider diversification benefits across risk types except for business risk, which we aggregate by simple addition. During 2006, we enhanced our methodology to include operational risk into the calculation of the diversification benefit across risk types.

On December 31, 2006, our economic capital usage totaled € 11.7 billion, which is € 0.6 billion, or 5 %, below the € 12.3 billion economic capital usage as of December 31, 2005.

The € 0.2 billion, or 3 %, increase in credit risk economic capital is a reflection of higher credit risk relating to our trading inventory (where economic capital rose by € 0.6 billion to € 1.5 billion) while the risk increase resulting from volume growth in our other credit exposures was more than offset by improved overall credit quality.

Our economic capital usage for market risk was reduced by 3 % to € 3.0 billion as of December 31, 2006. This reduction was driven by nontrading market risk, which decreased by € 101 million, or 7 %, reflecting the reduced risk of our alternative assets portfolio as well as the reduced risk from major industrial holdings. Trading market risk economic capital remained materially unchanged compared to December 31, 2005, as the impact of larger positions was offset by an increase in the diversification benefit within trading market risk.

The increase in operational risk economic capital is mainly due to methodology enhancements, in particular in improved modeling of the size of operational risk losses (severity). We estimate that the operational risk economic capital would have amounted to € 3.2 billion as of December 31, 2005, had we applied the enhanced severity methodology at that time. Furthermore, in 2006 we included operational risk into the calculation of the diversification benefit across risk types, which increased the cross-risk-type diversification benefit by approximately € 1.6 billion.

The table below shows the economic capital usage of our business segments as of December 31, 2006.

2006	Corporate and Investment Bank			Private Clients and Asset Management			Corporate Invest-ments	Total DB Group[1]
in € m.	Corporate Banking & Securities	Global Trans-action Banking	Total	Asset and Wealth Manage-ment	Private & Business Clients	Total		
Total Economic Capital Usage	8,719	399	9,118	671	1,407	2,078	486	11,693

1 including € 10 million of Consolidation & Adjustments

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

Consolidated Statement of Income

in € m., except per share data	[Notes]	2006	2005	2004
Net interest revenues:				
Interest revenues	[23]	55,217	41,708	28,023
Interest expense	[23]	48,298	35,707	22,841
Net interest revenues		**6,919**	**6,001**	**5,182**
Provision for loan losses	[7], [8]	330	374	372
Net interest revenues after provision for loan losses		**6,589**	**5,627**	**4,810**
Noninterest revenues:				
Commissions and fees from fiduciary activities		3,995	3,556	3,211
Commissions, broker's fees, markups on securities underwriting and other securities activities		5,019	4,057	3,711
Fees for other customer services		2,530	2,476	2,584
Trading revenues, net	[30]	8,247	7,429	6,186
Net gains on securities available for sale	[5]	407	1,055	235
Net income from equity method investments	[6]	512	418	388
Other revenues	[6], [13], [30]	709	648	421
Total noninterest revenues		**21,419**	**19,639**	**16,736**
Noninterest expenses:				
Compensation and benefits	[20], [24], [30]	12,649	10,993	10,222
Net occupancy expense of premises		1,020	1,014	1,258
Furniture and equipment		157	169	178
IT costs		1,586	1,539	1,726
Agency and other professional service fees		1,202	895	824
Communication and data services		634	599	599
Other expenses		2,412	3,178	2,291
Goodwill impairment/impairment of intangibles	[12]	31	–	19
Restructuring activities	[28]	192	767	400
Total noninterest expenses		**19,883**	**19,154**	**17,517**
Income before income tax expense and cumulative effect of accounting changes		**8,125**	**6,112**	**4,029**
Income tax expense	[25]	2,186	2,039	1,437
Effect from the reversal of 1999/2000 credits for tax rate changes	[25]	(1)	544	120
Income before cumulative effect of accounting changes, net of tax		**5,940**	**3,529**	**2,472**
Cumulative effect of accounting changes, net of tax	[2]	46	–	–
Net income		**5,986**	**3,529**	**2,472**
Earnings per common share (in €):	[2], [26]			
Basic:				
Income before cumulative effect of accounting changes, net of tax		13.20	7.62	5.02
Cumulative effect of accounting changes, net of tax		0.10	–	–
Net income		**13.31**	**7.62**	**5.02**
Diluted:				
Income before cumulative effect of accounting changes, net of tax		11.46	6.95	4.53
Cumulative effect of accounting changes, net of tax		0.09	–	–
Net income		**11.55**	**6.95**	**4.53**
Cash dividends declared per common share		**2.50**	**1.70**	**1.50**

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

Consolidated Statement of Comprehensive Income

in € m.	2006	2005	2004
Net income	**5,986**	**3,529**	**2,472**
Other comprehensive income:			
Reversal of 1999/2000 credits for tax rate changes	(1)	544	120
Unrealized gains (losses) on securities available for sale:			
Unrealized net gains arising during the year, net of tax and other[1]	678	1,742	12
Net reclassification adjustment for realized net (gains) losses, net of applicable tax and other[2]	(397)	(1,004)	(189)
Unrealized net gains (losses) on derivatives hedging variability of cash flows, net of tax[3]	(53)	(28)	40
Minimum pension liability, net of tax[4]	4	(7)	(1)
Foreign currency translation:			
Unrealized net gains (losses) arising during the year, net of tax[5]	(862)	1,054	(719)
Net reclassification adjustment for realized net (gains) losses, net of tax[6]	14	(1)	–
Total other comprehensive income (loss)[7]	**(617)**	**2,300**	**(737)**
Comprehensive income	**5,369**	**5,829**	**1,735**

1 Amounts are net of income tax expense (benefit) of € (26) million, € 80 million and € 131 million for the years ended December 31, 2006, 2005 and 2004, respectively, and adjustments to insurance policyholder liabilities and deferred acquisition costs of € (1) million, € 16 million and € 19 million for the years ended December 31, 2006, 2005 and 2004, respectively.

2 Amounts are net of applicable income tax expense of € 70 million, € 70 million and € 40 million for the years ended December 31, 2006, 2005 and 2004, respectively, and adjustments to insurance policyholder liabilities and deferred acquisition costs of € 10 million, € 12 million and € 6 million for the years ended December 31, 2006, 2005 and 2004, respectively.

3 Amounts are net of income tax expense (benefit) of € (22) million, € (19) million and € 7 million for the years ended December 31, 2006, 2005 and 2004, respectively.

4 Amounts are net of income tax expense (benefit) of € 2 million, € (5) million and € (1) million for the years ended December 31, 2006, 2005 and 2004, respectively. The amount for 2006 represents the change to arrive at the notional minimum pension liability (net of tax) prior to the adoption of SFAS 158 at December 31, 2006.

5 Amounts are net of an income tax expense (benefit) of € 127 million, € (36) million and € 53 million for the years ended December 31, 2006, 2005 and 2004, respectively.

6 Amounts are net of an income tax expense of € 1 million, less than € 1 million, and € 4 million for the years ended December 31, 2006, 2005 and 2004, respectively.

7 The adjustment to apply initially SFAS 158, net of tax, is not presented in the Consolidated Statement of Comprehensive Income for 2006. It is recorded as a reclassification adjustment in the Consolidated Balance Sheet at December 31, 2006.

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

Consolidated Balance Sheet

in € m. (except nominal value)	[Notes]	Dec 31, 2006	Dec 31, 2005
Assets:			
Cash and due from banks	[21]	7,009	6,571
Interest-earning deposits with banks	[32]	19,470	11,963
Central bank funds sold and securities purchased under resale agreements	[10], [32]	138,763	130,993
Securities borrowed	[10], [32]	108,266	101,125
Trading assets of which € 84 billion was pledged to creditors and can be sold or repledged at December 31, 2006 and December 31, 2005	[4], [10], [32]	516,839	448,393
Securities available for sale of which € 23 million and € 21 million were pledged to creditors and can be sold or repledged at December 31, 2006 and 2005, respectively	[5], [10], [32]	22,054	21,675
Other investments	[6], [32]	5,357	7,382
Loans, net	[7], [8], [10], [31], [32]	168,134	151,355
Premises and equipment, net	[10], [11]	4,149	5,079
Goodwill	[12]	7,144	7,045
Other intangible assets, net	[12]	1,267	1,198
Other assets	[14], [25]	127,778	99,382
Total assets		**1,126,230**	**992,161**
Liabilities:			
Deposits	[15], [32]	408,782	380,787
Trading liabilities	[4], [32]	218,854	194,347
Central bank funds purchased and securities sold under repurchase agreements	[32]	187,129	143,524
Securities loaned	[32]	23,240	24,581
Other short-term borrowings	[16], [19], [32]	19,793	20,549
Other liabilities	[14], [19], [24], [25], [28]	99,672	81,377
Long-term debt	[17], [19], [32]	132,495	113,554
Obligation to purchase common shares	[18]	3,457	3,506
Total liabilities		**1,093,422**	**962,225**
Shareholders' equity:			
Common shares, no par value, nominal value of € 2.56 Issued: 2006, 524.8 million shares; 2005, 554.5 million shares	[20]	1,343	1,420
Additional paid-in capital		14,424	11,672
Retained earnings		25,069	22,628
Common shares in treasury, at cost: 2006, 26.1 million shares; 2005, 49.0 million shares		(2,378)	(3,368)
Equity classified as obligation to purchase common shares	[18]	(3,457)	(3,506)
Share awards		–	2,121
Accumulated other comprehensive income (loss):			
Deferred tax on unrealized net gains on securities available for sale relating to 1999 and 2000 tax rate changes in Germany		(2,165)	(2,164)
Unrealized net gains on securities available for sale, net of applicable tax and other		2,779	2,498
Unrealized net gains (losses) on derivatives hedging variability of cash flows, net of tax		(44)	9
Adjustment to apply initially SFAS 158, net of tax		(549)	–
Minimum pension liability, net of tax		–	(8)
Foreign currency translation, net of tax		(2,214)	(1,366)
Total accumulated other comprehensive loss		(2,193)	(1,031)
Total shareholders' equity	[20], [22]	**32,808**	**29,936**
Total liabilities and shareholders' equity		**1,126,230**	**992,161**
Commitments and contingent liabilities	[11], [30], [33]		

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

Consolidated Statement of Changes in Shareholders' Equity

in € m.	2006	2005	2004
Common shares:			
Balance, beginning of year	1,420	1,392	1,490
Common shares issued under share-based compensation plans	25	28	–
Retirement of common shares	(102)	–	(98)
Balance, end of year	1,343	1,420	1,392
Additional paid-in capital:			
Balance, beginning of year	11,672	11,147	11,147
Reclassification from share awards-common shares issuable	3,456	–	–
Reclassification from share awards-deferred compensation	(1,335)	–	–
Net change in share awards in the reporting period	(109)	–	–
Common shares issued under share-based compensation plans	663	411	–
Tax benefits related to share-based compensation plans	75	110	–
Other	2	4	–
Balance, end of year	14,424	11,672	11,147
Retained earnings:			
Balance, beginning of year, as previously reported	22,628	19,814	20,486
Effects of changes in accounting principles	13	–	–
Balance, beginning of year	22,641	19,814	20,486
Net income	5,986	3,529	2,472
Cash dividends declared and paid	(1,239)	(868)	(828)
Dividend related to equity classified as obligation to purchase common shares	180	117	96
Net gains on treasury shares sold	169	46	66
Retirement of common shares	(2,667)	–	(2,472)
Other	(1)	(10)	(6)
Balance, end of year	25,069	22,628	19,814
Common shares in treasury, at cost:			
Balance, beginning of year	(3,368)	(1,573)	(971)
Purchases of shares	(39,023)	(43,803)	(34,471)
Sale of shares	36,191	41,598	30,798
Retirement of shares	2,769	–	2,570
Treasury shares distributed under share-based compensation plans	1,053	410	501
Balance, end of year	(2,378)	(3,368)	(1,573)
Equity classified as obligation to purchase common shares:			
Balance, beginning of year	(3,506)	(3,058)	(2,310)
Additions	(864)	(814)	(1,241)
Deductions	913	366	493
Balance, end of year	(3,457)	(3,506)	(3,058)
Share awards – common shares issuable:			
Balance, beginning of year	3,456	2,965	2,196
Reclassification to additional paid-in capital	(3,456)	–	–
Deferred share awards granted, net	–	901	1,270
Deferred shares distributed	–	(410)	(501)
Balance, end of year	–	3,456	2,965
Share awards – deferred compensation:			
Balance, beginning of year	(1,335)	(1,452)	(1,242)
Reclassification to additional paid-in capital	1,335	–	–
Deferred share awards granted, net	–	(901)	(1,270)
Amortization of deferred compensation, net	–	1,018	1,060
Balance, end of year	–	(1,335)	(1,452)
Accumulated other comprehensive income (loss):			
Balance, beginning of year	(1,031)	(3,331)	(2,594)
Reversal of 1999/2000 credits for tax rate changes	(1)	544	120
Change in unrealized net gains on securities available for sale, net of applicable tax and other	281	738	(177)
Change in unrealized net gains/losses on derivatives hedging variability of cash flows, net of tax	(53)	(28)	40
Adjustment to apply initially SFAS 158, net of tax[1]	(545)	–	–
Change in minimum pension liability, net of tax[2]	4	(7)	(1)
Foreign currency translation, net of tax	(848)	1,053	(719)
Balance, end of year	(2,193)	(1,031)	(3,331)
Total shareholders' equity, end of year	**32,808**	**29,936**	**25,904**

1 The amount consists of € (549) million related to unrecognized net actuarial losses and net prior service benefits, net of tax, and € 4 million to reverse the notional minimum pension liability, net of tax, upon the initial application of SFAS 158 at December 31, 2006.

2 The amount for 2006 represents the change to arrive at the notional minimum pension liability, net of tax, prior to the adoption of SFAS 158.

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

Consolidated Statement of Cash Flows

in € m.	2006	2005	2004
Cash flows from operating activities:			
Net income	**5,986**	**3,529**	**2,472**
Adjustments to reconcile net income to net cash used in operating activities:			
Provision for loan losses	330	374	372
Restructuring activities	30	145	230
Gain on sale of securities available for sale, other investments, loans and other	(953)	(1,494)	(476)
Deferred income taxes, net	84	964	838
Impairment, depreciation and other amortization and accretion	1,557	1,474	1,776
Cumulative effect of accounting changes, net of tax	(46)	–	–
Share of net income from equity method investments	(348)	(333)	(282)
Net change in:			
Trading assets	(67,689)	(75,606)	(42,461)
Other assets	(32,895)	(26,908)	(15,566)
Trading liabilities	26,859	24,740	16,380
Other liabilities	15,748	10,699	7,538
Other, net	359	(1,544)	1,082
Net cash used in operating activities	**(50,978)**	**(63,960)**	**(28,097)**
Cash flows from investing activities:			
Net change in:			
Interest-earning deposits with banks	(7,146)	5,885	(4,573)
Central bank funds sold and securities purchased under resale agreements	(7,554)	(7,072)	(11,679)
Securities borrowed	(7,141)	(35,495)	7,166
Loans	(9,556)	(14,062)	8,853
Proceeds from:			
Sale of securities available for sale	10,131	11,673	21,145
Maturities of securities available for sale	5,349	2,815	3,560
Sale of other investments	5,593	1,868	2,081
Sale of loans	4,762	4,596	2,294
Sale of premises and equipment	426	274	451
Purchase of:			
Securities available for sale	(17,046)	(13,981)	(25,201)
Other investments	(3,184)	(1,602)	(1,200)
Loans	(6,888)	(4,147)	(2,726)
Premises and equipment	(970)	(701)	(792)
Net cash received (paid) for business combinations/divestitures	(1,944)	211	(223)
Other, net	161	99	116
Net cash used in investing activities	**(35,007)**	**(49,639)**	**(728)**
Cash flows from financing activities:			
Net change in:			
Deposits	26,528	60,040	21,493
Securities loaned and central bank funds purchased and securities sold under repurchase agreements	42,263	49,932	923
Other short-term borrowings	(756)	452	3,399
Issuances of long-term debt	64,603	44,574	34,463
Repayments and extinguishments of long-term debt	(42,944)	(39,817)	(25,773)
Common shares issued under employee benefit plans	680	439	–
Purchases of treasury shares	(39,023)	(43,803)	(34,471)
Sale of treasury shares	36,380	41,640	30,850
Cash dividends paid	(1,239)	(868)	(828)
Other, net	320	(485)	12
Net cash provided by financing activities	**86,812**	**112,104**	**30,068**
Net effect of exchange rate changes on cash and due from banks	(389)	487	(300)
Net increase (decrease) in cash and due from banks	438	(1,008)	943
Cash and due from banks, beginning of the year	6,571	7,579	6,636
Cash and due from banks, end of the year	7,009	6,571	7,579
Interest paid	46,853	35,246	22,411
Income taxes paid, net	3,374	962	199

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

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Notes to the Consolidated Financial Statements

[1] SIGNIFICANT ACCOUNTING POLICIES

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

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

The Group assessed errors identified during the course of 2006 that had prior year effect under the requirements of SAB 108 and concluded that no adjustment was required to opening retained earnings. The Group has made a number of minor adjustments, with immaterial effect, to prior year footnote disclosures and a reclassification within the Consolidated Statement of Cash Flows. The principal adjustments were related to an understatement of liquidity facilities for variable interest entities and revisions to previously reported figures for asset securitizations. The adjustments and reclassification had no effect on the previously reported Consolidated Statement of Income or Consolidated Balance Sheet.

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

PRINCIPLES OF CONSOLIDATION

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

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

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

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

REVENUE RECOGNITION

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

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

VALUATION OF ASSETS AND LIABILITIES – The carrying value of certain assets and liabilities are required to be adjusted at the end of each reporting period and the offset to the change in the carrying amount is recognized as revenue. These include trading assets and liabilities, certain derivatives held for nontrading purposes carried at fair value, investments held by designated investment companies that are consolidated, loans held for sale accounted for at the lower of cost or market, and investments accounted for under the equity method which are adjusted for the pro rata share of the investee's net income or loss. In addition, certain assets are revalued to recognize impairment losses within revenues when certain criteria are met. See the discussions in the "Trading Assets and Liabilities, and Securities Available for Sale", "Derivatives", "Other Investments", "Allowances for Credit Losses", "Loans Held for Sale", and "Impairment" sections of this footnote for more detailed explanations of the valuation methods used and the methods for determining impairment losses for the various types of assets involved.

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

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

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

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

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

Structured transactions executed by the Group are subjected to this evaluation on a transaction by transaction basis. If the criteria above are met for a specified structured transaction then it is a multiple-deliverable arrangement.

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

FOREIGN CURRENCY TRANSLATION

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

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

REVERSE REPURCHASE AND REPURCHASE AGREEMENTS

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

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

SECURITIES BORROWED AND SECURITIES LOANED

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

TRADING ASSETS AND LIABILITIES, AND SECURITIES AVAILABLE FOR SALE

The Group designates debt and marketable equity securities as either held for trading purposes or available for sale at the date of acquisition. Loans that are bought for the purpose of selling in the near term to generate a profit from short term fluctuations in price or dealer’s margin are classified as trading assets. The fair value method is elected for all life settlement contracts and they are classified as trading assets.

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

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

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

Fair value is defined as the price at which an asset or liability could be exchanged in a current transaction between knowledgeable, willing parties, other than in a forced or liquidation sale. Where available, fair value is based on observable market prices or parameters or derived from such prices or parameters. Where observable prices or inputs are not available, valuation techniques appropriate for the particular instrument are applied. These valuation techniques involve some level of management estimation and judgment, the degree of which will depend on the price transparency for the instrument or market and the instrument's complexity.

DERIVATIVES

All freestanding contracts that are considered derivatives for accounting purposes are carried at fair value in the balance sheet regardless of whether they are held for trading or nontrading purposes. Derivative features embedded in other contracts that meet certain criteria are also measured at fair value. In active markets, fair value is based on observable market prices or parameters, or derived from such prices or parameters. Where observable prices or inputs are not available, valuation techniques are applied. Valuation techniques include the use of valuation models which are dependent on parameters including, but not limited to, current market prices of the underlying instruments, time value, yield curve, volatility and correlation factors underlying the positions. The valuation process to determine fair value also includes making adjustments to the valuation model outputs to consider factors such as close out costs, liquidity and counterparty credit risk. Derivative assets and liabilities arising from contracts with the same counterparty that are covered by qualifying and legally enforceable master netting agreements are reported on a net basis.

The Group enters into various contracts for trading purposes, including swaps, futures contracts, forward commitments, options and other similar types of contracts and commitments based on interest and foreign exchange rates, equity and commodity prices, and credit risk. These derivatives are carried at their fair values as either trading assets or trading liabilities, and related gains and losses are included in trading revenues. The Group also makes commitments to originate mortgage loans that will be held for sale, which are accounted for as trading derivatives. Market value guarantees provided on specific mutual fund products offered by the Group are also accounted for as trading derivatives.

At the inception of a derivative transaction, trading profit or loss is recognized if the fair value of the derivative is obtained from a quoted market price, supported by comparison to observable prices of other current market transactions or supported by other market data used in the valuation technique. When the fair value of a derivative is not based upon observable data, the Group defers any trade date profit or loss. The Group recognizes the deferred amount using a rational and systematic method over the period between trade date and the date when the market is expected to become observable, or over the life of the trade (whichever is shorter). The Group uses such a methodology because it reflects the changing economic and risk profiles of the instruments as the market develops or as the instruments themselves progress to maturity. Any remaining deferred profit or loss is recognized through the profit and loss account when the transaction becomes observable and/or the Group enters into a derivative transaction that substantially eliminates the derivative's risk.

The Group's balance of deferred trade-date profit amounted to € 463 million and € 464 million at December 31, 2006 and 2005, respectively.

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

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

HEDGE ACCOUNTING – Where derivatives are held for risk management purposes and the transactions meet specific criteria, the Group applies hedge accounting. For accounting purposes there are three possible types of hedges, each of which is accounted for differently: (1) hedges of the changes in fair value of assets, liabilities or firm commitments (fair value hedges); (2) hedges of the variability of future cash flows from forecasted transactions and floating rate assets and liabilities (cash flow hedges); and (3) hedges of the translation adjustments resulting from translating the financial statements of net investments in foreign operations into the reporting currency of the parent.

When hedge accounting is applied, the Group documents the relationship between the hedging instrument and hedged item as well as its risk management objectives and its strategy for undertaking the hedging transactions. This documentation includes an assessment of how, at hedge inception and on an ongoing basis, the hedge is expected to be highly effective in offsetting changes in fair value, variability of cash flows, or the translation effects of net investments in foreign operations (as appropriate). Hedge effectiveness is assessed at inception and throughout the term of each hedging relationship. The Group's policy is not to assume hedge effectiveness, even when the terms of the derivative and hedged item are matched.

Hedging derivatives are reported as other assets and other liabilities. In the event that any derivative is subsequently dedesignated as a hedging derivative, it is transferred to trading assets and liabilities and marked to market with changes in fair value recognized in trading revenues.

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

exchange exposures are also recorded in other revenues. Hedge ineffectiveness is reported in other revenues and is measured as the net effect of the fair value adjustments made to the derivative and the hedged item arising from changes in the market rate or price related to the risk being hedged.

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

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

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

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

OTHER INVESTMENTS

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

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

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

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

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

LOANS

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

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

LEASING TRANSACTIONS

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

ALLOWANCES FOR CREDIT LOSSES

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

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

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

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

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

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

LOANS HELD FOR SALE

Loans for which the Group has the intent to sell, either at origination or acquisition, or subsequent to origination or acquisition, are classified as loans held for sale. Loans classified as held for sale are generally managed by businesses that have the specific mandate to sell or securitize loans. These businesses are distinct from the Group's lending activities and their mandate indicates a marketing strategy or a plan of sale.

Loans held for sale are accounted for at the lower of cost or market on an individual basis and are reported as other assets. Origination fees and direct costs are deferred until the related loans are sold and are included in the determination of the gains or losses upon sale, which are reported in other revenues. Valuation adjustments related to loans held for sale are reported in other assets and other revenues, and are not included in the allowance for loan losses or the provision for loan losses.

ASSET SECURITIZATIONS

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

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

Cash flows related to securitizations are included in operating activities in the Consolidated Statement of Cash Flows.

PREMISES AND EQUIPMENT

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

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

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

GOODWILL AND OTHER INTANGIBLE ASSETS

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

OBLIGATION TO PURCHASE COMMON SHARES

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

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

IMPAIRMENT

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

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

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

EXPENSE RECOGNITION

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

INCOME TAXES

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

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

SHARE-BASED PAYMENT

Effective as of January 1, 2006, the Group revised the fair value method adopted as of January 1, 2003 as a result of a new accounting pronouncement. The revised method is applicable to new awards and to awards modified, repurchased, or cancelled on or after January 1, 2006.

Under the revised method, cash-settled share-based payments are measured at fair value at each reporting date and compensation expense is based on an estimated number of share-based payment awards expected to vest, with consideration of expected, not actual, forfeitures. The timing of expense recognition relating to grants which, due to early retirement provisions, include a nominal but nonsubstantive service period, are accelerated by shortening the amortization period of the expense from the grant date to the date when the employee meets the eligibility criteria for the award, and not the vesting date. For awards that are delivered in tranches, each tranche is considered a separate award and amortized separately. The fair values of stock option awards are estimated using a Black-Scholes option pricing model. For share awards, the fair value is the quoted market price of the share reduced by the present value of the expected dividends that will not be received by the employee and adjusted for the effect, if any, of restrictions beyond the vesting date. Prior to January 1, 2003, the Group accounted for its share awards under the intrinsic-value-based method of accounting. Under this method, compensation expense is the excess, if any, of the quoted market price of the shares at grant date or other measurement date over the amount an employee must pay, if any, to acquire the shares.

The following table illustrates what the effect on net income and earnings per common share would have been if the Group had applied the fair value method to all share-based awards. From January 1, 2006, all share-based awards were measured at fair value and therefore 2006 figures are not presented below.

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

Share-based payment awards accounted for as equity instruments are reflected in shareholders' equity (additional paid-in capital) when services from employees in exchange for the awards are rendered and expensed. Compensation expense is recorded on a straight-line basis over the period in which employees perform services to which the awards relate or over the period of the tranche for those awards delivered in tranches. Estimates of expected forfeitures are periodically adjusted in the event of actual forfeitures or for changes in expectations. Compensation expense for share-based awards payable in cash is remeasured based on the underlying share price changes and the related obligations are included in other liabilities until paid.

See Note [20] for additional information on specific award provisions.

COMPREHENSIVE INCOME

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

STATEMENT OF CASH FLOWS

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

[2] CUMULATIVE EFFECT OF ACCOUNTING CHANGES

FSP FTB 85-4-1

In March 2006, the FASB issued FSP FTB 85-4-1, "Accounting for Life Settlement Contracts by Third-Party Investors" ("FSP FTB 85-4-1"). FSP FTB 85-4-1 requires that purchased life settlement contracts, which are contracts between the owner of a life insurance policy and a third party investor, are measured at either fair value or by applying the investment method, whereas previously such contracts were held at the lower of cash surrender value and cost. Under the investment method, a life settlement contract is initially recorded at the transaction price plus all initial direct external costs; continuing costs to keep the policy in force are capitalized; and a gain is only recognized when the insured dies. The fair value method or the investment method is permitted to be elected on an instrument-by-instrument basis, and the Group has elected to apply the fair value method to all life settlement contracts including those held at January 1, 2006. A cumulative effect adjustment to beginning retained earnings of € 13 million has been recognized as of January 1, 2006 relating to the life settlement contracts held at this date.

EITF 05-5

In June 2005, the FASB ratified the consensus reached in EITF Issue No. 05-5, "Accounting for Early Retirement or Postemployment Programs with Specific Features (Such As Terms Specified in Altersteilzeit Early Retirement Arrangements)" ("EITF 05-5"). Under EITF 05-5 salaries, bonuses and additional pension contributions associated with certain early retirement arrangements typical in Germany (as well as similar programs) should be recognized over the period from the point at which the Altersteilzeit period begins until the end of the active service period. Previously, the Group had recognized the expense based on an actuarial valuation upon signature of the Altersteilzeit contract by the employee. The EITF also specifies the accounting for government subsidies related to these arrangements. The Group adopted EITF 05-5 on January 1, 2006, and recognized a gain of € 4 million, net of taxes, as a cumulative effect of a change in accounting principle.

SFAS 123 (REVISED 2004)

In December 2004, the FASB issued SFAS No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123(R)"). SFAS 123(R) replaces SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"), and supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees". The new standard requires companies to recognize compensation cost relating to share-based payment transactions in their financial statements based on the fair value of the equity or liability instruments issued.

Upon adoption on January 1, 2006, the Group recognized a gain of € 42 million, net of taxes, as a cumulative effect of a change in accounting principle. This effect relates to an adjustment of accrued compensation costs, which under SFAS 123(R) are required to be based on the estimated number of share-based payment awards to vest, with consideration of expected forfeitures. Under SFAS 123, the Group had accounted for forfeitures on an actual basis, and therefore had reversed compensation expense in the period an award was forfeited.

[3] ACQUISITIONS AND DISPOSITIONS

For the years ended December 31, 2006, 2005 and 2004, the Group recorded net gains on dispositions of significant businesses/subsidiaries (excluding results from businesses/subsidiaries held for sale) of € 59 million, € 108 million and € 95 million, respectively. The acquisitions and disposals that occurred in these years had no significant impact on the Group's total assets.

For a discussion of the Group's most significant acquisitions and dispositions for the years ended December 31, 2006 and 2005 see Note [27] Business Segments and Related Information.

[4] TRADING ASSETS AND TRADING LIABILITIES

The components of these accounts are as follows.

in € m.	Dec 31, 2006	Dec 31, 2005
Trading assets:		
Bonds and other fixed-income securities	291,388	260,469
Equity shares and other variable-yield securities	131,673	99,479
Positive market values from derivative financial instruments[1]	75,344	75,354
Other trading assets[2]	18,434	13,091
Total trading assets	**516,839**	**448,393**
Trading liabilities:		
Bonds and other fixed-income securities	90,982	81,294
Equity shares and other variable-yield securities	35,261	28,473
Negative market values from derivative financial instruments[1]	92,611	84,580
Total trading liabilities	**218,854**	**194,347**

1 Derivatives under master netting agreements are shown net.

2 Includes trading loans of € 16,975 million and € 12,481 million at December 31, 2006 and 2005, respectively. The significant majority of trading loans are recorded in Deutsche Bank AG.

[5] SECURITIES AVAILABLE FOR SALE

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

Dec 31, 2006 in € m.	**Fair value**	**Gross unrealized holding**		**Amortized cost**
		gains	**losses**	
Debt securities:				
German government	2,879	2	(10)	2,887
U.S. Treasury and U.S. government agencies	1,348	–	(12)	1,360
U.S. local (municipal) governments	1	–	–	1
Other foreign governments	3,247	3	(14)	3,258
Corporates	6,855	126	(124)	6,853
Other asset-backed securities	1	–	–	1
Mortgage backed securities, including obligations of U.S. federal agencies	22	1	–	21
Other debt securities	947	2	(1)	946
Total debt securities	**15,300**	**134**	**(161)**	**15,327**
Equity securities:				
Equity shares	6,123	2,759	(1)	3,365
Investment certificates and mutual funds	510	25	(3)	488
Other equity securities	121	47	–	74
Total equity securities	**6,754**	**2,831**	**(4)**	**3,927**
Total securities available for sale	**22,054**	**2,965**	**(165)**	**19,254**

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

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

At December 31, 2006, there were no securities of an individual issuer that exceeded 10 % of the Group's total shareholders' equity.

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

in € m.	2006	2005	2004
Debt securities – gross realized gains	56	120	58
Debt securities – gross realized losses[1]	(43)	(14)	(61)
Equity securities – gross realized gains	410	957	244
Equity securities – gross realized losses[2]	(16)	(8)	(6)
Total net gains on securities available for sale	**407**	**1,055**	**235**

1 Includes € 6 million, € 1 million and € 20 million of write-downs for other-than-temporary impairment for the years ended December 31, 2006, 2005 and 2004, respectively.

2 Includes € 9 million, € 1 million and € 2 million of write-downs for other-than-temporary impairment for the years ended December 31, 2006, 2005 and 2004, respectively.

The following table shows the fair value, remaining maturities, approximate weighted-average yields (based on amortized cost) and total amortized cost by maturity distribution of the debt security components of the Group's securities available for sale at December 31, 2006.

in € m.	Up to one year Amount	Up to one year Yield	More than one year and up to five years Amount	More than one year and up to five years Yield	More than five years and up to ten years Amount	More than five years and up to ten years Yield	More than ten years Amount	More than ten years Yield	Total Amount	Total Yield
German government	39	3.39	89	3.96	262	4.01	2,489	2.82	2,879	2.98
U.S. Treasury and U.S. government agencies	1,324	4.10	–	–	–	–	24	5.00	1,348	4.12
U.S. local (municipal) governments	1	5.68	–	–	–	–	–	–	1	5.68
Other foreign governments	1,162	2.03	782	4.81	307	3.96	996	2.74	3,247	3.10
Corporates	1,579	5.14	689	5.25	1,484	5.14	3,103	4.86	6,855	5.02
Other asset-backed securities	–	–	–	–	1	3.14	–	–	1	3.14
Mortgage-backed securities, principally obligations of U.S. federal agencies	10	3.25	4	1.25	–	–	8	9.35	22	5.31
Other debt securities	49	3.61	866	7.41	21	6.46	11	3.83	947	7.15
Total fair value	**4,164**	**3.90**	**2,430**	**5.82**	**2,075**	**4.83**	**6,631**	**3.78**	**15,300**	**4.28**
Total amortized cost	**4,173**		**2,436**		**2,062**		**6,656**		**15,327**	

The following tables show the Group’s gross unrealized losses on securities available for sale and the fair value of the related securities, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at December 31, 2006 and 2005, respectively:

Dec 31, 2006 in € m.	Less than 12 months Fair value	Less than 12 months Unrealized losses	12 months or longer Fair value	12 months or longer Unrealized losses	Total Fair value	Total Unrealized losses
Debt securities:						
German government	223	(4)	2,481	(6)	2,704	(10)
U.S. Treasury and U.S. government agencies	506	(5)	704	(7)	1,210	(12)
Other foreign governments	674	(10)	1,060	(4)	1,734	(14)
Corporates	2,946	(106)	739	(18)	3,685	(124)
Mortgage-backed securities	–	–	3	–	3	–
Other debt securities	–	–	3	(1)	3	(1)
Total debt securities	**4,349**	**(125)**	**4,990**	**(36)**	**9,339**	**(161)**
Equity securities:						
Equity shares	21	(1)	–	–	21	(1)
Investment certificates and mutual funds	18	(3)	–	–	18	(3)
Total equity securities	**39**	**(4)**	**–**	**–**	**39**	**(4)**
Total temporarily impaired securities	**4,388**	**(129)**	**4,990**	**(36)**	**9,378**	**(165)**

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

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

[6] OTHER INVESTMENTS

The following table summarizes the composition of other investments.

in € m.	Dec 31, 2006	Dec 31, 2005
Equity method investments	3,685	5,006
Investments held by designated investment companies	96	160
Other equity interests	1,576	2,216
Total other investments	**5,357**	**7,382**

EQUITY METHOD INVESTMENTS

The Group's pro-rata share of the investees' income or loss determined on a U.S. GAAP basis were profits of € 348 million, € 333 million and € 282 million for the years ended December 31, 2006, 2005 and 2004, respectively. In addition, net gains of € 169 million, € 87 million and € 123 million from the disposal of equity method investments, as well as write-offs of € 5 million, € 1 million and € 16 million for other-than-temporary impairments, were included in net income from equity method investments for the years ended December 31, 2006, 2005 and 2004, respectively.

Loans to equity method investees, trading assets related to these investees as well as debt securities available for sale issued by these investees amounted to € 1.2 billion and € 2.8 billion at December 31, 2006 and 2005, respectively. At December 31, 2006, loans totaling € 2.8 million to two equity method investees were on nonaccrual status. At December 31, 2005, loans totaling € 23 million to three equity method investees were on nonaccrual status. The Group issued a financial guarantee to EUROHYPO AG protecting it against losses on loans contributed by the Group when EUROHYPO AG was created in 2002. By the end of 2005, EUROHYPO AG had made claims in respect of the full amount of the financial guarantee, which had an initial maximum amount of € 283 million. In connection with the sale of the Group's stake in EUROHYPO AG to Commerzbank AG the Group settled the guarantee issue by full payment to EUROHYPO AG, at the same time reserving some rights in respect of such payment against Commerzbank AG.

At December 31, 2006, the following investees were significant, representing 75 % of the carrying value of equity method investments.

SIGNIFICANT EQUITY METHOD INVESTMENTS

Investment	Ownership
AKA Ausfuhrkredit-Gesellschaft mit beschränkter Haftung, Frankfurt	26.89 %
Copperhead Ventures, LLC, Dover	49.88 %
DB Alpamayo Emerging Markets Value Fund L.P., George Town	6.67 %
DB Global Masters (Fundamental Value Trading II) Fund Ltd, George Town	38.55 %
DB Phoebus Lux S.à r.l., Luxembourg[1]	74.90 %
Deutsche European Partners IV, London	25.02 %
Deutsche Interhotel Holding GmbH & Co. KG, Berlin	45.51 %
Dive Finance Ltd., St. Helier[1]	100.00 %
Duck Finance Ltd., St. Helier[1]	100.00 %
Financiere SELEC, Paris	46.00 %
Fincasa Hipotecaria, S.A. de C.V. Sociedad Financiera de Objeto Limitado, Mexico City	49.00 %
Fondo Piramide Globale, Milan	42.45 %
Force 2005-1 Limited Partnership, Jersey	40.00 %[2]
Genesee Balanced Fund Limited, Road Town	38.86 %
Genesee Eagle Fund Limited, Road Town	44.21 %
Grup Maritim TCB S.L., Barcelona	37.26 %
Investcorp Diversified Strategies Fund Limited, George Town	41.59 %
Keolis, Paris[1]	54.72 %
Mannesmann GmbH & Co. Beteiligungs-KG, Eschborn	10.00 %
MFG Flughafen-Grundstücksverwaltungsgesellschaft mbH & Co. BETA KG, Grünwald	25.03 %
Nineco Leasing Limited, London[1]	100.00 %
Paternoster Limited, Douglas	30.99 %
Preston Capital Master Fund Limited, George Town	49.90 %
PX Holdings Ltd, Stockton on Tees	43.00 %
Rongde Asset Management Company Ltd, Beijing	35.00 %
RREEF America REIT III, Inc., Chicago	9.84 %
RREEF Pan-European Infrastructure Fund L.P., London	4.04 %
Silver Creek Long/Short Limited, George Town	27.80 %
Silver Creek Low Vol. Strategies Ltd., George Town	32.90 %
Sixco Leasing Ltd, London[1]	100.00 %
Spark Infrastructure Group, Sydney	9.51 %
The Triumph Trust, Salt Lake City[1]	66.38 %
VCG Venture Capital Gesellschaft mbH & Co. Fonds III KG, München	36.98 %

1 The Group does not have a controlling financial interest or the investee is a variable interest entity which is not consolidated under U.S. GAAP.
2 Economic interest

In 2006, the remaining stake of the Group's investment in EUROHYPO AG was sold, resulting in a gain of € 85 million. In 2005, the Group's stake in EUROHYPO AG was reduced from 37.72 % to 27.99 %, resulting in a gain of € 44 million. Furthermore, the Group's investment in Atradius N.V. was partially sold in 2006, reducing the investment from 33.89 % to 12.73 %.

INVESTMENTS HELD BY DESIGNATED INVESTMENT COMPANIES

The underlying investment holdings of the Group's designated investment companies are carried at fair value, and totaled € 96 million and € 160 million at December 31, 2006 and 2005, respectively.

OTHER EQUITY INTERESTS

Other equity interests totaling € 1.6 billion and € 2.2 billion at December 31, 2006 and 2005, respectively, include investments in which the Group does not have significant influence, including certain venture capital companies and nonmarketable equity securities. The write-offs for other-than-temporary impairments of these investments amounted to € 8 million, € 10 million and € 58 million for the years ended December 31, 2006, 2005 and 2004, respectively.

At December 31, 2006, the aggregate carrying amount for all equity securities accounted for under the cost method of accounting was € 949 million. Equity securities with a carrying value of € 12 million had unrealized losses amounting to € 1 million. These impairments were considered to be temporary.

[7] LOANS

The following table summarizes the composition of loans.

in € m.	Dec 31, 2006	Dec 31, 2005
German:		
Banks and insurance	1,217	1,769
Manufacturing	6,686	6,620
Households (excluding mortgages)	17,764	16,157
Households – mortgages	27,142	27,039
Public sector	1,814	1,462
Wholesale and retail trade	3,023	3,394
Commercial real estate activities	10,091	10,625
Lease financing	1,017	1,001
Other	13,232	11,508
Total German	**81,986**	**79,575**
Non-German:		
Banks and insurance	7,748	5,907
Manufacturing	8,693	9,083
Households (excluding mortgages)	10,690	10,245
Households – mortgages	10,736	9,016
Public sector	1,928	1,167
Wholesale and retail trade	9,033	8,683
Commercial real estate activities	4,008	2,634
Lease financing	1,823	1,810
Other	33,096	25,143
Total Non-German	**87,755**	**73,688**
Gross loans	169,741	153,263
(Deferred expense)/unearned income	(147)	(20)
Loans less (deferred expense)/unearned income	169,888	153,283
Less: Allowance for loan losses	1,754	1,928
Total loans, net	**168,134**	**151,355**

The “other” category included no single industry group with aggregate borrowings from the Group in excess of 10 % of the total loan portfolio at December 31, 2006.

The aggregate amount of gains on sales of loans amounted to € 78 million at December 31, 2006 and € 63 million at December 31, 2005.

Certain related third parties have obtained loans from the Group on various occasions. All such loans have been made in the ordinary course of business and on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties. There were € 1.6 billion and € 2.5 billion of loans to related parties (including loans to equity method investees) outstanding at December 31, 2006 and 2005, respectively.

Nonaccrual loans as of December 31, 2006 and 2005 were € 3.0 billion and € 3.6 billion, respectively. Loans 90 days or more past due and still accruing interest totaled € 185 million and € 202 million as of December 31, 2006 and 2005, respectively.

Additionally, as of December 31, 2006, the Group had € 1 million of lease financing transactions that were nonperforming.

IMPAIRED LOANS

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

in € m.	Dec 31, 2006	Dec 31, 2005	Dec 31, 2004
Total impaired loans[1]	2,024	2,576	3,516
Allowance for impaired loans under SFAS 114[2]	1,068	1,230	1,654
Average balance of impaired loans during the year	2,225	3,189	4,474
Interest income recognized on impaired loans during the year	21	57	65

1 Included in these amounts are € 1.7 billion, € 2.0 billion and € 2.8 billion as of December 31, 2006, 2005 and 2004, respectively, that require an allowance. The remaining impaired loans do not require an allowance because the present value of expected future cash flows, including those from liquidation of collateral, or the market price of the loan exceeds the recorded investment in these loans.

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

LOANS OR DEBT SECURITIES ACQUIRED IN A TRANSFER

In accordance with Statement of Position 03-3, “Accounting for Certain Loans or Debt Securities Acquired in a Transfer”, the following table sets forth information about the loans and debt securities acquired by the Group by completion of a transfer for which it is probable, at acquisition, that the Group will be unable to collect all contractually required payments receivable.

			Dec 31, 2006			Dec 31, 2005
in € m.	Loans	Debt securities	Total	Loans	Debt securities	Total
Instruments acquired during the year:						
Contractually required payments receivable at acquisition	2,205	52	2,257	1,932	–	1,932
Cash flows expected to be collected at acquisition	1,300	34	1,334	554	–	554
Fair value of loans at acquisition	963	29	992	526	–	526
Accretable yield for instruments acquired:						
Balance, beginning of year	**21**	**–**	**21**	**–**	**–**	**–**
Additions	338	5	343	27	–	27
Accretion	(44)	–	(44)	(6)	–	(6)
Disposals	(8)	(2)	(10)	–	–	–
Reclassifications from (to) nonaccretable difference	1	–	1	–	–	–
Balance, end of year	**308**	**3**	**311**	**21**	**–**	**21**
Instruments acquired:						
Outstanding balance, beginning of year	776	–	776	–	–	–
Outstanding balance, end of year	2,845	16	2,861	776	–	776
Carrying amount, beginning of year	233	–	233	–	–	–
Carrying amount, end of year	1,063	6	1,069	233	–	233

In 2006, the Group was required to consider € 10 million of these acquired loans as nonaccrual subsequent to their acquisition, with provision for loan losses of € 4 million. In 2006, the Group charged off € 3 million, sold € 1 million and, as of December 31, 2006, held € 6 million of such loans at nonaccrual status subsequent to their acquisition, with a loan loss allowance of € 1 million.

[8] ALLOWANCES FOR CREDIT LOSSES

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

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

in € m.	2006	2005	2004
Allowance at beginning of year	**1,928**	**2,345**	**3,281**
Provision for loan losses	330	374	372
Net charge-offs:			
Charge-offs	744	1,018	1,394
Recoveries	264	170	152
Total net charge-offs	480	848	1,242
Allowance related to acquisitions/divestitures	–	–	3
Foreign currency translation	(24)	57	(69)
Allowance at end of year	**1,754**	**1,928**	**2,345**

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

in € m.	2006	2005	2004
Allowance at beginning of year	**329**	**345**	**416**
Provision for off-balance sheet positions	(50)	(24)	(65)
Allowance related to acquisitions/divestitures	1	–	–
Foreign currency translation	(9)	8	(6)
Allowance at end of year	**271**	**329**	**345**

[9] ASSET SECURITIZATIONS AND VARIABLE INTEREST ENTITIES

ASSET SECURITIZATIONS

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

For the years ended December 31, 2006, 2005 and 2004, the Group recognized gains of € 262 million, € 262 million and € 216 million, respectively, on securitizations primarily related to residential and commercial mortgage loans.

The following table summarizes certain cash flows received from and paid to securitization vehicles during 2006, 2005 and 2004.

	Residential mortgage loans			Commercial mortgage loans			Other loans		
in € m.	2006	2005	2004	2006	2005	2004	2006	2005	2004
Proceeds from new securitizations	19,735	11,483	8,778	14,712	11,044	5,113	2,355	3,102	328
Proceeds from collections reinvested in new securitization receivables	–	–	–	–	–	–	–	–	439
Servicing fees received	12	4	4	4	–	–	–	–	–
Cash flows received on retained interests	129	27	42	90	21	5	54	47	6
Repurchase of delinquent or foreclosed loans	(14)	–	–	–	–	–	–	–	–

At December 31, 2006, the weighted-average key assumptions used in determining the fair value of retained interests, including servicing rights, and the impact of adverse changes in those assumptions on carrying amount/fair value are as follows.

in € m. (except percentages)	Residential mortgage loans	Commercial mortgage loans	Other loans
Carrying amount/fair value of retained interests	**1,537**	**1,661**	**330**
Prepayment speed (current assumed)	**25.79 %**	**0.00 %**	**0.00 %**
Impact on fair value of 10 % adverse change	(12)	–	–
Impact on fair value of 20 % adverse change	(27)	–	–
Default rate (current assumed)	**1.43 %**	**1.97 %**	**4.09 %**
Impact on fair value of 10 % adverse change	(25)	(2)	(3)
Impact on fair value of 20 % adverse change	(48)	(7)	(5)
Discount factor (current assumed)	**10.57 %**	**6.44 %**	**1.80 %**
Impact on fair value of 10 % adverse change	(41)	(27)	(2)
Impact on fair value of 20 % adverse change	(81)	(48)	(3)

These sensitivities are hypothetical and should be viewed with caution. As the figures indicate, changes in fair value based on a 10 percent variation in assumptions generally should not be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, in this table, the effect of a variation in a particular assumption on the fair value of the retained interest is calculated without changing any other assumptions; in reality, changes in one factor may result in changes in another (for example, increases in market interest rates may result in lower prepayments and increased credit losses), which might affect the sensitivities. The key assumptions used in measuring the initial retained interests resulting from securitizations completed in 2006 were not significantly different from the current assumptions in the above table.

The key assumptions used in measuring the initial retained interests resulting from securitizations completed in 2005 and 2004 were not significantly different from the key assumptions used in determining the fair value of retained interests, including servicing rights, at December 31, 2005 and 2004, respectively. The weighted-average assumptions used at December 31, 2005 and 2004 were as follows.

	Residential mortgage loans		Commercial mortgage loans		Other loans	
in %	2005	2004	2005	2004	2005	2004
Prepayment speed	36.22	27.46	0.00	0.00	0.00	1.37
Default rate	3.13	4.67	2.00	1.77	7.44	0.26
Discount factor	10.26	13.28	4.30	5.20	1.86	7.51

The following table presents information about securitized loans, including delinquencies (loans which are 90 days or more past due) and credit losses, net of recoveries, for the years ended December 31, 2006 and 2005. It excludes securitized loans that the Group continues to service but with which it otherwise has no continuing involvement.

	Residential mortgage loans		Commercial mortgage loans		Other loans	
in € m.	2006	2005	2006	2005	2006	2005
Total principal amount of loans	17,270	8,852	25,988	2,455	3,351	1,494
Principal amount of loans 90 days or more past due	191	312	61	–	–	–
Net credit losses	46	32	1	–	–	–

In addition to the securitizations of loans described in the tables above, in July 2003, the Group sold U.S. and European-domiciled private equity investments with a carrying value of € 361 million as well as € 80 million in liquid investments to a securitization vehicle that was a qualifying special purpose entity.

In March 2006, the Group repurchased outstanding notes of the securitization vehicle from investors for € 247 million and unwound this special purpose entity. The remaining available cash of € 74 million was paid to the equity holders. Since March 2006, the Group has applied the equity method to account for investments formerly included in the structure.

VARIABLE INTEREST ENTITIES

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

The table below shows the aggregated assets (before consolidating eliminations) of variable interest entities consolidated by type of asset and entity as of December 31, 2006 and December 31, 2005.

	Commercial paper programs		Guaranteed value mutual funds		Asset securitizations	
in € m.	2006	2005	2006	2005	2006	2005
Interest-earning deposits with banks	113	147	52	117	493	404
Trading assets	1	1	446	469	7,471	12,832
Securities	–	–	–	–	–	–
Loans, net	1,376	749	–	–	5,913	–
Other	4	–	3	6	228	3
Total assets	**1,494**	**897**	**501**	**592**	**14,105**	**13,239**

	Structured finance and other		Commercial real estate leasing vehicles and closed-end funds	
in € m.	2006	2005	2006	2005
Interest-earning deposits with banks	3,168	5,646	28	34
Trading assets	5,461	3,180	1	–
Securities	4,568	5,026	–	–
Loans, net	4,733	2,289	305	204
Other	3,532	2,106	734	542
Total assets	**21,462**	**18,247**	**1,068**	**780**

Substantially all of the consolidated assets of the variable interest entities act as collateral for related consolidated liabilities. The holders of these liabilities have no recourse to the Group, except to the extent the Group guarantees the value of the mutual fund units that investors purchase. The fair value of these guarantees was not significant as of December 31, 2006 and 2005. The mutual funds that the Group manages are investment vehicles that were established to provide returns to investors in the vehicles.

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

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

The Group formed fifteen statutory business trusts of which the Group owns all of the common securities. These trusts exist for the sole purpose of issuing cumulative and noncumulative trust preferred securities and investing the proceeds thereof in an equivalent amount of various subordinated debentures issued by the Group. Effective July 1, 2003, the Group deconsolidated these trusts as a result of the application of FIN 46. Subsequent to the application of FIN 46, the subordinated debentures amounting to € 5.3 billion are included in the long term debt.

As of December 31, 2006 and December 31, 2005 the aggregated total assets of significant variable interest entities where the Group holds a significant variable interest, but does not consolidate, and the Group's maximum exposure to loss as a result of its involvement with these entities are as follows.

	Aggregated total assets		Maximum exposure to loss	
in € m.	2006	2005	2006	2005
Commercial paper programs	35,792	26,931	38,331	34,411
Commercial real estate leasing vehicles and real estate investment entities	822	812	254	62
Structured finance and other	7,547	6,780	2,263	1,923
Guaranteed value mutual funds	11,177	7,664	11,007	7,572
Asset Securitizations	216	–	113	–

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

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

[10] ASSETS PLEDGED AND RECEIVED AS COLLATERAL

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

in € m.	Dec 31, 2006	Dec 31, 2005
Interest-earning deposits with banks	119	–
Trading assets	41,151	31,135
Securities available for sale	950	10
Loans	12,434	11,532
Premises and equipment	249	632
Total	**54,903**	**43,309**

At December 31, 2006 and 2005, the Group has received collateral with a fair value of € 385 billion and € 407 billion, respectively, arising from securities purchased under reverse repurchase agreements, securities borrowed, derivatives transactions, customer margin loans and other transactions, which the Group as the secured party has the right to sell or repledge. At December 31, 2006 and 2005, € 353 billion and € 387 billion, respectively, related to such collateral has been sold or repledged primarily to cover short sales, securities loaned and securities sold under repurchase agreements. These amounts exclude the impact of netting.

[11] PREMISES AND EQUIPMENT, NET

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

in € m.	Dec 31, 2006	Dec 31, 2005
Land	687	980
Buildings	2,684	3,389
Leasehold improvements	1,366	1,339
Furniture and equipment	2,413	2,404
Purchased software	287	326
Self-developed software	366	369
Construction-in-progress	114	96
Total	**7,917**	**8,903**
Less: Accumulated depreciation and impairment	3,768	3,824
Premises and equipment, net[1]	**4,149**	**5,079**

1 Amounts at December 31, 2006 and 2005 included € 812 million and € 1.7 billion, respectively, of net book value of premises and equipment held for investment purposes.

CAPITAL LEASES

The Group is lessee under lease agreements covering real property and equipment. The future minimum lease payments, excluding executory costs, required under the Group's capital leases at December 31, 2006, were as follows.

in € m.	
2007	123
2008	203
2009	52
2010	52
2011	51
2012 and later	427
Total future minimum lease payments	**908**
Less: Amount representing interest	323
Present value of minimum lease payments	**585**

At December 31, 2006, the total minimum sublease rentals to be received in the future under subleases are € 437 million. Contingent rental income incurred during the year ended December 31, 2006, was € 1 million.

OPERATING LEASES

The future minimum lease payments, excluding executory costs, required under the Group's operating leases at December 31, 2006, were as follows.

in € m.	
2007	564
2008	511
2009	414
2010	354
2011	309
2012 and later	1,112
Total future minimum lease payments	**3,264**
Less: Minimum sublease rentals	330
Net minimum lease payments	**2,934**

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

in € m.	2006	2005	2004
Gross rental expense	595	620	857
Less: Sublease rental income	40	37	116
Net rental expense	**555**	**583**	**741**

[12] GOODWILL AND OTHER INTANGIBLE ASSETS, NET

GOODWILL

The changes in the carrying amount of goodwill by business segment for the years ended December 31, 2006 and 2005 are as follows.

in € m.	Corporate Banking & Securities	Global Transaction Banking	Asset and Wealth Management	Private & Business Clients	Corporate Investments	Total
Balance as of January 1, 2005	**2,951**	**436**	**2,668**	**234**	**89**	**6,378**
Purchase accounting adjustments	–	–	–	–	–	–
Transfers	–	–	–	–	–	–
Goodwill acquired during the year	20	–	4	–	–	24
Impairment losses	–	–	–	–	–	–
Goodwill related to dispositions	–	–	(110)	–	–	(110)
Effects from exchange rate fluctuations and other	412	49	275[1]	6	11	753
Balance as of December 31, 2005	**3,383**	**485**	**2,837**	**240**	**100**	**7,045**
Purchase accounting adjustments	–	–	–	–	–	–
Transfers	–	1	–	(1)	–	–
Goodwill acquired during the year	90	–	369	235	33	727
Impairment losses	–	–	–	–	(31)	(31)
Goodwill related to dispositions	–	–	(1)	(1)	–	(2)
Effects from exchange rate fluctuations and other	(321)	(38)	(218)	(3)	(15)[2]	(595)
Balance as of December 31, 2006	**3,152**	**448**	**2,987**	**470**	**87**	**7,144**

1 Includes € 27 million of reduction in goodwill related to a prior year's acquisition.
2 Includes € 13 million of reduction in goodwill related to prior years held for sale write-downs.

In 2006, the main additions to goodwill relate to the acquisitions of Tilney Group Limited, which contributed € 369 million, the acquisition of norisbank and the remaining 60 % of United Financial Group (UFG), which contributed € 230 million and € 85 million respectively.

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

Goodwill impairment arises when the net book value of a reporting unit exceeds its estimated fair value. The Group's reporting units are generally consistent with the Group's business segment level, or one level below. The Group performs its annual impairment review during the fourth quarter of each year. There was no goodwill impairment in 2006, 2005 and 2004 resulting from the annual impairment review.

In 2006, a goodwill impairment loss of € 31 million was recorded in the Corporate Investment Group Division relating to a private equity investment in Brazil, which was not integrated into the reporting unit. The impairment loss was triggered by changes in local law that restricted certain businesses. The fair value of the investment was determined based on the discounted cash flow method.

In 2005 and 2004 no impairment losses were recorded.

OTHER INTANGIBLE ASSETS, NET

An analysis of acquired other intangible assets follows.

			Dec 31, 2006			Dec 31, 2005
in € m.	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortized intangible assets:						
Customer contracts	209	20	189	68	17	51
Investment management agreements	39	7	32	27	6	21
Mortgage servicing rights	93	37	56	93	25	68
Other customer-related	150	71	79	118	54	64
Other	42	16	26	19	11	8
Total amortized intangible assets	**533**	**151**	**382**	**325**	**113**	**212**
Unamortized intangible assets:						
Retail investment management agreements			877			978
Other			8			8
Total unamortized intangible assets			**885**			**986**
Total other intangible assets			**1,267**			**1,198**

For the years ended December 31, 2006 and 2005, the aggregate amortization expense for other intangible assets was € 49 million and € 46 million, respectively. The estimated aggregate amortization expense for each of the succeeding five fiscal years is as follows.

in € m.	
2007	59
2008	55
2009	47
2010	38
2011	34

For the year ended December 31, 2006, the Group acquired the following other intangible assets.

in € m.	Additions in current year	Weighted-average amortization period in years
Amortized intangible assets:		
Customer contracts	148	11
Other customer-related	41	7
Investment management agreements	15	3
Mortgage servicing rights	14	11
Other	27	7
Total other intangible assets	**245**	**10**

These additions are mainly due to the acquisition of Tilney Group Limited and norisbank, which contributed € 97 million and € 83 million, respectively.

Other intangible assets with a carrying value of € 6 million acquired during the year ended December 31, 2006 have an estimated residual value of € 6 million.

In 2006 and 2005 no impairment losses were recorded relating to other intangible assets. In 2004, an impairment loss of € 19 million relating to other intangible assets constituting investment management agreements was recorded in the Asset and Wealth Management Corporate Division following the termination of such agreements. The impairment loss was determined based on the discounted cash flow method and is included in the line item Goodwill impairment/impairment of intangibles on the Consolidated Statement of Income.

[13] ASSETS HELD FOR SALE

In 2006, the Group changed its plans to sell a subsidiary in the Corporate Investments segment because law changes in the subsidiary's country of domicile negatively impacted its business model. At December 31, 2005, the Group had held this subsidiary for sale and net assets were written down to the lower of their carrying value or fair value less cost to sell resulting in a loss of € 7 million.

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

[14] OTHER ASSETS AND OTHER LIABILITIES

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

in € m.	Dec 31, 2006	Dec 31, 2005
Other assets:		
Brokerage and securities related receivables		
Cash/margin receivables	24,841	23,157
Receivables from prime brokerage	26,090	15,282
Pending securities transactions past settlement date	11,109	10,619
Security spot transactions[1]	–	117
Total brokerage and securities related receivables	62,040	49,175
Loans held for sale, net	36,723	25,453
Other assets related to insurance business	1,209	1,149
Due from customers on acceptances	342	93
Accrued interest receivable	6,015	5,000
Tax assets	6,504	5,903
Other	14,945	12,609
Total other assets	**127,778**	**99,382**

in € m.	Dec 31, 2006	Dec 31, 2005
Other liabilities:		
Brokerage and securities related payables		
Cash/margin payables	15,169	16,259
Payables from prime brokerage	29,134	16,898
Pending securities transactions past settlement date	8,347	9,371
Security spot transactions[1]	3,388	–
Total brokerage and securities related payables	56,038	42,528
Insurance policy claims and reserves	2,012	1,940
Acceptances outstanding	342	93
Accrued interest payable	6,129	4,684
Accrued expenses	9,732	9,584
Tax liabilities	7,031	7,215
Other	18,388	15,333
Total other liabilities	**99,672**	**81,377**

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

[15] DEPOSITS

The components of deposits are as follows.

in € m.	Dec 31, 2006	Dec 31, 2005
German offices:		
Noninterest-bearing demand deposits	23,882	22,642
Interest-bearing deposits		
Demand deposits	31,948	29,482
Certificates of deposit	71	266
Savings deposits	26,570	23,870
Other time deposits	43,037	37,894
Total interest-bearing deposits	101,626	91,512
Total deposits in German offices	**125,508**	**114,154**
Non-German offices:		
Noninterest-bearing demand deposits	6,505	7,363
Interest-bearing deposits		
Demand deposits	79,696	74,575
Certificates of deposit	45,459	39,069
Savings deposits	10,049	9,124
Other time deposits	141,565	136,502
Total interest-bearing deposits	276,769	259,270
Total deposits in non-German offices	**283,274**	**266,633**
Total deposits	**408,782**	**380,787**

Related party deposits amounted to € 1.7 billion and € 1.0 billion at December 31, 2006 and 2005, respectively.

The following table summarizes the maturities of time deposits with a remaining term of more than one year as of December 31, 2006.

By remaining maturities in € m.	Due in 2008	Due in 2009	Due in 2010	Due in 2011	Due after 2011
Certificates of deposit	2,409	2,115	87	709	1,184
Other time deposits	3,339	3,108	1,998	2,975	10,685

[16] OTHER SHORT-TERM BORROWINGS

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

in € m.	Dec 31, 2006	Dec 31, 2005
Commercial paper	6,806	13,398
Other	12,987	7,151
Total	**19,793**	**20,549**

[17] LONG-TERM DEBT

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

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

By remaining maturities in € m.	Due in 2007	Due in 2008	Due in 2009	Due in 2010	Due in 2011	Due after 2011	Dec 31, 2006 total	Dec 31, 2005 total
Senior debt:								
Bonds and notes:								
Fixed rate	10,290	6,607	10,332	7,391	7,602	18,612	60,834	54,898
Floating rate	7,288	6,460	7,485	4,329	8,086	22,255	55,903	41,785
Subordinated debt:								
Bonds and notes:								
Fixed rate	625	295	1,129	122	569	6,272	9,012	9,830
Floating rate	360	92	1,446	503	123	4,222	6,746	7,041
Total	**18,563**	**13,454**	**20,392**	**12,345**	**16,380**	**51,361**	**132,495**	**113,554**

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

	Dec 31, 2006	Dec 31, 2005
Senior debt:		
Bonds and notes:		
Fixed rate[1]	0.00 % – 31.72 %	0.00 % – 31.72 %
Floating rate[1]	0.00 % – 19.70 %	0.00 % – 29.99 %
Subordinated debt:		
Bonds and notes:		
Fixed rate	0.81 % – 10.00 %	0.81 % – 10.50 %
Floating rate	0.91 % – 8.06 %	0.91 % – 7.65 %

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

Fixed rate debt outstanding at December 31, 2006 matures at various dates through 2050. The weighted-average interest rates on fixed rate debt at December 31, 2006 and 2005 were 4.89 % and 4.70 %, respectively. Floating rate debt outstanding at December 31, 2006 matures at various dates through 2056 excluding € 2.8 billion with undefined maturities. The weighted-average interest rates on floating rate debt at December 31, 2006 and 2005 were 4.85 % and 3.93 %, respectively. The weighted-average interest rates for total long-term debt were 4.87 % and 4.38 % at December 31, 2006 and 2005, respectively. Nominal interest rates of certificates on various indices issued by Deutsche Bank are mainly zero and are excluded from the calculation of the weighted-average rates in order to reflect the rates on traditional long-term products. Interest rates on related derivatives are not included in the calculation of the weighted-average interest rates.

The Group enters into various transactions related to the debt it issues. This debt may be traded for market-making purposes or held for a period of time. Purchases of the debt are accounted for as extinguishments; however, the resulting net gains (losses) during 2006 and 2005 were insignificant.

[18] OBLIGATION TO PURCHASE COMMON SHARES

As of December 31, 2006 and 2005, the obligation to purchase common shares each amounted to € 3.5 billion, respectively. The obligation represented forward purchase contracts covering approximately 58.6 million (2005: 62.4 million) Deutsche Bank common shares with a weighted-average strike price of € 59.04 (2005: € 56.23) entered into to satisfy obligations under employee share-based compensation awards. Contracts covering 21.8 million shares (2005: 10.2 million) mature in less than one year. The remaining contracts covering 36.8 million shares (2005: 52.2 million) have maturities between one and five years.

[19] MANDATORILY REDEEMABLE SHARES AND MINORITY INTERESTS IN LIMITED LIFE ENTITIES

Other liabilities included € 47 million and € 84 million, representing the settlement amount as of December 31, 2006 and 2005, respectively, for minority interests in limited life subsidiaries and mutual funds. These entities have termination dates between 2102 and 2106.

Included in long-term debt and short-term borrowings were € 3,537 million related to mandatorily redeemable shares at December 31, 2005. These instruments were terminated in 2006.

[20] COMMON SHARES AND SHARE-BASED COMPENSATION PLANS

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

Common share activity was as follows.

Number of shares	2006	2005	2004
Common shares outstanding, beginning of year	**505,557,676**	**517,269,673**	**565,077,163**
Shares issued under employee benefit plans	10,232,739	10,681,024	–
Shares purchased for treasury	(429,180,424)	(623,689,715)	(536,383,830)
Shares sold or distributed from treasury	412,040,283	601,296,694	488,576,340
Common shares outstanding, end of year	**498,650,274**	**505,557,676**	**517,269,673**

Shares purchased for treasury consist of shares held for a period of time by the Group as well as any shares purchased with the intention of being resold in the short term. In addition, beginning in 2002, the Group launched share buy-back programs. Shares acquired under these programs are either deemed to be retired or used to meet obligations relating to share-based compensation. The second program was completed in June 2004 and resulted in the retirement of 38 million shares. The third and fourth buy-back programs were completed in April 2005 and June 2006, respectively, and 40 million shares were retired in January 2006. The fifth buy-back program was started in June 2006. All such transactions were recorded in shareholders’ equity and no revenues and expenses were recorded in connection with these activities.

AUTHORIZED AND CONDITIONAL CAPITAL

Deutsche Bank's share capital may be increased by issuing new shares for cash and in some circumstances for non-cash consideration. At December 31, 2006, Deutsche Bank had authorized but unissued capital of € 426,000,000 which may be issued at various dates through April 30, 2009 as follows.

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

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

Deutsche Bank also had conditional capital of € 171,255,255. Conditional capital is available for various instruments that may potentially be converted into common shares.

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

Under the DB Global Partnership Plan, € 51,200,000 of conditional capital was available for option rights available for grant until May 10, 2003 and € 64,000,000 for option rights available for grant until May 20, 2005. A total of 6,975,843 option rights were granted and not exercised at December 31, 2006. Therefore, capital can still be increased by € 17,858,158 under this plan. Also, the Management Board was authorized at the Annual General Meeting on May 17, 2001 to issue, with the consent of the Supervisory Board, up to 12,000,000 option rights on Deutsche Bank shares on or before December 31, 2003 of which 1,326,991 option rights were granted and not exercised at December 31, 2006 under the DB Global Share Plan (pre 2004). Therefore, capital still can be increased by € 3,397,097 under this plan. These plans are described below.

SHARE-BASED COMPENSATION

Effective January 1, 2006, the Group adopted SFAS 123(R) using the modified prospective application method. Under this method, SFAS 123(R) applies to new awards and to awards modified, repurchased or cancelled after the required effective date.

SFAS 123(R) replaces SFAS 123 and supersedes APB Opinion No. 25. The Group adopted the fair-value-based method under SFAS 123 prospectively for all employee awards granted, modified or settled after January 1, 2003, excluding those related to the 2002 performance year. Prior to this the Group applied the intrinsic-value-based provisions of APB Opinion No. 25. See Note [1] for a discussion on the Group's accounting for share-based compensation.

The Group's share-based compensation plans used for granting new awards in 2006 and 2007 are summarized in the table below. These plans, and those plans no longer used for granting new awards, are described in more detail below.

Plan name	Eligibility	Requisite service period[1]
Share-based compensation plans		
Restricted Equity Units Plan	Select executives	4.5 years
DB Global Partnership Plan		
DB Equity Units		
as bonus grants	Select executives	2 years
as retention grants	Select executives	3.5 years
DB Share Scheme		
as bonus grants	Select employees	3 years
as retention grants	Select employees	3 years
DB Global Share Plan (since 2004)	All employees	1 year
DB Equity Plan[2]	Select employees	4 years

1 Approximate period during which an employee is usually required to provide service in exchange for all portions of the award.
2 Used for grants starting 2007, estimate of requisite service period based on grants in February 2007.

SHARE-BASED COMPENSATION PLANS USED FOR GRANTING NEW AWARDS IN 2006 AND 2007

RESTRICTED EQUITY UNITS PLAN

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

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

With the adoption of SFAS 123(R), the Group accelerates the expense recognition for REU awards granted in 2006 in those cases where the award recipient is, or becomes, eligible for early retirement according to the defined criteria of the plan.

DB GLOBAL PARTNERSHIP PLAN – EQUITY UNITS

DB Equity Units are deferred share awards, each of which entitles the holder to one of the Group’s common shares approximately three and a half years from the date of the grant. For award years up to and including 2005, the Group awarded initial awards of DB Equity Units in relation to annual bonuses that were forfeited if a participant terminates employment under certain circumstances within the first two years following the grant. Compensation expense for these awards was recognized in the applicable performance year as part of compensation expense for that year.

From 2006, all initial awards of DB Equity Units granted are amortized over the requisite service period in accordance with the requirements of SFAS 123(R). Recipients of these DB Equity Units are also granted exceptional awards of DB Equity Units as retention incentive that is forfeited if the participant terminates employment prior to the end of the vesting period. Compensation expense for these awards is recognized on a straight-line basis over the vesting period, which is approximately three and a half years.

DB SHARE SCHEME

Under the DB Share Scheme, the Group grants various employees deferred share awards which provide the right to receive common shares of the Group at a specified future date. Compensation expense for awards granted in relation to annual bonuses was recognized in the applicable performance year as part of compensation earned for that year until performance year 2004.

From performance years 2005 and onwards, awards under this plan are granted as retention incentive only. Awards granted as retention incentive are expensed on a straight-line basis over the vesting period, which is generally three years. The award vests either in multiple tranches (graded vesting) or on a specific date (cliff vesting).

With the adoption of SFAS 123(R), in cases where a DB Share Scheme award granted after January 1, 2006 has a graded vesting schedule, each vesting portion is amortized separately on a straight line-basis over the requisite service period.

DB GLOBAL SHARE PLAN (SINCE 2004)

The DB Global Share Plan is an all-employee program which awards eligible employees ten shares of the Group's common shares as part of their annual compensation. A participant must have been working for the Group for at least one year and have had an active employment contract in order to participate. The number of shares granted to part-time employees and those in various categories of extended leave was on a pro rata basis. Compensation expense related to the DB Global Share Plan is recognized on a straight line basis over the requisite service period of one year from the date of grant. Awards vest on November 1 of the year following the grant and are forfeited if the participant terminates employment prior to vesting.

DB EQUITY PLAN

The DB Equity Plan is a scheme established in 2007, which awards eligible employees the right to receive common shares of the Group at specified future dates. The expense related to the DB Equity Plan is recognized on a straight-line basis over the requisite service period. The award vests either in multiple tranches (graded vesting) or at one date (cliff vesting). In cases where the award has a graded vesting schedule, each vesting portion is amortized separately on a straight line-basis over the requisite service period.

Plan rules for the DB Equity Plan allow in specified cases for early retirement before the award vests. Expense recognition is accelerated for awards granted to staff who are or become eligible for early retirement according to the defined criteria of the plan.

In countries where legal or practical restrictions hinder the delivery of shares, a cash plan variant of the DB Equity Plan is used for making awards. This variant mandates a settlement by a payment of an amount per notional share equaling the average Deutsche Bank share price on the first ten trading days of the month in which the vesting date occurs. Compensation expense for these grants is calculated using variable plan accounting.

SHARE-BASED COMPENSATION PLANS NO LONGER USED FOR GRANTING NEW AWARDS

DB KEY EMPLOYEE EQUITY PLAN

Under the DB Key Employee Equity Plan ("DB KEEP"), the Group granted selected executives deferred share awards which provide the right to receive common shares of the Group at a specified future date. The awards were granted as retention incentive to various employees and are expensed on a straight-line basis over the requisite service period as compensation expense. The vesting period is generally five years.

DB GLOBAL SHARE PLAN (PRE 2004)

SHARE PURCHASES. In 2003 and 2002, eligible employees could purchase up to 20 shares and eligible retirees could purchase up to 10 shares of the Group's common shares. German employees and retirees were eligible to purchase these shares at a discount. The participant received all dividend rights for the shares purchased. At the date of purchase, the Group recognized as compensation expense the difference between the quoted market price of a common share at that date and the price paid by the participant.

PERFORMANCE OPTIONS. In 2003 and 2002, employee participants received for each common share purchased five options. Each option entitled the participant to purchase one of the Group's common shares. Options vest approximately two years after the date of grant and expire after six years. Options may be exercised at a strike price equal to 120 % of the reference price. The reference price was set at the higher of the fair market value of the Group's common shares on the date of grant or an average of the fair market value of the Group's common shares for the ten trading days on the Frankfurt Stock Exchange up to and including the date of grant.

Generally, a participant must have been working for the Group for at least one year and have had an active employment contract in order to participate. Options are forfeited upon termination of employment. Participants who retire or become permanently disabled prior to vesting may still exercise their rights during the exercise period.

Compensation expense for options awarded for the 2003 performance year is recognized over the vesting period in accordance with the fair-value-based method.

DB GLOBAL PARTNERSHIP PLAN – PERFORMANCE OPTIONS AND PARTNERSHIP APPRECIATION RIGHTS

PERFORMANCE OPTIONS. Performance options are rights to purchase the Group's common shares. Performance Options were granted with an exercise price equal to 120 % of the reference price. The reference price is set at the higher of the fair market value of the Group's common shares on the date of grant or an average of the fair market value of the Group's common shares for the ten trading days on the Frankfurt Stock Exchange up to and including the date of the grant.

Performance Options are subject to a minimum vesting period of two years. In general, one-third of the options become exercisable at each of the second, third and fourth anniversaries of the grant date. However, if the Group's common shares trade at more than 130 % of the reference price for 35 consecutive trading days, the Performance Options become exercisable on the later of the end of the 35-day trading period or the second anniversary of the award date. This condition was fulfilled for the Performance Options granted in February 2003 for the 2002 performance year, and all these options became exercisable in February 2005. The condition was also fulfilled for the Performance Options granted in February 2004 for the 2003 performance year and the unvested two-thirds of this award became exercisable in March 2006.

Under certain circumstances, if a participant terminates employment prior to the vesting date, Performance Option awards will be forfeited. All options not previously exercised or forfeited expire on the sixth anniversary of the grant date.

There were no options awarded for the 2006, 2005 or 2004 performance years. Compensation expense for options awarded for the 2003 performance year was recognized in 2003 in accordance with the fair-value based method.

PARTNERSHIP APPRECIATION RIGHTS. Partnership Appreciation Rights ("PARs") are rights to receive a cash award in an amount equal to 20 % of the reference price for Performance Options described above. The vesting of PARs occurs at the same time and to the same extent as the vesting of Performance Options. PARs are automatically exercised at the same time and in the same proportion as the exercise of the Performance Options.

There were no PARs awarded for the 2006, 2005 or 2004 performance year. No compensation expense was recognized for the year ended December 31, 2003 as the PARs represent a right to a cash award only with the exercise of Performance Options. This effectively reduces the exercise price of any Performance Option exercised to the reference price described above and is factored into the calculation of the fair value of the option.

STOCK APPRECIATION RIGHTS PLANS

The Group has granted stock appreciation rights plans ("SARs") which provide eligible employees of the Group the right to receive cash equal to the appreciation of the Group's common shares over an established strike price. The stock appreciation rights granted can be exercised approximately three years from the date of grant. Stock appreciation rights expire approximately six years from the date of grant.

Compensation expense on SARs, calculated as the excess of the current market price of the Group's common shares over the strike price, is recorded using variable plan accounting. The expense related to a portion of the awards was recognized in the performance year if it relates to annual bonuses earned as part of compensation, while remaining awards were expensed over the vesting periods.

OTHER PLANS

The Group has other local share-based compensation plans, none of which, individually or in the aggregate, are material to the consolidated financial statements.

COMPENSATION EXPENSE

Expense related to share awards is recognized on a straight line basis over the requisite service period. The service period usually begins on the grant date of the award and ends when the award is no longer subject to plan-specific forfeiture provisions. Awards are forfeited if a participant terminates employment under certain circumstances. The accrual is based on the number of instruments expected to vest. A further description of the underlying accounting principles can be found in Note [1] to the consolidated financial statements.

The Group recognized compensation expense related to its significant share-based compensation plans, described above, as follows.

in € m.	2006	2005	2004
DB Global Partnership Plan[1]	5	3	11
DB Global Share Plan	43	40	15
DB Share Scheme/Restricted Equity Units Plan/DB KEEP	973	875	997
Stock Appreciation Rights Plans[2]	19	31	81
Total	**1,040**	**949**	**1,104**

1 Compensation expense for the year ended December 31, 2004 included € 6.6 million related to DB Equity Units granted in February 2005. No amounts were expensed in 2005 in relation to DB Equity units granted in February 2006.

2 For the years ended December 31, 2006, 2005 and 2004, net (gains) losses of € (73) million, € (138) million and € 81 million, respectively, from non-trading equity derivatives, used to offset fluctuations in employee share-based compensation expense, were included.

The related total recognized tax benefit for the years ended December 31, 2006, 2005 and 2004 was approximately € 392 million, € 354 million and € 420 million, respectively.

As of December 31, 2006, unrecognized compensation cost related to non-vested share-based compensation was € 1.2 billion, which is expected to be recognized over an average period of approximately 1 year 8 months.

The following is a summary of the activity in the Group's current compensation plans involving share and option awards for the years ended December 31, 2006, 2005 and 2004.

			DB Global Partnership Plan	
in thousands of units (except per share data and exercise prices)	**DB Equity Units**	**Weighted-average grant date fair value per unit**	**Performance Options**[1]	**Weighted-average exercise price**[2]
Balance at December 31, 2003	**527**	**€ 66.58**	**25,889**	**€ 66.60**
Granted	127	€ 58.11	115	€ 76.61
Issued	(324)	€ 74.97	–	–
Forfeited	–	–	(152)	€ 89.96
Balance at December 31, 2004	**330**	**€ 55.06**	**25,852**	**€ 66.51**
Granted	139	€ 59.68	–	–
Issued	(179)	€ 55.68	–	–
Exercised	–	–	(9,679)	€ 47.53
Forfeited	–	–	(68)	€ 89.96
Balance at December 31, 2005	**290**	**€ 56.89**	**16,105**	**€ 77.82**
Granted	93	€ 78.90	–	–
Issued	(24)	€ 34.65	–	–
Exercised	–	–	(9,105)	€ 79.21
Forfeited	–	–	(24)	€ 89.96
Balance at December 31, 2006	**359**	**€ 64.12**	**6,976**	**€ 75.96**
Weighted-average remaining contractual life at:				
December 31, 2006			1 year 5 months	
December 31, 2005			2 years 4 months	
December 31, 2004			3 years 7 months	

1 All DB Global Partnership Performance Options are exercisable as of December 31, 2006.
2 The weighted-average exercise price does not include the effect of the Partnership Appreciation Rights for the DB Global Partnership Plan.

Under the DB Global Partnership Plan approximately 73,000 DB Equity Units were granted as Initial Award and 18,000 as Exceptional Award in February 2007. The weighted-average grant date fair value per DB Equity Unit granted was € 93.56.

The following is a summary of the activity in the Group's compensation plans involving share awards (DB Share Scheme, DB Key Employee Equity Plan, Restricted Equity Units Plan and DB Global Share Plan (since 2004)) for the years ended December 31, 2006, 2005 and 2004. Expense for these awards is recognized over the requisite service period.

in thousands of units (except per share data)	DB Share Scheme/ DB KEEP/REU	Global Share Plan (since 2004)	Total	Weighted-average grant date fair value per unit
Balance at December 31, 2003	**43,921**	**–**	**43,921**	**€ 48.21**
Granted	24,017	594	24,611	€ 58.03
Issued	(7,770)	–	(7,770)	€ 64.13
Forfeited	(3,322)	–	(3,322)	€ 49.61
Balance at December 31, 2004	**56,846**	**594**	**57,440**	**€ 50.19**
Granted	17,542	534	18,076	€ 60.31
Issued	(5,959)	(551)	(6,510)	€ 59.25
Forfeited	(3,477)	(43)	(3,520)	€ 52.40
Balance at December 31, 2005	**64,952**	**534**	**65,486**	**€ 51.96**
Granted	13,801	555	14,356	€ 76.15
Issued	(14,792)	(524)	(15,316)	€ 68.24
Forfeited	(2,357)	(10)	(2,367)	€ 54.43
Balance at December 31, 2006	**61,604**	**555**	**62,159**	**€ 53.44**

In addition to the amounts shown in the table above, in February 2007 the Group granted awards of approximately 10.6 million units under the DB Equity Plan with an average fair value of € 95.87 per unit. Of the 10.6 million units, approximately 0.2 million were granted under the cash plan variant of this plan.

The following is a summary of the Group's Stock Appreciation Rights Plans and DB Global Share Plan (pre 2004) for the years ended December 31, 2006, 2005 and 2004.

	Stock Appreciation Rights Plans		DB Global Share Plan (pre 2004)		
in thousands of units (except for strike and exercise prices)	Units[1]	Weighted-average strike price	Shares	Performance Options[2]	Weighted-average exercise price
Balance at December 31, 2003	**16,171**	**€ 69.26**	**N/A**	**3,845**	**€ 65.54**
Exercised	(387)	€ 68.08	–	–	–
Forfeited	–	–	–	(260)	€ 64.02
Expired	(451)	€ 65.97	–	–	–
Balance at December 31, 2004	**15,333**	**€ 69.39**	**N/A**	**3,585**	**€ 65.64**
Exercised	(7,911)	€ 69.02	–	(1,002)	€ 55.39
Forfeited	(7)	€ 63.66	–	(73)	€ 64.13
Expired	(308)	€ 69.88	–	–	–
Balance at December 31, 2005	**7,107**	**€ 69.79**	**N/A**	**2,510**	**€ 69.77**
Exercised	(6,706)	€ 69.48	–	(1,128)	€ 70.33
Forfeited	–	–	–	(55)	€ 74.13
Expired	–	–	–	–	–
Balance at December 31, 2006	**401**	**€ 74.83**	**N/A**	**1,327**	**€ 69.11**
Weighted-average remaining contractual life at:					
December 31, 2006		1 month			2 years 5 months
December 31, 2005		1 year			3 years 6 months
December 31, 2004		2 year			4 years 4 months

N/A – Not applicable. Participant received all rights for shares purchased under the DB Global Share Plan.

1 The total payments made upon exercise for the year ended December 31, 2006, 2005 and 2004 were approximately € 169 million, € 68 million and € 1 million.

2 All DB Global Share Performance Options are exercisable as of December 31, 2006.

The total intrinsic value of all options awarded under the DB Global Partnership Plan (not including the effect of the Partnership Appreciation Rights (PARs)) and the DB Global Share Plan (pre 2004) that were exercised during the years ended December 31, 2006 and 2005 was approximately € 138 million and € 198 million, respectively. No exercises occurred during the year ended December 31, 2004. The aggregate intrinsic value of outstanding options under these plans as of December 31, 2006 was € 220 million.

Settlement of PARs led to payments of approximately € 120 million in the year ended December 31, 2006, and of approximately € 77 million in the year ended December 31, 2005. No settlements occurred in 2004.

The amount of cash received from exercise of options during the year ended December 31, 2006 was € 800 million, and approximately 10.2 million shares have been issued upon exercise of these options.

The tax benefits realized from Performance Option exercises (including PARs) during the year ended December 31, 2006 was approximately € 51 million. The tax benefits realized in the same period from delivery of shares under the DB Global Share Plan (since 2004), the DB Share Scheme (including Restricted Equity Units Plan and DB KEEP) and the DB Global Partnership Plan for the settlement of Equity Units was approximately € 39 million.

FUNDING PRINCIPLES

Equity-based compensation programs are funded through shares that have previously been bought back in the market as well as through newly issued shares. Share-based compensation plans, where employees have the right to receive common shares of the Group at specified future dates, are covered by shares that have been bought back under the scope of the Bank’s share buy-back programs, done typically prior to the award date. For most of the share-based compensation plans, these previously repurchased treasury shares are delivered into economic hedges at the award date, with the delivery to eligible employees taking place at the end of the vesting period. In contrast to share awards, exercised employee stock options are covered by issuing new shares using conditional capital.

[21] ASSET RESTRICTIONS AND DIVIDENDS

The European Central Bank sets minimum reserve requirements for institutions that engage in the customer deposit and lending business. These minimum reserves must equal a certain percentage of the institutions’ liabilities resulting from certain deposits, and the issuance of bonds. Liabilities to European Monetary Union national central banks and to other European Monetary Union banking institutions that are themselves subject to the minimum reserve requirements are not included in this calculation. Since January 1, 1999, the European Central Bank has set the minimum reserve rate at 2 %. For deposits with a term to maturity or a notice period of more than two years, bonds with a term to maturity of more than two years and repurchase transactions, the minimum reserve rate has been set at 0 %. Each institution is required to deposit its minimum reserve with the national central bank of its home country.

Cash and due from banks includes reserve balances that the Group is required to maintain with certain central banks. These required reserves were € 320 million and € 442 million at December 31, 2006 and 2005, respectively.

Under German law, dividends are based on the results of Deutsche Bank AG as prepared in accordance with German accounting rules. The Management Board, which prepares the annual financial statements of Deutsche Bank AG on an unconsolidated basis, and the Supervisory Board, which reviews them, first allocate part of Deutsche Bank's annual surplus (if any) to the statutory reserves and to any losses carried forward, as it is legally required to do. For own shares (i.e., treasury shares) a reserve in the amount of their value recorded on the asset side must be set up from the annual surplus or from other revenue reserves. Then they allocate the remainder between other revenue reserves (or retained earnings) and balance sheet profit (or distributable profit). They may allocate up to one-half of this remainder to other revenue reserves, and must allocate at least one-half to balance sheet profit. The Group then distributes the amount of the balance sheet profit of Deutsche Bank AG if the Annual General Meeting resolves so.

Certain other subsidiaries are subject to various regulatory and other restrictions that may limit cash dividends and certain advances to Deutsche Bank.

[22] REGULATORY CAPITAL

The regulatory capital adequacy guidelines applicable to the Group are set forth by the Basel Committee on Banking Supervision, the secretariat of which is provided by the Bank for International Settlements ("BIS"), and by European Council directives, as implemented into German law. The German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, referred to as BaFin) in cooperation with the Deutsche Bundesbank supervises the Group's compliance with such guidelines. Effective December 31, 2001 the BaFin permitted the Group to calculate its BIS capital adequacy ratios on the basis of the consolidated financial statements prepared in accordance with U.S. GAAP.

The BIS capital ratio is the principal measure of capital adequacy for internationally active banks. This ratio compares a bank's regulatory capital with its counterparty risks and market price risks (which the Group refers to collectively as the "risk position"). Counterparty risk is measured for asset and off-balance sheet exposures according to broad categories of relative credit risk. The Group's market risk component is a multiple of its value-at-risk figure, which is calculated for regulatory purposes based on the Group's internal models. These models were approved by the BaFin for use in determining the Group's market risk equivalent component of its risk position. A bank's regulatory capital is divided into three tiers (core or Tier I capital, supplementary or Tier II capital, and Tier III capital). Core or Tier I capital consists primarily of share capital (except for cumulative preference shares), additional paid-in capital, retained earnings and hybrid capital components, such as noncumulative trust preferred securities and equity contributed on silent partnership interests (stille Beteiligungen), less intangible assets (principally goodwill) and the impact from the tax law changes (as described below). Supplementary or Tier II capital consists primarily of cumulative preference shares, profit participation rights (Genussrechte), cumulative trust preferred securities, long-term subordinated debt, unrealized gains on listed securities and other inherent loss allowance. Tier III capital consists mainly of certain short-term subordinated liabilities and it may only cover market price risk. Banks may also use Tier I and Tier II capital that is in excess of the minimum required to cover counterparty risk (excess Tier I and Tier II capital) in order to cover market price risk. The minimum BIS total capital ratio (Tier I + Tier II + Tier III) is 8 % of the risk position. The minimum BIS core capital ratio (Tier I) is 4 % of the risk-weighted positions and 2.29 % of the market risk equivalent. The minimum core capital ratio for the total risk position therefore depends on the weighted-average of risk-weighted positions and market risk equivalent. Under BIS guidelines, the amount of subordinated debt that may be included as Tier II capital is limited to 50 % of Tier I capital. Total Tier II capital is limited to 100 % of Tier I capital. Tier III capital is limited to 250 % of the Tier I capital not required to cover counterparty risk.

The effect of the 1999/ 2000 German Tax Reform Legislation on securities available for sale is treated differently for the regulatory capital calculation and financial accounting. For financial accounting purposes, deferred tax provisions for unrealized gains on securities available for sale are recorded directly to other comprehensive income whereas the adjustment to the related deferred tax liabilities for a change in expected effective income tax rates is recorded as an

adjustment of income tax expense in current period earnings. The positive impact from the above on retained earnings of the Group from the two important German tax law changes in 1999 and 2000 amounts to approximately € 2.1 billion for both December 31, 2006 and 2005. For the purpose of calculating the regulatory capital, unrealized gains on securities available for sale (including the aforementioned positive impacts from the tax law changes on retained earnings) are excluded from Tier I capital.

The following table presents a summary of the Group's capital adequacy calculation as of December 31, 2006 and December 31, 2005.

in € m. (except percentages)	Dec 31, 2006	Dec 31, 2005
Risk-weighted positions	264,049	240,696
Market risk equivalent[1]	11,588	10,506
Risk position	**275,637**	**251,202**
Core capital (Tier I)	24,498	21,898
Supplementary capital (Tier II)	10,825	11,988
Available Tier III capital	–	–
Total regulatory capital	**35,323**	**33,886**
Core capital ratio (Tier I)	8.9 %	8.7 %
Capital ratio (Tier I + II + III)	12.8 %	13.5 %

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

BIS rules and the German Banking Act require the Group to cover its market price risk as of December 31, 2006, with € 927 million of regulatory capital (Tier I + II + III). The Group met this requirement entirely with Tier I and Tier II capital.

The Group's supplementary capital (Tier II) of € 10.8 billion on December 31, 2006, amounted to 44 % of core capital.

The Group's capital ratio was 12.8 % on December 31, 2006, significantly higher than the 8 % minimum required by the BIS guidelines.

Failure to meet minimum capital requirements can initiate certain orders, and possibly additional discretionary actions by the BaFin and other regulators, that, if undertaken, could have a direct material effect on the Group's businesses.

The components of core and supplementary capital for the Group of companies consolidated for regulatory purposes are as follows at December 31, 2006, according to BIS.

Core capital (in € m.)	Dec 31, 2006
Common shares	1,343
Additional paid-in capital	14,424
Retained earnings, common shares in treasury, equity classified as obligation to purchase common shares, adjustment to apply initially SFAS 158, foreign currency translation	16,471
Minority interests	903
Noncumulative trust preferred securities	4,496
Items deducted (principally goodwill and tax effect of available for sale securities)	(13,139)
Total core capital	**24,498**

Supplementary capital (in € m.)	Dec 31, 2006
Unrealized gains on listed securities (45 % eligible)	1,262
Other inherent loss allowance	387
Cumulative preferred securities	759
Subordinated liabilities, if eligible according to BIS	8,417
Total supplementary capital	**10,825**

The group of companies consolidated for regulatory purposes includes all subsidiaries in the meaning of the German Banking Act that are classified as credit institutions, financial services institutions and financial enterprises or bank services enterprises. It does not include insurance companies or companies outside the finance sector.

[23] INTEREST REVENUES AND INTEREST EXPENSE

The following are the components of interest revenues and interest expense.

in € m.	2006	2005	2004
Interest revenues:			
Interest-earning deposits with banks	1,363	987	797
Central bank funds sold and securities purchased under resale agreements	11,349	9,884	4,647
Securities borrowed	6,888	4,442	1,668
Interest income on securities available for sale and other investments	787	602	509
Dividend income on securities available for sale and other investments	206	264	300
Loans	8,601	6,909	6,896
Trading assets	22,784	17,048	12,596
Other	3,239	1,572	610
Total interest revenues	**55,217**	**41,708**	**28,023**
Interest expense:			
Interest-bearing deposits			
Domestic	2,649	1,994	1,953
Foreign	12,754	8,268	5,174
Trading liabilities	10,128	8,179	6,866
Central bank funds purchased and securities sold under repurchase agreements	16,306	11,785	4,627
Securities loaned	798	929	556
Other short-term borrowings	1,129	1,023	467
Long-term debt	4,534	3,529	3,198
Total interest expense	**48,298**	**35,707**	**22,841**
Net interest revenues	**6,919**	**6,001**	**5,182**

[24] PENSION AND OTHER EMPLOYEE BENEFIT PLANS

The Group provides retirement arrangements covering the majority of its employees. The majority of beneficiaries of the retirement arrangements are located in Germany. The value of a participant's accrued pension benefit is based primarily on each employee's remuneration and length of service.

The Group's plans are generally funded.

The following amounts were contributed to the plan assets of the funded defined benefit pension plans.

		Contributions
in € m.	2006	2005
Germany/Luxembourg	156	200
United Kingdom	106	202
United States	69	97
Others	23	22
Total	**354**	**521**

The Group expects to contribute approximately € 300 million to its defined benefit pension plans in 2007. It is the Group's policy to fund fully the projected benefit obligation of funded plans with plan assets subject to meeting any local statutory requirements. Therefore, the final amounts to be contributed in 2007 will be determined in the fourth quarter of 2007.

The Group also sponsors a number of defined contribution plans covering employees of certain subsidiaries. The assets of all the Group's defined contribution plans are held in independently administered funds. Contributions are generally determined as a percentage of salary.

In addition, the Group's affiliates maintain unfunded contributory postretirement medical plans for a number of retired employees who are mainly located in the United States. These plans pay stated percentages of eligible medical and dental expenses of retirees after a stated deductible has been met. The Group funds these plans on a cash basis as benefits are due.

In 2005, the Group has adopted a December 31 measurement date for all plans, whereas for 2004 the plans in the UK and U.S. used an early measurement date of September 30. The change in measurement date did not have a material impact on the 2005 consolidated results.

All plans are valued using the projected unit credit method. The recognition of actuarial gains and losses is applied by using the 10 % "corridor" approach.

The following table provides a reconciliation of the changes in the projected benefit obligation and fair value of assets of the Group's plans over the two-year period ended December 31, 2006 and a statement of the funded status as of December 31 for each year.

	Defined benefit pension plans		Postretirement medical plans	
in € m.	2006	2005	2006	2005
Change in benefit obligation:				
Benefit obligation at beginning of year	9,221	7,592	191	138
Service cost	319	265	5	6
Interest cost	395	391	10	9
Plan amendments	(3)	(54)	–	–
Acquisitions/divestitures	36	–	–	–
Actuarial loss (gain)	(489)	1,148	(35)	28
Benefits paid	(386)	(355)	(9)	(11)
Curtailment/settlement/other[1]	76	60	3	–
Foreign currency exchange rate changes	(51)	174	(18)	21
Benefit obligation at end of year	**9,118**	**9,221**	**147**	**191**
Change in plan assets:				
Fair value of plan assets at beginning of year	9,323	7,643	–	–
Expected return on plan assets	413	391	–	–
Difference between actual and expected return	(371)	928	–	–
Employer contributions	354	521	–	–
Acquisitions/divestitures	35	–	–	–
Benefits paid[2]	(338)	(334)	–	–
Curtailment/settlement/other[1]	75	2	–	–
Foreign currency exchange rate changes	(44)	172	–	–
Fair value of plan assets at end of year	**9,447**	**9,323**	**–**	**–**
Funded status:	**329**	**102**	**(147)**	**(191)**
Unrecognized net actuarial loss (gain)	N/A	1,058	N/A	40
Unrecognized prior service cost (benefit)	N/A	(60)	N/A	6
Net amount recognized at end of year	**N/A**	**1,100**	**N/A**	**(145)**

N/A – Not applicable
1 Includes beginning balance of first time application of smaller schemes.
2 For funded schemes only.

The Group's primary investment objective is to limit its exposure to large swings in the funded status of the defined benefit pension plans. As a consequence, the actuarial loss (gain) in respect of the benefit obligation was largely offset by gains (losses) from the plan assets.

In September 2006, the FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans" ("SFAS 158") which requires an employer to recognize the overfunded or underfunded status of a plan as an asset or liability in its consolidated balance sheet. Under SFAS 158, actuarial gains and losses and prior service costs or credits that have not yet been recognized through earnings as net periodic benefit cost will be recognized in other comprehensive income, net of tax, until they are amortized as a component of net periodic benefit cost by applying the corridor approach.

The following table shows the incremental effect of applying SFAS 158 on individual line items in the Consolidated Balance Sheet as of December 31, 2006.

in € m.	Defined benefit pension plans				Postretirement medical plans		
	Before application of SFAS 158	SFAS 158 adoption adjustments – AML	SFAS 158 adoption adjustments – unrecognized actuarial gain (loss) and prior service benefit (cost)	After application of SFAS 158	Before application of SFAS 158	SFAS 158 adoption adjustments – unrecognized actuarial gain (loss) and prior service benefit (cost)	After application of SFAS 158
Prepaid pension asset	1,277	–	(754)	523	–	–	–
Pension liability	(151)	–	(43)	(194)	(145)	(2)	(147)
AML	7	(7)[1]	–	–	–	–	–
AOCI, pre-tax	(7)	7[1]	(797)	(797)	–	(2)	(2)
Deferred income tax asset/(liability)	3	(3)[1]	249	249	–	1	1
AOCI, net of tax	(4)	4[1]	(548)	(548)	–	(1)	(1)

AML = Additional Minimum Liability

1 Upon the adoption of SFAS 158 at December 31, 2006, it is no longer required to recognize an AML. Therefore amounts represent the elimination of the AML that had been required prior to adopting SFAS 158.

The amounts recognized in Accumulated other comprehensive income, before taxes as of December 31, 2006 are as follows:

in € m.	Defined benefit pension plans	Postretirement medical plans
Actuarial losses (gains)	856	(2)
Prior service costs (benefits)	(59)	4
Total	**797**	**2**

The amounts in Accumulated other comprehensive income expected to be amortized as components of net periodic benefit cost in 2007 are as follows:

in € m.	Defined benefit pension plans	Postretirement medical plans
Actuarial losses (gains)	67	–
Prior service costs (benefits)	(6)	2
Total	**61**	**2**

The accumulated benefit obligation for all defined benefit pension plans was € 8.6 billion at both December 31, 2006 and 2005.

The following table shows the information for funded defined benefit pension plans with an accumulated benefit obligation in excess of the fair value of plan assets.

in € m.	Dec 31, 2006	Dec 31, 2005
Projected benefit obligation	33	122
Accumulated benefit obligation	28	106
Fair value of plan assets	18	68

The information for funded defined benefit pension plans with a projected benefit obligation in excess of the fair value of plan assets is shown in the following table.

in € m.	Dec 31, 2006	Dec 31, 2005
Projected benefit obligation	952	339
Accumulated benefit obligation	926	292
Fair value of plan assets	924	267

The accumulated postretirement benefit obligation exceeds plan assets for all of the company's postretirement medical plans because they are unfunded.

The weighted-average asset allocation of the Group's defined benefit pension plans by asset category at December 31, 2006 and 2005, as well as the target allocation for December 31, 2007, are as follows.

	Target allocation	Percentage of plan assets	
	Dec 31, 2007	Dec 31, 2006	Dec 31, 2005
Asset category:			
Equity securities	5 %	10 %	17 %
Debt securities (including Cash)	90 %	87 %	78 %[1]
Alternative Investments (including Real Estate)	5 %	3 %	5 %
Total	**100 %**	**100 %**	**100 %**

1 In 2005, the portion of cash (7 %) was included in the asset category "Real Estate and other".

The asset allocation is reviewed regularly, and, as part of the review of the investment strategy in 2006, the target equity allocation was reduced further.

Plan assets as of December 31, 2006 include derivative transactions with the Group and other counterparties with a negative market value of € 117 million. In addition, there are € 33 million of securities issued by the Group included in the plan assets.

The table below reflects the benefits expected to be paid in each of the next five fiscal years, and in the aggregate for the five fiscal years thereafter. The amounts include benefits attributable to estimated future employee service.

in € m.	Defined benefit pension plans	Postretirement medical plans[1]
2007	344	10
2008	343	10
2009	360	11
2010	376	11
2011	401	11
2012 – 2016	2,359	86

1 Net of expected reimbursements from Medicare for prescription drug benefits of approximately € 2 million each year from 2007 until 2011, and € 14 million from 2012 through 2016.

Benefit expense recognized in the consolidated statement of income for the years ended December 31, 2006, 2005 and 2004, included the following components.

	Pension plans			Postretirement medical plans		
in € m.	2006	2005	2004	2006	2005	2004
Service cost[1]	319	265	244	5	6	7
Interest cost	395	391	384	10	9	9
Expected return on plan assets	(413)	(391)	(388)	–	–	–
Amortization of prior service cost (credit)	(6)	–	–	2	–	–
Actuarial loss (gain) recognized	67	40	61	3	1	–
Settlement/curtailment	(5)	(4)	5	–	–	–
Amortization of unrecognized transition obligation (asset)	–	–	17	–	–	–
Total defined benefit plans	**357**	**301**	**323**	**20**	**16**	**16**
Defined contribution plans	165	138	151	–	–	–
Net periodic benefit expense	**522**	**439**	**474**	**20**	**16**	**16**

1 Service cost for defined benefit pension plans is inclusive of prior service cost recognized immediately mainly in respect of severance and early retirement agreements in Germany (2006: € 35 million; 2005: € 13 million; 2004: nil)

The following actuarial assumptions are based on weighted-averages which reflect the local economic conditions for each country.

	Defined benefit pension plans			Postretirement medical plans		
	2006	2005	2004	2006	2005	2004
Discount rate in determining expense	4.3 %	5.0 %	5.5 %	5.4 %	5.7 %	5.9 %
Discount rate in determining benefit obligations at year-end	4.8 %	4.3 %	5.0 %	5.8 %	5.4 %	5.7 %
Rate of increase in future compensation levels for determining expense	3.3 %	3.3 %	3.3 %	N/A	N/A	N/A
Rate of increase in future compensation levels for determining benefit obligations at year-end	3.2 %	3.3 %	3.3 %	N/A	N/A	N/A
Expected long-term rate of return on assets for determining income[1]	4.4 %	5.0 %	5.6 %	N/A	N/A	N/A

N/A – Not applicable

1 The expected long-term rate of return on assets for determining income in 2007 is 4.6 %.

The discount rate in the Eurozone, the UK and the U.S. is determined by reference to a hypothetical portfolio of AA-rated corporate bonds for which the timing and amount of cash outflows approximates the estimated payouts of the plan at different future dates (the “yield curve”). For other countries the discount rate is based on yields to maturity of AA-rated corporate bond indices of the same currency and similar duration of the liability, and representing sufficient depth of market to be a reliable indicator. Benchmark government bonds are used for countries where sufficient depth of AA-corporate bond markets is not available. In cases of significant differences between the published bond duration and the calculated duration of the obligation, an adjustment is made equal to this difference multiplied by the slope of the yield curve.

The expected return on the Group’s defined benefit pension plans’ assets is calculated by applying a risk premium which reflects the inherent risks associated with each relevant asset category (i.e., equities, corporate bonds, alternative investments) over a risk-free return. Using this so-called “building block” approach globally helps ensure that the Group has a consistent framework in place. In addition, it provides sufficient flexibility to allow for changes that need to be built in to reflect local specific conditions regarding risk premiums. The determination of the expected return on plan assets for 2007 was based on the target asset allocation as of the measurement date. The Group used the ten-year government fixed interest bond yield for the country in which each plan is located as the benchmark for the risk-free return. For equities and alternative investments, the Group derived the expected rate of return by adding a risk premium based on a blend of historical data and future macroeconomic expectations. The Group derived the expected rate of return for fixed interest government bonds, taking into account the duration of the bonds held compared to the ten-year benchmark. For fixed interest non-government bonds, the Group set the expected rate of return as either the relevant point on the yield curve or the corporate bond index used to set the discount rate, adjusted for differences in duration. For cash, the Group estimated the expected return to be equivalent to the market yield on three-month treasury instruments for the applicable country.

In determining expense for postretirement medical plans, an annual weighted-average rate of increase of 9.7 % in the per capita cost of covered health care benefits was assumed for 2007. The rate is assumed to decrease gradually to 5.0 % by 2011 and remain at that level thereafter.

Assumed health care cost trend rates have an effect on the amounts reported for the retiree health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects on the Group’s postretirement medical plans.

	One-percentage point increase		**One-percentage point decrease**	
in € m.	**2006**	**2005**	**2006**	**2005**
Effect on total of service and interest cost components	2	2	(1)	(2)
Effect on accumulated postretirement benefit obligation	17	29	(15)	(25)

In May 2004, the FASB issued Staff Position 106-2, “Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003” (“FSP 106-2”), which superseded FSP 106-1 issued in January 2004. The Act, signed into law in the U.S. on December 8, 2003, introduces a prescription drug benefit as well as a subsidy to sponsors of postretirement medical plans that provide a benefit that is at least actuarially equivalent to benefits provided under the Act. FSP 106-2, which is effective for the reporting period beginning after June 15, 2004, provides authoritative guidance on the accounting for the effects of the Act and disclosure guidance related to the federal subsidy provided by the Act.

In 2004, the Group determined that the effects of the Act were not a significant event requiring an interim remeasurement under SFAS No. 106, “Employers’ Accounting for Postretirement Benefits Other Than Pensions.” Consequently, as permitted by FSP 106-2, net periodic postretirement benefit cost for 2004 does not reflect the effects of the Act. The effect of the Act on the accumulated postretirement benefit obligation (“APBO”) for the postretirement medical plan was measured at the year-end measurement date (September 30, 2004). This resulted in a reduction of the APBO of approximately € 36 million.

In 2006, the effect of the Act on the APBO and net periodic postretirement benefit cost was a reduction of approximately € 37 million (€ 38 million in 2005) and € 6 million (€ 5 million in 2005), respectively.

[25] INCOME TAXES

The components of income taxes (benefits) follow.

in € m.	2006	2005	2004
Domestic	(142)	425	(201)
Foreign	2,243	1,194	920
Current taxes	**2,101**	**1,619**	**719**
Domestic	101	502	572
Foreign	(17)	462	266
Deferred taxes	**84**	**964**	**838**
Total	**2,185**	**2,583**	**1,557**

The following is an analysis of the difference between the amount that would result from applying the German statutory income tax rate to income before tax and the Group’s actual income tax expense.

in € m.	2006	2005	2004
Expected tax expense at German statutory income tax rate of 39.2 % (39.2 % for 2005 and 2004)	**3,185**	**2,396**	**1,579**
Reversal of 1999/2000 credits for tax rate changes	(1)	544	120
Effect of changes in tax law or rate	(324)	–	–
Domestic tax rate differential on dividend distribution	(30)	–	14
Tax-exempt gains on securities and other income	(371)	(627)	(330)
Foreign tax-rate differential	(266)	(288)	(126)
Change in valuation allowance	58	(9)	(7)
Nondeductible expenses	371	566	312
Goodwill impairment	10	–	–
Tax rate differential on (income) loss on equity method investments	(50)	(99)	(80)
Other	(397)	100	75
Actual income tax expense	**2,185**	**2,583**	**1,557**

The domestic tax rate including corporate tax, solidarity surcharge, and trade tax used for calculating deferred tax assets and liabilities as of December 31, 2006, 2005 and 2004 was 39.2 %.

For the years ended December 31, 2006, 2005 and 2004, due to actual sales of equity securities on which there were accumulated deferred tax provisions in other comprehensive income, it was necessary to reverse those provisions. This treatment led to tax income of € 1 million in 2006, and to tax expense of € 544 million and € 120 million in 2005 and 2004, respectively. This adjustment does not result in actual tax payments or tax receivables and has no net effect on shareholders’ equity.

The remaining accumulated deferred tax amounts recorded within other comprehensive income will be reversed as income tax expense in the periods that the related securities are sold. At December 31, 2006 and 2005, the amount of these deferred taxes accumulated within other comprehensive income that will reverse in a future period as tax expense when the securities are sold is approximately € 2.1 billion.

In December 2006, a new German tax law (“SEStEG”) was enacted, which resulted in the accelerated recognition of € 355 million of corporate tax credits for the refund of prior years distribution tax credits. Other effects from SEStEG and the impact of tax rate changes in Luxembourg and Spain amounted to a tax expense of € 31 million.

The Group is under continuous examinations by tax authorities in various countries. In particular, tax audits in Germany covering fiscal years until 1999, and in the U.S. covering fiscal years until 2003, were settled at favorable terms. “Other” in the preceding table mainly includes the nonrecurring effect of these settlements, which amounts to noncash benefits of € 495 million, the balance of € 209 million of an ultimately avoided claw-back taxation, a net increase of tax reserves, and various other prior period tax effects. The Group believes its tax reserves to be adequate in relation to the potential for additional assessments.

The tax effect of each type of temporary difference and carry-forward that give rise to significant portions of deferred income tax assets and liabilities are as follows.

in € m.	Dec 31, 2006	Dec 31, 2005
Deferred income tax assets:		
Trading activities	5,324	9,512
Net operating loss carry-forwards and tax credits	1,229	1,608
Property and equipment, net	269	207
Other assets	2,535	1,136
Securities valuation	67	–
Allowance for loan losses	120	66
Other provisions	624	459
Total deferred income tax assets	**10,168**	**12,988**
Valuation allowance	(924)	(955)
Deferred tax assets after valuation allowance	**9,244**	**12,033**
Deferred income tax liabilities:		
Trading activities	7,412	10,132
Property and equipment, net	126	125
Securities valuation	–	105
Other liabilities	724	68
Total deferred income tax liabilities	**8,262**	**10,430**
Net deferred income tax assets	**982**	**1,603**

After netting, these amounts were included on the balance sheet as follows.

in € m.	Dec 31, 2006	Dec 31, 2005
Deferred income tax assets (included in Other assets)	3,643	4,215
Deferred income tax liabilities (included in Other liabilities)	2,661	2,612
Net deferred income tax assets	**982**	**1,603**

Certain foreign branches and companies in the Group have deferred tax assets related to net operating loss carry-forwards and tax credits available to reduce future tax expense. The net operating loss carry-forwards at December 31, 2006 were € 2.9 billion, of which € 1.8 billion have no expiration date and € 1.1 billion expire at various dates extending to 2026. Tax credits were € 243.5 million, of which € 0.1 million will expire in 2007 and € 243.4 million have other expiration dates. The Group has established a valuation allowance where it is more likely than not that the deferred tax assets relating to these losses and credits will not be realized.

The Group did not provide income taxes or foreign withholding taxes on € 9.7 billion of cumulative earnings of foreign subsidiaries as of December 31, 2006 because these earnings are intended to be indefinitely reinvested in those operations. It is not practicable to estimate the amount of unrecognized deferred tax liabilities for these undistributed earnings.

[26] EARNINGS PER COMMON SHARE

Basic earnings per common share amounts are computed by dividing net income by the average number of common shares outstanding during the year. The average number of common shares outstanding is defined as the average number of common shares issued, reduced by the average number of shares in treasury and by the average number of shares that will be acquired under physically-settled forward purchase contracts and increased by undistributed vested shares awarded under deferred share plans.

Diluted earnings per share assumes the conversion into common shares of outstanding securities or other contracts to issue common stock, such as share options, convertible debt, unvested deferred share awards and certain forward contracts.

The following table sets forth the computation of basic and diluted earnings per share.

in € m.	2006	2005	2004
Income before cumulative effect of accounting changes, net of tax	5,940	3,529	2,472
Cumulative effect of accounting changes, net of tax	46	–	–
Numerator for basic earnings per share – net income	**5,986**	**3,529**	**2,472**
Effect of dilutive securities:			
Forwards and options	(90)	–	(65)
Convertible debt	3	6	4
Numerator for diluted earnings per share – net income applicable to common shareholders after assumed conversions	**5,899**	**3,535**	**2,411**
Number of shares in m.			
Denominator for basic earnings per share – weighted-average shares outstanding	**449.8**	**462.9**	**492.6**
Effect of dilutive securities:			
Forwards	22.9	12.9	9.3
Employee stock compensation options	3.2	2.9	4.9
Convertible debt	1.0	2.1	1.9
Deferred shares	33.1	27.8	23.0
Other (including trading options)	0.7	–	–
Dilutive potential common shares	60.9	45.7	39.1
Denominator for diluted earnings per share – adjusted weighted-average shares after assumed conversions	**510.7**	**508.6**	**531.7**

in €	2006	2005	2004
Basic earnings per share:			
Income before cumulative effect of accounting changes, net of tax	13.20	7.62	5.02
Cumulative effect of accounting changes, net of tax	0.10	–	–
Net income	**13.31**	**7.62**	**5.02**
Diluted earnings per share:			
Income before cumulative effect of accounting changes, net of tax	11.46	6.95	4.53
Cumulative effect of accounting changes, net of tax	0.09	–	–
Net income	**11.55**	**6.95**	**4.53**

At December 31, 2006, the following instruments were outstanding and could potentially become dilutive in the future. These instruments were not included in the calculation of diluted EPS, because to do so would have been anti-dilutive.

Number of shares in m.	2006	2005	2004
Forward purchase contracts	–	71.7	10.0
Forward sale contracts	–	–	–
Put options sold	11.7	–	1.5
Call options sold	10.6	–	–
Stock compensation awards	0.1	11.6	13.6
Convertible debt	–	–	0.2

[27] BUSINESS SEGMENTS AND RELATED INFORMATION

The Group's segment reporting follows the organizational structure as reflected in its internal management reporting systems, which are the basis for assessing the financial performance of the business segments and for allocating resources to the business segments.

ORGANIZATIONAL STRUCTURE

Deutsche Bank is organized into three Group Divisions, which are further sub-divided into corporate divisions. As of December 31, 2006, the Group Divisions were:

THE CORPORATE AND INVESTMENT BANK (CIB), which combines the Group's corporate banking and securities activities (including sales and trading and corporate finance activities), with the Group's transaction banking activities. CIB serves corporate and institutional clients, ranging from medium-sized enterprises to multinational corporations, banks and sovereign organizations.

PRIVATE CLIENTS AND ASSET MANAGEMENT (PCAM), which combines the Group's asset management, private wealth management and private and business client activities. Within PCAM, the Group manages these activities in two global corporate divisions: Asset and Wealth Management (AWM) and Private & Business Clients (PBC).

- AWM is comprised of the two business divisions Asset Management (AM), which focuses on managing assets on behalf of institutional clients and providing mutual funds and other retail investment vehicles, and Private Wealth Management (PWM), which focuses on the specific needs of demanding high net worth clients, their families and selected institutions.
- PBC serves retail and affluent clients as well as small corporate customers with the full range of retail banking products.

CORPORATE INVESTMENTS (CI), which manages certain alternative assets of the bank and other debt and equity positions.

SIGNIFICANT CHANGES IN MANAGEMENT RESPONSIBILITY

Management responsibility changed in the first quarter 2006 for certain sales and customer service functions which were previously reported within the Corporate Banking & Securities Corporate Division and have been transferred to the Global Transaction Banking Corporate Division.

Prior periods have been restated to conform to the current year's presentation.

IMPACT OF ACQUISITIONS AND DIVESTITURES DURING 2006 AND 2005

The effects of significant acquisitions and divestitures on segmental results are described below:

- Effective November 2006, the Group acquired norisbank from DZ Bank Group. For PBC, the transaction aims at tapping into the vast potential of the consumer finance market in Germany.
- In October 2006, the Group announced the acquisition of the UK wealth manager Tilney Group Limited. The transaction was closed in December 2006. The acquisition is a key element in PWM's strategy to expand its onshore presence in dedicated core markets and to expand into various client segments, including the Independent Financial Advisors sector.

- In October 2006, the Group sold 49 % of PBC's Italian BankAmericard processing and acquiring operation to Istituto Centrale delle Banche Popolari Italiane ("ICBPI"), the central body of the Italian cooperative banks. In January 2007, a further tranche of 41 % was sold.
- In July 2006, the Group announced the signing of a definitive agreement to acquire MortgageIT Holdings, Inc., a residential mortgage real estate investment trust (REIT) in the U.S. The acquisition closed in January 2007 and the business is included in the corporate division Corporate Banking & Securities.
- In July 2006, the Group deconsolidated Deutsche Wohnen AG following the termination of the control agreement with DB Real Estate Management GmbH. Deutsche Wohnen AG is a real estate investment company and was reported in the corporate division Asset and Wealth Management.
- In June 2006, the Group acquired Berliner Bank. The acquisition expands the Group's market share in the retail banking sector of the German capital. The closing of this transaction took place in January 2007.
- In May 2006, the Group closed the sale of 21.16 % of Atradius N.V., to Crédito y Caución and Seguros Catalana Occidente, reducing the Group's stake to 12.73 %. This investment is included in the group division Corporate Investments.
- Effective May 2006, the Group completed the acquisition of the UK Depository and Clearing Centre business from JPMorgan Chase & Co. The business is included in the corporate division Global Transaction Banking.
- Effective February 2006, the Group concluded the acquisition of the remaining 60 % of United Financial Group (UFG). The business is included in the corporate division Corporate Banking & Securities.
- In December 2005, the Group completed the sale of a substantial part of its UK- and Philadelphia-based Asset Management business, which had been managed under the Private Clients and Asset Management Group Division, to Aberdeen Asset Management PLC. Excluded from the sale was the US-based High-Yield business, which remains an integral part of Asset and Wealth Management's global platform.
- In November 2005, the Group and Commerzbank AG entered into a sale and purchase agreement for the Group's 37.72 % stake in EUROHYPO AG, which had been included in the Group Division Corporate Investments. In December 2005, the first part of this transaction closed, reducing the Group's stake to 27.99 %. The remaining part of the transaction closed in the first quarter of 2006.
- In September 2005, the Group sold its Private Banking business in the Netherlands, which had been included in the corporate division Private & Business Clients, to Theodoor Gilissen Bankiers N.V.
- In May 2005, the Group increased its ownership of the Turkish mid-size brokerage firm Bender Menkul Degerler Anonim Sirketi ("Bender Securities") from 40 % to 100 %. This business is included in the corporate division Corporate Banking & Securities.
- In January 2005, the Group acquired asset manager Wilhelm von Finck AG as it continued to expand its Private Wealth Management franchises in Germany. Wilhelm von Finck AG continues to operate under its own name and offers specific investment solutions for large-scale private and family wealth portfolios.

DEFINITIONS OF FINANCIAL MEASURES USED IN THE FORMAT OF SEGMENT DISCLOSURE

In the segmental results of operations, the following terms with the following meanings are used with respect to each segment:

- OPERATING COST BASE: Noninterest expenses less provision for off-balance sheet positions (reclassified to provision for credit losses), policyholder benefits and claims, minority interest, restructuring activities, goodwill impairment/impairment of intangibles and a provision related to grundbesitz-invest in 2005 and a related release in 2006.
- UNDERLYING PRE-TAX PROFIT: Income before income taxes less restructuring activities, goodwill impairment/impairment of intangibles, the provision and release related to grundbesitz-invest and specific revenue items as referred to in the table for such segment.
- UNDERLYING COST/INCOME RATIO IN %: Operating cost base as a percentage of total net revenues excluding the revenue items excluded from the corresponding underlying pre-tax profit figure, net of policyholder benefits and claims. COST/INCOME RATIO IN %, which is defined as total noninterest expenses less provision for off-balance sheet positions, as a percentage of total net revenues, is also provided.
- AVERAGE ACTIVE EQUITY: The portion of adjusted average total shareholders' equity that has been allocated to a segment pursuant to the capital allocation framework. The overriding objective of this framework is to allocate adjusted average total shareholders' equity based on the respective goodwill and other intangible assets with indefinite useful lives as well as the economic capital of each segment. In 2005, the Group refined the measurement of operational risk as part of its Basel II preparation for the Advanced Measurement Approach. This refinement resulted in no material change in the operational risk economic capital for the Group but a higher allocation of operational risk economic capital to CB&S and reductions in other segments. In determining the total amount of average active equity to be allocated, average total shareholders' equity is adjusted to exclude average unrealized net gains on securities available for sale, net of applicable tax effects, and the effect of the expected dividend payments to the shareholders of Deutsche Bank AG.
- UNDERLYING RETURN ON AVERAGE ACTIVE EQUITY IN %: Underlying pre-tax profit as a percentage of average active equity. RETURN ON AVERAGE ACTIVE EQUITY IN %, which is defined as income before income taxes as a percentage of average active equity, is also provided. These returns, which are based on average active equity, should not be compared to those of other companies without considering the differences in the calculation of such ratios.

Management uses these measures as part of its internal reporting system because it believes that such measures provide it with a more useful indication of the financial performance of the business segments. The Group discloses such measures to provide investors and analysts with further insight into how management operates the Group's businesses and to enable them to better understand the Group's results. The Group has excluded the following items in deriving the above measures for the following reasons.

- NET GAINS (LOSSES) FROM BUSINESSES SOLD/HELD FOR SALE: Gains or losses are excluded from the calculations of underlying results because they do not represent results of the Group's continuing businesses.
- NET GAINS (LOSSES) ON SECURITIES AVAILABLE FOR SALE/INDUSTRIAL HOLDINGS (INCLUDING HEDGING): Net gains or losses are related to several financial holdings investments and to the Group's portfolio of shareholdings in publicly-listed industrial companies, most of which the Group has held for over 20 years and which the Group is reducing over time. Because these investments do not relate to the Group's customer-driven businesses, the Group excludes all revenues (positive and negative) related to these investments from its underlying results, except for dividend income from the investments, which the Group does not exclude as funding costs associated with the investments are also not excluded.
- SIGNIFICANT EQUITY PICK-UPS/NET GAINS AND LOSSES FROM INVESTMENTS: This item includes significant net gains/ losses from equity method investments and other significant investments. They are excluded in the calculation of underlying results since they reflect results that are not related to the Group's customer-driven businesses.

— NET GAINS (LOSSES) ON THE SALE OF PREMISES: This item includes net gains or losses on the sale of premises used for banking purposes.
— POLICYHOLDER BENEFITS AND CLAIMS: For internal steering purposes, policyholder benefits and claims are reclassified from noninterest expenses to noninterest revenues so as to consider them together with insurance revenues, to which they are related. The reclassification does not affect the calculation of underlying pre-tax profits.
— PROVISION FOR OFF-BALANCE SHEET POSITIONS: Provision for off-balance sheet positions is reclassified from noninterest expenses to provision for credit losses because provision for off-balance sheet positions and provision for loan losses are managed together. This reclassification does not affect the calculation of underlying pre-tax profit.
— RESTRUCTURING ACTIVITIES, GOODWILL/INTANGIBLE IMPAIRMENT AND PROVISION RELATED TO GRUNDBESITZ-INVEST IN 2005 AND RELATED RELEASE IN 2006 are excluded from the calculation of operating cost base and thus underlying pre-tax profit because these items are not considered part of the Group's day-to-day business operations and therefore not indicative of trends.
— MINORITY INTEREST: Minority interest represents the net share of minority shareholders in revenues, provision for loan losses, noninterest expenses and income tax expenses. This net component is reported as a noninterest expense item. This item is not considered to be an operating expense, but as a minority shareholder's portion of net income. Accordingly, such item is excluded in the determination of the operating cost base. Minority interest is reflected in the calculation of underlying pre-tax profit as a separate item.
— ADJUSTMENTS TO CALCULATE AVERAGE ACTIVE EQUITY: The items excluded from average total shareholders' equity to calculate average active equity result primarily from the portfolio of shareholdings in publicly-listed industrial companies. The Group has held most of its larger participations for over 20 years, and is reducing these holdings over time. Gains and losses on these securities are realized only when the Group sells them. Accordingly, the adjustments the Group makes to average total shareholders' equity to derive the average active equity are to exclude unrealized net gains or losses on securities available for sale, net of applicable tax effects. In addition, the Group adjusts its average total shareholders' equity for the effect of the expected dividend payments to the shareholders of Deutsche Bank AG.

FRAMEWORK OF THE GROUP'S MANAGEMENT REPORTING SYSTEMS

Business segment results are determined based on the Group's internal management reporting process, which reflects the way management views its businesses, and are not necessarily prepared in accordance with the Group's U.S. GAAP consolidated financial statements. This internal management reporting process may be different than the processes used by other financial institutions and therefore should be considered in making any comparisons with those institutions. Since the Group's business activities are diverse in nature and its operations are integrated, certain estimates and judgments have been made to apportion revenue and expense items among the business segments.

The management reporting systems follow the "matched transfer pricing concept" in which the Group's external net interest revenues are allocated to the business segments based on the assumption that all positions are funded or invested via the money and capital markets. Therefore, to create comparability with competitors who have legally independent units with their own equity funding, the Group allocates among the business segments the notional interest credit on its consolidated capital resulting from a method for allocating funding costs. This credit is allocated in proportion to each business segment's allocated average active equity, and is included in the segment's net interest revenues.

The Group's average active equity is allocated to the business segments and to Consolidation & Adjustments in proportion to their economic risk exposures, which comprise economic capital, goodwill and other unamortized intangible assets. The total amount to be allocated is the higher of the Group's overall economic risk exposure or regulatory capital demand. This demand for regulatory capital is derived by assuming a BIS tier I ratio of 8.5 %, which represents the mid-point of the Group's tier I target range. If the Group's average active equity exceeds the higher of the overall economic risk exposure or the regulatory capital demand, this surplus is assigned to Consolidation & Adjustments.

Revenues from transactions between the business segments are allocated on a mutually-agreed basis. Internal service providers (including the Corporate Center), which operate on a nonprofit basis, allocate their noninterest expenses to the recipient of the service. The allocation criteria are generally based on service level agreements and are either determined based upon “price per unit” (for areas with countable services) or “fixed price” or “agreed percentages” (for all areas without countable services).

SEGMENTAL RESULTS OF OPERATIONS

The following tables present the results of the business segments for the years ended December 31, 2006, 2005 and 2004.

2006	**Corporate and Investment Bank**			**Private Clients and Asset Management**			**Corporate Invest-ments**	**Total Manage-ment Reporting**
in € m. (except percentages)	**Corporate Banking & Securities**	**Global Trans-action Banking**	**Total**	**Asset and Wealth Manage-ment**	**Private & Business Clients**	**Total**		
Net revenues[1]	**16,484**	**2,228**	**18,712**	**4,177**	**5,014**	**9,191**	**613**	**28,516**
Provision for loan losses	(58)	3	(55)	0	368	368	18	330
Provision for off-balance sheet positions	(1)	(32)	(33)	(1)	(1)	(1)	(15)	(50)
Total provision for credit losses	**(59)**	**(29)**	**(88)**	**(1)**	**367**	**366**	**2**	**281**
Operating cost base[2]	11,354	1,540	12,894	3,213	3,547	6,760	133	19,787
Policyholder benefits and claims	–	–	–	53	–	53	–	53
Minority interest	26	–	26	(1)	0	(1)	(6)	20
Restructuring activities	77	22	99	43	49	91	1	192
Goodwill impairment/impairment of intangibles	–	–	–	–	–	–	31	31
Total noninterest expenses[4]	**11,458**	**1,561**	**13,019**	**3,307**	**3,596**	**6,904**	**160**	**20,082**
Income before income taxes[5]	**5,086**	**696**	**5,781**	**870**	**1,051**	**1,921**	**451**	**8,153**
Add (deduct):								
Net gains from businesses sold/ held for sale	–	–	–	(43)	(11)	(54)	–	(54)
Significant equity pick-ups/ net gains from investments	–	–	–	–	–	–	(356)	(356)
Net gains on securities available for sale/industrial holdings including hedging	–	–	–	–	–	–	(134)	(134)
Net gains on the sale of premises	–	–	–	–	–	–	(12)	(12)
Restructuring activities	77	22	99	43	49	91	1	192
Goodwill impairment/ impairment of intangibles	–	–	–	–	–	–	31	31
Underlying pre-tax profit	**5,163**	**717**	**5,880**	**870**	**1,089**	**1,958**	**(20)**	**7,819**
Cost/income ratio in %	70	70	70	79	72	75	26	70
Underlying cost/income ratio in %	69	69	69	79	71	74	121	71
Assets[3, 6]	1,003,273	24,244	1,012,050	35,400	94,380	129,740	17,406	1,119,235
Expenditures for additions to long-lived assets	573	2	575	5	383	388	0	963
Risk-weighted positions (BIS risk positions)	177,672	14,220	191,892	12,339	64,068	76,407	5,354	273,653
Average active equity[7]	16,610	1,091	17,701	4,927	2,321	7,249	1,106	26,055
Return on average active equity in %	31	64	33	18	45	27	41	31
Underlying return on average active equity in %	31	66	33	18	47	27	(2)	30

1 Includes:

Net interest revenues	3,126	890	4,016	169	2,648	2,817	(3)	6,829
Net revenues from external customers	16,804	2,060	18,864	4,446	4,589	9,035	582	28,481
Net intersegment revenues	(320)	168	(152)	(269)	425	156	31	35
Net income from equity method investments	142	1	143	142	3	145	219	507

2 Includes:

Depreciation, depletion and amortization	54	25	79	33	83	116	9	204
Severance payments	97	3	100	12	11	23	0	123

3 Includes:

Equity method investments	2,670	38	2,708	597	8	605	287	3,600

4 Excludes provision for off-balance sheet positions (reclassified to provision for credit losses).

5 Before cumulative effect of accounting changes.

6 The sum of corporate divisions does not necessarily equal the total of the corresponding group division because of consolidation items between corporate divisions, which are to be eliminated on group division level. The same approach holds true for the sum of group divisions compared to Total Management Reporting.

7 For management reporting purposes goodwill and other intangible assets with indefinite useful lives are explicitly assigned to the respective divisions. Average active equity is first allocated to divisions according to goodwill and intangible assets, remaining average active equity is allocated to the divisions in proportion to the economic capital calculated for them.

2005	Corporate and Investment Bank			Private Clients and Asset Management			Corporate Invest-ments	Total Manage-ment Reporting
in € m. (except percentages)	Corporate Banking & Securities	Global Trans-action Banking	Total	Asset and Wealth Manage-ment	Private & Business Clients	Total		
Net revenues[1]	**13,948**	**1,975**	**15,923**	**3,880**	**4,709**	**8,589**	**1,229**	**25,741**
Provision for loan losses	25	7	32	0	342	342	(0)	374
Provision for off-balance sheet positions	3	(25)	(22)	(0)	(2)	(2)	(0)	(24)
Total provision for credit losses	**28**	**(18)**	**10**	**(0)**	**340**	**340**	**(1)**	**350**
Operating cost base[2]	9,650	1,472	11,122	2,984	3,355	6,339	181	17,642
Policyholder benefits and claims	–	–	–	49	–	49	–	49
Minority interest	37	–	37	30	0	30	(2)	66
Restructuring activities	330	88	417	220	127	346	2	767
Goodwill impairment/impairment of intangibles	–	–	–	–	–	–	–	–
Total noninterest expenses[4]	**10,017**	**1,560**	**11,577**	**3,284**	**3,482**	**6,766**	**181**	**18,523**
Income before income taxes[5]	**3,903**	**433**	**4,336**	**597**	**887**	**1,484**	**1,049**	**6,868**
Add (deduct):								
Net gains from businesses sold/ held for sale	–	0	0	(81)	(9)	(90)	–	(90)
Significant equity pick-ups/ net gains from investments	–	–	–	–	–	–	(156)	(156)
Net gains on securities available for sale/industrial holdings including hedging	–	–	–	–	–	–	(801)	(801)
Net gains on the sale of premises	–	–	–	–	–	–	(57)	(57)
Restructuring activities	330	88	417	220	127	346	2	767
Goodwill impairment/ impairment of intangibles	–	–	–	–	–	–	–	–
Underlying pre-tax profit	**4,233**	**521**	**4,753**	**735**	**1,005**	**1,740**	**37**	**6,531**
Cost/income ratio in %	72	79	73	85	74	79	15	72
Underlying cost/income ratio in %	69	75	70	80	71	75	84	72
Assets[3, 6]	872,977	18,081	881,649	37,150	86,528	123,640	15,025	984,184
Expenditures for additions to long-lived assets	289	5	295	71	86	157	2	454
Risk-weighted positions (BIS risk positions)	155,447	12,306	167,753	13,811	60,252	74,064	7,448	249,264
Average active equity[7]	13,070	1,315	14,385	4,993	1,707	6,700	3,047	24,132
Return on average active equity in %	30	33	30	12	52	22	34	28
Underlying return on average active equity in %	32	40	33	15	59	26	1	27
1 Includes:								
Net interest revenues	2,535	727	3,262	118	2,517	2,635	69	5,966
Net revenues from external customers	14,143	1,922	16,065	4,095	4,331	8,426	1,175	25,666
Net intersegment revenues	(195)	53	(142)	(215)	378	163	54	75
Net income from equity method investments	171	1	171	43	3	46	199	417
2 Includes:								
Depreciation, depletion and amortization	57	21	79	38	74	112	11	201
Severance payments	18	(1)	17	4	17	21	(0)	38
3 Includes:								
Equity method investments	1,765	38	1,803	483	40	523	2,577	4,903

4 Excludes provision for off-balance sheet positions (reclassified to provision for credit losses).

5 Before cumulative effect of accounting changes.

6 The sum of corporate divisions does not necessarily equal the total of the corresponding group division because of consolidation items between corporate divisions, which are to be eliminated on group division level. The same approach holds true for the sum of group divisions compared to Total Management Reporting.

7 For management reporting purposes goodwill and other intangible assets with indefinite useful lives are explicitly assigned to the respective divisions. Average active equity is first allocated to divisions according to goodwill and intangible assets, remaining average active equity is allocated to the divisions in proportion to the economic capital calculated for them.

2004 in € m. (except percentages)	Corporate and Investment Bank			Private Clients and Asset Management			Corporate Invest-ments	Total Manage-ment Reporting
	Corporate Banking & Securities	Global Trans-action Banking	Total	Asset and Wealth Manage-ment	Private & Business Clients	Total		
Net revenues[1]	**11,521**	**1,897**	**13,418**	**3,488**	**4,531**	**8,020**	**621**	**22,058**
Provision for loan losses	79	9	89	(6)	270	264	19	372
Provision for off-balance sheet positions	(66)	1	(65)	(0)	(1)	(1)	0	(65)
Total provision for credit losses	**14**	**11**	**24**	**(6)**	**269**	**263**	**19**	**307**
Operating cost base[2]	8,724	1,604	10,329	2,923	3,281	6,204	414	16,948
Policyholder benefits and claims	–	–	–	50	–	50	–	50
Minority interest	5	–	5	1	0	1	(1)	4
Restructuring activities	271	28	299	88	10	98	3	400
Goodwill impairment	–	–	–	19	–	19	–	19
Total noninterest expenses[4]	**9,001**	**1,632**	**10,633**	**3,080**	**3,291**	**6,371**	**416**	**17,420**
Income before income taxes[5]	**2,507**	**254**	**2,760**	**414**	**971**	**1,385**	**186**	**4,331**
Add (deduct):								
Net (gains) losses from businesses sold/held for sale	–	(31)	(31)	(32)	24	(8)	(38)	(76)
Significant equity pick-ups/ net gains from investments	–	–	–	–	–	–	(148)	(148)
Net gains on securities available for sale/industrial holdings including hedging	–	–	–	–	–	–	(176)	(176)
Net gains on the sale of premises	–	–	–	–	–	–	(20)	(20)
Restructuring activities	271	28	299	88	10	98	3	400
Goodwill impairment/ impairment of intangibles	–	–	–	19	–	19	–	19
Underlying pre-tax profit (loss)	**2,778**	**250**	**3,029**	**489**	**1,005**	**1,494**	**(194)**	**4,329**
Cost/income ratio in %	78	86	79	88	73	79	67	79
Underlying cost/income ratio in %	76	86	77	86	72	78	174	79
Assets[3, 6]	721,730	16,780	729,888	34,699	78,909	113,554	16,442	832,641
Expenditures for additions to long-lived assets	62	65	127	17	70	87	2	216
Risk-weighted positions (BIS risk positions)	128,045	11,080	139,125	11,425	54,253	65,678	10,242	215,045
Average active equity[7]	11,479	1,381	12,860	5,049	1,681	6,730	3,933	23,522
Return on average active equity in %	22	18	21	8	58	21	5	18
Underlying return on average active equity in %	24	18	24	10	60	22	(5)	18
1 Includes:								
Net interest revenues	1,900	630	2,530	216	2,416	2,632	105	5,267
Net revenues from external customers	11,505	1,996	13,501	3,733	4,198	7,931	527	21,958
Net intersegment revenues	16	(99)	(83)	(245)	334	89	94	100
Net income (loss) from equity method invest-ments	156	1	157	65	3	68	160	386
2 Includes:								
Depreciation, depletion and amortization	79	23	102	43	90	134	30	265
Severance payments	154	16	169	51	50	101	1	271
3 Includes:								
Equity method investments	1,546	38	1,584	434	33	466	3,298	5,348

4 Excludes provision for off-balance sheet positions (reclassified to provision for credit losses).

5 Before cumulative effect of accounting changes.

6 The sum of corporate divisions does not necessarily equal the total of the corresponding group division because of consolidation items between corporate divisions, which are to be eliminated on group division level. The same approach holds true for the sum of group divisions compared to Total Management Reporting.

7 For management reporting purposes goodwill and other intangible assets with indefinite useful lives are explicitly assigned to the respective divisions. Average active equity is first allocated to divisions according to goodwill and intangible assets, remaining average active equity is allocated to the divisions in proportion to the economic capital calculated for them.

The following tables present the net revenue components of the Corporate and Investment Bank Group Division and the Private Clients and Asset Management Group Division for the years ended December 31, 2006, 2005 and 2004, respectively.

	Corporate and Investment Bank		
in € m.	2006	2005	2004
Sales & Trading (equity)	4,080	3,316	2,492
Sales & Trading (debt and other products)	9,046	7,337	6,298
Total Sales & Trading	**13,126**	**10,653**	**8,790**
Origination (equity)	760	647	499
Origination (debt)	1,328	1,017	916
Total Origination	**2,087**	**1,664**	**1,414**
Advisory	783	604	488
Loan products	805	1,252	1,137
Transaction services	2,228	1,975	1,865
Other	(318)	(225)	(277)
Total	**18,712**	**15,923**	**13,418**

	Private Clients and Asset Management		
in € m.	2006	2005	2004
Portfolio/fund management	3,089	2,718	2,526
Brokerage	1,910	1,843	1,655
Loan/deposit products	2,633	2,415	2,359
Payments, account & remaining financial services	899	857	915
Other	660	757	565
Total	**9,191**	**8,589**	**8,020**

RECONCILIATION OF SEGMENTAL RESULTS OF OPERATIONS TO CONSOLIDATED RESULTS OF OPERATIONS ACCORDING TO U.S. GAAP

The following table provides a reconciliation of the total results of operations and total assets of the Group's business segments under management reporting systems to the consolidated financial statements prepared in accordance with U.S. GAAP for the years ended December 31, 2006, 2005 and 2004.

			2006			2005			2004
in € m.	Total Management Reporting	Consolidation & Adjustments	Total Consolidated	Total Management Reporting	Consolidation & Adjustments	Total Consolidated	Total Management Reporting	Consolidation & Adjustments	Total Consolidated
Net revenues[1]	28,516	(178)	28,338	25,741	(102)	25,640	22,058	(140)	21,918
Provision for loan losses	330	–	330	374	–	374	372	–	372
Provision for off-balance sheet positions	(50)	–	(50)	(24)	–	(24)	(65)	–	(65)
Total provision for credit losses	281			350			307		
Noninterest expenses[2]	20,082	(150)	19,933	18,523	654	19,178	17,420	162	17,582
Income (loss) before income taxes[3]	**8,153**	**(28)**	**8,125**	**6,868**	**(756)**	**6,112**	**4,331**	**(302)**	**4,029**
Assets	1,119,235	6,995	1,126,230	984,184	7,977	992,161	832,641	7,427	840,068
Risk-weighted positions (BIS risk positions)	273,653	1,984	275,637	249,264	1,938	251,202	215,045	1,742	216,787
Average active equity	26,055	713	26,768	24,132	998	25,130	23,522	1,256	24,778

1 Net interest revenues and noninterest revenues.
2 Excludes provision for off-balance sheet positions.
3 Before cumulative effect of accounting changes.

The two primary components recorded in Consolidation & Adjustments are differences in accounting methods used for management reporting versus U.S. GAAP as well as results and balances from activities outside the management responsibility of the business segments.

Loss before income taxes was € 28 million in 2006, € 756 million in 2005 and € 302 million in 2004.

Net revenues included the following items:

— Adjustments related to positions which are marked to market for management reporting purposes and accounted for on an accrual basis under U.S. GAAP were approximately € (300) million in 2006, € (100) million in 2005 and € (150) million in 2004.
— Trading results from the Group's own shares are reflected in the Corporate Banking & Securities Corporate Division. The elimination of such results under U.S. GAAP resulted in a debit of approximately € 15 million in 2006, within Consolidation & Adjustments, compared to credits of € 15 million in 2005 and € 45 million in 2004.
— Debits related to the elimination of Group-internal rental income were € (40) million in 2006, € (41) million in 2005 and € (101) million in 2004.
— Insurance premiums attributable to the Group's reinsurance subsidiary were not material in 2006 and 2005 and € 91 million in 2004. There were corresponding offsetting policyholder benefits and claims expenses in 2006 and 2005 and a partial offset in 2004 (see Noninterest expenses).
— Net interest income related to tax refunds and accruals for tax audit settlements was € 67 million in 2006, € 38 million in 2005 and € 131 million in 2004.
— 2006 included a settlement of insurance claims in respect of business interruption losses and costs related to the terrorist attacks of September 11, 2001 in the United States amounting to € 125 million.

— The remainder of net revenues in each year was due to other corporate items outside the management responsibility of the business segments, such as net funding expenses for nondivisionalized assets/liabilities and results from hedging capital of certain foreign subsidiaries.

Provisions for loan losses and provision for off-balance sheet positions included no material items in each of the reported years.

Noninterest expenses reflected the following items:

— Provisions for legal exposures related to legacy events included net additions of approximately € 50 million in 2006 and € 500 million in 2005.
— 2006 benefited from a provision release of € 111 million related to activities to restructure grundbesitz-invest, the Group's German open-ended real estate fund, mainly due to the sale of a significant part of its German fund properties to Eurocastle. 2005 included additions to provisions of € 203 million representing the estimated direct and indirect compensation costs to certain holders of that fund.
— Credits related to the elimination of Group-internal rental expenses were € 40 million in 2006, € 41 million in 2005 and € 101 million in 2004.
— Policyholder benefits and claims were not material in 2006 and 2005 and were € 210 million in 2004. The decrease in 2005 was in part corresponding to the lower insurance premiums described above and also reflected charges in 2004 associated with the settlement agreement of the WorldCom litigation.
— The remainder of noninterest expenses in each year was attributable to other corporate items outside the management responsibility of the business segments.

Assets and risk-weighted positions reflect corporate assets outside of the management responsibility of the business segments such as deferred tax assets and central clearing accounts.

Average active equity assigned to Consolidation & Adjustments reflects the residual amount of equity that is not allocated to the segments as described under "Framework of the Group's Management Reporting Systems" within this Footnote.

TOTAL NET REVENUES (BEFORE PROVISION FOR LOAN LOSSES) BY GEOGRAPHICAL LOCATION

The following table presents total net revenues (before provision for loan losses) by geographical location.

in € m.	2006	2005[1]	2004[1]
Germany:			
CIB	2,233	2,438	2,328
PCAM	4,847	4,606	4,392
Total Germany	**7,080**	**7,044**	**6,721**
Rest of Europe:			
CIB	6,902	6,149	4,542
PCAM	2,610	2,535	2,168
Total Rest of Europe[2]	**9,512**	**8,684**	**6,710**
North America (primarily U.S.):			
CIB	6,497	4,995	4,447
PCAM	1,352	1,182	1,197
Total North America	**7,849**	**6,177**	**5,644**
South America:			
CIB	136	233	70
PCAM	–	–	1
Total South America	**136**	**233**	**71**
Asia-Pacific:			
CIB	2,944	2,107	2,030
PCAM	382	267	262
Total Asia-Pacific[3]	**3,326**	**2,373**	**2,292**
Corporate Investments	613	1,229	621
Consolidation & Adjustments	(178)	(102)	(140)
Consolidated net revenues[4]	**28,338**	**25,640**	**21,918**

1 Restated to conform to the 2006 management structure.

2 The United Kingdom accounted for over one-half of these revenues in 2006, 2005 and 2004. Rest of Europe also includes the Group's African operations.

3 Asia-Pacific also includes the Middle East.

4 Consolidated total net revenues comprise interest revenues, interest expenses and total noninterest revenues (including net commission and fee revenues). Revenues are attributed to countries based on the location in which the Group's booking office is located. The location of a transaction on the Group's books is sometimes different from the location of the headquarters or other offices of a customer and different from the location of the Group's personnel who entered into or facilitated the transaction. Where the Group records a transaction involving its staff and customers and other third parties in different locations frequently depends on other considerations, such as the nature of the transaction, regulatory considerations and transaction processing considerations.

[28] RESTRUCTURING ACTIVITIES

Restructuring plans are recorded in conjunction with acquisitions as well as business realignments. Severance includes employee termination benefits related to the involuntary termination of employees. Such costs include obligations resulting from severance agreements, termination of employment contracts and early-retirement agreements. Other costs primarily include amounts for lease terminations and related costs.

The following table presents the activity in the Group's restructuring programs for the years ended December 31, 2006, 2005, and 2004.

	2004/2005/2006 plans		Total
	Business Realignment Program		
in € m.	Severance	Other	
Balance at Dec 31, 2003	**–**	**–**	**–**
Additions	400	–	400
Utilization	170	–	170
Effects from exchange rate fluctuations	–	–	–
Balance at Dec 31, 2004	**230**	**–**	**230**
Additions	799	29	828
Utilization	800	25	825
Releases	61	–	61
Negative effects from exchange rate fluctuations	(12)	–	(12)
Balance at Dec 31, 2005	**180**	**4**	**184**
Additions	210	14	224
Utilization	299	16	315
Releases	30	2	32
Positive effects from exchange rate fluctuations	1	–	1
Balance at Dec 31, 2006	**60**	**–**	**60**

2004/2005/2006 PLANS

BUSINESS REALIGNMENT PROGRAM ("BRP")

The BRP covered a series of initiatives aimed at revenue growth and cost efficiency. The BRP program as announced in 2004 (together with additional measures in the fourth quarter 2004) was aimed at a reduction of approximately 6,400 full-time equivalent headcount (FTE). In 2004, these measures affected 1,600 staff, of which 1,200 related to restructuring measures and 400 to additional measures in the fourth quarter 2004. The BRP measures affected approximately 4,300 staff in 2005 and approximately 570 staff in 2006. A majority of the reduction occurred in the infrastructure units with the remainder in the CIB and PCAM Group Divisions as the Group integrated coverage and product units. The transfer of jobs to more cost-effective locations resulted in additional headcount of approximately 1,200. This resulted in a net reduction in the Group's headcount from original BRP measures of approximately 5,300 FTE. Additional BRP-related initiatives identified during 2005/2006, especially with regard to the sale of the Group's UK- and Philadelphia-based Asset Management business and implementation of a new operating model for processing functions, resulted in further headcount reductions.

The Group recorded net restructuring expenses of € 192 million in 2006, € 767 million in 2005 and € 400 million in 2004. The 2006 restructuring expenses consisted of € 194 million related to severance payments, € 16 million related to stock compensation awards, and € 14 million related to excess office space and other measures, which were partly offset by the release of € 32 million of unutilized 2006, 2005 and 2004 reserves. The 2006 expenses were attributable to CIB (€ 100 million), PCAM (€ 91 million) and CI (€ 1 million). Approximately € 48 million of the 2006 restructuring expenses were recorded for the aforementioned additional BRP-related initiatives.

Substantially all actions contemplated in the plan recorded in 2006 are expected to be completed by the end of the first quarter 2007. As the BRP has now been successfully completed, there are no expected restructuring expenses in 2007.

[29] INTERNATIONAL OPERATIONS

The following table presents asset and income statement information by major geographic area. The information presented has been classified based primarily on the location of the Group's office in which the assets and transactions are recorded. However, due to the highly integrated nature of the Group's operations, estimates and assumptions have been made to allocate items, especially consolidation items, between regions.

2006 in € m.	**Total assets**	**Total gross revenues**[1, 2]	**Total gross expenses**[1, 2]	**Income before taxes**[2]	**Net income**
International operations:					
Europe (excluding Germany)[3]	524,965	28,149	25,038	3,111	2,153
North America (primarily U.S.)	318,124	28,578	26,275	2,303	1,485
South America	3,838	396	334	62	35
Asia-Pacific[4]	72,179	6,010	5,012	998	614
Total international	**919,106**	**63,133**	**56,659**	**6,474**	**4,287**
Domestic operations (Germany)	**207,124**	**13,503**	**11,852**	**1,651**	**1,699**
Total	**1,126,230**	**76,636**	**68,511**	**8,125**	**5,986**
International as a percentage of total above	82 %	82 %	83 %	80 %	72 %

1 Total gross revenues comprise interest revenues and total noninterest revenues (including net commissions and fee revenues). Total gross expenses comprise interest expense, provision for loan losses and total noninterest expenses.
2 Before cumulative effect of accounting changes.
3 Includes balance sheet and income statement data from Africa, which were not material in 2006.
4 Asia-Pacific also includes the Middle East.

2005 in € m.	**Total assets**	**Total gross revenues**[1]	**Total gross expenses**[1]	**Income before taxes**	**Net income**
International operations:					
Europe (excluding Germany)[2]	428,819	22,426	19,631	2,795	1,867
North America (primarily U.S.)	283,431	21,193	20,308	885	413
South America	3,153	474	303	171	129
Asia-Pacific[3]	68,095	4,408	3,967	441	228
Total international	**783,498**	**48,501**	**44,209**	**4,292**	**2,637**
Domestic operations (Germany)	**208,663**	**12,846**	**11,026**	**1,820**	**892**
Total	**992,161**	**61,347**	**55,235**	**6,112**	**3,529**
International as a percentage of total above	79 %	79 %	80 %	70 %	75 %

1 Total gross revenues comprise interest revenues and total noninterest revenues (including net commissions and fee revenues). Total gross expenses comprise interest expense, provision for loan losses and total noninterest expenses.
2 Includes balance sheet and income statement data from Africa, which were not material in 2005.
3 Asia-Pacific also includes the Middle East.

2004 in € m.	Total assets	Total gross revenues[1]	Total gross expenses[1]	Income before taxes	Net income
International operations:					
Europe (excluding Germany)[2]	346,273	16,430	15,424	1,006	511
North America (primarily U.S.)	212,945	12,547	11,570	977	627
South America	2,867	532	440	92	87
Asia-Pacific[3]	71,928	4,016	3,418	598	262
Total international	**634,013**	**33,525**	**30,852**	**2,673**	**1,487**
Domestic operations (Germany)	**206,055**	**11,234**	**9,878**	**1,356**	**985**
Total	**840,068**	**44,759**	**40,730**	**4,029**	**2,472**
International as a percentage of total above	75 %	75 %	76 %	66 %	60 %

1 Total gross revenues comprise interest revenues and total noninterest revenues (including net commissions and fee revenues). Total gross expenses comprise interest expense, provision for loan losses and total noninterest expenses.

2 Includes balance sheet and income statement data from Africa, which were not material in 2004.

3 Asia-Pacific also includes the Middle East.

[30] DERIVATIVE FINANCIAL INSTRUMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

In the normal course of business, the Group enters into a variety of derivative transactions for both trading and nontrading purposes. The Group's objectives in using derivative instruments are to meet customers' needs, to manage the Group's exposure to risks and to generate revenues through trading activities. Derivative contracts used by the Group in both trading and nontrading activities include swaps, futures, forwards, options and other similar types of contracts based on interest rates, foreign exchange rates, credit risk and the prices of equities and commodities (or related indices).

DERIVATIVES HELD OR ISSUED FOR TRADING PURPOSES

The Group trades derivative instruments on behalf of customers and for its own positions. The Group transacts derivative contracts to address customer demands both as a market-maker in the wholesale markets and in structuring tailored derivatives for customers. The Group also takes proprietary positions for its own accounts.

DERIVATIVES HELD OR ISSUED FOR NONTRADING PURPOSES

Derivatives held or issued for nontrading purposes primarily consist of interest rate swaps used to manage interest rate risk. Through the use of these derivatives, the Group is able to modify the volatility and interest rate characteristics of its nontrading interest-earning assets and interest-bearing liabilities. The Group is subject to risk from interest rate fluctuations to the extent that there is a gap between the amount of interest-earning assets and the amount of interest-bearing liabilities that mature or reprice in specified periods. The Group actively manages this interest rate risk through, among other things, the use of derivative contracts. Utilization of derivative financial instruments is modified from time to time within prescribed limits in response to changing market conditions, as well as changes in the characteristics and mix of the related assets and liabilities.

The Group also uses cross-currency interest rate swaps to hedge both foreign currency and interest rate risks from securities available for sale.

For these hedges, the Group applies either fair value or cash flow hedge accounting when appropriate. When hedging only interest rate risk, fair value hedge accounting is applied for hedges of assets or liabilities with fixed interest rates, and cash flow hedge accounting is applied for hedges of floating interest rates. When hedging both foreign currency and interest rate risks, cash flow hedge accounting is applied when all functional-currency-equivalent cash flows have been fixed; otherwise fair value hedge accounting is applied.

For the years ended December 31, 2006, 2005 and 2004, net hedge ineffectiveness from fair value hedges, which is based on changes in fair value resulting from changes in the market price or rate related to the risk being hedged, and amounts excluded from the assessment of hedge effectiveness resulted in losses of € 6 million, € 61 million and € 100 million, respectively. As of December 31, 2006, the longest term cash flow hedge outstanding, excluding hedges of existing variable rate instruments, matures in 2016.

Derivatives entered into for nontrading purposes that do not qualify for hedge accounting are also classified as trading assets and liabilities. These include interest rate swaps, credit derivatives, foreign exchange forwards and cross currency interest rate swaps used to economically hedge interest, credit and foreign exchange risk, but for which it is not cost beneficial to apply hedge accounting.

Net (gains) losses of € (73) million, € (138) million and € 81 million from nontrading equity derivatives used to offset fluctuations in employee share-based compensation expense were included in compensation and benefits for the years ended December 31, 2006, 2005 and 2004, respectively.

DERIVATIVE FINANCIAL INSTRUMENTS INDEXED TO THE GROUP'S OWN SHARES

The Group enters into contracts indexed to Deutsche Bank common shares to acquire shares to satisfy employee share-based compensation awards, and for trading purposes.

At December 31, 2006, the Group had outstanding long-term debt of € 141 million to retail and commercial clients to which embedded derivatives indexed to Deutsche Bank common shares were linked. In some cases the debt will be settled in cash or in shares at the Group's or the counterparty's option. In other cases the debt will be settled in cash or in shares depending on the share price at maturity. The debt matures within five years, with most maturing between three months and one year. At December 31, 2006, the maximum number of shares that could have been delivered was 1.6 million shares at a weighted-average strike price of € 81.23. A € 1 decrease in the price of Deutsche Bank common shares would have increased the value of the debt by € 0.1 million.

At December 31, 2006, the Group had outstanding call options to purchase 2.0 million shares at a weighted-average strike price of € 67.00 per share related to employee share-based compensation awards. The options must be net-cash settled and they mature within three months. The fair value of these options amounted to € 68.7 million at December 31, 2006. A € 1 decrease in the price of Deutsche Bank common shares would have reduced the fair value of these options by € 2.0 million.

Related to trading activities, the following derivative contracts that are indexed to Deutsche Bank common shares are outstanding at December 31, 2006.

Type of contract	Settlement alternative	Maturity	Number of issuer's shares to which contracts are indexed	Weighted-average strike price (in €)	Effect of decrease of share price by € 1 (€ in thousands)	Fair value of contract asset (liability) (€ in thousands)
Purchased options	Net-cash	Up to 3 months	16,835,746	61.62	(12,598)	691,670
		> 3 months – 1 year	11,153,923	101.20	(5,992)	66,945
		> 1 year – 5 years	1,446,094	86.45	(951)	31,304
		More than 5 years	168,033	63.46	(147)	6,292
	Physical[1]	Up to 3 months	1,929,000	92.75	(499)	5,282
		> 3 months – 1 year	12,311,422	77.31	(1,408)	96,029
		> 1 year – 5 years	6,222,261	72.99	(2,460)	123,809
Written options	Net-cash	Up to 3 months	14,836,228	82.17	(121)	(292,504)
		> 3 months – 1 year	11,731,615	100.74	(4,585)	(60,847)
		> 1 year – 5 years	2,418,753	68.77	1,199	(76,393)
		More than 5 years	298,595	70.24	278	(9,007)
	Physical[1]	Up to 3 months	1,144,300	85.98	560	(11,153)
		> 3 months – 1 year	14,252,752	78.06	2,924	(133,871)
		> 1 year – 5 years	5,073,006	80.50	1,200	(63,708)
Futures sold	Net-cash	Up to 3 months	15,600	N/A	–	(15)
Forward purchases	Net-cash	Up to 3 months	15,000,000	100.36	(15,000)	43,867
		> 3 months – 1 year	26,000,000	93.53	(26,000)	188,364
Forward sales	Net-cash	> 3 months – 1 year	21,819,847	39.70	21,820	(1,268,691)
		> 1 year – 5 years	36,731,487	70.53	36,731	(850,809)

N/A – Not applicable
1 The options are subject to collateral requirements.

The above contracts related to trading activities are accounted for as trading assets and liabilities and are thus carried at fair value with changes in fair value recorded in earnings.

FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

The Group utilizes various lending-related commitments in order to meet the financing needs of its customers. The contractual amount of these commitments is the maximum amount at risk for the Group if the customer fails to meet its obligations. The Group may require collateral to mitigate the credit risk of these commitments. The type and terms of such collateral are determined on an individual basis. Off-balance sheet credit risk amounts are determined without consideration of the value of any related collateral and reflect the total potential loss on undrawn commitments. The table below summarizes the Group's lending-related commitments.

in € m.	Dec 31, 2006	Dec 31, 2005
Irrevocable commitments to extend credit		
For book claims and bills of exchange	156,342	142,874
For guarantees and letters of credit	1,664	1,209
Placement and underwriting commitments	1,202	896
Total irrevocable commitments to extend credit	159,208	144,979
Revocable commitments to extend credit	22,798	22,344
Total commitments to extend credit	**182,006**	**167,323**
Commitments to enter into reverse repurchase agreements	48,876	85,660
Commitments to enter into repurchase agreements	28,889	33,563

As of December 31, 2006 and 2005, the Group had commitments to contribute capital to equity method and other investments totaling € 395 million and € 279 million, respectively.

The Group also enters regularly into various guarantee and indemnification agreements in the normal course of business. Probable losses under these agreements are provided for as part of other liabilities. The principal guarantees and indemnifications that the Group enters into are the following:

- Financial guarantees, standby letters of credit and performance guarantees (including indemnification for the effect of income taxes that may have to be paid by counterparties on certain transactions entered into with the Group) with a carrying amount of € 308 million and € 573 million and with maximum potential payments of € 39.4 billion and € 31.6 billion as of December 31, 2006 and 2005, respectively, generally require the Group to make payments to the guaranteed party based on another's failure to meet its obligations or to perform under an obligating agreement. Most of these guarantees (€ 24.3 billion) mature within five years; for € 3.9 billion the duration is more than five years; € 11.2 billion are cancelable at any time by the Group or the counterparty. These guarantees are collateralized with cash, securities and other collateral of € 9.6 billion and € 9.4 billion as of December 31, 2006 and 2005, respectively.
- The Group offers clients certain investment fund products with a market value guarantee feature. Such market value guarantees represent assurances under which, for example, initial investment values or, in the case of subsequent higher fund net asset values, those higher values, are guaranteed at levels as defined under the relevant agreements. As of December 31, 2006 and 2005, the maximum potential amount of future payments of the market value guarantees was € 18.1 billion and € 15.6 billion, respectively, which represents the total value guaranteed under the respective agreements. The value of those investment fund products as of December 31, 2006 and December 31, 2005 was € 18.6 billion and € 15.8 billion, respectively.
- Certain written put options require the Group to purchase specified assets at an agreed price at the election of the holder of the option. Put options which permit cash settlement and do not require the holder of the option to own the underlying asset are not considered guarantees as described in FIN 45. The carrying amount and maximum potential payments of written puts that are considered guarantees, as of December 31, 2006, was € 1.4 billion and € 38.6 billion, respectively. The carrying amount and maximum potential payments of such written puts as of December 31, 2005 was € 2.5 billion and € 20.8 billion, respectively. Of the December 31, 2006 maximum potential payments, € 21.3 billion mature within one year, € 13.0 billion mature in more than one year and up to five years and € 4.3 billion mature in more than five years.
- As of December 31, 2006, credit derivatives with positive market values that are considered to be guarantees under FIN 45 had a carrying and maximum potential payment amount of € 443 million and € 7.3 billion, respectively. Of the latter amount, € 3.0 billion mature in up to five years and € 4.3 billion mature in more than five years. Typically the Group does not receive collateral for these contracts. As of December 31, 2005, the carrying amount and maximum potential payments of credit derivatives with positive market values was € 663 million and € 7.8 billion, respectively. As of December 31, 2006 the carrying amount and maximum potential payments of credit derivatives with negative market values was € 0.2 million and € 741 million, respectively. All of them mature in more than five years. In 2005, the Group had no guarantees of this type with negative market values. Certain credit derivatives which permit cash settlement and do not require the buyer of credit protection to own the reference asset are not considered to be guarantees as described in FIN 45.
- As part of the acquisition of the Tilney Group Limited, consideration of € 45.6 million was deferred subject to the acquired entities performance exceeding certain targets over the next three years. When it is believed to be determinable beyond reasonable doubt that these targets will be met, this additional consideration will be recognized. In addition, consideration of € 4.5 million has been deferred pending certain defined costs and/or claims not occurring within the next two years.

[31] CONCENTRATIONS OF CREDIT RISK

The Group is exposed to credit risk arising from all transactions that give rise to actual, contingent or potential claims against a counterparty. Significant concentrations of credit risk exist where the Group has material exposures to a number of counterparties with similar economic characteristics, or who are engaged in comparable activities, where these similarities may cause their ability to meet contractual obligations to be affected in the same manner by changes in economic or industry conditions. A concentration of credit risk may also exist at an individual counterparty level.

In order to monitor and manage credit risks, the Group uses a comprehensive range of quantitative tools and metrics. Credit limits relating to counterparties, countries, products and other factors set the maximum credit exposures the Group is willing to assume over specified periods. The Group's credit policies also establish procedures (including lower approval thresholds and approval from more senior personnel) for exceptional cases when it may assume exposures beyond established limits.

The Group's largest concentrations of credit risk are in Western Europe and North America, with a significant share in tradable assets. For loans, the Group has significant concentration in Western Europe, principally in the Group's home market Germany, which includes most of the Group's mortgage lending business. There is further industry concentration in banks and insurance as well as the public sector, mainly from tradable assets and investment-grade OTC derivatives.

[32] FAIR VALUE OF FINANCIAL INSTRUMENTS

SFAS No. 107, "Disclosures about Fair Value of Financial Instruments" ("SFAS 107") requires the disclosure of fair value information about financial instruments, whether or not recognized in the balance sheet, for which it is practicable to estimate that value. Quoted market prices, when available, are used as the measure of fair value. In cases where quoted market prices are not available, fair values are based on present value estimates or other valuation techniques. These derived fair values are significantly affected by assumptions used, principally the timing of future cash flows and the discount rate. Because assumptions are inherently subjective in nature, the estimated fair values cannot be substantiated by comparison to independent market quotes and, in many cases, the estimated fair values would not necessarily be realized in an immediate sale or settlement of the instrument. The disclosure requirements of SFAS 107 exclude certain financial instruments and all nonfinancial instruments (e.g., franchise value of businesses). Accordingly, the aggregate fair value amounts presented do not represent management's estimation of the underlying value of the Group.

The following are the estimated fair values of the Group's financial instruments recognized on the Consolidated Balance Sheet, followed by a general description of the methods and assumptions used to estimate such fair values.

	Carrying amount		Fair value	
in € m.	Dec 31, 2006	Dec 31, 2005	Dec 31, 2006	Dec 31, 2005
Financial assets:				
Cash and due from banks	7,009	6,571	7,009	6,571
Interest-earning deposits with banks	19,470	11,963	19,501	11,968
Central bank funds sold and securities purchased under resale agreements and securities borrowed	247,029	232,118	246,918	232,094
Trading assets	516,839	448,393	516,839	448,393
Securities available for sale	22,054	21,675	22,054	21,675
Other investments	1,443	2,329	1,687	2,408
Loans (excluding leases), net	165,297	148,549	166,107	150,904
Other financial assets	120,850	86,493	120,700	86,707
Financial liabilities:				
Noninterest-bearing deposits	30,387	30,005	30,387	30,005
Interest-bearing deposits	378,395	350,782	377,975	350,746
Trading liabilities	218,854	194,347	218,854	194,347
Central bank funds purchased and securities sold under repurchase agreements and securities loaned	210,369	168,105	210,264	168,078
Other short-term borrowings	19,793	20,549	19,794	20,538
Other financial liabilities	86,587	67,670	86,657	67,537
Long-term debt	132,495	113,554	132,846	113,803

METHODS AND ASSUMPTIONS

For short-term financial instruments, defined as those with remaining maturities of 90 days or less, the carrying amounts were considered to be a reasonable estimate of fair value. The following instruments were predominantly short-term.

Assets	Liabilities
Cash and due from banks	Interest-bearing deposits
Central bank funds sold and securities purchased under resale agreements and securities borrowed	Central bank funds purchased and securities sold under repurchase agreements and securities loaned
Interest-earning deposits with banks	Other short-term borrowings
Other financial assets	Other financial liabilities

For those components of the financial instruments listed above with remaining maturities greater than 90 days, fair value was determined by discounting contractual cash flows using rates which could be earned for assets with similar remaining maturities and, in the case of liabilities, rates at which the liabilities with similar remaining maturities could be issued as of the balance sheet date.

Trading assets (including derivatives), trading liabilities and securities available for sale are carried at their fair value.

For short-term loans and variable rate loans which reprice within 90 days, the carrying value was considered to be a reasonable estimate of fair value. For those loans for which quoted market prices were available, fair value was based on such prices. For other types of loans, fair value was estimated by discounting future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities. In addition, the specific loss component of the allowance for loan losses, including recoverable amounts of collateral, was considered in the fair value determination of loans. Other investments consist primarily of investments in equity instruments (excluding, in accordance with SFAS 107, investments accounted for under the equity method).

Other financial assets consisted primarily of cash/margin receivables, receivables from prime brokerage, pending securities transactions past settlement date and loans held for sale, net.

Noninterest-bearing deposits do not have defined maturities. Fair value represents the amount payable on demand as of the balance sheet date.

Other financial liabilities consisted primarily of cash/margin payables, payables from prime brokerage, pending securities transactions past settlement date and accrued expenses.

The fair value of long-term debt was estimated by using market quotes, as well as discounting the remaining contractual cash flows using a rate at which the Group could issue debt with a similar remaining maturity as of the balance sheet date.

The fair value of commitments to extend credit was estimated by using market quotes. On this basis, at December 31, 2006, the fair value of commitments to extend credit approximated the allowance for these commitments of € 104 million.

[33] LITIGATION

ENRON LITIGATION. Deutsche Bank AG and certain of its affiliates are collectively involved in a number of lawsuits arising out of their banking relationship with Enron Corp., its subsidiaries and certain Enron-related entities ("Enron"). These lawsuits include a class action brought on behalf of shareholders of Enron, captioned Newby v. Enron Corp., which purported to allege claims against, among others, Deutsche Bank AG and certain of its affiliates under federal securities laws. On June 5, 2006, the court dismissed all of the claims in the Newby action against Deutsche Bank AG and its affiliates. On June 21, 2006, the lead plaintiff in Newby filed a motion requesting the court to reconsider the dismissal of Deutsche Bank AG and its affiliates from Newby. On February 8, 2007, the court denied the lead plaintiffs motion for reconsideration.

Also, an adversary proceeding has been brought by Enron in the bankruptcy court against, among others, Deutsche Bank AG and certain of its affiliates. In this proceeding, Enron seeks damages from the Deutsche Bank entities under various common law theories, seeks to avoid certain transfers to the Deutsche Bank entities as preferential or fraudulent, and seeks to subordinate certain of the claims made by the Deutsche Bank entities in the Enron bankruptcy.

In addition to Newby and the adversary proceeding described above, there are individual actions brought in various courts by Enron investors and creditors alleging federal and state law claims against Deutsche Bank AG and certain of its affiliates.

TAX-RELATED PRODUCTS. Deutsche Bank AG, along with certain affiliates, and current and former employees (collectively referred to as "Deutsche Bank"), have collectively been named as defendants in a number of legal proceedings brought by customers in various tax-oriented transactions. Deutsche Bank provided financial products and services to these customers, who were advised by various accounting, legal and financial advisory professionals. The customers

claimed tax benefits as a result of these transactions, and the United States Internal Revenue Service has rejected those claims. In these legal proceedings, the customers allege that the professional advisors, together with Deutsche Bank, improperly misled the customers into believing that the claimed tax benefits would be upheld by the Internal Revenue Service. The legal proceedings are pending in numerous state and federal courts and in arbitration, and claims against Deutsche Bank are alleged under both U.S. state and federal law. Many of the claims against Deutsche Bank are asserted by individual customers, while others are asserted on behalf of a putative customers class. No litigation class has been certified as against Deutsche Bank. Approximately 54 legal proceedings have been resolved and dismissed with prejudice as against Deutsche Bank. Approximately 30 other legal proceedings remain pending as against Deutsche Bank and are currently at various pre-trial stages, including discovery.

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

KIRCH LITIGATION. In May 2002, Dr. Leo Kirch personally and as an assignee initiated legal action against Dr Breuer and Deutsche Bank AG alleging that a statement made by Dr. Breuer (then the Spokesman of Deutsche Bank's Management Board) in an interview with Bloomberg television on February 4, 2002 regarding the Kirch Group was in breach of laws and financially damaging to Kirch. On January 24, 2006 the German Federal Supreme Court sustained the action for the declaratory judgment only in respect of the claims assigned by the PrintBeteiligungs GmbH. Such action and judgment did not require a proof of any loss caused by the statement made in the interview. PrintBeteiligungs GmbH is the only company of the Kirch Group which was a borrower of Deutsche Bank. Claims by Kirch personally and by the group holding company, TaurusHolding GmbH & Co. KG, were dismissed. To be awarded a judgment for damages against Deutsche Bank AG, Dr. Kirch would have to file a new lawsuit; in such proceedings he would have to prove that the statement caused financial damages to PrintBeteiligungs GmbH and the amount thereof. We received a letter claiming damage in the amount of € 1.4 billion plus interest. In this letter the causality in respect of the basis and scope of the claimed damages was not substantiated.

In 2003 Dr. Kirch instituted legal action in the Supreme Court of the State of New York in which he seeks the award of compensatory and punitive damages based upon Dr. Breuer's interview. Upon introduction of additional plaintiffs and referral to the U.S. District Court for the Southern District of New York, the case was dismissed on September 24, 2004. The plaintiffs appealed this decision. On June 5, 2006, the U.S. Court of Appeals for the Second Circuit partly confirmed the dismissal of the claims and otherwise remanded the case to the court of first instance to decide for the remaining claims whether New York was an inconvenient forum or whether they have already been decided. Thereafter, the U.S. District Court for the Southern District of New York dismissed the case on the basis that New York was an inconvenient forum. The dismissal has become final.

On December 31, 2005 the KGL Pool GmbH filed a lawsuit against Deutsche Bank and Dr. Breuer. The lawsuit is based on alleged claims assigned from various subsidiaries of the former Kirch Group. The KGL Pool GmbH is also a plaintiff in the above mentioned case in the U.S. and seeks a declaratory judgment to the effect that Deutsche Bank AG and Dr. Breuer are jointly and severally liable for damages as a result of the interview statement and the behavior of Deutsche Bank in respect of several subsidiaries of the Kirch Group. We received a letter claiming damages in the amount of € 2 billion plus interest. In this letter the causality in respect of the basis and scope of the claimed damages was not substantiated.

PHILIPP HOLZMANN AG. Philipp Holzmann AG ("Holzmann") was a major German construction firm which filed for insolvency in March 2002. Deutsche Bank had been a major creditor bank and holder of an equity interest of Holzmann for many decades, and, from April 1997 until April 2000, a former member of Deutsche Bank AG's Management Board was the Chairman of its Supervisory Board. When Holzmann had become insolvent at the end of 1999, a consortium of banks led by Deutsche Bank participated in late 1999 and early 2000 in a restructuring of Holzmann that included the banks' extension of a credit facility, participation in a capital increase and exchange of debt into convertible bonds. The restructuring package amounted to about € 1.6 billion, of which Deutsche Bank's participation was € 547 million. In March 2002, Holzmann and several of its subsidiaries, including in particular imbau Industrielles Bauen GmbH ("imbau"), filed for insolvency. As a result of this insolvency, the administrators for Holzmann and for imbau and a group of bondholders have informed Deutsche Bank that they are asserting claims against it because of its role as lender to the Holzmann group prior to and after the restructuring and as leader of the consortium of banks which supported the restructuring. The purported claims include claims that amounts repaid to the banks constituted voidable preferences that should be returned to the insolvent entities and claims of lender liability resulting from the banks' support for an allegedly infeasible restructuring. Although Deutsche Bank is in ongoing discussions, several parties have filed lawsuits against it.

The administrator for imbau filed a lawsuit against Deutsche Bank in August 2004 alleging that payments (including interest) of € 77 million received by Deutsche Bank in respect of a loan extended to imbau until 1998 and in connection with a real estate transaction that was part of the restructuring constituted voidable preferences that should be returned to the insolvent entity. Several bondholders filed a lawsuit against Deutsche Bank in December 2005 seeking damages of € 53 million because of its allegedly unlawful support of Holzmann's 1999/2000 restructuring. Additionally, Gebema N.V. filed a lawsuit in 2000 seeking compensation for alleged damages of € 187 million against Deutsche Bank alleging deficiencies in the offering documents based on which Gebema N.V. had invested in equity and convertible bonds of Holzmann in 1998.

GENERAL. Due to the nature of its business, Deutsche Bank Group is involved in litigation, arbitration and regulatory proceedings in Germany and in a number of jurisdictions outside Germany, including the United States, arising in the ordinary course of business, including as specifically described above. In accordance with applicable accounting requirements, the Group provides for potential losses that may arise out of contingencies, including contingencies in respect of such matters, when the potential losses are probable and estimable. Contingencies in respect of legal matters are subject to many uncertainties and the outcome of individual matters is not predictable with assurance. Significant judgment is required in assessing probability and making estimates in respect of contingencies, and the Group's final liabilities may ultimately be materially different. The Group's total liability recorded in respect of litigation, arbitration and regulatory proceedings is determined on a case-by-case basis and represents an estimate of probable losses after considering, among other factors, the progress of each case, the Group's experience and the experience of others in similar cases, and the opinions and views of legal counsel. Predicting the outcome of the Group's litigation matters is inherently difficult, particularly in cases in which claimants seek substantial or indeterminate damages. Although the final resolution of any such matters could have a material effect on the Group's consolidated operating results for a particular reporting period, the Group believes that it should not materially affect its consolidated financial position. In respect of each of the matters specifically described above, each of which consists of a number of claims, it is the Group's belief that the reasonably possible losses relating to such claim in excess of its provisions are either not material or not estimable.

[34] TERRORIST ATTACKS IN THE UNITED STATES

As a result of the terrorist attacks in the United States on September 11, 2001, several of the Group's office buildings as well as a leased property were severely damaged or destroyed. Costs incurred by the Group as a result of the terrorist attacks include, but are not limited to, write-offs of fixed assets, expenses incurred to replace fixed assets that were damaged, relocation expenses, and expenses incurred to secure and maintain the damaged properties. The Group made claims for these costs through its insurance policies.

During 2006, the Group reached a final settlement with the two remaining insurers. Settlements were agreed with two other insurers in prior years. The final settlement resolved all outstanding claims and resulted in the receipt of U.S.$ 150 million as of December 31, 2006. Through December 31, 2006, the Group received aggregated payments from the four insurers and the Lower Manhattan Development Corporation ("LMDC") totaling U.S.$ 1.0 billion. During 2004, the LMDC purchased from the Group, for U.S.$ 90 million, the 130 Liberty Street land and building, which was severely damaged on September 11, 2001. These proceeds for the resolved portions of its claims exceeded the total amount of the net receivable on the balance sheet for asset write-offs, and environmental, consulting, and other costs. The final settlement for the equivalent of approximately € 125 million was recorded as revenues for the year ended December 31, 2006. The net insurance reimbursements and proceeds of the sale of the property at 130 Liberty Street resulted in a benefit of € 39 million and € 51 million for the years ended December 31, 2005 and 2004, respectively.

[35] SUPPLEMENTARY INFORMATION TO THE CONSOLIDATED FINANCIAL STATEMENTS ACCORDING TO § 292A HGB

As a condition for the exemption under Section 292a German Commercial Code (HGB) in the version effective until December 9, 2004 in connection with Article 57 para. 1 of the Introductory Act to the German Commercial Code (EGHGB), group accounts following U.S. GAAP must be prepared in conformity with the disclosure requirements of the European Union. The Consolidated Financial Statements of Deutsche Bank are in accordance with the Directives 83/349/EWG and 86/635/EWG with regard to the following information. These supplementary comments and disclosures do not refer definitely to items of our profit & loss or balance sheet formats according to U.S. GAAP. E.g. the item “Loans and advances to customers” is composed inter alia of partial amounts of loans, net, securities borrowed, securities purchased under resale agreements, and other assets.

TREASURY BILLS AND OTHER BILLS ELIGIBLE FOR REFINANCING WITH CENTRAL BANKS

in € m.	Dec 31, 2006	Dec 31, 2005
Treasury bills and similar securities	69,519	56,122
Other bills eligible for refinancing with central banks	619	1,062
Total	**70,138**	**57,184**

LOANS AND ADVANCES TO CREDIT INSTITUTIONS AND CUSTOMERS

in € m.	Dec 31, 2006	Dec 31, 2005
Loans and advances to credit institutions	**141,563**	**122,900**
Repayable on demand	65,225	58,433
Remaining maturity of		
up to three months	63,586	50,971
more than three months and up to one year	6,309	6,775
more than one year and up to five years	3,232	4,119
more than five years	3,211	2,602
Loans and advances to customers	**423,031**	**369,451**
Remaining maturity of		
up to three months	270,517	248,732
more than three months and up to one year	26,407	21,640
more than one year and up to five years	48,617	40,509
more than five years	77,490	58,570

DEBT SECURITIES AND OTHER FIXED-INCOME SECURITIES

in € m.	Dec 31, 2006	Dec 31, 2005
Issued by public-sector issuers	43,686	56,336
Issued by other issuers	193,483	164,308
Total	**237,169**	**220,644**

STRUCTURE AND DEVELOPMENT OF OTHER INVESTMENTS

in € m.	Equity method investments	Other equity investments	Total
Acquisition cost:			
as of Jan 1, 2006	5,058	2,376	7,434
Impairment	(5)	(8)	(13)
change in the group of consolidated companies	55	4	59
effects of exchange rate changes	(42)	(1)	(43)
Additions	2,816	609	3,425
Transfers	(171)	211	40
Disposals	(3,973)	(1,520)	(5,493)
as of Dec 31, 2006	3,738	1,671	5,409
Amortization:			
as of Jan 1, 2006	52	–	52
change in the group of consolidated companies	–	–	–
effects of exchange rate changes	1	–	1
Additions	–	–	–
Transfers	–	–	–
Disposals	–	–	–
as of Dec 31, 2006	53	–	53
Book values:			
as of Dec 31, 2006	3,685	1,671	5,356

Shareholdings in banks held at equity amounted to € 38 million (2005: € 1,932 million). Other equity investments included participating interests in the amount of € 911 million (2005: € 818 million), of which € 142 million (2005: € 1 million) related to investments in banks.

The list of shareholdings is deposited with the electronic Federal Gazette, but can also be ordered free of charge.

LOANS FROM AND ADVANCES AND LIABILITIES TO PARTICIPATING INTERESTS AND INVESTMENTS HELD AT EQUITY

Loans from and advances to participating interests and investments held at equity, trading assets related to these investees as well as debt securities available for sale issued by these investees amounted to € 3,690 million (2005: € 4,564 million).

Liabilities to participating interests and investments held at equity as well as trading liabilities related to these investees were € 7,254 million (2005: € 5,011 million).

INTANGIBLE ASSETS AND PREMISES AND EQUIPMENT

Land and buildings with a book value totaling € 1,995 million (2005: € 1,956 million) were used within the scope of our own activities.

in € m.	Goodwill	Other intangible assets	Premises and equipment	Total
Cost of acquisition/manufacture:				
as of Jan 1, 2006	9,350	1,311	8,903	19,564
Impairment	(31)	–	(8)	(39)
change in the group of consolidated companies	724	192	(975)	(59)
effects of exchange rate changes and other	(683)	(132)	(248)	(1,063)
Additions	–	53	971	1,024
Transfers	–	–	(11)	(11)
Disposals	–	(6)	(724)	(730)
as of Dec 31, 2006	9,360	1,418	7,908	18,686
Amortization/depreciation:				
as of Jan 1, 2006	2,305	113	3,824	6,242
change in the group of consolidated companies	(1)	–	(108)	(109)
effects of exchange rate changes and other	(88)	(11)	(96)	(195)
Additions	–	49	477	526
Transfers	–	–	(13)	(13)
Disposals	–	–	(325)	(325)
as of Dec 31, 2006	2,216	151	3,759	6,126
Book value:				
as of Dec 31, 2006	7,144	1,267	4,149	12,560

SUBORDINATED ASSETS

The total amount of subordinated assets was € 2,965 million (2005: € 4,539 million).

LIABILITIES TO CREDIT INSTITUTIONS AND CUSTOMERS

in € m.	Dec 31, 2006	Dec 31, 2005
Amounts owed to credit institutions	**397,969**	**339,226**
Repayable on demand	268,696	210,504
With agreed maturity date or period of notice		
up to three months	103,670	106,843
more than three months and up to one year	12,872	8,241
more than one year and up to five years	5,859	6,198
more than five years	6,872	7,440
Savings deposits	**32,547**	**29,127**
With agreed period of notice		
up to three months	24,719	23,485
more than three months and up to one year	6,367	4,215
more than one year and up to five years	1,441	1,402
more than five years	20	25
Other liabilities to customers	**363,156**	**319,704**
Repayable on demand	171,069	162,457
With agreed maturity date or period of notice		
up to three months	148,041	128,772
more than three months and up to one year	14,058	7,911
more than one year and up to five years	12,117	8,503
more than five years	17,871	12,061
Debt securities issued	**99,230**	**85,232**
Other liabilities evidenced by paper	**62,427**	**58,321**
Remaining maturity of		
up to three months	32,469	26,484
more than three months and up to one year	23,454	27,736
more than one year and up to five years	5,320	2,927
more than five years	1,184	1,174

SUBORDINATED LIABILITIES

The following table shows the significant subordinated liabilities.

Currency	Amount	Issuer/type	Interest rate	Maturity
EUR	750,000,000.–	Deutsche Bank AG, callable note of 2002	var. 5.38 %	Mar 27, 2012
EUR	1,100,000,000.–	Deutsche Bank AG, bond of 2003	5.13 %	Jan 31, 2013
EUR	1,000,000,000.–	Deutsche Bank AG, bond of 2004	var. 3.88 %	Jan 16, 2014
EUR	750,000,000.–	Deutsche Bank AG, bond of 2005	var. 3.91 %	Sep 22, 2015
EUR	1,000,000,000.–	DB Capital Funding LLC IV, Wilmington/USA, Issue proceeds passed on to Deutsche Bank AG	5.33 %	Sep 19, 2023
EUR	900,000,000.–	DB Capital Funding LLC VI, Wilmington/USA, Issue proceeds passed on to Deutsche Bank AG	6.00 %	Jan 28, 2035
US-$	800,000,000.–	Deutsche Bank Financial Inc., Dover/USA, “Yankee”-bond of 2003	5.38 %	Mar 2, 2015
US-$	800,000,000.–	DB Capital Funding LLC VII, Wilmington/USA, Issue proceeds passed on to Deutsche Bank AG	5.63 %	Jan 19, 2036
US-$	650,000,000.–	DB Capital Funding LLC I, Wilmington/USA, Issue proceeds passed on to Deutsche Bank AG	7.87 %	Jun 30, 2009
US-$	600,000,000.–	DB Capital Funding LLC VIII, Wilmington/USA, Issue proceeds passed on to Deutsche Bank AG	6.38 %	perpetual

For the above subordinated liabilities there is no premature redemption obligation on the part of the issuers. In case of liquidation or insolvency, the claims and interest claims resulting from these liabilities are subordinate to those claims of all creditors of the issuers that are not also subordinated. These conditions also apply to the subordinated borrowings not specified individually.

FOREIGN CURRENCY

The table shows the effects of exchange rate changes on the balance sheet.

in € m.	Dec 31, 2006	Dec 31, 2005
Foreign currency assets	769,700	663,500
thereof U.S.$	481,500	436,800
Foreign currency liabilities (excluding capital and reserves)	653,900	580,700
thereof U.S.$	408,500	350,000
Change in total assets owing to parity changes for foreign currencies[1]	(76,800)	97,400
thereof due to U.S.$	(75,600)	67,900

1 Based on the asset side.

TRUST ACTIVITIES

TRUST ASSETS

in € m.	Dec 31, 2006	Dec 31, 2005
Interest-earning deposits with banks	627	904
Securities available for sale	64	65
Loans	6,914	8,402
Others	1,488	1,458
Total	**9,093**	**10,829**

TRUST LIABILITIES

in € m.	Dec 31, 2006	Dec 31, 2005
Deposits	4,110	5,950
Long-term debt	3,460	3,309
Others	1,523	1,570
Total	**9,093**	**10,829**

INTEREST REVENUES

Interest revenues include interest income from debt securities available for sale and other investments in the amount of € 787 million (2005: € 602 million).

DIVIDEND INCOME FROM SECURITIES AVAILABLE FOR SALE AND OTHER INVESTMENTS

Dividend income from securities available for sale and other investments amounted to € 206 million (2005: € 264 million). Included in this figure is dividend income on equity securities available for sale in the amount of € 128 million (2005: € 223 million).

COMMISSION INCOME

Commissions receivable amounted to € 13,874 million (2005: € 12,406 million) and commissions payable to € 2,330 million (2005: € 2,317 million), especially in securities business and for asset management.

The following administration and agency services were provided for third parties: custodian, asset management, administration of trust assets, referral of mortgages, insurance policies and property finance agreements, as well as mergers & acquisitions.

STAFF COSTS

in € m.	2006	2005
Wages and salaries	10,818	9,315
Social security costs	1,831	1,678
thereof: those relating to pensions	554	450
Total	**12,649**	**10,993**

OTHER OPERATING INCOME AND EXPENSES

Other income from ordinary activities consisted, among other things, of recoveries of loan losses from successful workout activities, income from loans held for sale and amounts received from the settlement of insurance claims in respect of business interruption losses and costs related to the terrorist attacks of September 11, 2001 in the United States. These items were partly offset by losses from qualifying hedges.

Other current expenses from ordinary activities consisted, among other things, of net losses from operational risks, other taxes, a goodwill impairment charge related to a fully consolidated private equity investment and sundry other items.

RESULT FROM FINANCIAL INVESTMENTS

in € m.	2006	2005
Result from securities available for sale	407	1,055
Result from other investments[1]	252	186
Total	**659**	**1,241**

1 Excluding investments held at equity and investments held by designated investment companies.

EXTRAORDINARY ITEMS

There are no extraordinary items to be reported for 2006 and 2005.

MANAGEMENT BOARD AND SUPERVISORY BOARD

In 2006, the total compensation of the Management Board was € 32,901,538.29 (2005: € 28,716,909), thereof € 28,294,058 (2005: € 24,560,000) for variable components. The aggregate compensation taking into account the expense booked in the financial year for long-term incentive components granted in the financial year and in previous years amounted to € 26,835,169.

Former members of the Management Board of Deutsche Bank AG or their surviving dependents received € 27,453,020.59 (2005: € 17,318,339). In addition to a fixed payment of € 1,157,680 (2005: € 1,124,620) (including value-added tax), the Supervisory Board received dividend-related emoluments totaling € 2,773,076.67 (2005: € 1,485,670).

Provisions for pension obligations to former members of the Management Board and their surviving dependents totaled € 193,366,824 (2005: € 191,854,101).

At the end of 2006, loans and advances granted and contingent liabilities assumed for members of the Management Board amounted to € 1,219,000 (2005: € 885,200) and for members of the Supervisory Board of Deutsche Bank AG to € 1,567,000 (2005: € 427,300).

STAFF

The average number of effective staff employed in 2006 was 65,745 (2005: 64,036) of whom 27,510 (2005: 27,004) were women. Part-time staff is included in these figures proportionately. An average of 39,451 (2005: 37,253) staff members worked abroad.

OTHER PUBLICATIONS

The list of mandates gives details of mandates in Germany and abroad. It can be obtained free of charge.

RECONCILIATION COMMENTS

Differences in accounting and measurement methods in the Consolidated Financial Statements: U.S. GAAP compared to German Commercial Code (HGB).

TRADING ASSETS. Trading assets include securities held for trading purposes and positive market values from outstanding derivative financial instruments.

TRADING LIABILITIES. Trading liabilities comprise short positions and negative market values from derivative financial instruments.

TRADING ACTIVITIES IN THE ANNUAL FINANCIAL STATEMENTS ACCORDING TO HGB. In accordance with statements by the Banking Committee of the Institute of Auditors in Germany (IDW Institut der Wirtschaftsprüfer in Deutschland e.V.) and common practice, it is permissible to account for financial instruments at market values under certain conditions. In this context, the financial instruments are combined as valuation units in portfolios and reported at market values subject to value compensation and a markdown for risk (value-at-risk).

Financial instruments are included in the corresponding balance sheet items. As a result, positive market values from derivative financial instruments are reported under sundry assets and negative market values from derivative financial instruments under sundry liabilities.

NETTING IN TRADING ACTIVITIES. Trading assets and trading liabilities are netted if there is an enforceable master netting agreement. Similarly, positive and negative market values from derivative financial instruments with the same counterparty are netted under existing master netting agreements. Furthermore, long and short positions in a marketable security are also reported net (so-called “CUSIP/ISIN netting”).

In the Annual Financial Statements according to HGB, netting of trading activities is basically not allowed. This applies in particular to the netting of positive and negative market values on the basis of master netting agreements. An exception to this is the so-called CUSIP/ISIN netting.

SECURITIES AVAILABLE FOR SALE. Financial assets classified as securities available for sale are carried at fair value, whereby, unrealized gains and losses are reported within “shareholders’ equity” and realized gains and losses are recorded in earnings. Under the German Commercial Code these holdings are carried at lower-of-cost-or-market on the balance sheet.

GOODWILL. Under U.S. GAAP, goodwill is not amortized but tested for impairment on an ongoing basis. Under the German Commercial Code and German Accounting Standards, goodwill is amortized over a period of up to 20 years.

PREMISES AND EQUIPMENT

TAX BASES. Premises and equipment are not reported based on the tax value in the U.S. GAAP financial statements. As a result, premises and equipment are usually carried at a higher value compared with statements prepared under the German Commercial Code.

SOFTWARE COSTS. Certain costs for self-developed software are capitalized if the specific conditions of U.S. GAAP are fulfilled. Under the German Commercial Code, all construction costs related to self-developed software are expensed as incurred if not subject to the exceptions issued by the Bundesministerium der Finanzen (German Ministry of Finance).

PROVISIONS

FOR PENSION PLANS AND SIMILAR OBLIGATIONS. Forecasted salary growth is taken into account in the actuarial calculation of pension provisions. Effects of plan amendments on the pension liability are deferred and not fully recognized in P&L immediately. Also, market interest rates are utilized.

In case of pension trusts whose designated trust assets serve solely to secure the long-term pension commitments made by the bank and therefore are segregated from the bank's other operating assets, the pension liabilities are offset with the designated plan assets for reporting purposes. The corresponding profit components are also offset. The German Commercial Code does not allow such offsetting for balance sheet and P&L reporting purposes.

DEFERRED TAXES. Deferred taxes are recorded in accordance with the balance sheet-related temporary differences concept whereby the carrying amounts of individual assets and liabilities in the balance sheet are compared with the values for tax purposes. Temporary differences between these values result in deferred tax assets or deferred tax liabilities. On the other hand, tax deferrals according to the German Commercial Code are only admissible as timing differences between commercial-law results and the profit to be calculated in accordance with tax regulations.

OWN BONDS/OWN SHARES. Repurchased own bonds are extinguished. Differences between cost and issuing value are recognized in the statement of income. Own shares (treasury shares) are deducted from shareholders' equity with their acquisition cost. Gains and losses are directly attributed to additional paid-in capital/retained earnings.

MINORITY INTERESTS. Minority interests are reported as other liabilities.

TRUST BUSINESS. In accordance with its economic content, trust business which the bank transacts in its own name, but for third-party account, is not reported on the face of the balance sheet.

[36] CORPORATE GOVERNANCE

Deutsche Bank AG has approved the Declaration of Conformity in accordance with § 161 of the German Corporation Act (AktG) and made it accessible to shareholders.

[37] PRINCIPAL ACCOUNTING FEES AND SERVICES

The table below gives a breakdown of the fees charged by our auditors for the 2006 and 2005 financial year:

Fee category in € m.	2006	2005
Audit fees	44	42
thereof to KPMG Germany	18	22
Audit-related fees	10	9
thereof to KPMG Germany	4	4
Tax fees	7	8
thereof to KPMG Germany	3	2
Total fees	**61**	**59**

For further information please refer to our Corporate Governance Report.

[38] MANAGEMENT BOARD IN THE REPORTING YEAR

JOSEF ACKERMANN
Chairman

HUGO BÄNZIGER (from May 4, 2006)

CLEMENS BÖRSIG (until May 3, 2006)

ANTHONY DI IORIO (from May 4, 2006)

TESSEN VON HEYDEBRECK

HERMANN-JOSEF LAMBERTI

Statement by the Management Board

The Management Board of Deutsche Bank AG is responsible for the Consolidated Financial Statements. They have been prepared in accordance with accounting principles generally accepted in the United States of America and thus fulfill the conditions of § 292a German Commercial Code in the version effective until December 9, 2004 for exemption from preparation of consolidated financial statements in accordance with German commercial law. In addition, the disclosure requirements of the European Union have been met.

The responsibility for correct accounting requires an efficient internal management and control system and a functioning audit apparatus. Deutsche Bank's internal control system is based on written communication of policies and procedures governing structural and procedural organization, enlarged risk controlling for default and market risks as well as the segregation of duties. It covers all business transactions, assets and records. Deutsche Bank's audit is carried out in accordance with the extensive audit plans covering all divisions of the Group and also including compliance with the organizational terms of reference.

KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft audited the Consolidated Financial Statements in accordance with German auditing regulations, and in supplementary compliance with auditing standards generally accepted in the United States of America and issued an unqualified opinion. KPMG Deutsche Treuhand-Gesellschaft and the Audit Department of Deutsche Bank had free access to all documents needed in the course of their audits for an evaluation of the Consolidated Financial Statements and for an assessment of the appropriateness of the internal control system.

Josef Ackermann

Hugo Bänziger

Tessen von Heydebreck

Anthony Di Iorio

Hermann-Josef Lamberti

Independent Auditors' Report

We have audited the consolidated financial statements, comprising the balance sheet, the income statement, the statement of comprehensive income and the statements of changes in shareholders' equity and cash flows as well as the notes to the financial statements prepared by Deutsche Bank Aktiengesellschaft for the business year from January 1, 2006 to December 31, 2006. The preparation and the content of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit of the consolidated financial statements in accordance with German auditing regulations and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (German Institute of Auditors), and in supplementary compliance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit such that it can be assessed with reasonable assurance whether the consolidated financial statements are free of material misstatements. The evidence supporting the amounts and disclosures in the consolidated financial statements is examined on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on the results of our audit, the consolidated financial statements give a true and fair view of the net assets, financial position, results of operations and cash flows of the Group for the business year in accordance with accounting principles generally accepted in the United States of America.

Our audit, which also extends to the structured presentation of additional disclosures with regard to the Group's position required by Article 36 of the 7th EU Directive prepared by the Company's management for the business year from January 1, 2006 to December 31, 2006, has not led to any reservations. In our opinion on the whole the structured presentation, together with the other disclosures in the consolidated financial statements, provides a suitable understanding of the Group's position and suitably presents the opportunities and risks of future development. In addition, we confirm that the consolidated financial statements and the structured presentation of additional disclosures with regard to the Group's position for the business year from January 1, 2006 to December 31, 2006 satisfy the conditions required for the Company's exemption from its duty to prepare consolidated financial statements and the group management report in accordance with German law.

Frankfurt am Main, March 9, 2007

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Becker
Wirtschaftsprüfer

Bose
Wirtschaftsprüfer

Report of the Supervisory Board

During the past year, we extensively discussed the bank's economic and financial development, strategy and planning. We advised the Management Board and monitored its management of business. The Management Board reported to us regularly, without delay and comprehensively on business policies and other fundamental issues relating to management and corporate planning, strategy, the bank's financial development and earnings situation, the bank's risk management as well as transactions and events that were of significant importance to the bank. We were involved in decisions of fundamental importance. Between the meetings, the Management Board kept us informed in writing of important events. In addition, resolutions were passed, where necessary, by circulation procedure. Moreover, important topics and upcoming decisions were also dealt with in regular discussions between the Chairman of the Management Board and the Chairman of the Supervisory Board.

2006 was an exceptionally successful financial year for Deutsche Bank. The bank was able to clearly surpass its targeted return on equity of 25 % as a multiple-year average. All of the bank's divisions contributed to these outstanding results. We would like to thank all of the bank's employees for their great personal dedication during the 2006 financial year.

Following the successful completion of the first two phases of its management agenda, Deutsche Bank has become a leading global investment bank with a strong and profitable private clients franchise. We extensively discussed the new management agenda issued by the Management Board and approved it. The agenda consistently follows through on the successful strategy of the first two phases. The bank intends to continue to invest in its core businesses, through organic growth, but also through targeted complementary acquisitions. Global Transaction Banking and PCAM, divisions that deliver stable contributions to earnings, are to be expanded further, and the bank will make even greater use of the opportunities for growth from its competitive edge in investment banking. At the same time, the bank will maintain its cost, risk, capital and regulatory compliance discipline. We are convinced we have the right strategy. Deutsche Bank is well positioned to continue on its current path of growth and remain successful.

MEETINGS OF THE SUPERVISORY BOARD

The Supervisory Board held six meetings in the 2006 financial year.

At the first meeting of the year on February 1, 2006, we discussed the development of business in 2005, the key figures of the Annual Financial Statements for 2005, the dividend proposal and the corporate planning for the years 2006 to 2008. Furthermore, Dr. Ackermann was designated Chairman of the Management Board, his appointment to the Management Board was extended to the end of the Ordinary General Meeting 2010, and the appointment of Dr. von Heydebreck was extended to the end of the Ordinary General Meeting 2007.

On March 17, 2006, we approved the Annual Financial Statements for 2005, which were thus established. Furthermore, discussions were held on the Corporate Governance Report as well as the Compliance and Anti-Money Laundering Report, the resolution proposals for the agenda of the General Meeting 2006 were approved, and we discussed the Group's risk management. We consulted on the planned acquisition of Berliner Bank and received reports on the management and control in the bank's regions and on the development of the bank in America.

At an additional meeting on April 2, 2006, Dr. Breuer announced that he would be resigning as member of the Supervisory Board with effect from the end of May 3, 2006, and explained the reasons for his decision. Following the extensive consideration and discussion of alternatives, which included both internal and external candidates, the Supervisory Board came to the unanimous conclusion that Dr. Börsig should transfer to the Supervisory Board and become its Chairman, as the Chair should only be transferred to someone who is familiar with the complex nature of a bank

with global operations through personal and senior managerial experience. Dr. Börsig's appointment as member of the Management Board of Deutsche Bank AG ended through mutual agreement with effect from the end of May 3, 2006. The Supervisory Board furthermore resolved that Dr. Börsig's election to the Supervisory Board be proposed to the General Meeting. In addition, Mr. Di Iorio and Dr. Bänziger were appointed members of the Management Board. Following the meeting, the Chairman's Committee concluded a severance agreement with Dr. Börsig. The Register Court appointed Dr. Börsig member of the Supervisory Board for the period May 4, 2006, until the end of the General Meeting 2006. On June 1, 2006, the General Meeting elected Dr. Börsig member of the Supervisory Board. At the subsequent meeting of the Supervisory Board, we reelected him Chairman of the Supervisory Board until the conclusion of the Supervisory Board's term of office.

At the meeting on July 31, 2006, we obtained information on the development of business in the first half of 2006. Furthermore, the development of the bank in India was reported on, and additional possibilities of expansion were discussed. We also approved a new version of the Terms of Reference and the Business Allocation Plan for the Management Board.

At the last meeting on October 31, 2006, discussions focused in detail on the development of business in the first nine months and, in particular, on the bank's further strategic development, the expansion of the business divisions and the potential to leverage the bank's global presence. Furthermore, we discussed the Human Resources Report on staff development and succession planning.

All members of the Supervisory Board participated in all of the Supervisory Board meetings with only few exceptions in the year 2006.

THE COMMITTEES OF THE SUPERVISORY BOARD

The Chairman's Committee met five times during the reporting period. At its meetings, the Committee handled issues relating to the Management Board and, in particular, the determination of the variable compensation components for the Management Board for 2005, succession planning for the Management Board and the process of selecting new Supervisory Board members. It also prepared the corresponding resolutions for the Supervisory Board. Furthermore, it discussed the introduction of a new Terms of Reference and new Business Allocation Plan for the Management Board as well as amendments to the Declaration of Conformity and the Terms of Reference for the Supervisory Board and its committees.

At its six meetings, the Risk Committee discussed exposures subject to mandatory approval under German law and the Articles of Association as well as all major loans and loans entailing increased risks. Where necessary, the Risk Committee gave its approval. Apart from credit, liquidity, country and market risks, the Committee also discussed operational, legal and reputational risks extensively. Furthermore, global industry portfolios were presented according to a specified plan and discussed at length.

The Audit Committee met five times last year. Representatives of the bank's auditor also attended its meetings. Subjects covered were the audit and approval of the Annual Financial Statements and Consolidated Financial Statements, quarterly financial statements, Forms 20-F and 6-K for the Securities and Exchange Commission, as well as the interim reports. The Committee dealt with the proposal for the election of the auditor for the 2006 financial year, issued the audit mandate with certain audit areas of focus, resolved on the auditor's remuneration and verified the auditor's independence in accordance with the German Corporate Governance Code and the rules of the US Public Company Accounting Oversight Board. The Audit Committee is convinced that, as in the previous years, there are no conflicts of interest on the part of the bank's auditor. Furthermore, the Committee discussed the conversion to IFRS accounting and, in detail, the regulations of the Sarbanes-Oxley Act relating to the implementation of the internal control system, and it also received detailed progress reports on this. When necessary, resolutions were passed or resolutions were recommended for the Supervisory Board. The Audit Committee had reports submitted to it regularly on the engage-

ment of accounting firms, including the auditor, with non-audit-related tasks, on the work of Internal Audit as well as on legal and reputational risks. The Audit Committee did not receive any complaints in connection with accounting, internal accounting controls and auditing matters.

Meetings of the Mediation Committee, established pursuant to the provisions of the Co-Determination Act, were not necessary in 2006.

The committee chairmen reported regularly to the Supervisory Board on the work of its committees.

CORPORATE GOVERNANCE

As in the preceding years, discussions were held on the implementation of the regulations of the German Corporate Governance Code and the U.S. Sarbanes-Oxley Act at several of the Supervisory Board, Chairman's Committee and Audit Committee meetings. In February 2006, we discussed the results of the appraisal of the efficiency of the Supervisory Board, which was conducted using a company-specific questionnaire in autumn 2005, as well as suggestions for improvement. Recommendations were implemented regarding the supply of information to the Supervisory Board as well as the agenda and procedures of the Supervisory Board meetings. In October 2006, the Audit Committee also conducted its own appraisal of efficiency using a previously distributed questionnaire. Representatives of the bank's auditor also participated in this. In order to address the increased requirements, a resolution was passed to generally hold an additional Audit Committee meeting in December, starting from 2007 on, to discuss, among other things, current issues in accounting.

Executive sessions, i.e. meetings of the Supervisory Board without the Management Board, took place on several occasions.

The Supervisory Board determined that it has what it considers to be an adequate number of independent members.

The Declaration of Conformity pursuant to § 161 German Stock Corporation Act (AktG), last issued by the Supervisory Board and Management Board in October 2005 and amended on April 2, 2006, was reissued at the Supervisory Board meeting on October 31, 2006.

A comprehensive presentation of the bank's corporate governance, including the text of the Declaration of Conformity issued on October 31, 2006, can be found in the Financial Report on pages 212-213 and on our website in the Internet at www.deutsche-bank.com. The Terms of Reference of the Supervisory Board and its committees as well as of the Management Board are also published there.

CONFLICTS OF INTEREST AND THEIR HANDLING

The Risk Committee dealt with the loan approvals required pursuant to § 15 of the German Banking Act (KWG). Supervisory Board members who were also board members of the respective borrowing company when the resolutions were taken did not participate in the discussion and voting.

As in the preceding years, the Supervisory Board was kept informed regularly on Dr. Kirch's lawsuits against Deutsche Bank and Dr. Breuer, and discussed further courses of action. Also the actions for rescission and to obtain information filed in connection with the General Meetings 2003, 2004, 2005 and 2006 were regularly and comprehensively discussed, along with possible consequences. At its meetings on February 1, 2006, and March 17, 2006, the Supervisory Board analyzed, without Dr. Breuer's participation, the consequences of the German Supreme Court ruling of January 24, 2006, and discussed future courses of action.

Dr. Börsig declared that, in his function as member of the Supervisory Board and its committees, he would not participate in the discussions and voting on all the issues that related to his previous membership on the Management Board and could give cause for a conflict of interests.

COMMENTS PURSUANT TO § 289 (4) AND § 315 (4) GERMAN COMMERCIAL CODE (HGB)

The Supervisory Board discussed the disclosures pursuant to § 289 (4) and § 315 (4) German Commercial Code (HGB) in the Management Report as well as in the Management Report for the Consolidated Financial Statements and comments on these as follows:

The disclosures on the subscribed capital and shares appropriately reflect the situation as of December 31, 2006. To the extent new shares were issued during the current financial year through the exercising of option rights, these grant a profit participation only starting with the current financial year, unlike already existing shares.

Restrictions on the voting rights of the shares may arise on the basis of the regulations of the Stock Corporation Act (AktG). For example, under certain conditions, shareholders are prohibited from voting (§ 136 Stock Corporation Act (AktG)). Furthermore, the company has no voting rights from its own shares (§ 71 b Stock Corporation Act (AktG)). The Supervisory Board is not aware of any contractual restrictions relating to the voting right or transfer of shares.

The bank has not received any notification of shareholdings in the company's capital exceeding 10 % of the voting rights. For this reason, the disclosure on this has been omitted.

A description of shares with special rights granting control authorities is not necessary as such shares have not been issued.

An explanation of the special controls of voting rights for staff shareholdings has been omitted, as the employees who participate in the bank's capital exercise their control rights like other shareholders.

The disclosures on the appointment and dismissal of members of the Management Board are fairly stated in accordance with the statutory regulations and Articles of Association. The same applies to the information on amendments to the Articles of Association.

The authority of the Management Board to issue or repurchase shares is appropriately stated with the reference to the authorizations approved by the General Meeting.

The Supervisory Board is not aware of any material agreements that are contingent on a change of control following a takeover offer.

To the extent, that a compensation has been agreed with the members of the Management Board in the event of a change of control, this agreement serves to preserve the independence of the Management Board members. The corresponding commitments to other senior managers also serve to secure their contractual legal positions.

ANNUAL FINANCIAL STATEMENTS

KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, the auditor of the Annual Financial Statements elected at last year's General Meeting, has audited the accounting, the Annual Financial Statements and the Management Report for 2006 as well as the Consolidated Financial Statements with the related Notes and Management Report for 2006. The audits led in each case to an unqualified opinion. After inspecting the reports of the auditor of the Annual Financial Statements, we agreed with the results of these audits.

Today, we established the Annual Financial Statements prepared by the Management Board and approved the Consolidated Financial Statements. We agree with the Management Board's proposal for the appropriation of profits and with the payment of a dividend of € 4.00 per no par value share entitled to dividend payment.

PERSONNEL ISSUES

The court proceedings against our Chairman of the Management Board Dr. Ackermann and others before the Düsseldorf District Court in the Mannesmann case, the continuation of which had become necessary as a result of the Supreme Court ruling on December 21, 2005, were terminated on November 29, 2006, subject to non-penal payments. The court expressly emphasized that no findings of guilt whatsoever were connected with the termination of the proceedings. We were thus confirmed in our opinion, which we had expressed right from the start. We are pleased that Dr. Ackermann will dedicate his entire energy to continuing to lead Deutsche Bank on its successful course.

As also specified above, Dr. Börsig left the Management Board with effect from the end of May 3, 2006. We appointed Mr. Di Iorio and Dr. Bänziger members of the Management Board with effect from May 4, 2006. Mr. Di Iorio took on functional responsibility as Chief Financial Officer and Dr. Bänziger as Chief Risk Officer.

Dr. Breuer resigned his Supervisory Board mandate with effect from the end of May 3, 2006. The Supervisory Board thanks Dr. Breuer for his prudent and successful leadership of this body over the four years he was Chairman of the Supervisory Board of Deutsche Bank AG. As his successor, Dr. Börsig was appointed member of the Supervisory Board by the Register Court for the period from May 4, 2006, until the end of the General Meeting on June 1, 2006, and elected by the Supervisory Board to be its Chairman. The General Meeting on June 1, 2006, elected him member of the Supervisory Board for the remainder of the term of office, i.e. until the end of the Ordinary General Meeting in 2008. At the subsequent meeting of the Supervisory Board, we reelected him Chairman of the Supervisory Board until the conclusion of the Supervisory Board's term of office.

Mr. Funk was a member of the Supervisory Board until February 1, 2006. He was replaced for the remainder of his term of office by Mr. Kazmierczak. Ms. Mönig-Raane and Mr. Woeste were members of the Supervisory Board until June 1, 2006. Mr. Lévy was elected member of the Supervisory Board by the General Meeting on June 1, 2006, for the remainder of the Supervisory Board's term of office. On June 2, 2006, Mr. Herzberg was appointed member of the Supervisory Board by the Register Court for the remainder of the term of office. Professor Dr. Dr. h. c. Kirchhof was a member of the Supervisory Board until July 15, 2006. As his successor, Dr. Siegert was appointed by order of the Register Court with effect from July 16, 2006, until the end of the Ordinary General Meeting 2007. He will stand for election to the Supervisory Board by the General Meeting on May 24, 2007.

We thank all of the members who left last year for their dedicated work on the Supervisory Board and for their constructive assistance to the company and the Management Board during the past years.

Frankfurt am Main, March 21, 2007
The Supervisory Board

Dr. Clemens Börsig
Chairman

Corporate Governance Report

MANAGEMENT BOARD AND SUPERVISORY BOARD

MANAGEMENT BOARD

The Management Board is responsible for managing the company. Its members are jointly accountable for the management of the company. The duties, responsibilities and procedures of our Management Board and the committees installed by the Board are specified in its Terms of Reference, which are available on our Internet website (www.deutsche-bank.com/corporate-governance).

On May 3, 2006, Dr. Clemens Börsig left the Management Board and, with effect from May 4, 2006, was appointed member of the Supervisory Board by the court. On April 2, 2006, the Supervisory Board appointed Anthony Di Iorio and Dr. Hugo Bänziger as new members of the Management Board with effect from May 4, 2006. The following paragraphs show information on the current members of the Management Board. The information includes their ages as of December 31, 2006, the year in which they were appointed and the year in which their term expires, their current positions or area of responsibility and their principal business activities outside our company. The members of our Management Board have generally undertaken not to assume chairmanships of supervisory boards of companies outside our consolidated group.

DR. JOSEF ACKERMANN

Age: 58
First Appointed: 1996
Term Expires: 2010

Dr. Josef Ackermann joined Deutsche Bank as a member of the Management Board in 1996, where he was responsible for the investment banking division. On May 22, 2002, Dr. Ackermann was appointed Spokesman of the Management Board and Chairman of our Group Executive Committee. On February 1, 2006, he was appointed Chairman of the Management Board.

After studying Economics and Social Sciences at the University of St. Gallen, he worked at the University's Institute of Economics as research assistant and received a doctorate in Economics. Dr. Ackermann started his professional career in 1977 at Schweizerische Kreditanstalt (SKA) where he held a variety of positions in Corporate Banking, Foreign Exchange/Money Markets and Treasury, Investment Banking and Multinational Services. He worked in London and New York, as well as at several locations in Switzerland. Between 1993 and 1996, he served as President of SKA's Executive Board, following his appointment to that board in 1990.

Dr. Ackermann engages in the following principal business activities outside our company: He is a member of the supervisory boards of Bayer AG and Siemens AG (second deputy chairman). Until June 30, 2006, he was a member of the supervisory boards of Deutsche Lufthansa AG and Linde AG.

DR. HUGO BÄNZIGER

Age: 50
First Appointed: 2006
Term Expires: 2009

Dr. Hugo Bänziger became a member of our Management Board on May 4, 2006. He is our Chief Risk Officer and a member of the Group Executive Committee. He joined Deutsche Bank in London in 1996 as Head of Global Markets Credit. He was appointed Chief Credit Officer in 2000 and became Chief Risk Officer for Credit and Operational Risk in 2004.

Dr. Bänziger began his career in 1983 at the Swiss Federal Banking Commission in Berne. From 1985 to 1996, he worked at Credit Suisse in Zürich and London, first in Retail Banking and subsequently as Relationship Manager in Corporate Finance. In 1990 he was appointed Global Head of Credit for CS Financial Products.

He studied Modern History, Law and Economics at the University of Berne where he subsequently earned a doctorate in Economic History.

Dr. Bänziger engages in the following principal business activities outside our company: He is a member of the Supervisory Board of EUREX Clearing AG, EUREX Frankfurt AG and a member of the Board of Directors of EUREX Zürich AG.

DR. TESSEN VON HEYDEBRECK

Age: 61
First Appointed: 1994
Term Expires: 2007

Dr. Tessen von Heydebreck joined our Management Board in 1994. From 1994 to 1996, he was a deputy member of the Management Board. He is our Chief Administrative Officer, a member of the Group Executive Committee and serves as Deutsche Bank's Corporate Governance Officer.

Dr. von Heydebreck joined Deutsche Bank in 1974 and worked in various positions in Northern Germany, ultimately as regional head in Hamburg.

He studied Law at the Universities of Göttingen and Freiburg. After passing the First and the Second State Examinations in Law, he earned a doctorate in Law from Göttingen University.

Dr. von Heydebreck engages in the following principal business activities outside our company: He is a supervisory board member at BASF AG and BVV Versicherungsverein des Bankgewerbes a.G and was a member of the supervisory board of Dürr AG until May 2006.

ANTHONY DI IORIO
Age: 63
First Appointed: 2006
Term Expires: 2008

Anthony Di Iorio became member of our Management Board on May 4, 2006. He is our Chief Financial Officer and a member of the Group Executive Committee. He joined Deutsche Bank in April 2001 as Head of Corporate Center Controlling and shortly thereafter became the Group Controller, based in Frankfurt.

Mr. Di Iorio began his professional career with KPMG. Joining as a member of their audit department in New York, he later moved to the management consulting unit and was ultimately responsible for the financial institutions advisory practice in the Midwest region of the United States, based in Chicago. His career in the financial services industry includes positions at Goldman Sachs & Co. (serving in several capacities in the finance function, ultimately as Co-Controller, based in New York), Bank of America (then: Nationsbank, Chief Financial Officer of the trading & sales and corporate finance businesses, based in Charlotte/North Carolina), and PaineWebber Group (joining as Executive Vice President in New York, ultimately Chairman/Chief Executive Officer of PaineWebber International, Ltd., based in London).

Mr. Di Iorio holds a Bachelor of Business Administration from Iona College and a Master of Business Administration from Columbia University and qualified as a Certified Public Accountant in New York.

HERMANN-JOSEF LAMBERTI
Age: 50
First Appointed: 1999
Term Expires: 2009

Hermann-Josef Lamberti was appointed a member of our Management Board in 1999. He is our Chief Operating Officer and a member of the Group Executive Committee. He joined us in 1998 as an Executive Vice President, based in Frankfurt.

Mr. Lamberti began his professional career in 1982 with Touche Ross in Toronto and subsequently joined Chemical Bank in Frankfurt. From 1985 to 1998 he worked for IBM, initially in Germany in the areas Controlling, Internal Application Development and Sales Banks/Insurance Companies. In 1993, he was appointed General Manager of the Personal Software Division for Europe, the Middle East and Africa at IBM Europe in Paris. In 1995, he moved to IBM in the U.S., where he was Vice President for Marketing and Brand Management. He returned to Germany in 1997 to take up the position of Chairman of the Management of IBM Germany in Stuttgart.

Mr. Lamberti studied Business Administration at the Universities of Cologne and Dublin and graduated in 1982 with a master’s degree in Business Administration.

Mr. Lamberti engages in the following principal business activities outside our company: He is a member of the supervisory board or similar bodies of Deutsche Börse AG, Fiat S.p.A. and Carl Zeiss AG and was a member of the supervisory board of Schering AG until March 2006.

GROUP EXECUTIVE COMMITTEE

The Group Executive Committee was established in 2002. It comprises the members of the Management Board, the Business Heads of our Group Divisions, CIB and PCAM, and the head of the management of our regions. The Group Executive Committee serves as a tool to coordinate our businesses and regions through the following activities:

— Provision of ongoing information to the Management Board on business developments and particular transactions;
— Regular review of our business segments;
— Consultation with and furnishing advice to the Management Board on strategic decisions; and
— Preparation of decisions to be made by the Management Board.

SUPERVISORY BOARD

The Supervisory Board appoints, supervises and advises the Management Board and is directly involved in decisions of fundamental importance to the bank. The Management Board regularly informs the Supervisory Board of the intended business policies and other fundamental matters relating to the assets, liabilities, financial and profit situation as well as its risk situation, risk management and risk controlling. A report is made to the Supervisory Board on corporate planning at least once a year. On the basis of recommendations by the Chairman's Committee, the Supervisory Board regularly discusses and reviews the structure of the Management Board's compensation system. The Chairman of the Supervisory Board coordinates work within the Supervisory Board. He maintains regular contact with the Management Board, especially with the Chairman of the Management Board, and consults with him on strategy, the development of business and risk management. The Supervisory Board Chairman is informed by the Chairman of the Management Board without delay of important events of substantial significance for the situation and development as well as for the management of Deutsche Bank Group. The types of business that require the approval of the Supervisory Board to be transacted are specified in section 13 of our Articles of Association. The Supervisory Board meets if required without the Management Board. For the performance of its duties, the Supervisory Board may, at its professional discretion, use the services of auditors, legal advisors and other internal and external consultants.

The duties, procedures and committees of the Supervisory Board are specified in its Terms of Reference, which are available on the Deutsche Bank Internet website (www.deutsche-bank.com/corporate-governance)

The members representing our shareholders were elected at the Annual General Meeting on June 10, 2003, and the members representing our employees were elected on May 8, 2003. The following table shows information on the current members of our Supervisory Board. The information includes their ages as of December 31, 2006, the years in which they were first elected or appointed, the years when their terms expire, their principal occupation and their membership on other companies' supervisory boards, other nonexecutive boards and other positions.

Member	Principal occupation	Supervisory board memberships and other directorships
Dr. Clemens Börsig Age: 58 Appointed by the court: 2006 Term expires: 2008	Chairman of the Supervisory Board of Deutsche Bank AG, Frankfurt	Deutsche Lufthansa AG (since July 2006); Linde AG (since June 2006); Heidelberger Druckmaschinen AG (until March 2007); Foreign & Colonial Eurotrust Plc (until December 2007)
Dr. Karl-Gerhard Eick Age: 52 Appointed by the court: 2004 Term expires: 2008	Deputy Chairman of the board of managing directors of Deutsche Telekom AG, Bonn	DeTe Immobilien Deutsche Telekom Immobilien und Service GmbH; T-Mobile International AG; T-Online International AG (until June 2006); T-Systems Enterprise Services GmbH; T-Systems Business Services GmbH; GMG Generalmietgesellschaft mbH (chairman, until March 2006); Sireo Real Estate Asset Management GmbH (chairman, until June 2006); FC Bayern München AG
Heidrun Förster* Age: 59 First elected: 1993 Term expires: 2008	Deputy Chairperson of the Supervisory Board of Deutsche Bank AG; Chairperson of the combined staff council Berlin of Deutsche Bank AG	
Ulrich Hartmann Age: 68 First elected: 2003 Term expires: 2008	Chairman of the supervisory board of E.ON AG, Düsseldorf	Deutsche Lufthansa AG; Hochtief AG; IKB Deutsche Industriebank AG (chairman); Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft; ARCELOR (until September 2006); Henkel KGaA (member of the shareholders' committee)
Gerd Herzberg* Age: 56 Appointed by the court: 2006 Term expires: 2008	Deputy Chairman of ver.di Vereinte Dienstleistungsgewerkschaft, Berlin	Franz Haniel & Cie GmbH (deputy chairman); DBV Winterthur Lebensversicherung AG; BGAG – Beteiligungsgesellschaft der Gewerkschaften AG; DAWAG – Deutsche Angestellten Wohnungsbau AG (chairman); Vattenfall Europe AG
Sabine Horn* Age: 45 First elected: 1998 Term expires: 2008	Employee of Deutsche Bank AG, Frankfurt	
Rolf Hunck* Age: 61 First elected: 2003 Term expires: 2008	Member of the management body of PWM Germany of Deutsche Bank AG, Hamburg	Fibula Finanz AG; HCI Capital AG; Kühne-Stiftung, Switzerland
Sir Peter Job Age: 65 Appointed by the court: 2001 Term expires: 2008		Schroders Plc; Tibco Software Inc.; Royal Dutch Shell; Mathon Systems (Advisory Board, since January 2007)
Prof. Dr. Henning Kagermann Age: 59 First elected: 2000 Term expires: 2008	Chairman and CEO of SAP AG, Walldorf	DaimlerChrysler Services AG (until July 2006); Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft
Ulrich Kaufmann* Age: 60 First elected: 1988 Term expires: 2008	Member of the combined staff council Düsseldorf of Deutsche Bank AG	
Peter Kazmierczak* Age: 49 First elected: 2002 Term expires: 2008	Deputy chairman of the combined staff council Ruhrgebiet-West of Deutsche Bank AG	
Maurice Lévy Age: 64 First elected: 2006 Term expires: 2008	Chairman and Chief Executive Officer, Publicis Groupe S.A. Paris	Publicis Conseil SA (France); Publicis USA Holdings, Inc. (USA); Medias et Régies Europe SA (France); MMS USA Holdings, Inc.; Fallon Group, Inc.
Henriette Mark* Age: 49 First elected: 2003 Term expires: 2008	Chairperson of the combined staff council Munich and Southern Bavaria of Deutsche Bank AG	

Member	Principal occupation	Supervisory board memberships and other directorships
Prof. Dr. jur. Dr.-Ing. E. h. Heinrich von Pierer Age: 65 First elected: 2005 Term expires: 2008	Chairman of the supervisory board of Siemens AG, Munich	Hochtief AG; Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft; ThyssenKrupp AG; Volkswagen AG
Gabriele Platscher* Age: 49 First elected: 2003 Term expires: 2008	Chairperson of the combined staff council Braunschweig/Hildesheim of Deutsche Bank AG	Deutsche Bank Privat- und Geschäftskunden AG; BVV Versicherungsverein des Bankgewerbes a.G.
Karin Ruck* Age: 41 First elected: 2003 Term expires: 2008	Deputy Chairperson of the combined staff council Frankfurt branch of Deutsche Bank AG	Deutsche Bank Privat- und Geschäftskunden AG; BVV Versicherungsverein des Bankgewerbes a.G
Dr. Theo Siegert Age: 59 Appointed by the court: 2006 Term expires: 2007	Managing Partner of de Haen Carstanjen & Söhne, Düsseldorf	Celesio AG (chairman; until April 2006); ERGO AG; Metro AG (chairman; until February 2006); Merck KGaA; E. Merck OHG, (member of the shareholders' committee); DKSH Holding Ltd. (member of the board of administration); Takkt AG (until May 2006)
Tilman Todenhöfer Age: 63 Appointed by the court: 2001 Term expires: 2008	Managing Partner of Robert Bosch Industrietreuhand KG, Stuttgart	Robert Bosch GmbH; Robert Bosch Int. Beteiligungen AG (president of the board of administration); Carl Zeiss AG (chairman); Schott AG (chairman)
Dipl.-Ing. Dr.-Ing. E. h. Jürgen Weber Age: 65 First elected: 2003 Term expires: 2008	Chairman of the supervisory board of Deutsche Lufthansa AG, Cologne	Allianz Lebensversicherungs-AG; Bayer AG; Deutsche Post AG (chairman); Voith AG; LP Holding GmbH (chairman); Tetra Laval Group, Willy Bogner GmbH & Co. KGaA
Leo Wunderlich* Age: 57 First elected: 2003 Term expires: 2008	Chairman of the group staff council of Deutsche Bank AG, Mannheim	

* Employee-elected member of the Supervisory Board.

Dr. Rolf-E. Breuer was Chairman of the Supervisory Board until May 3, 2006. Dr. Clemens Börsig was a member of the Management Board of Deutsche Bank AG until May 3, 2006. He was appointed member of the Supervisory Board by the court from May 4, 2006, until the end of the General Meeting on June 1, 2006, and elected by the Supervisory Board to be its Chairman. The General Meeting on June 1, 2006 elected him for the remainder of the term of office of the Supervisory Board. Subsequently, the Supervisory Board reelected him as its Chairman. All payments for his position on the Management Board were determined by the Chairman's Committee without his involvement or influence on the decision. Dr. Börsig has declared that he would abstain from voting in his function as member of the Supervisory Board and its committees on all questions that relate to his former membership of the Management Board and could create a conflict of interest.

Klaus Funk was a member of the Supervisory Board until February 1, 2006. Peter Kazmierczak, who was first elected to the Supervisory Board in 2002 and resigned in 2003, followed him as his substitute for the remainder of the term of office. Margret Mönig-Raane and Dipl.-Ing. Albrecht Woeste were members of the Supervisory Board until June 1, 2006. Maurice Lévy was elected member of the Supervisory Board by the General Meeting on June 1, 2006, for the remainder of the Supervisory Board's term of office. On June 2, 2006, Gerd Herzberg was appointed member of the Supervisory Board by the court for the remainder of the term of office. Professor Dr. Dr. h. c. Paul Kirchhof was a member of the Supervisory Board until July 15, 2006. As his successor, Dr. Theo Siegert was appointed by order of the court with effect from July 16, 2006, until the end of the Annual General Meeting 2007.

According to Section 5.4.2 of the German Corporate Governance Code, the Supervisory Board determined that it has what it considers to be an adequate number of independent members.

STANDING COMMITTEES

The Supervisory Board has established the following three standing committees. The Report of the Supervisory Board provides information on the concrete work to the committees over the preceding year.

CHAIRMAN'S COMMITTEE. The Chairman's Committee is responsible for all Management Board and Supervisory Board matters. It prepares the decisions for the Supervisory Board on the appointment and dismissal of members of the Management Board, including long-term succession planning, and is responsible for deciding on the amount and structure of the Management Board members' compensation and entering into, amending and terminating the service contracts and other agreements with the Management Board members. It provides its approval for ancillary activities of Management Board members pursuant to Section 112 of the German Stock Corporation Act and for certain contracts with Supervisory Board members pursuant to Section 114 of the German Stock Corporation Act. Furthermore, it prepares the proposal of the Supervisory Board for the election of Supervisory Board members representing the shareholders as well as the decisions of the Supervisory Board in the field of corporate governance. The Chairman's Committee held five meetings in 2006.

The current members of the Chairman's Committee are Dr. Clemens Börsig (Chairman, since May 4, 2006), Heidrun Förster, Ulrich Hartmann and Ulrich Kaufmann.

AUDIT COMMITTEE. The Audit Committee reviews the documentation relating to the annual consolidated financial statements and discusses the audit reports with the auditor. It prepares the decisions of the Supervisory Board on the annual financial statements and the approval of the consolidated financial statements and discusses important changes to the audit and accounting methods. The Audit Committee also discusses the quarterly financial statements and the report on the limited review of the quarterly financial statements with the Management Board and the auditor. In addition, the Audit Committee issues the audit mandate to the auditor elected by the General Meeting. It resolves on the compensation paid to the auditor and monitors the auditor's independence, qualifications and efficiency. The head of internal audit reports to the Audit Committee several times during the year on the work done by internal audit. The Audit Committee is informed about special audits, substantial complaints and other exceptional measures on the part of bank regulatory authorities. It has functional responsibility for taking receipt of and dealing with complaints concerning accounting, internal controls and issues relating to the audit. Subject to its review, the Audit Committee grants its approval for mandates engaging the auditor for non-audit-related services (in this context, see also "Principal Accounting Fees and Services" on pages 211-212). The Audit Committee held five meetings in 2006.

The current members of the Audit Committee are Dr. Karl-Gerhard Eick (Chairman), Dr. Clemens Börsig (since May 4, 2006), Heidrun Förster, Sabine Horn, Rolf Hunck and Sir Peter Job.

RISK COMMITTEE. The Risk Committee handles loans which require a resolution by the Supervisory Board pursuant to law or our Articles of Association. Subject to its review, it grants its approval for the acquisition of shareholdings in other companies that amount to between 2 % and 3 % of our regulatory banking capital. At the meetings of the Risk Committee, the Management Board reports on credit, market, liquidity, operational, litigation and reputational risks. The Management Board also reports on risk strategy, credit portfolios, loans requiring a Supervisory Board approval pursuant to law or the Articles of Association, questions of capital resources and matters of special importance due to the risks they entail. The Risk Committee held six meetings in 2006.

The current members of the Risk Committee are Dr. Clemens Börsig (Chairman, since May 4, 2006), Professor Dr. Henning Kagermann and Sir Peter Job. Tilman Todenhöfer and Professor Dr. Heinrich von Pierer are substitute members of the Risk Committee. They are invited to all meetings and regularly attend them.

In addition, the MEDIATION COMMITTEE, which is required by German law, makes proposals to the Supervisory Board on the appointment or dismissal of members of the Management Board in those cases where the Supervisory Board is unable to reach a two-thirds majority decision with respect to the appointment or dismissal. In voting on such proposals, members of the Management Board are dismissed or appointed by a simple majority of the votes cast. The current members of the Mediation Committee are Dr. Clemens Börsig (Chairman, since May 4, 2006), Heidrun Förster, Ulrich Hartmann and Henriette Mark. The Mediation Committee did not hold any meetings in 2006.

The duties, responsibilities and processes of the Chairman's Committee, the Risk Committee, and the Audit Committee are set out in separate terms of reference, which are available on our Internet website ().

COMPENSATION

For a description of the principles of our compensation system and the compensation for the Management Board and the Supervisory Board, please refer to our Compensation Report in the Management Report. For the pension promises discussed there in favor of members of the Management Board, there was service cost in the 2006 financial year of € 389,403 for Dr. Ackermann, of € 112,893 for Dr. Bänziger, of € 161,006 for Dr. Börsig, of € 85,918 for Mr. Di Iorio, of € 238,937 for Dr. von Heydebreck and of € 338,710 for Mr. Lamberti.

SHARE PLANS

For a description of our employee share programs, please refer to Note [20] to the consolidated financial statements.

REPORTING AND TRANSPARENCY

DIRECTORS' SHARE OWNERSHIP

MANAGEMENT BOARD. As of February 28, 2007, 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	232,903	176,208	–
Dr. Hugo Bänziger	10,734	112,114	59,286
Anthony Di Iorio	7,330	60,234	16,676
Dr. Tessen von Heydebreck	38,370	78,989	21,962
Hermann-Josef Lamberti	55,385	78,989	30,697
Total	**344,722**	**506,534**	**128,621**

1 Including the Restricted Equity Units Dr. Hugo Bänziger and Anthony 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 February 1, 2011.

The current members of our Management Board held an aggregate of 344,722 of our shares on February 28, 2007, amounting to approximately 0.07 % of our shares issued on that date.

The table below shows information regarding the 128,621 Performance Options held by the current members of our Management Board as of February 28, 2007. All Performance Options were granted under the DB Global Partnership Plan. Each Performance Option is accompanied by a Partnership Appreciation Right.

Number of Performance Options[1]	Strike price in €	Expiration date
82,196	89.96	February 1, 2008
9,822	47.53	February 1, 2009
36,603	76.61	February 1, 2010

1 All options may be exercised immediately up to the respective expiry date because the relevant conditions have been fulfilled.

For more information on DB Equity Units, Performance Options and Partnership Appreciation Rights, all of which are granted under the DB Global Partnership Plan, see Note [20] to the consolidated financial statements.

SUPERVISORY BOARD. As of February 28, 2007, the current members of our Supervisory Board held the following numbers of our shares, share grants under our employee share plans and options on our shares.

Members of the Supervisory Board	Number of shares	Number of share grants	Number of options
Dr. Clemens Börsig[1]	41,942	68,734	63,682
Dr. Karl-Gerhard Eick	0	0	0
Heidrun Förster	575	10	0
Ulrich Hartmann	0	0	0
Gerd Herzberg	0	0	0
Sabine Horn	53	10	0
Rolf Hunck	144	11,974	260
Sir Peter Job	0	0	0
Prof. Dr. Henning Kagermann	0	0	0
Ulrich Kaufmann	75	10	100
Peter Kazmierczak	20	10	0
Maurice Lévy	0	0	0
Henriette Mark	358	10	0
Prof. Dr. jur. Dr.-Ing. E. h. Heinrich von Pierer	295	0	0
Gabriele Platscher	719	10	0
Karin Ruck	86	8	120
Dr. Theo Siegert	0	0	0
Tilman Todenhöfer	150	0	0
Dipl.-Ing. Dr.-Ing. E. h. Jürgen Weber	0	0	0
Leo Wunderlich	692	10	200
Total	**45,109**	**80,786**	**64,362**

1 Excluding 150 Deutsche Bank shares, pooled in a family held partnership, in which Dr. Clemens Börsig has an interest of 25 %.

As of February 28, 2007, the members of the Supervisory Board held 45,109 shares, amounting to less than 0.01 % of our shares issued on that date.

Some of the Supervisory Board members who are or were formerly employees received grants under our employee share plans entitling them to receive shares at specified future dates or granting them options to acquire shares at future dates. For a description of our employee share plans, please refer to Note [20] of the consolidated financial statements. Shares that have been delivered to such employees as a result of grants under the plans (including following the exercise of options granted thereunder), and that have not been disposed by them, are shown in the "Number of Shares" column in the table above, as are shares otherwise acquired by them. Shares granted under the plans that have not yet been delivered to such employees are shown in the "Number of Share Grants" column.

Dr. Clemens Börsig holds 68,734 DB Equity Units granted under the DB Global Partnership Plan in connection with his prior service as a member of our Management Board, which are scheduled to be delivered to him in installments through August 2010. The share grants to Rolf Hunck include 10,919 shares granted under the Restricted Equity Units Plan in connection with his employment with us, which are scheduled to be delivered to him in installments through August 2010, and a further 1,045 shares granted under the DB Equity Plan, which are scheduled to be delivered to him in installments through February 2011. The other grants reflected in the table were made to employee members of our Supervisory Board under the DB Global Share Plan (since 2004) in 2006, and are scheduled to be delivered on November 1, 2007.

Dr. Clemens Börsig holds a total of 63,682 Performance Options granted under the DB Global Partnership Plan in connection with his prior service as a member of our Management Board. These options, which have all vested, have strike prices of € 89.96, € 47.53 and € 76.61 and expiration dates of February 1, 2008, February 1, 2009, and February 1, 2010, respectively. Each Performance Option is accompanied by a Partnership Appreciation Right. The other options reflected in the table were acquired via the voluntary participation of employee members of our Supervisory Board in the DB Global Share Plan (pre 2004). DB Global Share Plan options issued in 2001 generally have a strike price of € 87.66 and an expiration date of November 13, 2007; those issued in 2002 generally have a strike price of € 55.39 and an expiration date of November 13, 2008; those issued in 2003 generally have a strike price of € 75.24 and an expiration date of December 11, 2009. All options have vested and are with respect to our ordinary shares.

DIRECTORS' DEALINGS

Section 15a of the German Securities Trading Act (Wertpapierhandelsgesetz) requires persons discharging managerial responsibilities within an issuer of financial instruments to disclose their personal transactions in shares of the issuer and financial instruments based on them, especially derivatives, to the issuer and to the Federal Financial Supervisory Authority (BaFin). The duty of disclosure applies to the members of the Management Board and of the Supervisory Board as well as other managers of Deutsche Bank who have regular access to inside information about the company and are empowered to make significant managerial decisions. The duty of disclosure also applies to persons and certain legal entities closely associated with a person discharging managerial responsibilities at Deutsche Bank.

In accordance with our policy and the German law, the transactions since January 1, 2006, were as follows (until February 28, 2007):

Date and place of transaction	Name	Title of the security or right	WKN/ISIN	Type of transaction	Quantity and nominal	Price/ Currency	Amount	Comments
Management Board members								
14.2.2007 off-exchange	Dr. Tessen von Heydebreck	New DB shares	DB0G8A/ DE000DB0G8A3	Sell	16,056	€ 102.94	€ 1,652,804.64	Sale of purchased New DB shares via the DB Global Partnership Plan resulting in pre-tax gross proceeds of € 449,150.54
10.5.2006 off-exchange	Dr. Hugo Bänziger	New DB shares	DB0G4P/ DE000DB0G4P0	Sell	25,784	€ 94.7866	€ 2,443,979.50	Sale of purchased New DB shares via the DB Global Partnership Plan resulting in pre-tax gross proceeds of € 1,422,675.26
5.5.2006 off-exchange	Dr. Hugo Bänziger	DB shares	514000/ DE0005140008	Sell	5,905	€ 98.38	€ 580,933.90	
28.2.2006 Xetra	Dr. Josef Ackermann	DB shares	514000/ DE0005140008	Buy	10,000	€ 94.50	€ 945,000.00	
27.2.2006 Xetra	Hermann-Josef Lamberti	DB shares	514000/ DE0005140008	Sell	16,558	€ 94.12	€ 1,558,473.44	Sale in four partial executions: weighted average price € 94.12
14.2.2006 off-exchange	Dr. Josef Ackermann	New DB shares	DB0G4P/ DE000DB0G4P0	Sell	51,381	€ 87.27	€ 4,484,019.87	Sale of purchased New DB shares via the DB Global Partnership Plan resulting in pre-tax gross proceeds of € 632,192.00
14.2.2006 off-exchange	Dr. Josef Ackermann	New DB shares	DB0G4P/ DE000DB0G4P0	Sell	16,330	€ 87.27	€ 1,425,119.10	Sale of purchased New DB shares via the DB Global Partnership Plan resulting in pre-tax gross proceeds of € 382,612.00
14.2.2006 off-exchange	Dr. Tessen von Heydebreck	New DB shares	DB0G4P/ DE000DB0G4P0	Sell	26,899	€ 87.27	€ 2,347,475.73	Sale of purchased New DB shares via the DB Global Partnership Plan resulting in pre-tax gross proceeds of € 1,282,006.00

Date and place of transaction	Name	Title of the security or right	WKN/ISIN	Type of transac-tion	Quantity and nominal	Price/ Currency	Amount	Comments
Supervisory Board members								
28.2.2007 Stuttgart	Tilman Todenhöfer	DB shares	514000/ DE0005140008	Buy	150	€ 100.78	€ 15,117.00	
22.11.2006 Xetra	Ulrich Kaufmann	DB shares	514000/ DE0005140008	Sell	100	€ 102.351	€ 10,235.10	Sale of purchased DB shares via the DB Global Share Plan resulting in pre-tax gross proceeds of € 4,696.10
30.8.2006 Xetra	Sabine Horn	DB shares	514000/ DE0005140008	Sell	100	€ 89.10	€ 8,910.00	Sale of purchased DB shares via the DB Global Share Plan resulting in pre-tax gross proceeds of € 3,371.00
13.6.2006 Xetra	Gabriele Platscher	DB shares	514000/ DE0005140008	Sell	100	€ 82.11	€ 8,211.00	Sale of purchased DB shares via the DB Global Share Plan resulting in pre-tax gross proceeds of € 687.00
7.3.2006 off-exchange	Rolf Hunck	New DB shares	DB0G4P/ DE000DB0G4P0	Sell	726	€ 87.1033	€ 63,237.00	Sale of purchased New DB shares via the DB Global Partnership Plan resulting in pre-tax gross proceeds of € 8,812.00
Other executives								
28.2.2007 Xetra	Prof. Dr. Clemens Jochum Group Chief Technology Officer	DB shares	514000/ DE0005140008	Buy	500	€ 100.00	€ 50,000.00	Buy executed via a joint account held by Prof. Dr. Clemens Jochum and his wife, Adrienne Jochum
19.2.2007 Xetra	Richard Evans Deputy Chief Risk Officer	DB shares	514000/ DE0005140008	Sell	8,804	€ 106.94	€ 941,499.76	
14.2.2007 off-exchange	Pierre de Weck Global Head PWM	New DB shares	DB0G8A/ DE000DB0G8A3	Sell	46,772	€ 102.94	€ 4,814,709.68	Sale of purchased New DB shares via the DB Global Partnership Plan resulting in pre-tax gross proceeds of € 2,962,070.76
14.2.2007 off-exchange	Michael Cohrs Head of Global Banking	New DB shares	DB0G8A/ DE000DB0G8A3	Sell	197,620	€ 102.94	€ 20,343,002.80	Sale of purchased New DB shares via the DB Global Partnership Plan resulting in pre-tax gross proceeds of € 5,528,221.88
9.2.2007	Richard Evans Deputy Chief Risk Officer	DB shares	514000/ DE0005140008	Sell	114	€ 106.90	€ 12,187.00	Sale of purchased DB shares via a local share-based compensation plan resulting in proceeds of € 5,265.00
15.12.2006 off-exchange	Detlef Bindert Group Treas-urer	DB shares	514000/ DE0005140008	Sell	2,000	€ 100.00	€ 200,000.00	Fulfillment of writer's obligation arising out of the sale of 20 contracts Deutsche Bank Calls, due December 15, 2006, strike price € 100. Original transaction dates from September 14, 2006 (see respective announcement).
23.11.2006 Xetra	Richard Evans Deputy Chief Risk Officer	DB shares	514000/ DE0005140008	Sell	59,286	€ 102.1382	€ 6,055,366.49	Sale of purchased DB shares via the DB Global Partnership Plan resulting in pre-tax gross proceeds of € 1,608,463.08.
22.11.2006 NYSE	Kevin Parker Global Head of Asset Manage-ment	DB shares	514000/ DE0005140008	Sell	22,687	$ 132.4022	$ 3,003,808.71	
15.11.2006 NYSE	Kevin Parker Global Head of Asset Manage-ment	DB shares	514000/ DE0005140008	Sell	20,000	$ 126.5135	$ 2,530,270.00	

Date and place of transaction	Name	Title of the security or right	WKN/ISIN	Type of transaction	Quantity and nominal	Price/ Currency	Amount	Comments
Other executives								
8.11.2006 Eurex	Detlef Bindert Group Treasurer	Eurex – Call on DB share	unavailable	Sell opening	25	€ 1.27	€ 3,175.00	Underlying instrument: DB share Strike price: € 110.00 Price multiplier: 100 Expiration date: 16.3.2007
6.11.2006 NYSE	Kevin Parker Global Head of Asset Management	DB shares	514000/ DE0005140008	Sell	30,000	$ 124.9944	$ 3,749,832.00	
2.11.2006 Frankfurt	Detlef Bindert Group Treasurer	DB shares	514000/ DE0005140008	Sell	1,500	€ 98.00	€ 147,000.00	
2.11.2006 NYSE	Kevin Parker Global Head of Asset Management	DB shares	514000/ DE0005140008	Sell	9,300	$ 123.5011	$ 1,148,560.23	
1.11.2006 NYSE	Kevin Parker Global Head of Asset Management	DB shares	514000/ DE0005140008	Sell	700	$ 125.50	$ 87,850.00	
14.9.2006 Eurex	Detlef Bindert Group Treasurer	Eurex – Call on DB share	unavailable	Sell opening	20	€ 1.30	€ 2,600.00	Underlying instrument: DB share Strike price: € 100.00 Price multiplier: 100 Expiration date: 15.12.2006
18.8.2006 Xetra	Anshu Jain Head of Global Markets	DB shares	514000/ DE0005140008	Sell	93,459	€ 87.6977	€ 8,196,139.34	
18.8.2006 Xetra	Prof. Dr. Clemens Jochum Group Chief Technology Officer	DB shares	514000/ DE0005140008	Sell	1,521	€ 88.33	€ 134,349.93	
10.5.2006 off-exchange	Dr. Axel Wieandt Head of Corporate Investments	New DB shares	DB0G4P/ DE000DB0G4P0	Sell	2,000	€ 94.7866	€ 189,573.34	Sale of purchased New DB shares via the DB Global Partnership Plan resulting in pre-tax gross proceeds of € 39,641.34
8.5.2006 Eurex	Detlef Bindert Group Treasurer	Eurex – Call on DB share	unavailable	Sell opening	25	€ 1.24	€ 3,100.00	Underlying instrument: DB share Strike price: € 110.00 Price multiplier: 100 Expiration date: 15.9.2006
15.3.2006 Xetra	Prof. Dr. Clemens Jochum Group Chief Technology Officer	DB shares	514000/ DE0005140008	Sell	5,893	€ 94.474	€ 556,735.23	Sale in three partial executions: weighted average price € 94.474
7.3.2006 off-exchange	Dr. Axel Wieandt Head of Corporate Investments	New DB shares	DB0G4P/ DE000DB0G4P0	Sell	1,705	€ 87.1033	€ 148,511.13	Sale of purchased New DB shares via the DB Global Partnership Plan resulting in pre-tax gross proceeds of € 20,694.00
28.2.2006 London	Richard Evans Chief Market Risk Officer	DB shares	514000/ DE0005140008	Sell	594	€ 93.2257	€ 55,376.00	
17.2.2006 Frankfurt	David Cannon Global Head CIB Controlling	DB shares	514000/ DE0005140008	Sell	1,825	€ 91.10	€ 166,257.50	
14.2.2006 Xetra	Pierre de Weck Global Head PWM	DB shares	514000/ DE0005140008	Sell	7.000	€ 90,511	€ 633.577,00	

Date and place of transaction	Name	Title of the security or right	WKN/ISIN	Type of transac-tion	Quantity and nominal	Price/ Currency	Amount	Comments
Other executives								
14.2.2006 Xetra	Pierre de Weck Global Head PWM	DB shares	514000/ DE0005140008	Sell	27,369	€ 90.16	€ 2,467,589.04	
14.2.2006 off-exchange	Detlef Bindert Group Treas-urer	New DB shares	DB0G4P/ DE000DB0G4P0	Sell	15,908	€ 87.27	€ 1,388,291.16	Sale of purchased New DB shares via the DB Global Partnership Plan resulting in pretax gross proceeds of € 195,732.00
14.2.2006 off-exchange	Michael Cohrs Head of Global Banking	New DB shares	DB0G4P/ DE000DB0G4P0	Sell	187,090	€ 87.27	€ 16,327,344.30	Sale of purchased New DB shares via the DB Global Partnership Plan resulting in pretax gross proceeds of € 8,916,709.00
14.2.2006 off-exchange	Anshu Jain Head of Global Markets	New DB shares	DB0G4P/ DE000DB0G4P0	Sell	233,863	€ 87.27	€ 20,409,224.01	Sale of purchased New DB shares via the DB Global Partnership Plan resulting in pretax gross proceeds of € 11,145,911.00
14.2.2006 off-exchange	Anshu Jain Head of Global Markets	New DB shares	DB0G4P/ DE000DB0G4P0	Sell	247,025	€ 87.27	€ 21,557,871.75	Sale of purchased New DB shares via the DB Global Partnership Plan resulting in pretax gross proceeds of € 3,039,396.00
3.2.2006 off-exchange	Anshu Jain Head of Global Markets	DB shares	514000/ DE0005140008	Sell	1,436	€ 86.54	€ 124,271.44	
3.2.2006 off-exchange	Anshu Jain Head of Global Markets	DB shares	514000/ DE0005140008	Sell	31.016	€ 86,39	€ 2.679.472,24	

RELATED PARTY TRANSACTIONS

We have business relationships with a number of the companies in which we own significant equity interests. We also have business relationships with a number of companies where members of our Management Board also hold positions on boards of directors. Our business relationships with these companies cover many of the financial services we provide to our clients generally.

We believe that we conduct all of our business with these companies on terms equivalent to those that would exist if we did not have equity holdings in them or management members in common, and that we have conducted business with these companies on that basis in 2006 and prior years. None of these transactions is or was material to us.

Among our business with related party companies in 2006 there have been and currently are loans, guarantees and commitments. All of these lending-related credit exposures (excluding derivatives), which totaled € 3.6 billion (including loans of € 0.9 billion) as of January 31, 2007,

— were made in the ordinary course of business,
— were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons, and
— did not involve more than the normal risk of collectibility or present other unfavorable features.

We have not conducted material business with parties that fall outside of the definition of related parties, but with whom we or our related parties have a relationship that enables the parties to negotiate terms of material transactions that may not be available from other, more clearly independent, parties on an arm's-length basis.

EUROHYPO

EUROHYPO AG ("EUROHYPO") resulted from a merger of our mortgage bank subsidiary EUROHYPO Europäische Hypothekenbank der Deutschen Bank AG with the mortgage bank subsidiaries of Dresdner Bank AG and Commerzbank AG in 2002. Subsequently, our German commercial real estate financing division, Dresdner Bank AG's U.S.-based real estate investment banking team, and part of our London-based real estate business were transferred to EUROHYPO. After these transactions, we owned 37.72 % of the outstanding share capital of EUROHYPO. In November 2005, we entered into a sale and purchase agreement to sell our entire 37.72 % stake in EUROHYPO to Commerzbank AG for a total consideration of € 2.6 billion. In December 2005, the first tranche of this transaction with a total value of € 0.7 billion was completed, reducing our stake to 27.99 %. The remaining tranche of the transaction was transferred in the first quarter of 2006.

We, Commerzbank AG and Dresdner Bank AG each granted EUROHYPO financial guarantees to protect EUROHYPO against losses resulting from loans each contributed to the new entity up to a fixed maximum amount for the period until December 31, 2006. The maximum amount of the financial guarantees of Commerzbank AG and Dresdner Bank AG were utilized by the end of 2003. By the end of 2005, EUROHYPO had made claims in respect of the full amount of our financial guarantee, which had an initial maximum amount of € 283 million. In connection with the sale of our stake in EUROHYPO to Commerzbank AG, we settled the guarantee by full payment to EUROHYPO, at the same time reserving some rights in respect of this payment against Commerzbank AG.

Prior to its disposition, we accounted for our investment in EUROHYPO under the equity method and as such recognized in our income statement our proportional share of the after-tax earnings or losses of EUROHYPO as reported applying U.S. GAAP.

We continue to provide EUROHYPO with loans and credit lines. Total loans and credit lines as of December 31, 2006 were € 795 million, of which € 793 million were utilized at that date.

Furthermore, we held fixed income securities issued by EUROHYPO, classified as securities available for sale, in the amount of € 311 million as of December 31, 2006.

XCHANGING ETB GMBH

We hold a stake of 44 % in Xchanging etb GmbH and account for it under the equity method. Xchanging etb GmbH is the holding company of Xchanging Transaction Bank GmbH (“XTB”), our former subsidiary european transaction bank GmbH, which is a provider of security settlement services. Of the remaining capital, 51 % is owned by Xchanging HoldCo No 3 Ltd (UK), a 100 % subsidiary of Xchanging B.V. (NL) (“Xchanging”), which has management control over and full operational responsibility for XTB, while 5 % is held by one of the larger clients of XTB. Two of the five executive directors of Xchanging etb GmbH and one member of the supervisory board of XTB are employed by us.

Our arrangements reached with Xchanging in 2004 include a 12-year outsourcing agreement with XTB for security settlement services and are aimed at reducing our costs without compromising service quality. In 2006, we received services from XTB with a volume of € 100 million and provided supply services (e.g. IT and real estate-related services) with a volume of € 35 million to XTB.

GRUNDBESITZ-INVEST

In 2005, grundbesitz-invest (“Grundbesitz”), an open-end property fund sponsored and managed by a subsidiary of ours, temporarily suspended the issuance and redemption of its share units pending an extraordinary revaluation of its real estate assets. Grundbesitz re-opened for issuance and redemption on March 3, 2006. We committed to support Grundbesitz’s liquidity upon its re-opening by various means. In 2005, we recorded a provision of € 203 million representing the estimated direct and indirect costs of compensation to certain fund share unit holders. In December 2006, the fund manager sold a major portion of Grundbesitz’s German real estate portfolio to Eurocastle, and Grundbesitz has realized significant book gains for its investors on such sale. As a result and as of the date hereof, we do not expect to have any further material risk from our prior commitments made in relation to Grundbesitz. In 2006, we released € 111 million of the provision mentioned above.

RELATED PARTY NONACCRUAL LOANS

Aside from our other shareholdings, we hold acquired equity interests in some of our clients arising from our efforts to protect our then-outstanding lending exposures to them.

The table below shows information on loans to related party companies that we have classified as nonaccrual as of December 31, 2006. As such, these nonaccrual loans may exhibit more than normal risk of collectibility or present other unfavorable features. The amounts outstanding disclosed for January 31, 2007 aggregate to € 39 million, down € 3 million or 7 % from January 31, 2006. Our participating interests in customer A is 10 % or more of its voting rights. We hold a significant portion of the outstanding equity interests in customers B and C noted below and account for these equity interests in our financial statements using the equity method of accounting (as described in Note [1] to the consolidated financial statements). We hold Radio Movil Digital Americas, Inc. as an unconsolidated subsidiary.

in € m.	Amount outstanding as of January 31, 2007	Largest amount outstanding January 1, 2006 to January 31, 2007	Nature of the loan and transaction in which incurred
Customer A	21	21	Comprising a € 21 million real estate finance loan bearing interest at 6.27 % per annum and guarantees which were honored after the company filed for liquidation bearing no interest. The loan is payable on demand and interest accrual has been stopped.
Customer B	3	3	Long term refinancing of non-recourse lease, bearing interest at 6.9 % per annum, maturing June 2019, for which interest accrual has been stopped.
Customer C	0	4	Lease refinancing of movable property bearing interest at 2.25 % per annum for which interest accrual has been stopped.
Radio Movil Digital Americas, Inc.	15	15	Cash loan payable on demand, bearing interest at 12 % per annum, for which interest accrual has been stopped.

We have not disclosed the names of the customers referred to by letters above because we have concluded that such disclosure would conflict with applicable privacy laws, such as customer confidentiality and data protection laws, and such customers have not waived application of these privacy laws. Auditing and Controlling

AUDITING AND CONTROLLING

AUDIT COMMITTEE FINANCIAL EXPERT

Our Supervisory Board has determined that Dr. Clemens Börsig and Dr. Karl-Gerhard Eick, who are members of its Audit Committee, are “audit committee financial experts”, as such term is defined by the regulations of the Securities and Exchange Commission issued pursuant to Section 407 of the Sarbanes-Oxley Act of 2002. The audit committee financial experts mentioned above are “independent” of us, as defined in Rule 10A-3 under the U.S. Securities Exchange Act of 1934, which is the definition to which we, as a foreign private issuer the common shares of which are listed on the New York Stock Exchange, are subject.

CODE OF ETHICS

In response to Section 406 of the Sarbanes-Oxley Act of 2002, we have adopted a code of ethics that applies to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. A copy of this code of ethics is available on our Internet website at http://www.deutsche-bank.com/corporate-governance.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

In accordance with German law, our principal accountants are appointed by our Annual General Meeting based on a recommendation of our Supervisory Board. The Audit Committee of our Supervisory Board prepares the board's recommendation on the selection of the principal accountants. Subsequent to the principal accountants' appointment, the Audit Committee awards the contract and in its sole authority approves the terms and scope of the audit and all audit engagement fees as well as monitors the principal accountants' independence. At our 2005 and 2006 Annual General Meetings, our shareholders appointed KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, which had been our principal accountants for a number of years, as our principal accountants for the 2005 and 2006 fiscal years, respectively.

The table set forth below contains the aggregate fees billed for each of the last two fiscal years by our principal accountants in each of the following categories: (i) Audit Fees, which are fees for professional services for the audit of our annual financial statements or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for those fiscal years, (ii) Audit-Related Fees, which are fees for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements and are not reported as Audit Fees, (iii) Tax Fees, which are fees for professional services rendered for tax compliance, tax consulting and tax planning, and (iv) All Other Fees, which are fees for products and services other than Audit Fees, Audit- Related Fees and Tax Fees. These amounts exclude expenses and VAT.

Fee category in € m.	2006	2005
Audit fees	44	42
Audit-related fees	10	9
Tax fees	7	8
All other fees	–	–
Total fees	**61**	**59**

Our Audit-Related Fees included fees for accounting advisory, due diligence relating to actual or contemplated acquisitions and dispositions, attestation engagements and other agreed-upon procedure engagements. Our Tax Fees included fees for services relating to the preparation and review of tax returns and related compliance assistance and advice, tax consultation and advice relating to Group tax planning strategies and initiatives and assistance with assessing compliance with tax regulations. Our Other Fees were incurred for project-related advisory services.

United States law and regulations, and our own policies, generally require all engagements of our principal accountants be pre-approved by our Audit Committee or pursuant to policies and procedures adopted by it. Our Audit Committee has adopted the following policies and procedures for consideration and approval of requests to engage our principal accountants to perform non-audited services. Engagement requests must in the first instance be submitted to the Accounting Engagement Team established and supervised by our Group Finance Committee, whose members consist of our Chief Financial Officer and senior members of our Finance and Tax departments. If the request relates to services that would impair the independence of our principal accountants, the request must be rejected. Our Audit Committee has given its pre-approval for specified assurance, financial advisory and tax services, provided the expected fees for any such service do not exceed € 1 million. If the engagement request relates to such specified pre-approved services, it may be approved by the Group Finance Committee, which must thereafter report such approval to the Audit Committee. If the engagement request relates neither to prohibited non-audit services nor to pre-approved

non-audit services, it must be forwarded by the Group Finance Committee to the Audit Committee for consideration. In addition, to facilitate the consideration of engagement requests between its meetings, the Audit Committee has delegated approval authority to several of its members who are "independent" as defined by the Securities and Exchange Commission and the New York Stock Exchange. Such members are required to report any approvals made by them to the Audit Committee at its next meeting.

Additionally, United States law and regulations permit the pre-approval requirement to be waived with respect to engagements for non-audit services aggregating no more than five percent of the total amount of revenues we paid to our principal accountants, if such engagements were not recognized by us at the time of engagement and were promptly brought to the attention of our Audit Committee or a designated member thereof and approved prior to the completion of the audit. In each of 2005 and 2006, the percentage of the total amount of revenue we paid to our principal accountants represented by non-audit services in each category that were subject to such a waiver was less than 5 %.

COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE

DECLARATION OF CONFORMITY 2006

The Management Board and Supervisory Board issued a new Declaration of Conformity in accordance with § 161 German Stock Corporation Act (AktG) on October 31, 2006. Since the last Declaration of Conformity dated October 27, 2005, Deutsche Bank AG has complied with the recommendations of the "Government Commission's German Corporate Governance Code" in the version dated June 2, 2005, and since June 12, 2006, in the appropriate version with the following exceptions:

- For the members of the Management Board and Supervisory Board, there is a directors' and officers' liability insurance policy without a deductible (Code No. 3.8). This is actually a group insurance policy for a large number of staff members in Germany and abroad. Internationally, a deductible is unusual; a differentiation between board members and staff members does not appear to be appropriate.
- A member of the Management Board became Supervisory Board Chairman as well as Chairman of several Supervisory Board committees after leaving the Management Board (Code No. 5.4.4, sentence 1). Code No. 5.4.4, sentence 1 recommends that a Management Board member shall not as a rule become the Chairman of the Supervisory Board or the Chairman of Supervisory Board committees. In this specific case, the Supervisory Board believed that the Chair of the Supervisory Board of Deutsche Bank AG should only be transferred to someone who, through personal and senior managerial experience, is familiar with the complex nature of a bank with global operations. For this reason, the transfer from the Management Board to Chairman of the Supervisory Board was warranted.

This Declaration is based on the recommendations of the Code in the version dated June 2, 2005, and – since it became effective – the version dated June 12, 2006.

Deutsche Bank will act in conformity with the recommendations of the "Government Commission's German Corporate Governance Code" in the Code version dated June 12, 2006, with the following exception:

— For the members of the Management Board and Supervisory Board, there is a directors' and officers' liability insurance policy without a deductible (Code No. 3.8). This is actually a group insurance policy for a large number of staff members in Germany and abroad. Internationally, a deductible is unusual; a differentiation between board members and staff members thus does not appear to be appropriate.

The Declaration of Conformity dated October 31, 2006, and all of the previous versions of the Declaration of Conformity are published on Deutsche Bank's website at www.deutsche-bank.com/corporate-governance, where a copy of the German Corporate Governance Code is also available.

STATEMENT ON THE SUGGESTIONS OF THE GERMAN CORPORATE GOVERNANCE CODE

Deutsche Bank voluntarily complies with the suggestions of the Code in the version dated June 12, 2006, with the following exceptions:

— The representatives appointed by Deutsche Bank to exercise shareholders' voting rights can be reached by those attending the General Meeting until just before voting commences. The representatives are reachable by those not attending until 12 noon on the day of the General Meeting using the instruction tool in the Internet (Code No. 2.3.3). In this manner, the risk of any technical disruptions directly before voting takes place can basically be excluded. The broadcast through the Internet also ends at the latest at this time, which means information useful for non-participants in forming an opinion can no longer be expected thereafter.
— Our broadcast of the General Meeting through the Internet (Code No. 2.3.4) covers the opening of the General Meeting by the Chairman and the report of the Management Board. The shareholders are thus free to hold their discussions with management unencumbered by a public broadcast to a wide audience.
— Previously, all of the members of the Supervisory Board have been elected for a uniform period of office (Code No. 5.4.6). However, according to § 9 (1) of the Articles of Association, it is possible to vary the periods of office in future elections.

Supervisory Board

DR. CLEMENS BÖRSIG
Chairman,
Frankfurt am Main
(from May 4, 2006)

DR. ROLF-E. BREUER
Chairman,
Frankfurt am Main
(until May 3, 2006)

HEIDRUN FÖRSTER*
Deputy Chairperson,
Deutsche Bank Privat- und
Geschäftskunden AG,
Berlin

DR. KARL-GERHARD EICK
Deputy Chairman of the Board
of Management of
Deutsche Telekom AG,
Cologne

KLAUS FUNK*
Deutsche Bank Privat-
und Geschäftskunden AG,
Frankfurt am Main
(until February 1, 2006)

ULRICH HARTMANN
Chairman of the Supervisory
Board of E.ON AG,
Düsseldorf

GERD HERZBERG*
Deputy Chairman of
ver.di Vereinte Dienstleistungs-
gewerkschaft,
Berlin
(from June 2, 2006)

SABINE HORN*
Deutsche Bank AG,
Frankfurt am Main

ROLF HUNCK*
Deutsche Bank AG,
Hamburg

SIR PETER JOB
London

**PROF. DR.
HENNING KAGERMANN**
Chairman and CEO of SAP AG,
Walldorf/Baden

ULRICH KAUFMANN*
Deutsche Bank AG,
Düsseldorf

PETER KAZMIERCZAK*
Deutsche Bank AG,
Essen
(from February 1, 2006)

**PROF. DR. DR. H. C.
PAUL KIRCHHOF**
University professor, Ruprecht-
Karls-University Heidelberg,
Heidelberg
(until July 15, 2006)

MAURICE LÉVY
Chairman and Chief Executive
Officer, Publicis Groupe S.A.,
Paris
(from June 1, 2006)

HENRIETTE MARK*
Deutsche Bank AG,
Munich

MARGRET MÖNIG-RAANE*
Deputy Chairperson of
ver.di Vereinte Dienstleistungs-
gewerkschaft,
Berlin
(until June 1, 2006)

**PROF. DR. JUR. DR.-ING. E.H.
HEINRICH VON PIERER**
Chairman of the Supervisory
Board of Siemens AG,
Erlangen

GABRIELE PLATSCHER*
Deutsche Bank Privat- und
Geschäftskunden AG,
Braunschweig

KARIN RUCK*
Deutsche Bank AG,
Bad Soden am Taunus

DR. THEO SIEGERT
Managing Partner of
de Haen Carstanjen & Söhne,
Düsseldorf
(from July 16, 2006)

TILMAN TODENHÖFER
Managing Partner of
Robert Bosch Industrie-
treuhand KG,
Stuttgart

**DIPL.-ING. DR.-ING. E.H.
JÜRGEN WEBER**
Chairman of the Supervisory
Board of Deutsche Lufthansa AG,
Hamburg

**DIPL.-ING.
ALBRECHT WOESTE**
Chairman of the Supervisory
Board and Shareholders'
Committee of Henkel KGaA,
Düsseldorf
(until June 1, 2006)

LEO WUNDERLICH*
Deutsche Bank AG,
Mannheim

* Employees' representative

COMMITTEES

CHAIRMAN'S COMMITTEE

Dr. Clemens Börsig
Chairman
(from May 4, 2006)

Dr. Rolf-E. Breuer
Chairman
(until May 3, 2006)

Heidrun Förster*

Ulrich Hartmann

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Group Five-Year Record

Balance Sheet in € m.	2006	2005	2004	2003	2002
Total assets	1,126,230	992,161	840,068	803,614	758,355
Loans, net	168,134	151,355	136,344	144,946	167,303
Liabilities	1,093,422	962,225	814,164	775,412	728,364
Total shareholders' equity	32,808	29,936	25,904	28,202	29,991
Tier I risk-based capital (BIS)	24,498	21,898	18,727	21,618	22,742
Total risk-based capital (BIS)	35,323	33,886	28,612	29,871	29,862

Income Statement in € m.	2006	2005	2004	2003	2002
Net interest revenues	6,919	6,001	5,182	5,847	7,186
Provision for loan losses	330	374	372	1,113	2,091
Commissions and fee income	11,544	10,089	9,506	9,332	10,834
Trading revenues, net	8,247	7,429	6,186	5,611	4,024
Other noninterest revenues	1,628	2,121	1,044	478	4,503
Total net revenues (after provision for loan losses)	**28,008**	**25,266**	**21,546**	**20,155**	**24,456**
Compensation and benefits	12,649	10,993	10,222	10,495	11,358
Goodwill amortization/impairment and impairment of intangibles	31	–	19	114	62
Restructuring activities	192	767	400	(29)	583
Other noninterest expenses	7,011	7,394	6,876	6,819	8,904
Total noninterest expenses	**19,883**	**19,154**	**17,517**	**17,399**	**20,907**
Income before income tax expense and cumulative effect of accounting changes	**8,125**	**6,112**	**4,029**	**2,756**	**3,549**
Income tax expense	2,186	2,039	1,437	1,327	372
Effect from the reversal of 1999/2000 credits for tax rate changes	(1)	544	120	215	2,817
Cumulative effect of accounting changes, net of tax	46	–	–	151	37
Net income	**5,986**	**3,529**	**2,472**	**1,365**	**397**

Key figures	2006	2005	2004	2003	2002
Basic earnings per share	€ 13.31	€ 7.62	€ 5.02	€ 2.44	€ 0.64
Diluted earnings per share	€ 11.55	€ 6.95	€ 4.53	€ 2.31	€ 0.63
Dividends paid per share in period	€ 2.50	€ 1.70	€ 1.50	€ 1.30	€ 1.30
Return on average total shareholders' equity (post-tax)	19.5 %	12.5 %	9.1 %	4.7 %	1.1 %
Adjusted return on average active equity (post-tax)[1]	22.2 %	16.2 %	10.5 %	5.2 %	10.2 %
Cost/income ratio[2]	70.2 %	74.7 %	79.9 %	81.8 %	78.8 %
BIS core capital ratio (Tier I)	8.9 %	8.7 %	8.6 %	10.0 %	9.6 %
BIS capital ratio (Tier I + II + III)	12.9 %	13.5 %	13.2 %	13.9 %	12.6 %
Employees (full-time equivalent)	68,849	63,427	65,417	67,682	77,442

1 We calculate this adjusted measure of our return on average total shareholders' equity to make it easier to compare us to our competitors. We refer to this adjusted measure as our "adjusted return on average active equity". However, this is not a measure of performance under U.S. GAAP and you should not compare our ratio to other companies' ratios without considering the differences in calculation of the ratios. The principal items for which we adjust our ratio are the average unrealized net gains on securities available for sale, net of applicable tax effects. In addition we adjust our average total shareholders' equity for the effect of our paying a dividend once a year following its approval by the general shareholders' meeting. Net income used for this calculation is adjusted for the income tax expense from the change in effective tax rate and the reversing effect and for the effect of accounting changes.

2 Total noninterest expenses as a percentage of net interest revenues before provision for loan losses plus noninterest revenues.

Declaration of Backing[1]

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

Berliner Bank AG & Co. KG, Berlin

DB Investments (GB) Limited, London

Deutsche Asset Management International GmbH, Frankfurt am Main

Deutsche Asset Management Investmentgesellschaft mbH vormals DEGEF Deutsche Gesellschaft für Fondsverwaltung mbH, Frankfurt am Main

Deutsche Australia Limited, Sydney

Deutsche Bank Americas Holding Corp., Wilmington

Deutsche Bank Luxembourg S.A., Luxembourg

Deutsche Bank (Malaysia) Berhad, Kuala Lumpur

Deutsche Bank Polska S.A., Warsaw

Deutsche Bank (Portugal), S.A., Lisbon

Deutsche Bank Rt., Budapest

Deutsche Bank S.A., Buenos Aires

Deutsche Bank S.A. – Banco Alemão, São Paulo

Deutsche Bank S.A./N.V., Brussels

Deutsche Bank, Sociedad Anónima Española, Barcelona

Deutsche Bank Società per Azioni, Milan

Deutsche Bank (Suisse) S.A., Geneva

Deutsche Futures Singapore Pte Ltd., Singapore

Deutsche Morgan Grenfell Group plc, London

Deutsche Securities Asia Limited, Hong Kong

Deutsche Securities Limited, Hong Kong

DWS Holding & Service GmbH, Frankfurt am Main

DWS Investment GmbH, Frankfurt am Main

DWS Investment S.A., Luxembourg

OOO Deutsche Bank, Moscow

Schiffshypothekenbank zu Lübeck Aktiengesellschaft, Hamburg

1 Companies with which a profit and loss transfer agreement exists are marked in the List of shareholdings.

Glossary

Adjusted return on average active shareholders' equity
An adjusted measure to make it easier to compare us to our competitors. The principal item for which we adjust our Return on equity is the aggregate unrealized gains and losses (including tax effect) in our portfolio of shareholdings in publicly-listed industrial companies. We include realized gains and losses (net of tax effect) in active equity from the time those shareholdings are sold and the related gains are employed by our businesses. → Return on average total shareholders' equity (RoE).

Alternative assets/investments
Direct investments in → Private equity, venture capital, mezzanine capital, real estate capital investments and investments in leveraged buyout funds, venture capital funds and → Hedge funds.

Asset-backed securities
Particular type of securitized payment receivables in the form of tradable securities. These securities are created by the repackaging of certain financial assets → (Securitization).

Back-testing
Back-testing is used to verify the predictive power of the → Value-at-risk model. Hypothetical daily profits and losses are compared with the estimates we had forecasted using the → Value-at-risk model.

Banking book
All risk positions that are not allocated to the → Trading book.

BIS capital ratio
Key figure for international banks expressing in % the ratio between their capital and their risk-weighted position for regulatory purposes. The minimum total capital ratio to be complied with is 8 % and the minimum core capital ratio 4 %.

BIS
Bank for International Settlements domiciled in Basel.

Broker/brokerage
Brokers accept orders to buy and sell securities from banks and private investors and execute them on behalf of the customer. For this activity, the broker usually receives a commission.

Buyout
Purchase (in full or in part) of a company or specific corporate activities.

Capital according to BIS
Capital recognized for regulatory purposes according to the Basel Capital Adequacy Accord of 1988 (last amended in January 1996) for international banks.
Total capital consists of:
– core capital or Tier I capital: primarily share capital, reserves and hybrid capital components,
– supplementary capital or Tier II capital: primarily participatory capital, long-term subordinated debt, unrealized gains on listed securities and other inherent loss allowances,
– Tier III capital: mainly short-term subordinated debt and excess Tier II capital.
Supplementary capital is limited to 100 % of core capital and the amount of long-term subordinated debt that can be recognized as supplementary capital is limited to 50 % of core capital.

Cash flow statement
Calculation and presentation of the cash flow generated or consumed by a company during a financial year as a result of its business, investing and financing activities, and reconciliation of holdings of cash and cash equivalents (cash reserve) at the beginning and end of a financial year.

Cash management
Refers to the management of liquid assets in dollars, euro and other currencies for companies and financial institutions to optimize financial transactions.

Cash margin receivables/payables
Balances placed by/placed with Deutsche Bank at/by → broker-dealers and clearing organizations for clearing purposes.

Clearing
The process of transmitting, reconciling and, in some cases, confirming payment orders.

Comprehensive income
Change of equity excluding transactions with shareholders (e.g. dividends, issuance of shares). It consists primarily of net income and → Other comprehensive income.

Confidence level
In the framework of the → Value-at-risk concept it is the level of probability that the loss stated by the → Value-at-risk will arise in the respective interval.

Cost/income ratio
In general: a ratio expressing a company's cost effectiveness which sets operating expenses in relation to operating income.

Country risk
The risk that we may suffer a loss, in any given country, due to political and social unrest, nationalization and expropriation of assets, government repudiation of external indebtedness, exchange controls and currency depreciation or devaluation.

Credit default swap
An agreement between two parties whereby one party pays the other a fixed coupon over a specified term. The other party makes no payment unless a specified credit event such as a default occurs, at which time a payment is made and the swap terminates.

Credit derivatives
Financial instruments with which → Credit risk connected with loans, bonds or other risk-weighted assets or market risk positions is transferred to parties providing protection. This does not alter or re-establish the underlying credit relationship of the original risk-takers (parties selling the credit risks).

Credit risk
Risk that customers may not be able to meet their contractual payment obligations. Credit risk includes default risk, → Country risk and settlement risk.

Custody
Custody and administration of securities as well as additional securities services.

Deferred taxes
Tax charges and accruals allocated for payment in a later financial year. Deferred taxes reflect the temporary differences between assets and liabilities recognized for financial reporting purposes and such amounts recognized for income tax purposes.

Derivatives
Products whose value derives largely from the price, price fluctuations and price expectations of an underlying instrument (e.g. share, bond, foreign exchange or index). Derivatives include → Swaps, → Options and → Futures.

Earnings per share
Key figure determined according to → U.S. GAAP and expressing a company's net income in relation to the average number of common shares. Apart from basic earnings per share, diluted earnings per share must also be reported if the conversion and exercise of outstanding stock options, share awards and convertible bonds could increase the number of shares.

Economic capital
A figure which states with a high degree of certainty the amount of equity capital we need at any given time to absorb unexpected losses arising from current exposures. It must be clearly distinguished from reported capital and reserves.

Emerging markets
Expanding markets in developing nations, primarily financial markets.

Equity capital markets
Primarily, activities connected with a company's IPO or the placement of new shares. It also covers the privatization of state-owned companies.

Equity method
Valuation method for investments in companies over which significant influence can be exercised regarding operating and financial policies. The pro-rata share of the company's net income (loss) increases (decreases) the carrying value of the investment affecting net income. Distributions decrease the carrying value of the investment without affecting net income.

Event risk scenarios
Scenarios representing important events, e.g. large movements in interest or exchange rates.

Expected loss
Measurement of the default loss to be expected in our loan portfolio within one year on the basis of historical loss data.

Exposure
The amount which the bank may lose in case of losses incurred due to risks taken, e.g. in case of a borrower's or counterparty's default.

Fair value
Amount at which assets or liabilities would be exchanged between knowledgeable, willing and independent counterparties. Fair value is often identical to market price.

Futures
Forward contracts standardized with respect to quantity, quality and delivery date, in which an instrument traded on the money, capital, precious metal or foreign exchange markets, is to be delivered or taken receipt of at an agreed price at a certain future time. Cash settlement is often stipulated for such contracts (e.g. futures based on equity indices) to meet the obligation (instead of delivery or receipt of securities).

General business risk
Risk arising from changes in general business conditions, such as market environment, client behavior and technological progress. These factors can affect our earnings if we are unable to adjust quickly to changes in them.

Goodwill
The amount which the buyer of a company pays, taking account of future earnings, over and above the → Fair value of the company's individually identifiable assets and liabilities.

Hedge accounting
Financial reporting of hedging relationships (formation of valuation units) which are subject to certain conditions.

Hedge fund
A fund whose investors are generally institutions and wealthy individuals. Hedge funds can employ strategies which mutual funds are not permitted to use. Examples include short selling, leveraging and → Derivatives. Hedge fund returns are often uncorrelated with traditional investment returns.

IFRS (International Financial Reporting Standards) / previously IAS (International Accounting Standards)
Financial Reporting Rules of the International Accounting Standards Board to ensure globally transparent and comparable accounting and disclosure. Main objective is to present information that is useful in making economic decisions, mainly for investors.

Investment banking
Generic term for capital market-oriented business. This includes primarily the issuing and trading of securities and their → Derivatives, interest and currency management, corporate finance, M&A advisory, structured finance and → Private equity.

Liquidity risk
Risk to our earnings and capital arising from the bank's potential inability to meet matured obligations without incurring unacceptably high losses.

Market risk
Arises from the uncertainty concerning changes in market prices and rates (including interest rates, share prices, foreign exchange rates and commodity prices), the correlations among them and their levels of volatility.

Mark-to-market valuation
Valuation at current market prices. Applies, for instance, to trading activities (→ Trading revenues)

Mezzanine
Flexible, mixed form of financing comprising equity and debt capital.

Here: long-term subordinated financing instrument used to finance growth while at the same time strengthening the borrower's economic equity capital base.

Monte Carlo simulation
A Monte Carlo simulation is a model that calculates the gain or loss from a transaction by analyzing a large number of different market scenarios (e.g.10,000).

Netting agreements
Contracts between two parties that under certain circumstances – e.g. insolvency – mutual claims from outstanding business can be offset against each other. The inclusion of a legally binding netting agreement reduces the default risk from a gross to a net amount.

Operational risk
Potential for incurring losses in relation to employees, project management, contractual specifications and their documentation, technology, infrastructure failure and disasters, external influences and customer relationships. This definition includes legal and regulatory risk.

Option
Right to purchase (call option) or sell (put option) a specific underlying (e.g. security or foreign exchange) from or to a counterparty (option seller) at a predetermined price on or before a specific future date.

OTC derivatives
Nonstandardized financial instruments
(→ Derivatives) not traded on a stock exchange, but directly between market participants (over the counter).

Other comprehensive income
Primarily includes unrealized gains and losses on foreign currency translation and on → Securities available for sale. These unrealized gains and losses are not included in net income but reported in accumulated other comprehensive income in shareholders' equity.

Portfolio
In general: part or all of one or all categories of asset (e.g. securities, loans, equity investments or real estate). Portfolios are formed primarily to diversify risk.
Here: combination of similar transactions, especially in securities and/or → Derivatives, under price risk considerations.

Private banking
Business with investment-oriented and high net worth clients.

Private equity
Equity investment in non-listed companies. Examples are venture capital and buyout funds.

Probability of default
States the expected average probability of counterparty default, based on a statistical analysis of historical defaults in our → Portfolio.

Projected unit credit method
An accrued benefit valuation method, according to SFAS 87, used to determine the actuarial present value of an enterprise's defined benefit obligations and the related current service cost. This method takes into account the expected rates of salary increases, for instance, as the basis for future benefit increases. The rate used to discount post-employment benefit obligations is determined by reference to market yields at the balance sheet date on high quality corporate bonds.

Rating
External: standardized evaluation of issuers' credit standing and debt instruments, carried out by specialized agencies.
Internal: detailed risk assessment of every → Exposure associated with an obligor.

Receivables/payables related to prime brokerage
Receivables/payables related to prime brokerage are amounts owed to/owed by Deutsche Bank from activities such as acting as settlement agent, custody provider, financing/funding provider and preparer of account statements for clients who are money managers, → hedge funds, market makers and other professional investors.

Registered shares
Shares registered in a person's name. As required under joint stock company law, that person is registered in the share register with several personal details and the number of shares owned. Only those persons entered in the share register are deemed to be shareholders of the company and are entitled, for instance, to exercise rights at the General Meeting.

Repo (repurchase agreement)
An agreement to repurchase securities sold (genuine repurchase agreement where the asset remains the seller's property). From the buyer's viewpoint, the transaction is a reverse repo.

Return on average total shareholders' equity (RoE)
In general: ratio showing the income situation of a company, setting profit (net income) in relation to capital employed.
Here: net income as a percentage of average capital employed over the year → Adjusted return on average active shareholders' equity.

Risk position according to BIS
The risk position according to → BIS is made up of risk-weighted assets, comprising above all the counterparty risks in the → Banking book and the → Trading book, and the market risk equivalent for interest, foreign exchange, equity and commodity price risks.
While the risk-weighted assets are calculated on the basis of regulatory standard methods, the market risk equivalent corresponds to 12.5 times our → Value-at-risk figure (99 % → Confidence level and ten days holding period), which is calculated on the basis of our regulatorily recognized internal models and scaled up with a bank-specific multiplier (at least 3).

Sarbanes-Oxley-Act (SOX)
U.S. capital market law passed in 2002 to strengthen corporate governance and restore investor confidence in response to a number of major corporate and accounting scandals. Legislation establishes new or enhanced standards ranging from additional Corporate Board responsibilities to criminal penalties for all companies that have listed their shares on a U.S. stock exchange.

Securities available for sale
Securities which are not held for trading purposes and (in case of debt securities) are not held to maturity. They are reported in the balance sheet at their → Fair value. Changes in → Fair value are generally reported in → Other comprehensive income in shareholders' equity. Declines in → Fair value below their amortized cost that are deemed to be other than temporary and realized gains and losses are reported in the consolidated statement of income.

Securitization
In general: rights evidenced by securities (e.g. shares or bonds).
Here: replacing loans or financing various kinds of claims by issuing securities (such as bonds or commercial paper).

Segment information
Disclosure of a company's assets and income, broken down by activity (division) and geographical area (region).

Shareholder value
Management concept that focuses strategic and operational decision-making on the steady growth of a company's value. The guiding principle is that only returns above the cost of capital add value for shareholders.

Swaps
In general: exchange of one payment flow for another.
Interest rate swap: exchange of interest payment flows in the same currency with different terms and conditions (e.g. fixed or floating).
Currency swap: exchange of interest payment flows and principal amounts in different currencies.

Trading book

A bank-regulatory term for positions in financial instruments, shares and tradable claims held by a bank which are intended for resale in the short term to benefit from price and interest rate fluctuations. This also includes business that is closely associated with trading book positions (e.g. for hedging purposes). Risk positions not belonging to the trading book are shown in the → Banking book.

Trading revenues

Balance of realized and unrealized gains and losses on the positions held in the trading portfolio and net interest revenues on → Derivatives held for trading purposes. Trading generally reflects frequent buying and selling, i.e. the positions are taken with the objective of generating profits on short-term differences in price.

Trust preferred securities

Hybrid capital instruments characterized by profit-related interest payments. Under banking regulations they are part of core capital if interest payments are not accumulated in case of losses (non cumulative trust preferred securities) and if the instruments do not have a stated maturity date or if they are not redeemable at the option of the holder. Otherwise they are included in supplementary capital (e.g. cumulative trust preferred securities).

U.S. GAAP (United States Generally Accepted Accounting Principles)

U.S. accounting principles drawn up by the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants (AICPA). In addition, the interpretations and explanations furnished by the Securities and Exchange Commission (SEC) are particularly relevant for companies listed on the stock exchange. As in the case of → IFRS the main objective is to provide decision useful information, especially for investors.

Value-at-risk

Value-at-risk measures, for a given → Portfolio, the potential future loss (in terms of market value) that, under normal market conditions, will not be exceeded in a given period and with a given → Confidence level.

Impressum/Publications

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Cautionary statement regarding forward-looking statements

This report contains forward-looking statements. Forward-looking statements are statements that are not historical facts; they include statements about our beliefs and expectations. Any statement in this presentation that states our intentions, beliefs, expectations or predictions (and the assumptions underlying them) is a forward-looking statement. These statements are based on plans, estimates and projections as they are currently available to the management of Deutsche Bank. Forward-looking statements therefore speak only as of the date they are made, and we undertake no obligation to update publicly any of them in light of new information or future events.

By their very nature, forward-looking statements involve risks and uncertainties. A number of important factors could therefore cause actual results to differ materially from those contained in any forward-looking statement. Such factors include the conditions in the financial markets in Germany, in Europe, in the United States and elsewhere from which we derive a substantial portion of our trading revenues, potential defaults of borrowers or trading counterparties, the implementation of our management agenda, the reliability of our risk management policies, procedures and methods, and other risks referenced in our filings with the U.S. Securities and Exchange Commission. Such factors are described in detail in our SEC Form 20-F of 27 March 2007 in the section “Risk Factors”. Copies of this document are available upon request or can be downloaded from www.deutsche-bank.com/ir

We will be happy to send you the following publications relating to the financial statements.
Please note that Deutsche Bank Group’s annual report consists of two separate sections: Annual Review 2006 and Financial Report 2006.

Annual Review 2006
(German and English)

Financial Report 2006
(German and English)

Annual Report 2006 on Form 20-F
(English)

Annual Financial Statements and Management Report of Deutsche Bank AG 2006
(German and English)

List of Mandates 2006
(German and English)

List of shareholdings 2006
(German and English)

List of Advisory Council Members
(German)

Corporate Social Responsibility – Report 2006
(from May 2007 in German and English)

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  D-33428 Harsewinkel
  Germany

FINANCIAL CALENDAR

2007

May 8, 2007	Interim Report as of March 31, 2007
May 24, 2007	**Annual General Meeting in the Festhalle Frankfurt am Main (Exhibition Center)**
May 25, 2007	Dividend payment
Aug 1, 2007	Interim Report as of June 30, 2007
Oct 31, 2007	Interim Report as of September 30, 2007

2008

Feb 7, 2008	Preliminary results for the 2007 financial year
Mar 26, 2008	Annual Report 2007 and Form 20-F
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

Annex 3
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 ¾ of a percentage point to 5.30% by the middle of the year, US 10-year yields then fell by more than 1 ¼ 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.	Change %
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):

			Change	
€ bn.	Dec 31, 2007	Dec 31, 2006	€ 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)
Discounts[2]	**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.	Change %
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		Non-performance-related components		Performance-related components	Components with long-term incentives[1]	Total compensation
in €		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
				257,381	206,998
thereof: reverse repos	79,892				(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:

	listed		unlisted	
€ m.	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:

	Acquisition/manufacturing costs			Depreciation/amortization, write-downs and value adjustments			Book values	
€ m.	Balance at Jan 1, 2007	Additions	Disposals	Cumula-tive	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 BACKING[1]

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

DB Investments (GB) Limited, London

Deutsche Asset Management International GmbH, Frankfurt am Main

Deutsche Asset Management Investmentgesellschaft mbH vormals DEGEF Deutsche Gesellschaft für Fondsverwaltung mbH, Frankfurt am Main

Deutsche Australia Limited, Sydney

Deutsche Bank Americas Holding Corp., Wilmington

Deutsche Bank (China) Co., Ltd., Beijing

Deutsche Bank Luxembourg S.A., Luxembourg

Deutsche Bank (Malaysia) Berhad, Kuala Lumpur

Deutsche Bank Polska S.A., Warsaw

Deutsche Bank (Portugal), S.A., Lisbon

Deutsche Bank Rt., Budapest

Deutsche Bank S.A., Buenos Aires

Deutsche Bank S.A. – Banco Alemão, São Paulo

Deutsche Bank S.A./N.V., Brussels

Deutsche Bank, Sociedad Anónima Española, Barcelona

Deutsche Bank Società per Azioni, Milan

Deutsche Bank (Suisse) S.A., Geneva

Deutsche Futures Singapore Pte Ltd., Singapore

Deutsche Morgan Grenfell Group plc, London

Deutsche Securities Asia Limited, Hong Kong

Deutsche Securities Limited, Hong Kong

DWS Holding & Service GmbH, Frankfurt am Main

DWS Investment GmbH, Frankfurt am Main

DWS Investment S.A., Luxembourg

OOO Deutsche Bank, Moscow

Schiffshypothekenbank zu Lübeck Aktiengesellschaft, Hamburg

1 Companies with which a profit and loss transfer agreement exists are marked in the List of Shareholdings.

MATURITY STRUCTURE OF 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

	Assets held in trust			Liabilities held in trust	
€ m.	Dec 31, 2007	Dec 31, 2006	€ m.	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

	Affiliated companies		Associated and related companies	
€ m.	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.

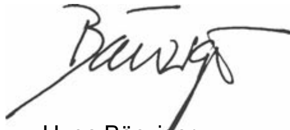
CORPORATE GOVERNANCE

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
Wirtschaftsprüfer

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Hamburg

Leo Wunderlich*
Deutsche Bank AG,
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* Elected by the employees in Germany.

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Nomination Committee
since October 30, 2007

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* Elected by the employees in Germany.

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Professor of International Economics
at the Chinese Academy of Social
Science, China

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

Annex 4
Interim Report
as of 31 March 2008

Deutsche Bank

THE GROUP AT A GLANCE

	Three months ended	
	Mar 31, 2008	Mar 31, 2007
Share price at period end	€ 71.70	€ 100.84
Share price high	€ 89.80	€ 110.00
Share price low	€ 64.62	€ 90.60
Basic earnings per share	€ (0.27)	€ 4.47
Diluted earnings per share	€ (0.27)	€ 4.28
Average shares outstanding, in m., basic	484	475
Average shares outstanding, in m., diluted	484	496
Return on average total shareholders' equity (post tax)	(1.5)%	24.7 %
Pre-tax return on average total shareholders' equity	(2.7)%	36.8 %
Pre-tax return on average active equity	(3.2)%	44.5 %
Book value per share issued[1]	€ 64.09	€ 69.15
Book value per basic share outstanding[2]	€ 69.83	€ 76.16
Cost/income ratio[3]	103.0 %	65.9 %
Compensation ratio[4]	63.6 %	45.2 %
Non-compensation ratio[5]	39.5 %	20.7 %
	in € m.	in € m.
Total revenues	4,616	9,576
Provision for credit losses	114	98
Total noninterest expenses	4,756	6,315
Income (loss) before income taxes	(254)	3,163
Net income (loss)	(141)	2,132
	Mar 31, 2008	Dec 31, 2007
	in € bn.	in € bn.
Total assets	2,305	2,020
Shareholders' equity	34.0	37.0
Core capital ratio (Tier 1)[6]	9.2 %	8.6 %
	Number	Number
Branches	1,902	1,889
thereof in Germany	987	989
Employees (full-time equivalent)	78,275	78,291
thereof in Germany	27,904	27,779
Long-term rating		
Moody's Investors Service	Aa1	Aa1
Standard & Poor's	AA	AA
Fitch Ratings	AA–	AA–

The reconciliation of average active equity and related ratios is provided on page 46 of this report.

1 Book value per share issued is defined as shareholders' equity divided by the number of shares issued (both at period end).
2 Book value per basic share outstanding is defined as shareholders' equity divided by the number of basic shares outstanding (both at period end).
3 Total noninterest expenses as a percentage of total net interest income before provision for credit losses plus noninterest income.
4 Compensation and benefits as a percentage of total net interest income before provision for credit losses plus noninterest income.
5 Non-compensation noninterest expenses, which is defined as total noninterest expenses less compensation and benefits, as a percentage of total net interest income before provision for credit losses plus noninterest income.
6 The core capital ratio (Tier 1) shown for 2008 is pursuant to the German Banking Act and the Solvency Regulation ("Solvabilitätsverordnung"), which adopted the revised capital framework presented by the Basel Committee in 2004 ("Basel II") into German law, while the ratio presented for 2007 is based on the Basel I framework.

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

Cover: Dr. Omar Bin Sulaiman, Governor of Dubai International Financial Centre (DIFC), Dubai

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Dear Shareholders,

In the first quarter of 2008, financial market conditions were the most difficult in recent memory. Conditions in credit markets, and liquidity in the financial system, were both very tight. The outlook for the wider economy worsened, above all in the U.S., and equity markets weakened across the world. In the month of March, pressure on the banking sector was more intense than at any time since the current credit downturn began. Inevitably, this left its mark on Deutsche Bank's results. Nevertheless, relative to the environment and the industry, this is a solid performance.

Dr. Josef Ackermann
Chairman of the Management Board and the Group Executive Committee

We reported a net loss of € 141 million, or 27 cents per share, on a pre-tax loss of € 254 million for the quarter. This result was significantly impacted by mark-downs on our positions in areas directly affected by market conditions. We continued to apply accounting principles consistently with prior quarters, and consequently our result reflected a very modest net benefit of € 77 million from changes in the carrying value of certain of our debt liabilities, driven by movements in credit spreads in the quarter. Applying the fair value option in line with common industry practice would have contributed € 2.0 billion to our pre-tax profits.

The impact of market conditions was felt primarily in our investment banking business. Corporate Banking & Securities reported a pre-tax loss of € 1.6 billion, principally reflecting mark-downs of € 2.7 billion on leveraged loans and loan commitments, commercial real estate, and residential mortgage-backed securities, together with significantly lower revenues in other areas, particularly credit trading. On the other hand, 'flow' businesses – foreign exchange, money markets and interest rate trading – performed very strongly, as did commodities trading and prime services, both strategic growth areas. In foreign exchange, according to the benchmark *Euromoney* Global FX Survey, we ranked no. 1 for the fourth year running, increasing our market share to nearly 22 % – a leadership position never achieved by any bank before now. In Corporate Finance, revenues from M&A advisory and equity issuance were down year-on-year, reflecting significantly lower levels of market activity.

Our 'stable' businesses held up well. Global Transaction Banking (GTB) produced pre-tax profits of € 250 million in the quarter, up 17 % versus the first quarter 2007, despite a weak U.S. dollar and lower interest rates in the U.S. The introduction of the Single Euro Payments Area (SEPA) at the end of January allows GTB to further strengthen Deutsche Bank's position as a strong European-based service provider of payment services.

In Private Clients and Asset Management (PCAM), pre-tax profits were € 492 million, up 2 % versus the first quarter of 2007. Within PCAM, the Asset and Wealth Management business produced pre-tax profits of € 188 million, unchanged versus the prior year quarter. In Asset Management, profits were affected by lower fees resulting from declining values in equity markets, and by more difficult conditions in commercial real estate markets. On the other hand, Private Wealth Management delivered significant profit growth versus the first quarter of 2007 as the investments and net money inflows of earlier years delivered results. Private & Business Clients produced pre-tax profits of € 304 million, up 4 %, with record quarterly revenues. Strong revenues from insurance-related products, notably pension products in Germany (Riester), counterbalanced a decline in brokerage revenues, and our investments, both in Germany and in growth markets such as Poland, made an improved contribution to the bottom line. PCAM also attracted € 11 billion in net new assets during the quarter, despite a difficult investment climate.

Taken together, GTB and PCAM produced pre-tax profits of € 742 million, up 7 % versus the first quarter of 2007, despite much more challenging market conditions. This performance clearly vindicates our strategy of diversifying our revenue mix by further building up 'stable' businesses. We also benefited from gains on the sales of certain industrial holdings during the quarter which contributed to a pre-tax profit of € 679 million in Corporate Investments.

In this difficult market environment, a sound capital base is critically important. Our Tier 1 core capital ratio, now reported under Basel II, was 9.2 % at the end of the quarter. We remain determined to maintain our capital strength. Our funding base is strong and well-diversified, and we continued to enjoy good access to liquidity, at relatively favorable prices, during the quarter.

Looking forward, the near-term outlook is highly uncertain. Credit and liquidity remain very tight. Investors continue to be cautious. The U.S. housing market is still weak. Inflationary pressures have intensified in both mature and developing economies. This, coupled with slowing economic momentum, will likely affect business activity in the wider economy. Recently, however, we have seen some encouraging developments. In April, financial markets have shown signs of stabilizing, and valuations of some asset classes are attracting growing interest from investors. The banking industry, central bankers and governments have signaled their determination to take action to address the situation. Nonetheless, significant challenges and uncertainties still exist.

Deutsche Bank's position is clear. Faced with lower revenues in some areas, we remain rigorous in controlling costs and monitoring investment spending. We are redeploying both human and capital resources toward growth businesses and regions. We have moved swiftly and decisively to consolidate our capital strength. We have further bolstered our funding base, and made good progress on our 2008 funding plan. We continue to reduce our risk exposures in critical areas, including leveraged finance and commercial real estate. Our exposure to subprime remains relatively modest.

The fundamental trends shaping our operating environment are unchanged, and Deutsche Bank is well-positioned to emerge stronger than ever from this crisis. The capital markets will be of ever greater importance in financing economic activity, especially as pressure on capital forces banks to restrict traditional lending activities, and this gives us scope for growth in investment banking. Around the world, wealth continues to be created, private individuals continue to plan for their retirement, and new, demanding investors emerge, creating opportunities for us as a major global asset gatherer. The world's economy continues to become more globally integrated, and that makes our worldwide network, with a presence in 76 countries, an ever more valuable competitive asset.

We re-affirm our strategy and our business model. We have already benefited from synergies among our core businesses, and we have the potential to unlock more value from these synergies. Our integrated 'one bank' approach has proven its worth and is essential to our success, and our ability to create value for our shareholders. We have captured market share in some important areas. We are equally determined to meet near-term challenges, and to take advantage of longer-term opportunities. We remain vigilant in the face of the current difficult conditions, but we are also confident in the strength of our platform.

Finally, I look forward to seeing many of you at our Annual General Meeting on 29th May in the Festhalle in Frankfurt.

Yours sincerely,

Josef Ackermann
Chairman of the Management Board and
the Group Executive Committee

Frankfurt am Main, April 2008

Management Report

DISCUSSION OF GROUP RESULTS

NET REVENUES were € 4.6 billion in the quarter, versus € 9.6 billion in the first quarter of 2007. In Corporate Banking & Securities (CB&S), net revenues were € 880 million, versus € 6.1 billion in the prior year quarter. Revenues in Sales & Trading (Debt and other products) were € 1.3 billion, down from € 3.4 billion in the record prior year quarter, reflecting mark-downs on Commercial Real Estate activities and on Residential Mortgage-Backed Securities, together with significantly lower revenues in the credit trading business. This development was to some extent counterbalanced by substantial year-on-year revenue growth in foreign exchange and money market trading, core fixed income trading and commodities trading. Revenues in Sales & Trading (Equity) were € 745 million, down from € 1.7 billion in the prior year quarter, reflecting significantly lower revenues in equity derivatives trading and a modest loss in designated equity proprietary trading. Revenues in cash equities were somewhat below the exceptional levels of the prior year quarter, while revenues in prime services were ahead of the prior year quarter. Revenues in Advisory were € 128 million, down from € 250 million in the prior year quarter, while revenues in Origination (Equity) were € 85 million, down from € 146 million, both reflecting lower levels of market activity. Revenues in Origination (Debt) were negative € 1.4 billion, versus € 401 million in the prior year quarter, primarily reflecting the mark-downs in leveraged finance of € 1.8 billion. Revenues for the quarter included a gain of € 77 million from changes in the credit spreads on certain of the firm's own debt on which the fair value option was used. The application of the fair value option on our liabilities remained unchanged from prior reporting periods. The aggregate gain recorded on our own debt since January 1, 2007 is less than € 100 million, a very modest amount by industry standards.

In Global Transaction Banking (GTB), net revenues were € 661 million, up 8 % versus the first quarter 2007, reflecting growth in client volumes which more than counterbalanced the adverse impacts of lower interest rates and a decline in the U.S. dollar exchange rate.

In Private Clients and Asset Management (PCAM), net revenues were € 2.5 billion, up 1 % versus the first quarter 2007. Revenues in Asset and Wealth Management (AWM) were € 1.0 billion, down 1 % versus the prior year quarter, reflecting modest declines in portfolio/fund management revenues. Revenues in Private & Business Clients (PBC) were up 2 % to a record € 1.5 billion, with growth in revenues from insurance-related products offsetting a decline in brokerage and portfolio/fund management revenues.

Revenues in Corporate Investments (CI) were € 705 million, principally reflecting gains on the sale of shares in Daimler AG, Allianz SE and Linde AG during the quarter, offset by mark-downs, the largest of which was on our option to acquire additional shares in Hua Xia Bank Co. Ltd. in China.

PROVISION FOR CREDIT LOSSES was € 114 million in the quarter, versus € 98 million in the first quarter 2007. In PCAM, provision for credit losses was € 125 million compared to € 117 million in the prior year quarter, predominantly reflecting PBC's strategy of growth in consumer finance. In CIB, net releases were € 11 million, compared to net releases of € 20 million in the prior year quarter.

NONINTEREST EXPENSES were € 4.8 billion in the quarter, down 25 % from € 6.3 billion in the first quarter 2007. Compensation and benefits expenses were € 2.9 billion, down 32 % versus the prior year quarter, primarily reflecting lower accruals for performance-related compensation in the light of operating results. General and administrative expenses were € 1.9 billion for the quarter, up 2 % versus the prior year quarter. Policyholder benefits and claims were a credit of € 126 million, versus an expense of € 27 million in the prior year quarter, mainly reflecting mark-to-market losses on investments held to back policyholder claims in the closed-book Abbey Life business, purchased in the fourth quarter 2007. In the current quarter, noninterest expenses included € 53 million related to capital injections into certain money market funds in Asset Management.

We reported a LOSS BEFORE INCOME TAXES of € 254 million for the quarter, versus income before income taxes of € 3.2 billion in the first quarter of 2007. Per our target definition, which excludes certain significant gains (net of related expenses) of € 854 million in the current quarter and € 252 million in the prior year quarter, the loss before income taxes was € 1.1 billion in the quarter, versus income before income taxes of € 2.9 billion in the prior year quarter. Gains in the current quarter arose predominantly from the aforementioned sales of industrial holdings. Pre-tax return on average active equity was (3) % for the quarter, versus 44 % in the prior year quarter.

We reported a NET LOSS of € 141 million for the quarter, compared to net income of € 2.1 billion in the first quarter of 2007. We recorded a tax benefit of € 113 million, versus tax expense of € 1.0 billion in the prior year quarter. The current quarter tax benefit includes a credit of € 44 million in respect of policyholder tax related to the aforementioned Abbey Life business. Diluted earnings per share were negative 27 cents, versus € 4.28 in the prior year quarter.

The TIER 1 CAPITAL RATIO, reported for the first time under the Basel II Capital Framework, was 9.2 % at the end of the quarter. The effect of the adoption of Basel II was an improvement in our Tier 1 ratio as the resulting reduction in Tier 1 capital was more than offset by lower risk-weighted assets under Basel II. At the end of the quarter, risk-weighted assets were € 303 billion, including the first quarter effect of higher risk-weighted assets for our leveraged finance loans funded for 180 days or more. Tier 1 capital was € 27.9 billion at the end of the quarter. The positive impact from the conversion of cumulative preferred securities into hybrid Tier 1 capital in the quarter was largely offset by foreign exchange rate movements, the impact of a net loss on retained earnings, and a dividend accrual equivalent to 25 % of the recommended annual dividend payment for 2007.

BUSINESS SEGMENT REVIEW

CORPORATE AND INVESTMENT BANK GROUP DIVISION (CIB)

in € m.	Three months ended		Absolute change	Change in %
	Mar 31, 2008	Mar 31, 2007		
Net revenues	1,541	6,730	(5,189)	(77)
Provision for credit losses	(11)	(20)	9	(45)
Noninterest expenses	2,914	4,347	(1,433)	(33)
Minority interest	(8)	8	(16)	N/M
Income (loss) before income taxes	**(1,354)**	**2,395**	**(3,749)**	N/M

N/M – Not meaningful

CORPORATE BANKING & SECURITIES (CB&S)

in € m.	Three months ended		Absolute change	Change in %
	Mar 31, 2008	Mar 31, 2007		
Net revenues	880	6,118	(5,238)	(86)
Provision for credit losses	(8)	(21)	13	(61)
Noninterest expenses	2,500	3,949	(1,450)	(37)
Minority interest	(8)	8	(16)	N/M
Income (loss) before income taxes	**(1,604)**	**2,181**	**(3,785)**	**N/M**

N/M – Not meaningful

SALES & TRADING (DEBT AND OTHER PRODUCTS) generated revenues of € 1.3 billion in the first quarter, a decrease of € 2.0 billion, or 61 %, compared to the first quarter 2007. The decrease includes net mark-downs of € 885 million on residential mortgage-backed securities and commercial real estate loans. Earnings in our structured credit business also fell as a result of depressed client activity in CDOs and related products, and challenging markets in which previously stable relationships between cash and derivative instruments broke down. In contrast, revenues in foreign exchange, money markets, interest rate products and commodities increased substantially year-on-year due to both increased customer volumes and favorable market positioning. For the fourth consecutive year we were ranked as the world's largest provider of foreign exchange services by respondents to Euromoney Magazine's industry poll.

SALES & TRADING (EQUITY) generated revenues of € 745 million, a decrease of € 969 million, or 57 %, versus the first quarter 2007. Performance in our equity derivatives business was negatively impacted by the increased correlation between equity markets, which led to a deterioration in the value of residual derivative positions arising from our activities in European retail structured products. Growth in cash equities' revenues in Asia and North America was more than offset by a decline in Europe. The prime services business benefited from investors' increasing preference for more stable prime brokerage counterparties. Designated Equity Proprietary Trading reported a small loss in the quarter, compared to a positive contribution in the first quarter 2007.

ORIGINATION AND ADVISORY generated revenues of negative € 1.2 billion in the first quarter 2008 compared to positive € 797 million in the first quarter 2007. The reduction in revenues arose principally from further deterioration in the market for private equity leveraged loans and financing experienced since the second half of 2007. Mark-to-market losses, net of fees, of € 1.8 billion were recorded against leveraged finance loans and loan commitments during the first quarter. This mark-down was in part offset by positive net interest revenues of € 206 million from funded leveraged finance loans. The difficult market conditions negatively impacted overall business volume with revenue declines across Origination and Advisory. Although Advisory revenues were down in the quarter, we increased our share and ranking in announced transaction volumes globally. In Origination (Equity), we increased our global share and improved our ranking in both the United States and Asia Pacific. While overall Origination (Debt) revenues were adversely impacted by the aforementioned mark-to-market losses in leveraged finance, investment grade revenues increased modestly despite a decline in market fee pools (Sources for all rankings, market volume and fee pool data: Thomson Financial, Dealogic).

LOAN PRODUCTS revenues were € 241 million for the first quarter 2008, a decrease of € 80 million, or 25 %, from the same period last year. This largely reflects the impact of the application of the fair value option to new lending activity and related hedges, and the absence of gains on sales from restructured loans realized in the first quarter 2007.

OTHER PRODUCTS revenues were a negative € 253 million in the first quarter 2008, a decrease of € 185 million, compared to the prior year quarter. This was primarily due to mark-to-market losses on investments held to back insurance policyholder claims in Abbey Life (acquired in the fourth quarter 2007). This effect is offset in noninterest expenses in policyholder benefits and claims and therefore has no impact on our profitability.

In PROVISION FOR CREDIT LOSSES, CB&S recorded a net release of € 8 million in the first quarter 2008 compared to a net release of € 21 million in the prior year quarter.

NONINTEREST EXPENSES were € 2.5 billion in the first quarter 2008, a decrease of € 1.5 billion, or 37 %, compared to the first quarter 2007, primarily reflecting lower performance-related compensation in line with business results, and a credit of € 141 million for the aforementioned policyholder benefits and claims.

INCOME (LOSS) BEFORE INCOME TAXES was a loss of € 1.6 billion in the first quarter 2008, compared to an income of € 2.2 billion in the prior year quarter.

KEY CREDIT MARKET EXPOSURES: Ongoing market dislocations and illiquidity in the credit markets may continue to impact our remaining risk positions (including protection purchased from monoline insurers) in the key businesses of CB&S that have been heavily impacted by the global credit crisis. These businesses are those relating to credit structuring, U.S. residential mortgages, commercial real estate and leveraged finance. The following paragraphs summarize these exposures as of the end of the first quarter of 2008.

CDO TRADING AND ORIGINATION BUSINESSES: The activities of our CDO trading and origination businesses span multiple asset classes. Managing our remaining exposure to the U.S. subprime residential mortgage market continues to be a particular focus.

The following table outlines the overall U.S. subprime residential mortgage-related exposures in our CDO trading businesses as of March 31, 2008 and December 31, 2007.

CDO subprime exposure – Trading			**Mar 31, 2008**			**Dec 31, 2007**
in € m.	**Subprime ABS CDO gross exposure**	**Hedges and other protection purchased**	**Subprime ABS CDO net exposure**	**Subprime ABS CDO gross exposure**	**Hedges and other protection purchased**	**Subprime ABS CDO net exposure**
Super Senior tranches	1,175	(476)	699	1,778	(938)	840
Mezzanine tranches	624	(599)	25	1,086	(922)	164
Total Super Senior and Mezzanine tranches	**1,799**	**(1,075)**	**724**	**2,864**	**(1,860)**	**1,004**
Other net subprime-related exposure held by CDO businesses			197			186
Total net subprime exposure in CDO businesses			**921**			**1,190**

In the above table, “exposure” represents our potential loss in the event of a 100 % default of subprime securities and related ABS CDO, assuming zero recovery. It is not an indication of our net delta adjusted trading risk (the net delta adjusted trading risk measure is used to ensure comparability between different ABS CDO and other subprime exposures, for each synthetic subprime position the delta represents the position in the related security which would have the same sensitivity to a given change in the market).

The various gross components of our overall net exposure shown above represent different vintages, locations, credit ratings and other market-sensitive factors. Therefore, while the overall numbers above provide a view of the absolute levels of our exposure to an extreme market movement, actual future profits or losses will depend on actual market movements, basis movements between different components of our positions and our ability to adjust hedges in these circumstances.

In addition to our CDO-related subprime exposure, we also have exposure to ABS CDO positions backed by U.S. Alt-A mortgage collateral. As of March 31, 2008, gross exposure for these positions on an equivalent basis to the above was € 489 million and net exposure was € 127 million. As of December 31, 2007, gross exposure was € 603 million and net exposure was € 161 million.

Our CDO businesses also have exposure to CDOs backed by other asset classes, including commercial mortgages, trust preferred securities, and collateralized loan obligations. These exposures are typically hedged through transactions arranged with other market participants or through other related market instruments.

In addition to our trading-related exposure, the table below summarizes our exposure to U.S. subprime ABS CDOs held within our "Available for Sale" category. These exposures arise from asset financing activities. Our potential economic exposure is hedged by additional short positions in our trading book. While changes in the fair value of available for sale securities generally are recorded in equity, certain reductions in fair value are reflected in profit or loss. In the first quarter of 2008, we recorded charges in profit or loss of € 144 million against these available for sale positions.

CDO subprime exposure – Available for sale		**Exposure**
in € m.	**Mar 31, 2008**	**Dec 31, 2007**
Available for sale	385	499
Short positions on trading book	(365)	(446)
Total net CDO subprime exposure	**20**	**53**

U.S. RESIDENTIAL MORTGAGE BUSINESSES: We also have ongoing exposure to the U.S. residential mortgage market through our trading, origination and securitization businesses in residential mortgages. The credit sensitive exposures, which exclude agency CMOs and agency eligible loans, are summarized below.

Other U.S. residential mortgage business exposure		**Exposure**
in € m.	**Mar 31, 2008**	**Dec 31, 2007**
Alt-A	5,238	7,848
Subprime	202	214
Other	1,599	1,666
Total other U.S. residential mortgage gross assets	**7,038**	**9,729**
Hedges and other protection purchased	(5,994)	(6,921)
Trading-related net positions	675	803
Total net other U.S. residential mortgage business exposure	**1,719**	**3,611**

In the above table, "exposure" represents our potential loss in the event of a 100 % default of RMBS bonds, loans and associated hedges, assuming a zero recovery. It is not an indication of our net delta adjusted trading risk (the net delta adjusted trading risk measure is used to ensure comparability between different residential mortgage-backed securities and other exposures, for each synthetic position the delta represents the position in the related security which would have the same sensitivity to a given change in the market).

As explained above, the overall numbers provide a view of the absolute levels of our exposure to an extreme market movement. Actual future profits or losses will depend on actual market movements, basis movements between different components of our positions and our ability to adjust hedges in these circumstances.

Hedges consist of a number of different market instruments, including protection provided by monoline insurers, single-name CDS contracts with market counterparties and index-based contracts. We have updated the December 31, 2007 comparatives from a net exposure basis (defined as the market value of the gross exposure on RMBS bonds and loans less the value of the protection provided by the associated hedges) to express a hypothetical zero recovery basis to provide a view of the absolute loss potential which is consistent with our other disclosures.

The trading-related net positions arise from our market-making and secondary activities in credit-sensitive U.S. mortgage markets.

EXPOSURE TO MONOLINE INSURERS: The deterioration of the U.S. subprime mortgage market has generated large exposures for financial guarantors, such as monoline insurers, that have insured or guaranteed the value of pools of collateral referenced by CDOs and other market-traded securities. There is some uncertainty as to whether some monolines will be able to meet all their liabilities to banks and other buyers of protection. Actual claims against monoline insurers will only become due if the bank incurs losses because of defaults in the underlying assets (or collateral).

The following table summarizes our net counterparty exposures to monoline insurers with respect to residential mortgage-related activity, on the basis of the mark-to-market value of the assets compared with the face value guaranteed or underwritten by monoline insurers.

Monoline exposure related to U.S. residential mortgages	**Market value of bought protection**		**Gross notional value of bought protection**	
in € m.	**Mar 31, 2008**	**Dec 31, 2007**	**Mar 31, 2008**	**Dec 31, 2007**
Super Senior ABS CDO	869	805	1,971	2,023
Other subprime	97	69	662	573
Alt-A	904	229	6,264	6,318
Total value of bought CDS protection	**1,869**	**1,103**	**8,897**	**8,914**

A proportion of this mark-to-market monoline exposure has been mitigated with CDS protection arranged with other market counterparties and other economic hedge activity.

As of March 31, 2008 and December 31, 2007, we recorded credit valuation adjustments of € 313 million and € 82 million, respectively, against monoline exposures. The credit valuation adjustments are based on a name-by-name assessment of creditworthiness of each monoline.

In addition to the residential mortgage-related activities shown in the table above, we have other exposures of € 1.9 billion as of March 31, 2008 compared to € 1.2 billion as of December 31, 2007, related to net counterparty exposure to monoline insurers, based on the mark-to-market value of other insured assets. These arise from a range of client activity, including collateralized loan obligations, commercial mortgage-backed securities, trust preferred securities, student loans and public sector or municipal debt.

COMMERCIAL REAL ESTATE BUSINESS: Our Commercial Real Estate business takes positions in whole loans, assets held for securitization and commercial mortgage-backed securities. The following is a summary of our gross exposure to whole loans and loan securities held on a fair value basis that are secured in part or whole on commercial property or commercial mortgage pools as of March 31, 2008 and December 31, 2007. This excludes our portfolio of secondary market commercial mortgage-backed securities which are actively traded and priced.

Commercial Real Estate exposure	**Gross exposure**	
in € m.	**Mar 31, 2008**	**Dec 31, 2007**
Funded positions	16,399	15,999
Unfunded commitments	–	1,166
Total Commercial Real Estate exposure	**16,399**	**17,165**
Of which:		
North America	7,605	8,366
Europe	8,794	8,799
(of which Germany was € 6,726 as of March 31, 2008 and € 6,873 as of December 31, 2007)		

Mark-to-market losses against loans and loan commitments		
in € m.	**Mar 31, 2008**	**Dec 31, 2007**
Net mark-downs excluding hedges for the three months ended March 31, 2008 and twelve months ended December 31, 2007	(342)	(386)
Gross mark-downs excluding fees and hedges on loans and commitments as of March 31, 2008 and December 31, 2007	(865)	(558)

Mark-to-market losses as of March 31, 2008 arose from continued illiquidity in the markets that developed during the second half of 2007, which has impacted our ability to securitize and sell commercial real estate loans. As of March 31, 2008 the carrying value of loans and loan commitments held on a fair value basis was € 15.5 billion, compared to € 16.6 billion as of December 31, 2007.

LEVERAGED FINANCE BUSINESS: The following is a summary of our exposures to leveraged loan and other financing commitments arising from the activities of our leveraged finance business as of March 31, 2008 and December 31, 2007. These activities include private equity transactions and other buyout arrangements. Also shown are the mark-downs taken against these loans and loan commitments as of March 31, 2008.

Leveraged Finance exposure		**Gross exposure**
in € m.	**Mar 31, 2008**	**Dec 31, 2007**
Funded positions	16,509	15,317
Unfunded commitments	16,638	20,897
Total Leveraged Finance exposure	**33,147**	**36,214**
Of which:		
North America	23,689	26,620
Europe	8,843	8,959
Asia/Pacific	615	635

Of these commitments as of March 31, 2008, € 1.7 billion was accounted for on an amortized cost basis, and € 31.5 billion were accounted for at fair value. As of March 31, 2008 the carrying value of loans and loan commitments held on a fair value basis was € 28.6 billion, compared to € 33.5 billion as of December 31, 2007.

Mark-to-market losses against loans and loan commitments		
in € m.	**Mar 31, 2008**	**Dec 31, 2007**
Net mark-downs excluding hedges for the three months ended March 31, 2008 and twelve months ended December 31, 2007	(1,770)	(759)
Gross mark-downs excluding fees and hedges on loans and commitments as of March 31, 2008 and December 31, 2007	(2,901)	(1,351)

GLOBAL TRANSACTION BANKING (GTB)

in € m.	Three months ended		Absolute change	Change in %
	Mar 31, 2008	Mar 31, 2007		
Net revenues	661	612	49	8
Provision for credit losses	(3)	1	(4)	N/M
Noninterest expenses	414	397	16	4
Minority interest	–	–	–	N/M
Income before income taxes	**250**	**214**	**36**	**17**

N/M – Not meaningful

GTB generated NET REVENUES of € 661 million in the first quarter 2008, an increase of € 49 million, or 8 %, versus the first quarter 2007. The rise was predominantly attributable to GTB's activities in Trade Finance, Domestic Custody and Cash Management. In Trade Finance, revenues increased primarily from higher volumes in the documentary credit business and a stronger guarantee business in Asia Pacific and Europe. Cash Management generated higher revenues mainly due to improved transaction volumes in our Euro clearing business, and the growth in Domestic Custody Services reflects greater transaction volumes supported by a 10 % increase in assets under custody relating to significant new client mandates.

In PROVISION FOR CREDIT LOSSES, a net release of € 3 million was recorded in the first quarter 2008, compared to a net charge of € 1 million in the prior year quarter.

NONINTEREST EXPENSES were € 414 million in the first quarter 2008, up € 16 million, or 4 %, compared to the first quarter 2007. This reflects increased staff levels, as well as higher performance-related compensation and transaction-related costs in line with business results.

INCOME BEFORE INCOME TAXES was € 250 million for the first quarter, an increase of € 36 million, or 17 %, compared to the prior year quarter.

PRIVATE CLIENTS AND ASSET MANAGEMENT GROUP DIVISION (PCAM)

	Three months ended		Absolute change	Change in %
in € m.	Mar 31, 2008	Mar 31, 2007		
Net revenues	2,454	2,433	22	1
Provision for credit losses	125	117	8	7
Noninterest expenses	1,838	1,832	5	0
Minority interest	(0)	3	(3)	N/M
Income before income taxes	**492**	**481**	**11**	**2**

N/M – Not meaningful

ASSET AND WEALTH MANAGEMENT CORPORATE DIVISION (AWM)

	Three months ended		Absolute change	Change in %
in € m.	Mar 31, 2008	Mar 31, 2007		
Net revenues	1,001	1,008	(7)	(1)
Provision for credit losses	0	1	(1)	(80)
Noninterest expenses	813	817	(4)	(0)
Minority interest	(0)	2	(3)	N/M
Income before income taxes	**188**	**188**	**0**	**0**

N/M – Not meaningful

In the first quarter, AWM reported NET REVENUES of € 1.0 billion, a decrease of € 7 million, or 1 %, compared to the prior year quarter.

PORTFOLIO/FUND MANAGEMENT revenues in Asset Management (AM) decreased € 41 million, or 8 %, compared to the first quarter 2007. This reduction was driven by the impact of deteriorating market conditions on asset-based fees, partly offset by higher performance fees due to strong sector and industry selections. Portfolio/Fund Management revenues in Private Wealth Management (PWM) decreased by € 4 million, or 4 %, compared to the first quarter 2007. The reduction was mainly driven by the impact of deteriorating market conditions in the first quarter 2008 on asset-based fees and the stronger Euro, partly offset by invested assets inflows as a consequence of prior investments into our platform. BROKERAGE revenues of € 238 million were up € 7 million, or 3 %, compared to the prior year quarter. The increase was predominantly attributable to a high demand for alternative investment and structured products, partly offset by lower customer activity in the current market environment and the impact of the stronger Euro. LOAN/DEPOSIT revenues of € 62 million were up by € 9 million, or 18 %, due to higher balances and margins in both our loan and deposit business. Revenues from OTHER PRODUCTS of € 112 million were up by € 19 million, or 21 %, compared to the prior year quarter. This increase was driven by a single one-time gain in PWM related to an investment in Switzerland. Both periods included gains from AM's Real Estate business including a gain of € 65 million on the sale of Australian activities in the first quarter 2008.

NONINTEREST EXPENSES in the first quarter 2008 were € 813 million, essentially unchanged compared to the first quarter 2007. The impact of lower performance-related compensation, the favorable effect of a strong Euro and € 11 million lower policyholder benefits and claims were offset by expenses for capital injections of € 53 million into certain mutual funds. For the full year 2007 expenses for such cash injections were € 42 million.

AWM's INCOME BEFORE INCOME TAXES was € 188 million, unchanged versus the prior year quarter.

INVESTED ASSETS in AWM decreased € 51 billion to € 698 billion in the first quarter of 2008. The decrease was attributable to a negative performance impact of € 32 billion under current market conditions and negative foreign exchange rate effects of € 20 billion. Partly offsetting these factors were € 7 billion net new invested assets, of which € 4 billion related to PWM and € 2 billion related to AM. The remainder of the development related to divestitures in AM's Alternative Investments business.

PRIVATE & BUSINESS CLIENTS CORPORATE DIVISION (PBC)

	Three months ended		Absolute change	Change in %
in € m.	Mar 31, 2008	Mar 31, 2007		
Net revenues	1,454	1,425	28	2
Provision for credit losses	125	116	8	7
Noninterest expenses	1,025	1,016	9	1
Minority interest	0	0	(0)	(39)
Income before income taxes	**304**	**293**	**11**	**4**

NET REVENUES were a record € 1.5 billion, an increase of € 28 million, or 2 %, compared to the first quarter 2007. PAYMENTS, ACCOUNT & REMAINING FINANCIAL SERVICES increased by € 57 million, or 26 %, primarily driven by the continuing high levels of insurance products sales. LOAN/DEPOSIT revenues increased by € 27 million, or 4 %, compared to the prior year quarter. In particular, deposit revenues improved driven by significantly higher balances. Partly offsetting this development were BROKERAGE revenues, which decreased by € 34 million, or 11 %, from the prior year quarter and revenues from PORTFOLIO/FUND MANAGEMENT, which decreased by € 8 million, or 13 %. Both categories were impacted by the deteriorating conditions in the equity markets. Revenues from OTHER PRODUCTS decreased by € 13 million, or 12 %, compared to the prior year quarter, which included gains from the sale of businesses.

The PROVISION FOR CREDIT LOSSES in the first quarter was € 125 million, an increase of € 8 million, or 7 %, compared to the same quarter last year, reflecting organic growth in consumer finance.

NONINTEREST EXPENSES in the first quarter 2008 were € 1.0 billion, an increase of € 9 million, or 1 %, compared to the first quarter 2007. The main drivers for this development were higher compensation expenses due to higher staff levels, mainly in Germany, Poland and India.

INCOME BEFORE INCOME TAXES in PBC was € 304 million in the first quarter, an increase of € 11 million, or 4 %, compared to the first quarter 2007.

In this year's first quarter, PBC's business volumes increased in both the deposit and the lending businesses. INVESTED ASSETS were € 198 billion as of March 31, 2008, a decrease of € 5 billion during the first quarter 2008. This decrease was driven by the impact of market depreciation of € 10 billion, partly offset by net new assets of € 4 billion generated during the quarter.

PBC gained 182,000 net new clients in the first quarter 2008, resulting in a total number of clients of 14.0 million, mainly driven by increases in Germany and India.

CORPORATE INVESTMENTS GROUP DIVISION (CI)

in € m.	Three months ended Mar 31, 2008	Three months ended Mar 31, 2007	Absolute change	Change in %
Net revenues	705	438	266	61
Provision for credit losses	(0)	1	(1)	N/M
Noninterest expenses	26	134	(108)	(81)
Minority interest	(0)	(0)	(0)	20
Income before income taxes	**679**	**305**	**375**	**123**

N/M – Not meaningful

CI's INCOME BEFORE INCOME TAXES was € 679 million in the first quarter 2008, compared to € 305 million in the first quarter last year. The current quarter included gains of € 854 million from the sale of industrial holdings, including Daimler AG, Allianz SE and Linde AG. Mark-downs, including the impact from our option to increase our share in Hua Xia Bank Co. Ltd., negatively impacted the current quarter. The prior year's first quarter benefited from mark-to-market gains of this option and additionally included a gain (net of charges) of € 124 million related to our investment in Deutsche Interhotel Holding GmbH & Co. KG and gains from industrial holdings of € 159 million.

CONSOLIDATION & ADJUSTMENTS

in € m.	Three months ended Mar 31, 2008	Three months ended Mar 31, 2007	Absolute change	Change in %
Net revenues	(84)	(25)	(60)	N/M
Provision for credit losses	(0)	0	(0)	N/M
Noninterest expenses	(21)	3	(23)	N/M
Minority interest	8	(11)	19	N/M
Income (loss) before income taxes	**(72)**	**(17)**	**(55)**	**N/M**

N/M – Not meaningful

LOSS BEFORE INCOME TAXES in Consolidation & Adjustments was € 72 million in the first quarter 2008 compared to € 17 million in the prior year quarter. Neither period included significant individual items.

BALANCE SHEET DEVELOPMENT

ASSETS AND LIABILITIES

Our total assets as of March 31, 2008 were € 2,305 billion, an increase of € 285 billion, or 14 %, versus December 31, 2007 (€ 2,020 billion). Total liabilities were € 2,269 billion as of March 31, 2008, € 287 billion, or 15 %, higher than December 31, 2007 (€ 1,982 billion).

The primary drivers for the increase in both total assets and total liabilities were financial instruments at fair value through profit or loss. As of March 31, 2008, the increase in positive and negative market values from derivatives compared to December 31, 2007 was € 246 billion and € 230 billion, respectively. This growth was mainly in interest rate products within our Global Rates business due to the strong directional bias of interest rate yield curves. Additionally, in our Global Credit Trading business the widening of credit spreads contributed to the increase in derivatives.

FAIR VALUE HIERARCHY - VALUATION TECHNIQUES WITH UNOBSERVABLE PARAMETERS

This level of the IFRS fair value hierarchy includes more complex OTC derivatives, illiquid loans and certain structured bonds. Instruments classified in this category have a parameter input or inputs which are unobservable and which have a more than insignificant impact on either the fair value of the instrument or the profit and loss of the instrument.

Total assets held at fair value which are measured using valuation techniques with unobservable parameters ("Level 3") were € 95 billion as of March 31, 2008, which was equivalent to 6 % of total fair value assets, as of that date (versus € 88 billion, or 6 %, as of December 31, 2007). Total liabilities which are measured using valuation techniques with unobservable parameters were € 31 billion as of March 31, 2008 which was equivalent to 3 % of total fair value liabilities (versus € 23 billion, or 2 %, as of December 31, 2007). The increase in Level 3 positions was attributable to reduced levels of liquidity and observable market data related to non-agency residential mortgage-backed loans and securities.

EQUITY

Total equity was € 36 billion as of March 31, 2008, a decrease of € 2.4 billion, or 6 %, versus December 31, 2007. The main contributors to this development were the reduction of unrealized net gains on financial assets available for sale of € 2.4 billion and negative effects of exchange rate changes of € 868 million (especially in the U.S. dollar and the British pound). The reduction of unrealized net gains on financial assets available for sale is due to three main factors: realization of gains/losses (€ 0.8 billion), mainly from the reduction of industrial holdings, unrealized losses from equity securities reflecting decreases in the market value (€ 0.9 billion), as well as realized and unrealized losses from debt securities (€ 0.7 billion). The majority of the latter was attributable to a general decline in the fair value of € 10 billion of debt securities that form part of the consolidated asset-backed commercial paper (“ABCP”) programs that we sponsored. Such assets are subject to the usual price verification procedures and are continually reviewed for potential impairment through profit and loss. These negative factors were partly offset by an increase in minority interest of € 613 million mainly due to the consolidation of entities which were formed in the first quarter of 2008 and in which we were not the sole shareholder.

Further, net changes in share awards resulted in a € 545 million increase in additional paid-in capital. The increase in share awards reflects the amortization of share-based compensation awards, including the impact of the accelerated amortization of awards under early retirement rules.

RELATED PARTY TRANSACTIONS

We have business relationships with a number of the companies in which we own significant equity interests. We also have business relationships with a number of companies where members of our Management Board also hold positions on boards of directors. Our business relationships with these companies cover many of the financial services we provide to our clients generally. For more detailed information, refer to the other financial information of this Interim Report.

GOODWILL IMPAIRMENT REVIEW

In the first quarter of 2008, conditions in the financial markets significantly worsened. The environment for Corporate Finance products in general and for leveraged lending and Commercial Real Estate in particular, has substantially deteriorated from that expected in the latter part of 2007. As a result of the changes in the market environment, we have reviewed the current and expected performance of our cash generating unit Corporate Finance, and the potential impact on goodwill allocated to it. Our goodwill impairment test indicated that the goodwill of this cash generating unit was not impaired as of March 31, 2008. However, the excess of the recoverable amount over the carrying amount is reduced as compared with our annual goodwill impairment test, conducted at the end of 2007. Continued low levels of M&A and issuance activity, a prolonged period of investor cautiousness as well as a further deterioration in the leveraged loan market, in particular limiting our ability to sell loans and loan commitments, could result in an impairment situation in the future.

OUTLOOK

The following section should be read in conjunction with the Outlook section in the Management Report and the Risk Report provided in our Financial Report for the year ended December 31, 2007.

We believe global economic growth is likely to slow to 4 % in the current year, from 4.9 % in 2007. This is due to the rise in energy and food prices, and, more importantly, the marked slowdown in the U.S. Due to the recession in residential construction, employment in the U.S. has been declining since the beginning of the year and consumer sentiment has fallen considerably. Following the noticeable weakness in early 2008 fiscal stimulus should start to support the U.S. economy in the second and third quarter. For the year as a whole, we expect GDP growth in the U.S. to come to just 1.5 %.

The effects of international developments and the record highs of the Euro have so far had limited impact in the Euro area, particularly in Germany. Although investment and employment growth is weakening, it is still robust in the light of high capacity utilization. Yet, the retarding external factors will increasingly gain influence and growth in the Euro area and in Germany are expected to slow to about 1.5 % in the current year.

Capital market conditions have deteriorated further in the first quarter, even though there have been weak signals of stabilization recently. Interbank markets remain tight; risk spreads have risen further, making refinancing even more expensive for banks and likely to represent a burden also during the coming months. Further write-downs on bonds backed by subprime mortgages and on leveraged loans and similar products have again weakened the capital base of a number of banks, which have been able to compensate partly for this by raising new capital. Lending to private and business clients in many industrial countries has slowed down only slightly so far, despite tighter credit standards; lending to business clients in the euro zone even expanded further. We believe markets will probably also continue to witness a re-pricing of risk rather than a credit crunch in the strict sense of the word – provided there is no unexpectedly sharp decline in growth in the U.S. and Europe.

The discussion on tightening bank regulatory requirements as a consequence of the recent financial market turmoil has become much more specific; first measures are scheduled to be implemented by the end of the year. At the same time, the financial industry itself has made several recommendations to strengthen financial market stability in the future. Implementation of these proposals is likewise expected to start in the second half of 2008.

Looking forward, the near-term outlook is highly uncertain. Credit and liquidity remain very tight. Investors continue to be cautious. The U.S. housing market is still weak. Inflationary pressures have intensified in both mature and developing economies. This, coupled with slowing economic momentum, will likely affect business activity in the wider economy. Recently, however, we have seen some encouraging developments. In April, financial markets have shown signs of stabilizing, and valuations of some asset classes are attracting growing interest from investors. The banking industry, central bankers and governments have signaled their determination to take action to address the situation. Nonetheless, significant challenges and uncertainties still exist.

Deutsche Bank's position is clear. Faced with lower revenues in some areas, we remain rigorous in controlling costs and monitoring investment spending. We are redeploying both human and capital resources toward growth businesses and regions. We have moved swiftly and decisively to consolidate our capital strength. We have further bolstered our funding base, and made good progress on our 2008 funding plan. We continue to reduce our risk exposures in critical areas, including leveraged finance and commercial real estate. Our exposure to subprime remains relatively modest.

The fundamental trends shaping our operating environment are unchanged, and Deutsche Bank is well-positioned to emerge stronger than ever from this crisis. The capital markets will be of ever greater importance in financing economic activity, especially as pressure on capital forces banks to restrict traditional lending activities, and this gives us scope for growth in investment banking. Around the world, wealth continues to be created, private individuals continue to plan for their retirement, and new, demanding investors emerge, creating opportunities for us as a major global asset gatherer. The world's economy continues to become more globally integrated, and that makes our worldwide network, with a presence in 76 countries, an ever more valuable competitive asset.

We re-affirm our strategy and our business model. We have already benefited from synergies among our core businesses, and we have the potential to unlock more value from these synergies. Our integrated 'one bank' approach has proven its worth and is essential to our success, and our ability to create value for our shareholders. We have captured market share in some important areas. We are equally determined to meet near-term challenges, and to take advantage of longer-term opportunities. We remain vigilant in the face of the current difficult conditions, but we are also confident in the strength of our platform.

Review Report

TO DEUTSCHE BANK AKTIENGESELLSCHAFT, FRANKFURT AM MAIN

We have reviewed the condensed interim consolidated financial statements of the Deutsche Bank Aktiengesellschaft, Frankfurt am Main - comprising the balance sheet, the income statement, statement of recognized income and expense, cash flow statement and selected explanatory notes - together with the interim Group management report of the Deutsche Bank Aktiengesellschaft, for the period from January 1 to March 31, 2008 that are part of the quarterly financial report according to § 37 x section 3 WpHG (German Securities Trading Act). The preparation of the condensed interim consolidated financial statements in accordance with those International Financial Reporting Standards (IFRS) applicable to interim financial reporting as adopted by the EU and in accordance with the IFRS for interim financial reporting as issued by the International Accounting Standards Board (IASB), and of the interim Group management report in accordance with the requirements of the WpHG applicable to interim Group management reports, is the responsibility of Deutsche Bank Aktiengesellschaft's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim Group management report based on our review.

We performed our review of the condensed interim consolidated financial statements and the interim Group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material aspects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and in accordance with the IFRS for interim financial reporting as issued by the IASB, and that the interim Group management report has not been prepared, in material aspects, in accordance with the requirements of the WpHG applicable to interim Group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

Based on our review, no matters have come to our attention that cause us to presume that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and in accordance with the IFRS for interim financial reporting as issued by the IASB, or that the interim Group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim Group management reports.

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft Wirtschaftsprüfungsgesellschaft

Frankfurt am Main (Germany), April 28, 2008

(signed)

Becker
Wirtschaftsprüfer

(signed)

Bose
Wirtschaftsprüfer

Consolidated Statement of Income (unaudited)

INCOME STATEMENT

in € m.	Three months ended Mar 31, 2008	Mar 31, 2007
Interest and similar income	16,537	16,269
Interest expense	13,861	14,216
Net interest income	**2,676**	**2,053**
Provision for credit losses	114	98
Net interest income after provision for credit losses	**2,562**	**1,955**
Commissions and fee income	2,531	2,931
Net gains (losses) on financial assets/liabilities at fair value through profit or loss	(1,578)	3,973
Net gains (losses) on financial assets available for sale	683	234
Net income (loss) from equity method investments	86	183
Other income	218	202
Total noninterest income	**1,940**	**7,523**
Compensation and benefits	2,934	4,329
General and administrative expenses	1,948	1,913
Policyholder benefits and claims	(126)	27
Impairment of intangible assets	–	54
Restructuring activities	–	(8)
Total noninterest expenses	**4,756**	**6,315**
Income (loss) before income taxes	**(254)**	**3,163**
Income tax expense (benefit)	(113)	1,031
Net income (loss)	**(141)**	**2,132**
Net income (loss) attributable to minority interest	(10)	11
Net income (loss) attributable to Deutsche Bank shareholders	(131)	2,121

EARNINGS PER COMMON SHARE

in €	Three months ended Mar 31, 2008	Mar 31, 2007
Earnings per common share:		
Basic	€ (0.27)	€ 4.47
Diluted	€ (0.27)	€ 4.28
Number of shares in m.		
Denominator for basic earnings per share – weighted-average shares outstanding	483.8	475.0
Denominator for diluted earnings per share – adjusted weighted-average shares after assumed conversions[1]	483.9	495.7

1 Due to the net loss situation for the three months ended March 31, 2008 potentially dilutive shares are generally not considered for the EPS calculation, because to do so would be anti-dilutive. Under a net income situation however, the number of adjusted weighted-average shares after assumed conversions would have increased by 19.8 million shares for the three months ended March 31, 2008.

Consolidated Statement of Recognized Income and Expense (unaudited)

	Three months ended	
in € m.	Mar 31, 2008	Mar 31, 2007
Net income (loss) recognized in the income statement	**(141)**	**2,132**
Net gains (losses) not recognized in the income statement, net of tax		
Unrealized gains (losses) on financial assets available for sale:		
Unrealized net gains (losses) arising during the period, before tax	(1,892)	916
Net reclassification adjustment for realized net (gains) losses, before tax	(683)	(234)
Unrealized net gains (losses) on derivatives hedging variability of cash flows:		
Unrealized net gains (losses) arising during the period, before tax	24	(10)
Net reclassification adjustment for realized net (gains) losses, before tax	2	3
Foreign currency translation:		
Unrealized net gains (losses) arising during the period, before tax	(855)	(150)
Net reclassification adjustment for realized net (gains) losses, before tax	–	–
Tax on items taken directly to equity or reclassified from equity	116	(3)
Total net gains (losses) not recognized in the income statement, net of tax	**(3,288)**[1]	**522**
Total recognized income and expense	**(3,429)**	**2,654**
Attributable to:		
Minority interest	(9)	13
Deutsche Bank shareholders	(3,420)	2,641

1 Represents the change in the balance sheet in net gains (losses) not recognized in the income statement (net of tax) between December 31, 2007 of € 1,133 million and March 31, 2008 of € (2,157) million, adjusted for minority interest attributable to these components of € 2 million.

Consolidated Balance Sheet (unaudited)

ASSETS

in € m.	Mar 31, 2008	Dec 31, 2007
Cash and due from banks	6,475	8,632
Interest-earning deposits with banks	25,614	21,615
Central bank funds sold and securities purchased under resale agreements	36,037	13,597
Securities borrowed	58,984	55,961
Financial assets at fair value through profit or loss	1,676,913	1,474,103
Financial assets available for sale	42,895	42,294
Equity method investments	3,438	3,366
Loans	207,435	198,892
Premises and equipment	2,473	2,409
Goodwill and other intangible assets	8,853	9,383
Other assets	227,354	182,897
Income tax assets	8,866	7,200
Total assets	**2,305,337**	**2,020,349**

LIABILITIES AND EQUITY

in € m.	Mar 31, 2008	Dec 31, 2007
Deposits	439,619	457,946
Central bank funds purchased and securities sold under repurchase agreements	217,376	178,741
Securities loaned	11,873	9,565
Financial liabilities at fair value through profit or loss	1,181,012	966,177
Other short-term borrowings	50,681	53,410
Other liabilities	222,470	171,509
Provisions	1,292	1,295
Income tax liabilities	7,230	6,639
Long-term debt	126,874	126,703
Trust preferred securities	7,324	6,345
Obligation to purchase common shares	3,552	3,553
Total liabilities	**2,269,303**	**1,981,883**
Common shares, no par value, nominal value of € 2.56	1,358	1,358
Additional paid-in capital	16,254	15,808
Retained earnings	24,980	25,116
Common shares in treasury, at cost	(2,885)	(2,819)
Equity classified as obligation to purchase common shares	(3,551)	(3,552)
Net gains (losses) not recognized in the income statement, net of tax		
Unrealized net gains on financial assets available for sale, net of applicable tax and other	1,195	3,635
Unrealized net gains (losses) on derivatives hedging variability of cash flows, net of tax	(34)	(52)
Foreign currency translation, net of tax	(3,318)	(2,450)
Total net gains (losses) not recognized in the income statement, net of tax	(2,157)	1,133
Total shareholders' equity	**33,999**	**37,044**
Minority interest	2,035	1,422
Total equity	**36,034**	**38,466**
Total liabilities and equity	**2,305,337**	**2,020,349**

Consolidated Statement of Cash Flows (unaudited)

	Three months ended	
in € m.	Mar 31, 2008	Mar 31, 2007
Net income (loss)	**(141)**	**2,132**
Cash flows from operating activities:		
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	114	98
Restructuring activities	–	(40)
Gain on sale of financial assets available for sale, equity method investments, and other	(1,013)	(248)
Deferred income taxes, net	(876)	94
Impairment, depreciation and other amortization, and accretion	848	467
Share of net income from equity method investments	(12)	(204)
Income (loss) adjusted for noncash charges, credits and other items	**(1,080)**	**2,299**
Adjustments for net change in operating assets and liabilities:		
Interest-earning time deposits with banks	(2,872)	3,330
Central bank funds sold, securities purchased under resale agreements, securities borrowed	(27,313)	(11,995)
Trading assets	(248,598)	(52,213)
Other financial assets at fair value through profit or loss (excl. investing activities)	9,504	(13,600)
Loans	(9,040)	(3,048)
Other assets	(49,395)	(80,912)
Deposits	(13,080)	3,810
Trading liabilities	257,294	22,236
Other financial liabilities at fair value through profit or loss (excl. financing activities) [1]	(19,479)	33,065
Securities loaned, central bank funds purchased, securities sold under repurchase agreements	45,601	19,274
Other short-term borrowings	(1,866)	(180)
Other liabilities	57,880	74,845
Senior long-term debt[2]	2,256	10,191
Other, net	2,139	602
Net cash provided by operating activities	**1,951**	**7,704**
Cash flows from investing activities:		
Proceeds from:		
Sale of financial assets available for sale (incl. at fair value through profit or loss)	3,651	2,409
Maturities of financial assets available for sale (incl. at fair value through profit or loss)	5,577	2,499
Sale of equity method investments	159	371
Sale of premises and equipment	66	77
Purchase of:		
Financial assets available for sale (incl. at fair value through profit or loss)	(13,518)	(4,349)
Equity method investments	(237)	(34)
Premises and equipment	(114)	(110)
Net cash paid for business combinations/divestitures	(24)	(678)
Other, net	(25)	23
Net cash provided by (used in) investing activities	**(4,465)**	**208**
Cash flows from financing activities:		
Issuances of subordinated long-term debt (incl. at fair value through profit or loss)	48	120
Repayments and extinguishments of subordinated long-term debt (incl. at fair value through profit or loss)	(25)	(1,387)
Issuances of trust preferred securities (incl. at fair value through profit or loss)	1,246	–
Repayments and extinguishments of trust preferred securities (incl. at fair value through profit or loss)	–	(308)
Common shares issued under share-based compensation plans	5	45
Purchases of treasury shares	(5,340)	(5,996)
Sale of treasury shares	5,250	6,334
Dividends paid to minority interests	(6)	(4)
Net change in minority interests	647	(105)
Net cash provided by (used in) financing activities	**1,825**	**(1,301)**
Net effect of exchange rate changes on cash and cash equivalents	**(271)**	**5**
Net increase (decrease) in cash and cash equivalents	(960)	6,616
Cash and cash equivalents at beginning of period	26,098	17,354
Cash and cash equivalents at end of period	25,138	23,970
Net cash provided by operating activities include		
Income taxes paid, net	1,276	621
Interest paid	15,209	13,790
Interest and dividends received	16,537	15,501
Cash and cash equivalents comprise		
Cash and due from banks	6,475	6,728
Interest-earning demand deposits with banks (not included: time deposits of € 6,951 m. as of March 31, 2008 and € 8,278 m. as of March 31, 2007)	18,663	17,242
Total	**25,138**	**23,970**

1 Included are senior long-term debt issuances of € 9,240 million and € 4,286 million and repayments and extinguishments of € 7,002 million and € 1,587 million until March 31, 2008 and 2007, respectively.

2 Included are issuances of € 32,013 million and € 21,898 million and repayments and extinguishments of € 27,167 million and € 13,170 million until March 31, 2008 and 2007, respectively.

Basis of Preparation

The accompanying condensed consolidated interim financial statements which include Deutsche Bank AG and its subsidiaries have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union ("EU") and are stated in Euro. Since the Group does not use the "carve-out" relating to hedge accounting included in IAS 39, "Financial Instruments: Recognition and Measurement," as endorsed by the EU, its financial statements fully comply with IFRS as issued by the IASB.

These condensed consolidated interim financial statements are unaudited and conform to IAS 34, "Interim Financial Reporting", and should be read in conjunction with the audited consolidated financial statements of Deutsche Bank for the financial year 2007. The condensed consolidated interim financial statements are based on the same accounting policies applied in the preparation of the consolidated financial statements for 2007 except for changes set out as follows.

In July 2007, the International Financial Reporting Interpretations Committee ("IFRIC") issued interpretation IFRIC 14, "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" ("IFRIC 14"). IFRIC 14 provides general guidance on how to assess the limit in IAS 19, "Employee Benefits," on the amount of a pension fund surplus that can be recognized as an asset. It also explains how the pension asset or liability may be affected when there is a statutory or contractual minimum funding requirement. No additional liability need be recognized by the employer under IFRIC 14 unless the contributions that are payable under the minimum funding requirement cannot be returned to the company. IFRIC 14 is effective for annual periods beginning on or after January 1, 2008. Even though the EU has yet to endorse IFRIC 14, its adoption by Deutsche Bank has no impact on the conformity with IFRS as endorsed by the EU, because the adoption of IFRIC 14 had no impact on Deutsche Bank's consolidated interim financial statements.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions for certain categories of assets and liabilities. Areas where this is required include the fair value of certain financial assets and liabilities, the allowance for loan losses, the impairment of goodwill, intangibles and assets other than loans, the recognition and measurement of deferred tax assets, provisions for uncertain income tax positions, legal and regulatory contingencies, the reserves for insurance and investment contracts, reserves for pensions and similar obligations. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's estimates and the results reported should not be regarded as necessarily indicative of results that may be expected for the entire year.

The condensed consolidated interim financial statements include supplementary disclosures on segment information, income statement and balance sheet and other financial information. Prior period amounts for the cash flow statement as well as for certain income statement positions were adjusted as described in Note [44] of Deutsche Bank's Financial Report 2007.

Impact of Changes in Accounting Principles (unaudited)

IFRS 3 AND IAS 27

In January 2008, the IASB issued a revised version of IFRS 3, "Business Combinations" ("IFRS 3 R"), and an amended version of IAS 27, "Consolidated and Separate Financial Statements" ("IAS 27 R"). IFRS 3 R reconsiders the application of acquisition accounting for business combinations and IAS 27 R mainly relates to changes in the accounting for non-controlling interests and the loss of control of a subsidiary. Under IFRS 3 R, the acquirer can elect to measure any non-controlling interest on a transaction-by-transaction basis, either at fair value as of the acquisition date or at its proportionate interest in the fair value of the identifiable assets and liabilities of the acquiree. When an acquisition is achieved in successive share purchases (step acquisition), the identifiable assets and liabilities of the acquiree are recognized at fair value when control is obtained. A gain or loss is recognized in profit or loss for the difference between the fair value of the previously held equity interest in the acquiree and its carrying amount. IAS 27 R also requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control. Transactions resulting in a loss of control result in a gain or loss being recognized in profit or loss. The gain or loss includes a remeasurement to fair value of any retained equity interest in the investee. In addition, all items of consideration transferred by the acquirer are measured and recognized at fair value, including contingent consideration, as of the acquisition date. Transaction costs incurred by the acquirer in connection with the business combination do not form part of the cost of the business combination transaction but are expensed as incurred unless they relate to the issuance of debt or equity securities, in which case they are accounted for under IAS 39, "Financial Instruments: Recognition and Measurement". IFRS 3 R and IAS 27 R are effective for business combinations in annual periods beginning on or after July 1, 2009, with early application permitted provided that both Standards are applied together. While approved by the IASB, the standards have yet to be endorsed by the EU. The Group is currently evaluating the potential impact that the adoption of IFRS 3 R and IAS 27 R will have on its consolidated financial statements.

IAS 32 AND IAS 1

In February 2008, the IASB issued amendments to IAS 32, "Financial Instruments: Presentation", and IAS 1, "Presentation of Financial Statements": "Puttable Financial Instruments and Obligations Arising on Liquidation". The amendments provide for equity treatment, under certain circumstances, for financial instruments puttable at fair value and obligations arising on liquidation only. They are effective for annual periods beginning on or after January 1, 2009, with earlier application permitted. While approved by the IASB, the standards have yet to be endorsed by the EU. The Group is currently evaluating the potential impact that the adoption of the amendments will have on its consolidated financial statements.

Segment Information (unaudited)

The following segment information has been prepared in accordance with IFRS 8, "Operating Segments," which defines requirements for the disclosure of financial information of an entity's operating segments. It follows the "management approach", which requires presentation of the segments on the basis of the internal reports about components of the entity which are regularly reviewed by the chief operating decision-maker in order to allocate resources to a segment and to assess its performance.

BUSINESS SEGMENTS

The Group's segment reporting follows the organizational structure as reflected in its internal management reporting systems, which are the basis for assessing the financial performance of the business segments and for allocating resources to the business segments.

During the first three months of 2008, there were no material changes in the organizational structure which affected the composition of the business segments. Restatements due to minor changes in the organizational structure have been implemented in the presentation of prior period comparables if they were considered in the Group's management reporting systems.

The following describes certain transactions which impacted the Group's segment operations:

- On January 31, 2008, the Group acquired HedgeWorks LLC, a hedge fund administrator based in the United States. It is included in the corporate division Global Transaction Banking.
- Effective March 12, 2008, the Group completed the acquisition of a 60 % interest in Far Eastern Alliance Asset Management Co. Limited, a Taiwanese investment management firm, which is included in the corporate division Asset and Wealth Management.

SEGMENTAL RESULTS OF OPERATIONS

The following tables present the results of the business segments, including the reconciliation to the consolidated results under IFRS, for the three months ended March 31, 2008 and 2007.

Three months ended Mar 31, 2008	Corporate and Investment Bank			Private Clients and Asset Management			Corporate Invest-ments	Consoli-dation & Adjust-ments	Total Consoli-dated
in € m. (unless stated otherwise)	Corporate Banking & Securities	Global Trans-action Banking	Total	Asset and Wealth Manage-ment	Private & Business Clients	Total			
Net revenues	**880**	**661**	**1,541**	**1,001**	**1,454**	**2,454**	**705**[1]	**(84)**	**4,616**
Provision for credit losses	**(8)**	**(3)**	**(11)**	**0**	**125**	**125**	**(0)**	**(0)**	**114**
Total noninterest expenses	**2,500**	**414**	**2,914**	**813**	**1,025**	**1,838**	**26**	**(21)**	**4,756**
therein:									
Policyholder benefits and claims	(141)	–	(141)	14	–	14	–	1	(126)
Impairment of intangible assets	–	–	–	–	–	–	–	–	–
Restructuring activities	–	–	–	–	–	–	–	–	–
Minority interest	**(8)**	**–**	**(8)**	**(0)**	**0**	**(0)**	**(0)**	**8**	**–**
Income (loss) before income taxes	**(1,604)**	**250**	**(1,354)**	**188**	**304**	**492**	**679**	**(72)**	**(254)**
Cost/income ratio	N/M	63 %	189 %	81 %	70 %	75 %	4 %	N/M	103 %
Assets[2]	2,158,799	36,790	2,176,969	39,457	122,081	161,288	9,907	11,626	2,305,337
Average active equity[3]	20,376	1,069	21,446	4,772	3,390	8,162	278	542	30,427
Pre-tax return on average active equity[4]	(31)%	94 %	(25)%	16 %	36 %	24 %	N/M	N/M	(3)%

N/M – Not meaningful

1 Includes gains from the sale of industrial holdings (Daimler AG, Allianz SE and Linde AG) of € 854 million.

2 The sum of corporate divisions does not necessarily equal the total of the corresponding group division because of consolidation items between corporate divisions, which are to be eliminated on group division level. The same approach holds true for the sum of group divisions compared to 'Total Consolidated'.

3 For management reporting purposes goodwill and other intangible assets with indefinite lives are explicitly assigned to the respective divisions. Average active equity is first allocated to divisions according to goodwill and intangible assets, remaining average active equity is allocated to the divisions in proportion to the economic capital calculated for them.

4 For the calculation of pre-tax return on average active equity please refer to page 46 of this document. For 'Total Consolidated' pre-tax return on average shareholders' equity is (3) %.

Three months ended Mar 31, 2007	Corporate and Investment Bank			Private Clients and Asset Management			Corporate Invest-ments	Consoli-dation & Adjust-ments	Total Consoli-dated
in € m. (unless stated otherwise)	Corporate Banking & Securities	Global Trans-action Banking	Total	Asset and Wealth Manage-ment	Private & Business Clients	Total			
Net revenues	**6,118**	**612**	**6,730**	**1,008**	**1,425**	**2,433**	**438**[1]	**(25)**	**9,576**
Provision for credit losses	**(21)**	**1**	**(20)**	**1**	**116**	**117**	**1**	**0**	**98**
Total noninterest expenses	**3,949**	**397**	**4,347**	**817**	**1,016**	**1,832**	**134**	**3**	**6,315**
therein:									
Policyholder benefits and claims	–	–	–	24	–	24	–	3	27
Impairment of intangible assets	–	–	–	–	–	–	54	–	54
Restructuring activities	(3)	(0)	(3)	(4)	(0)	(4)	0	0	(8)
Minority interest	**8**	**–**	**8**	**2**	**0**	**3**	**(0)**	**(11)**	**–**
Income (loss) before income taxes	**2,181**	**214**	**2,395**	**188**	**293**	**481**	**305**	**(17)**	**3,163**
Cost/income ratio	65 %	65 %	65 %	81 %	71 %	75 %	30 %	N/M	66 %
Assets (as of Dec 31, 2007)[2]	1,881,638	32,083	1,895,756	39,081	117,533	156,391	13,002	8,695	2,020,349
Average active equity[3]	17,768	1,053	18,822	5,074	3,372	8,445	681	403	28,351
Pre-tax return on average active equity[4]	49 %	81 %	51 %	15 %	35 %	23 %	179 %	N/M	44 %

N/M – Not meaningful

1 Includes gains from the sale of industrial holdings (Fiat S.p.A.) of € 128 million and income from equity method investments (Deutsche Interhotel Holding GmbH & Co. KG) of € 178 million.

2 The sum of corporate divisions does not necessarily equal the total of the corresponding group division because of consolidation items between corporate divisions, which are to be eliminated on group division level. The same approach holds true for the sum of group divisions compared to 'Total Consolidated'.

3 For management reporting purposes goodwill and other intangible assets with indefinite lives are explicitly assigned to the respective divisions. Average active equity is first allocated to divisions according to goodwill and intangible assets, remaining average active equity is allocated to the divisions in proportion to the economic capital calculated for them.

4 For the calculation of pre-tax return on average active equity please refer to page 46 of this document. For 'Total Consolidated' pre-tax return on average shareholders' equity is 37 %.

RECONCILIATION OF SEGMENTAL RESULTS OF OPERATIONS TO CONSOLIDATED RESULTS OF OPERATIONS ACCORDING TO IFRS

Loss before income taxes in Consolidation & Adjustments was € 72 million in the first quarter 2008 compared to € 17 million in the prior year quarter. Neither period included significant individual items.

ENTITY-WIDE DISCLOSURES

The Group presents revenues for groups of similar products and services by group division on a standalone basis derived from the Group's management accounting systems. The following tables present the net revenue components of the Corporate and Investment Bank Group Division and the Private Clients and Asset Management Group Division for the three months ended March 31, 2008 and 2007.

	Corporate and Investment Bank	
	Three months ended	
in € m.	Mar 31, 2008	Mar 31, 2007
Sales & Trading (equity)	745	1,714
Sales & Trading (debt and other products)	1,317	3,354
Total Sales & Trading	**2,062**	**5,068**
Origination (equity)	85	146
Origination (debt)	(1,383)	401
Total Origination	**(1,298)**	**547**
Advisory	128	250
Loan products	241	321
Transaction services	661	612
Other products	(253)	(68)
Total[1]	**1,541**	**6,730**

1 Total net revenues presented above include net interest income, net gains (losses) on financial assets/liabilities at fair value through profit or loss and other revenues such as commissions and fee income.

	Private Clients and Asset Management	
	Three months ended	
in € m.	Mar 31, 2008	Mar 31, 2007
Portfolio/fund management[1]	636	689
Brokerage	522	550
Loan/deposit[1]	811	775
Payments, account & remaining financial services	282	223
Other products	202	196
Total[2]	**2,454**	**2,433**

1 Revenues from investment accounts (interest) have been reclassified from Portfolio/fund management to Loan/deposit. The prior period has been restated to reflect this change.

2 Total net revenues presented above include net interest income, net gains (losses) on financial assets/liabilities at fair value through profit or loss and other revenues such as commissions and fee income.

Information on the Income Statement (unaudited)

NET INTEREST INCOME AND NET GAINS (LOSSES) ON FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS BY GROUP DIVISON

	Three months ended	
in € m.	Mar 31, 2008	Mar 31, 2007
Net interest income	2,676	2,053
Trading income	(7,832)	4,241
Net gains (losses) on financial assets/liabilities designated at fair value through profit or loss	6,254[1]	(267)
Total net gains (losses) on financial assets/liabilities at fair value through profit or loss	(1,578)	3,973
Total net interest income and net gains (losses) on financial assets/liabilities at fair value through profit or loss	**1,098**	**6,026**
Breakdown by Group Division/CIB product:		
Sales & Trading (equity)	417	1,430
Sales & Trading (debt and other products)	1,185	3,074
Total Sales & Trading	1,602	4,504
Loan products[2]	145	172
Transaction services	344	307
Remaining products[3]	(1,636)	193
Total Corporate and Investment Bank	455	5,175
Private Clients and Asset Management	879	850
Corporate Investments	(130)	25
Consolidation & Adjustments	(107)	(24)
Total net interest income and net gains (losses) on financial assets/liabilities at fair value through profit or loss	**1,098**	**6,026**

1 Includes a gain of € 5.0 billion from securitization structures that Deutsche Bank is required to consolidate for financial statement purposes. An offsetting fair value movement on related instruments is reported within trading income. Both are recorded under Sales & Trading (debt and other products) with an immaterial net profit or loss effect.
2 Includes the net interest spread on loans as well as the fair value changes of credit default swaps and loans designated at fair value through profit or loss.
3 Includes net interest income and net gains (losses) on financial assets/liabilities at fair value through profit or loss on origination, advisory and other products.

COMMISSIONS AND FEE INCOME

	Three months ended	
in € m.	Mar 31, 2008	Mar 31, 2007
Commissions and fees from fiduciary activities	884	909
Commissions, broker's fees, mark-ups on securities underwriting and other securities activities	1,036	1,360
Fees for other customer services	611	662
Total commissions and fee income	**2,531**	**2,931**

PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

	Retirement benefit plans		Post-employment medical plans	
	Three months ended		Three months ended	
in € m.	Mar 31, 2008	Mar 31, 2007	Mar 31, 2008	Mar 31, 2007
Current service cost	56	67	1	1
Interest cost	115	109	1	2
Expected return on plan assets	(114)	(109)	–	–
Amortization of actuarial loss (gain)	(3)	–	(1)	(1)
Past service cost (credit) recognized immediately	1	2	–	–
Settlements/curtailments	–	–	–	–
Effect of the limit in IAS 19.58(b)	1	–	–	–
Total expense defined benefit plans	**56**	**69**	**1**	**2**

Expenses for defined contribution plans for the three months ended March 31, 2008 and 2007 totaled € 65 million and € 58 million, respectively. In addition, employer contributions to the mandatory German social security pension plan amounted to € 38 million and € 37 million in the three months ended March 31, 2008 and 2007, respectively.

The Group expects to contribute approximately € 200 million to its retirement benefit plans in 2008. The final amounts to be contributed in 2008 will be determined in the fourth quarter of 2008.

GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended	
in € m.	Mar 31, 2008	Mar 31, 2007
General and administrative expenses:		
IT costs	451	437
Occupancy, furniture and equipment expenses	348	329
Professional service fees	243	268
Communication and data services	171	169
Travel and representation expenses	112	116
Payment and clearing services	110	109
Marketing expenses	94	88
Other expenses	419	397
Total general and administrative expenses	**1,948**	**1,913**

Information on the Balance Sheet (unaudited)

FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

in € m.	Mar 31, 2008	Dec 31, 2007
Trading assets:		
Trading securities	436,357	449,684
Positive market values from derivative financial instruments	848,856	603,059
Other trading assets[1]	93,245	104,236
Total trading assets	**1,378,458**	**1,156,979**
Financial assets designated at fair value through profit or loss:		
Securities purchased under resale agreements	184,041	211,142
Securities borrowed	81,537	69,830
Loans	20,736	21,522
Other financial assets designated at fair value through profit or loss	12,141	14,630
Total financial assets designated at fair value through profit or loss	**298,455**	**317,124**
Total financial assets at fair value through profit or loss	**1,676,913**	**1,474,103**

1 Includes traded loans of € 89,500 million and € 102,093 million as of March 31, 2008 and December 31, 2007, respectively.

in € m.	Mar 31, 2008	Dec 31, 2007
Trading liabilities:		
Trading securities	112,236	106,225
Negative market values from derivative financial instruments	838,041	608,528
Other trading liabilities	5,787	830
Total trading liabilities	**956,064**	**715,583**
Financial liabilities designated at fair value through profit or loss:		
Securities sold under repurchase agreements	160,325	184,943
Loan commitments	1,027	526
Long-term debt	50,478	52,327
Other financial liabilities designated at fair value through profit or loss	4,521	3,002
Total financial liabilities designated at fair value through profit or loss	**216,351**	**240,798**
Investment contract liabilities[1]	8,597	9,796
Total financial liabilities at fair value through profit or loss	**1,181,012**	**966,177**

1 These are investment contracts where the policy terms and conditions result in their redemption value equaling fair value.

FINANCIAL ASSETS AVAILABLE FOR SALE

in € m.	Mar 31, 2008	Dec 31, 2007
Debt securities	33,235	30,419
Equity securities	5,836	8,240
Other equity interests	1,201	1,204
Loans	2,623	2,431
Total financial assets available for sale	**42,895**	**42,294**

PROBLEM LOANS

in € m.	Mar 31, 2008 Individually assessed	Mar 31, 2008 Collectively assessed	Mar 31, 2008 Total	Dec 31, 2007 Individually assessed	Dec 31, 2007 Collectively assessed	Dec 31, 2007 Total
Nonaccrual loans	1,740	1,175	2,915	1,702	1,129	2,831
Loans 90 days or more past due and still accruing	20	194	214	30	191	220
Troubled debt restructurings	59	–	59	93	–	93
Total problem loans	**1,819**	**1,370**	**3,189**	**1,824**	**1,320**	**3,144**
Thereof: IFRS impaired loans	1,533	1,175	2,709	1,516	1,129	2,645

ALLOWANCE FOR CREDIT LOSSES

Allowance for loan losses	**Three months ended**	
in € m.	**Mar 31, 2008**	**Mar 31, 2007**
Balance, beginning of year	**1,705**	**1,670**
Provision for loan losses	124	100
Charge-offs	(183)	(163)
Recoveries	59	68
Net charge-offs	(124)	(95)
Changes in the group of consolidated companies	–	–
Exchange rate changes	(39)	(18)
Balance, end of period	**1,667**	**1,657**

Allowance for off-balance sheet positions	**Three months ended**	
in € m.	**Mar 31, 2008**	**Mar 31, 2007**
Balance, beginning of year	**219**	**256**
Provision for off-balance sheet positions	(10)	(2)
Changes in the group of consolidated companies	–	6
Exchange rate changes	(5)	(1)
Balance, end of period	**204**	**259**

OTHER ASSETS AND OTHER LIABILITIES

in € m.	Mar 31, 2008	Dec 31, 2007
Other assets:		
Brokerage and securities related receivables		
Cash/margin receivables	35,385	34,277
Receivables from prime brokerage	37,872	44,389
Pending securities transactions past settlement date	22,464	14,307
Receivables from unsettled regular way trades	93,275	58,186
Total brokerage and securities related receivables	188,996	151,159
Accrued interest receivable	7,584	7,549
Other	30,774	24,189
Total other assets	**227,354**	**182,897**

in € m.	Mar 31, 2008	Dec 31, 2007
Other liabilities:		
Brokerage and securities related payables		
Cash/margin payables	22,683	17,029
Payables from prime brokerage	44,926	39,944
Pending securities transactions past settlement date	17,920	12,535
Payables from unsettled regular way trades	100,025	58,901
Total brokerage and securities related payables	185,554	128,409
Accrued interest payable	5,304	6,785
Other	31,612	36,315
Total other liabilities	**222,470**	**171,509**

LONG-TERM DEBT

in € m.	Mar 31, 2008	Dec 31, 2007
Senior debt:		
Bonds and notes:		
Fixed rate	70,901	72,173
Floating rate	47,959	46,384
Subordinated debt:		
Bonds and notes:		
Fixed rate	3,824	3,883
Floating rate	4,190	4,263
Total long term debt	**126,874**	**126,703**

SHARES ISSUED AND OUTSTANDING

in million	Mar 31, 2008	Dec 31, 2007
Shares issued	530.5	530.4
Shares in treasury	30.1	29.3
– thereof buyback	29.9	29.1
– thereof other	0.2	0.2
Shares outstanding	500.4	501.1

CHANGES IN EQUITY

	Three months ended	
in € m.	Mar 31, 2008	Mar 31, 2007
Common shares		
Balance, beginning of year	1,358	1,343
Common shares issued under share-based compensation plans	–	2
Balance, end of period	1,358	1,345
Additional paid-in capital		
Balance, beginning of year	15,808	15,246
Net change in share awards in the reporting period	545	399
Common shares issued under share-based compensation plans	5	44
Tax benefits related to share-based compensation plans	(88)	11
Option premiums on options on Deutsche Bank common shares	(1)	49
Net gains (losses) on treasury shares sold	(15)	39
Other	–	–
Balance, end of period	16,254	15,788
Retained earnings		
Balance, beginning of year	25,116	20,451
Net income (loss) attributable to Deutsche Bank shareholders	(131)	2,121
Other effects from options on Deutsche Bank common shares	(6)	12
Other	1	1
Balance, end of period	24,980	22,585
Common shares in treasury, at cost		
Balance, beginning of year	(2,819)	(2,378)
Purchases of shares	(5,340)	(5,996)
Sale of shares	5,272	6,297
Treasury shares distributed under share-based compensation plans	2	–
Balance, end of period	(2,885)	(2,077)
Equity classified as obligation to purchase common shares		
Balance, beginning of year	(3,552)	(4,307)
Additions	(29)	(742)
Deductions	30	825
Balance, end of period	(3,551)	(4,224)
Net gains (losses) not recognized in the income statement, net of tax		
Balance, beginning of year	1,133	2,403
Change in unrealized net gains (losses) on financial assets available for sale, net of applicable tax and other	(2,440)	681
Change in unrealized net gains (losses) on derivatives hedging variability of cash flows, net of tax	18	(5)
Foreign currency translation, net of tax	(868)	(160)
Balance, end of period	(2,157)	2,919
Total shareholders' equity, end of period	**33,999**	**36,336**
Minority interest		
Balance, beginning of year	1,422	717
Minority interest in net profit or loss	(10)	11
Increases	674	23
Decreases and dividends	(23)	(143)
Foreign currency translation, net of tax	(28)	(3)
Balance, end of period	2,035	605
Total equity, end of period	**36,034**	**36,941**

Other Financial Information (unaudited)

The following two tables present a summary of the Group's regulatory capital and risk position. Amounts presented for 2008 are pursuant to the revised capital framework presented by the Basel Committee in 2004 ("Basel II") as adopted into German law by the German Banking Act and the Solvency Regulation ("Solvabilitätsverordnung"). The amounts presented for 2007 are based on the Basel I framework and thus calculated on a non-comparative basis.

REGULATORY CAPITAL

in € m.	Mar 31, 2008	Dec 31, 2007
	Basel II	**Basel I**
Core (Tier 1) capital:		
Common shares	1,358	1,358
Additional paid-in capital	16,254	15,808
Retained earnings, common shares in treasury, equity classified as obligation to purchase common shares, foreign currency translation, minority interest	17,261	17,717
Noncumulative trust preferred securities	7,121	5,602
Items to be fully deducted from Tier 1 capital (inter alia goodwill and other intangible assets)	(13,153)	(12,165)
Items to be partly deducted from Tier 1 capital[1]	(984)	N/A
Total core (Tier 1) capital[2]	**27,857**	**28,320**
Supplementary (Tier 2) capital:		
Unrealized gains on listed securities (45 % eligible)	710	1,472
Other inherent loss allowance	N/A	358
Cumulative preferred securities	297	841
Qualified subordinated liabilities	7,286	7,058
Items to be partly deducted from Tier 2 capital[1]	(984)	N/A
Total supplementary (Tier 2) capital	**7,309**	**9,729**
Available Tier 3 capital	–	–
Total regulatory capital	**35,166**	**38,049**

N/A – Not applicable
1 Pursuant to KWG section 10 (6) and section 10 (6a) in conjunction with KWG section 10a.
2 Excludes certain items arising on consolidation according to KWG section 64h (3).

REGULATORY RISK POSITION AND CAPITAL ADEQUACY RATIOS

in € m. (unless stated otherwise)	Mar 31, 2008	Dec 31, 2007
	Basel II	**Basel I**
Credit risk	247,942	314,845
Market risk	18,031	13,973
Operational risk	37,407	N/A
Total risk position	**303,380**	**328,818**
Core capital ratio (Tier 1) in %	9.2 %	8.6 %
Total capital ratio (Tier 1 + 2) in %	11.6 %	11.6 %

N/A – Not applicable

COMMITMENTS AND CONTINGENT LIABILITIES

The table below summarizes the contractual amounts of the Group's irrevocable lending-related commitments and contingent liabilities. Contingent liabilities consist of financial and performance guarantees, standby letters of credit and indemnity agreements. The contractual amount of these commitments is the maximum amount at risk for the Group if the customer fails to meet its obligations. Probable losses under these contracts are recognized as provisions.

in € m.	Mar 31, 2008	Dec 31, 2007
Irrevocable lending commitments	109,758	128,511
Contingent liabilities	45,370	49,905
Total	**155,128**	**178,416**

Commitments and contingent liabilities stated above do not represent expected future cash flows as many of these contracts will expire without being drawn. The Group may require collateral to mitigate the credit risk of commitments and contingent liabilities.

OTHER CONTINGENCIES

Due to the nature of its business, the Group is involved in litigation, arbitration and regulatory proceedings in Germany and in a number of jurisdictions outside Germany, including the United States, arising in the ordinary course of business. In accordance with applicable accounting requirements, the Group provides for potential losses that may arise out of contingencies, including contingencies in respect of such matters, when the potential losses are probable and estimable. Contingencies in respect of legal matters are subject to many uncertainties and the outcome of individual matters is not predictable with assurance. Significant judgment is required in assessing probability and making estimates in respect of contingencies, and the Group's final liabilities may ultimately be materially different. The Group's total liability recorded in respect of litigation, arbitration and regulatory proceedings is determined on a case-by-case basis and represents an estimate of probable losses after considering, among other factors, the progress of each case, the Group's experience and the experience of others in similar cases, and the opinions and views of legal counsel. Although the final resolution of any such matters could have a material effect on the Group's consolidated operating results for a particular reporting period, the Group believes that it will not materially affect its consolidated financial position. In respect of each of the matters specifically described below, some of which consist of a number of claims, it is the Group's belief that the reasonably possible losses relating to each claim in excess of any provisions are either not material or not estimable.

The Group's significant legal proceedings are described below.

TAX-RELATED PRODUCTS: Deutsche Bank AG, along with certain affiliates, and current and former employees (collectively referred to as "Deutsche Bank"), have collectively been named as defendants in a number of legal proceedings brought by customers in various tax-oriented transactions. Deutsche Bank provided financial products and services to these customers, who were advised by various accounting, legal and financial advisory professionals. The customers claimed tax benefits as a result of these transactions, and the United States Internal Revenue Service has rejected those claims. In these legal proceedings, the customers allege that the professional advisors, together with Deutsche Bank, improperly misled the customers into believing that the claimed tax benefits would be upheld by the Internal Revenue Service. The legal proceedings are pending in numerous state and federal courts and in arbitration, and claims against Deutsche Bank are alleged under both U.S. state and federal law. Many of the claims against Deutsche Bank are asserted by individual customers, while others are asserted on behalf of a putative customer class. No litigation class has been certified as against Deutsche Bank. Approximately 70 legal proceedings have been resolved and dismissed with prejudice as against Deutsche Bank. Approximately 22 other legal proceedings remain pending as against Deutsche Bank and are currently at various pre-trial stages, including discovery.

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

KIRCH LITIGATION. In May 2002, Dr. Leo Kirch personally and as an assignee of two entities of the former Kirch Group, i.e., PrintBeteiligungs GmbH and the group holding company TaurusHolding GmbH & Co. KG, initiated legal action against Dr. Rolf-E. Breuer and Deutsche Bank AG alleging that a statement made by Dr. Breuer (then the Spokesman of Deutsche Bank AG's Management Board) in an interview with Bloomberg television on February 4, 2002 regarding the Kirch Group was in breach of laws and financially damaging to Kirch. On January 24, 2006, the German Federal Supreme Court sustained the action for the declaratory judgment only in respect of the claims assigned by PrintBeteiligungs GmbH. Such action and judgment did not require a proof of any loss caused by the statement made in the interview. PrintBeteiligungs GmbH is the only company of the Kirch Group which was a borrower of Deutsche Bank AG. Claims by Kirch personally and by TaurusHolding GmbH & Co. KG were dismissed. To be awarded a judgment for damages against Deutsche Bank AG, Dr. Kirch had to file a new lawsuit. In May 2007,

Dr. Kirch filed an action as assignee of PrintBeteiligungs GmbH against Deutsche Bank AG and Dr. Breuer for the payment of approximately € 1.6 billion at the time of the filing (the amount depends, among other things, on the development of the price for the shares of Axel Springer AG) plus interest. In these proceedings he will have to prove that such statement caused financial damages to PrintBeteiligungs GmbH and the amount thereof. In the Group's view, the causality in respect of the basis and scope of the claimed damages has not been sufficiently substantiated in the complaint.

On December 31, 2005, KGL Pool GmbH filed a lawsuit against Deutsche Bank AG and Dr. Breuer. The lawsuit is based on alleged claims assigned from various subsidiaries of the former Kirch Group. KGL Pool GmbH seeks a declaratory judgment to the effect that Deutsche Bank AG and Dr. Breuer are jointly and severally liable for damages as a result of the interview statement and the behavior of Deutsche Bank AG in respect of several subsidiaries of the Kirch Group. In December 2007, KGL Pool GmbH supplemented this lawsuit by a motion for payment of approximately € 2.0 billion plus interest as compensation for the purported damages which two subsidiaries of the former Kirch Group allegedly suffered as a result of the statement by Dr. Breuer. In the Group's view, due to the lack of a relevant contractual relationship with any of these subsidiaries there is no basis for such claims, and the causality in respect of the basis and scope of the claimed damages has not been sufficiently substantiated in the complaint.

BUSINESS COMBINATIONS

On January 31, 2008, the Group acquired 100 % of HedgeWorks LLC ("HedgeWorks"), a hedge fund administrator based in the United States. The cost of the business combination consisted of a cash payment of € 19 million and another € 16 million subject to the acquiree exceeding certain performance targets over the next three years. Based on provisional values, the purchase price was allocated as goodwill of € 23 million, other intangible assets of € 10 million and net tangible assets of € 2 million. HedgeWorks is included in GTB.

Effective March 12, 2008, the Group completed the acquisition of a 60 % majority stake in Far Eastern Alliance Asset Management Co. Limited, a Taiwanese investment management firm. The preliminary cost of the acquisition consisted of a cash consideration of € 5 million, for which the Group purchased a 25 % stake and subscribed to newly issued shares amounting to 35 % of the share capital. The purchase price on provisional values is allocated as goodwill of € 1 million and net tangible assets of € 4 million. The acquiree is included in AWM.

RELATED PARTY TRANSACTIONS

During the three months ended March 31, 2008 and the year ended December 31, 2007 the Group has had business relationships with a number of related parties. Transactions with these parties are made in the ordinary course of business and on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons. These transactions did not involve more than the normal risk of collectibility or present other unfavorable features.

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of Deutsche Bank, directly or indirectly. The Group considers the members of the Management Board and of the Supervisory Board to constitute key management personnel for purposes of IAS 24. Among the Group's transactions with key management personnel as of March 31, 2008 were loans and commitments of € 4 million and deposits of € 4 million. As of December 31, 2007 there were loans and commitments of € 4 million and deposits of € 1 million among the Group's transactions with key management personnel. In addition the Group provides banking services, such as payment and account services as well as investment advice, to key management personnel and their close family members.

TRANSACTIONS WITH SUBSIDIARIES, JOINT VENTURES, ASSOCIATES AND OTHER RELATED PARTIES

Transactions between Deutsche Bank AG and its subsidiaries also meet the definition of related party transactions. Where these transactions are eliminated on consolidation, they are not disclosed in the Group's financial statements.

LOANS

During the three months ended March 31, 2008 and year ended December 31, 2007 the Group made loans to related parties and entered into guarantees on behalf of certain related parties. The table below shows the amounts of loans made and repaid, loan balances outstanding, and guarantees made by the Group on behalf of related parties.

	Associated companies and other related parties	
in € m.	Mar 31, 2008	Dec 31, 2007
Loans outstanding, beginning of period	**2,081**	**622**
Loans issued during the period	643	1,790
Loan repayment during the period	58	161
Changes in the group of consolidated companies	(13)	(2)
Exchange rate changes	(116)	(89)
Other changes	–	(79)
Loans outstanding, end of period[1]	**2,537**	**2,081**
Other credit risk related transactions:		
Provision for loan losses	–	–
Guarantees and commitments[2]	64	233

1 The amount of these loans that are past due totaled € 11 million and € 3 million as of March 31, 2008 and December 31, 2007, respectively. Loans include also loans to joint ventures of € 9 million and € 24 million as of March 31, 2008 and as of December 31, 2007, respectively.

2 The guarantees above included credit and finance guarantees, financial letter of credits and standby letter of credits as well as guarantees that are related to leasing transactions.

DEPOSITS

	Associated companies and other related parties	
in € m.	Mar 31, 2008	Dec 31, 2007
Deposits outstanding, beginning of period	**962**	**855**
Deposits received during the period	15	294
Deposits repaid during the period	60	89
Changes in the group of consolidated companies	9	(43)
Exchange rate changes	(37)	(55)
Other changes	–	–
Deposits outstanding, end of period[1]	**889**	**962**

1 The above deposits were made in the ordinary course of business. Deposits included also € 2 million and € 3 million deposits from joint ventures as of March 31, 2008 and December 31, 2007, respectively.

In addition, the Group had trading positions with associated companies of € 171 million as of March 31, 2008 and € 67 million as of December 31, 2007.

TRANSACTIONS WITH PENSION PLANS

The Group has business relationships with a number of its pension plans pursuant to which it provides financial services to these plans, including investment management services. Pension funds may hold or trade Deutsche Bank shares or securities. As of March 31, 2008, transactions with these plans are not material for the Group.

Other Information

VALUE-AT-RISK OF TRADING UNITS[1, 2]

	Total		Interest rate risk		Equity price risk		Foreign exchange risk		Commodity price risk	
in € m.	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Average[3]	117.8	85.6	101.1	61.5	68.5	55.6	13.9	15.3	11.1	11.0
Maximum[3]	141.0	118.8	125.6	95.9	93.8	90.5	21.5	28.9	18.4	18.0
Minimum[3]	97.5	66.5	83.1	42.7	46.1	43.5	8.5	5.9	7.6	5.7
Period-end[4]	125.5	100.6	108.8	90.8	68.9	49.5	11.7	11.3	18.4	8.7

1 All figures for 1-day holding period; 99 % confidence level.
2 Value-at-risk is not additive due to correlation effects.
3 Amounts show the bands within which the values fluctuated during the period January 1 to March 31, 2008 and the year 2007, respectively.
4 Figures for 2007 as of December 31, 2007; figures for 2008 as of March 31, 2008.

TARGET DEFINITION

As part of Phase 3 of the Group's Management Agenda, the Group has stated targets for its IBIT attributable to Deutsche Bank shareholders, pre-tax return on average active equity and percentage growth in earnings per share. These targets are measured using target definitions that adjust IFRS financial measures to exclude certain significant gains (such as gains from the sale of industrial holdings, businesses or premises) and certain significant charges (such as charges from restructuring, goodwill impairment or litigation) if such gains or charges are not indicative of the future performance of the Group's core businesses. These target definitions, which are set forth below, are non-GAAP financial measures.

IBIT ATTRIBUTABLE TO DEUTSCHE BANK SHAREHOLDERS (TARGET DEFINITION): The IBIT attributable to Deutsche Bank shareholders target is based on income before income tax expense attributable to Deutsche Bank shareholders (i.e., less minority interest), adjusted for certain significant gains and charges as follows.

	Three months ended	
in € m.	Mar 31, 2008	Mar 31, 2007
Income (loss) before income taxes (IBIT)	**(254)**	**3,163**
Less pretax minority interest	10	(11)
IBIT attributable to Deutsche Bank shareholders	**(244)**	**3,153**
Add (deduct):		
Certain significant gains (net of related expenses)	(854)[1]	(252)[2]
Certain significant charges	–	–
IBIT attributable to the Deutsche Bank shareholders (target definition)	**(1,098)**	**2,901**

1 Gains from the sale of industrial holdings (Daimler AG, Allianz SE and Linde AG) of € 854 million.
2 Gains from the sale of industrial holdings (Fiat S.p.A.) of € 128 million and income from equity method investments (Deutsche Interhotel Holding GmbH & Co. KG) of € 178 million, net of goodwill impairment charge of € 54 million.

PRE-TAX RETURN ON AVERAGE ACTIVE EQUITY (TARGET DEFINITION): The pre-tax return on average active equity target is based on IBIT attributable to Deutsche Bank shareholders (target definition), as a percentage of the Group's average active equity, which is defined below. For comparison, also presented are pre-tax return on average shareholders' equity, which is defined as income before income tax expense attributable to Deutsche Bank shareholders (i.e., less minority interest), as a percentage of average shareholders' equity, and pre-tax return on average active equity, which is defined as income before income tax expense attributable to Deutsche Bank shareholders (i.e., less minority interest), as a percentage of average active equity.

AVERAGE ACTIVE EQUITY: The Group calculates active equity to make it easier to compare it to its competitors and refers to active equity in several ratios. However, active equity is not a measure provided for in IFRS and you should not compare the Group's ratios based on average active equity to other companies' ratios without considering the differences in the calculation. The items for which the Group adjusts the average shareholders' equity are average unrealized net gains on assets available for sale and average fair value adjustments on cash flow hedges (both components net of applicable taxes), as well as average dividends, for which a proposal is accrued on a quarterly basis and for which payments occur once a year following the approval by the general shareholders' meeting.

in € m. (unless stated otherwise)	Three months ended Mar 31, 2008	 Mar 31, 2007
Average shareholders' equity	**35,590**	**34,286**
Add (deduct):		
Average unrealized gains on financial assets available for sale/average fair value adjustments on cash flow hedges, net of applicable tax	(2,478)	(3,435)
Average dividend accruals	(2,685)	(2,500)
Average active equity	**30,427**	**28,351**
Pre-tax return on average shareholders' equity	(2.7)%	36.8 %
Pre-tax return on average active equity	(3.2)%	44.5 %
Pre-tax return on average active equity (target definition)	(14.4)%	40.9 %

DILUTED EARNINGS PER SHARE (TARGET DEFINITION): The target for growth in earnings per share is based on diluted earnings per share (target definition), which is defined as net income (loss) attributable to Deutsche Bank shareholders (i.e., less minority interest), after assumed conversions, adjusted for post-tax effects of significant gains/charges and certain significant tax effects, divided by the weighted average number of diluted shares outstanding. For reference, diluted earnings per share, which is defined as net income (loss) attributable to Deutsche Bank shareholders (i.e., less minority interest), after assumed conversions, divided by the weighted average number of diluted shares outstanding, is also provided.

	Three months ended	
in € m.	Mar 31, 2008	Mar 31, 2007
Net income (loss) attributable to Deutsche Bank shareholders	**(131)**	**2,121**
Add (deduct):		
Post-tax effect of certain significant gains/charges	(854)[1]	(197)[2]
Certain significant tax effects	–	–
Net income (loss) attributable to Deutsche Bank shareholders (basis for target definition EPS)	**(985)**	**1,924**
Diluted earnings per share	€ (0.27)	€ 4.28
Diluted earnings per share (target definition)	€ (2.04)	€ 3.88

1 Gains from the sale of industrial holdings (Daimler AG, Allianz SE and Linde AG) of € 854 million.
2 Gains from the sale of industrial holdings (Fiat S.p.A.) of € 126 million and income from equity method investments (Deutsche Interhotel Holding GmbH & Co. KG) of € 125 million, net of goodwill impairment charge of € 54 million.

Impressum

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Cautionary statement

This report contains forward-looking statements. Forward-looking statements are statements that are not historical facts; they include statements about our beliefs and expectations and the assumptions underlying them. These statements are based on plans, estimates and projections as they are currently available to the management of Deutsche Bank. Forward-looking statements therefore speak only as of the date they are made, and we undertake no obligation to update publicly any of them in light of new information or future events.

By their very nature, forward-looking statements involve risks and uncertainties. A number of important factors could therefore cause actual results to differ materially from those contained in any forward-looking statement. Such factors include the conditions in the financial markets in Germany, in Europe, in the United States and elsewhere from which we derive a substantial portion of our trading revenues, potential defaults of borrowers or trading counterparties, the implementation of our management agenda, the reliability of our risk management policies, procedures and methods, and other risks referenced in our filings with the U.S. Securities and Exchange Commission. Such factors are described in detail in our SEC Form 20-F of 26 March 2008 in the section “Risk Factors”. Copies of this document are available upon request or can be downloaded from www.deutsche-bank.com/ir

FINANCIAL CALENDAR

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

Deutsche Bank Aktiengesellschaft

gez. Peter Zabel　　　　gez. Dr. Robert Müller

Frankfurt am Main, 29 April 2008