

Dear Shareholders,

2007 was an exceptionally challenging year – for the global economy, for the world’s financial markets, for the banking sector, and for Deutsche Bank. For the first six months, business conditions were very favourable: the sentiment on financial markets was positive, and momentum in the global economy was strong. However, during the second half of the year, the crisis in the “sub-prime” segment of the mortgage market had a profound impact on the world’s financial markets. As investors’ concerns grew, conditions for both credit and liquidity in the global financial system became significantly more difficult. This, in turn, affected equity markets, which experienced both volatility and substantial corrections. The impact of the sub-prime crisis, and its wider ramifications, were felt acutely in the banking sector. In both the U.S. and Europe, banks with direct exposure to sub-prime mortgage debt, and to securities in related areas, saw their earnings significantly impacted. The crisis has persisted into the early months of 2008, and continues to weigh on both financial markets and the wider global economy.

Against this very challenging backdrop, Deutsche Bank turned in a very solid performance. We took good advantage of the favourable conditions of the first half of 2007, and showed strength and resilience as conditions became more difficult later in the year. We were less impacted by the sub-prime crisis than some other major banks, having positioned ourselves defensively, at an early stage, in the areas most directly affected by the crisis. We also benefited from effective risk management and a well-diversified business model. For the full year 2007, revenues were € 30.7 billion, up 8%, while pre-tax profits were up 5% to € 8.7 billion, and net income rose by 7% to € 6.5 billion. As a result, our pre-tax return on average active equity, as per our target definition, was 26%, above our over-the-cycle target of 25%, and our diluted earnings per share, also per target definition, were € 10.79. We also strengthened our capital base: Tier 1 capital rose by nearly € 5 billion to more than € 28 billion.



Dr. Josef Ackermann
Chairman of the Management Board and
the Group Executive Committee

This robust performance enables us to maintain our attractive dividend policy. At our Annual General Meeting in May, we will propose a dividend of € 4.50 per share, up from € 4.00 per share in 2007. If shareholders accept this recommendation, our dividend will have risen three-fold since 2003. Our share price declined by 12 % – disappointing, but nevertheless outperforming the Euro stoxx Banks index, which declined 17 %, and substantially outperforming some of our international peers.

Our Corporate and Investment Bank turned in a pre-tax profit of € 5.1 billion for 2007 – a very solid result, given the environment in the second half. Our Corporate Banking and Securities business produced pre-tax profits of € 4.2 billion. In our sales and trading activities, some high-volume “flow” businesses, such as foreign exchange and money market trading, performed very well, while in equities trading, momentum was also strong in our customer-facing business; however, some credit trading businesses, notably in areas related to sub-prime, were impacted by the turbulent markets. In Corporate Finance, our advisory business produced record revenues, but our debt origination business was affected by difficult markets for leveraged finance and high-yield debt, which necessitated write-downs on our holdings of leveraged loans and loan commitments. Our Global Transaction Banking (GTB) business produced outstanding results, with pre-tax profits rising 34 % to € 945 million, thanks to revenue growth in all key product areas and tight control of costs.

Our Private Clients and Asset Management (PCAM) business turned in a robust performance, with pre-tax profits rising 6 % to € 2.1 billion. At the end of the year, the business had invested assets of € 952 billion, up from € 908 billion at the end of 2006. Our Asset and Wealth Management business, comprising both Asset Management and Private Wealth Management, produced pre-tax profits of € 913 million, slightly ahead of 2006, and also attracted € 40 billion of net inflows of invested assets during the year. Our Private & Business Clients business delivered pre-tax profits of € 1.1 billion, up 10 %, while at the same time integrating Berliner Bank and norisbank in our home market, Germany, and investing in our fast-growing presence in China, India and Poland. The solid results of both PCAM and GTB, in a difficult environment, demonstrate the value of these “stable” businesses and their contribution to the diversification of Deutsche Bank’s earnings.

2007 was also a year in which Deutsche Bank invested in its worldwide presence. Our headcount grew by over 9,400 during the year. Of these, over 4,300 were in Asia, reflecting our commitment to take advantage of the opportunities in this dynamic and fast-growing region. We also added over 1,700 employees in the Americas. In Germany, our headcount grew by nearly 1,400, while in the rest of Europe, and the Middle East, we added 1,000 people. With a presence in 76 countries and 150 different nationalities represented on our staff, the global reach of our network, and the diversity of our people, are unique assets. Our growth in 2007, across all parts of the world, underlines our commitment to invest in these assets.

As we look forward, the near-term outlook continues to be very challenging. Conditions remain difficult both in financial markets and the wider economy. Credit, for both individuals and businesses, is likely to be more expensive and less widely available than before the crisis. Real estate markets in the U.S. and some European countries remain difficult. The rising cost of energy and of other commodities adds inflationary pressure. On financial markets, conditions for both credit and liquidity are still tight, and investors, both private and institutional, remain wary. The environment for the banking sector is therefore likely to remain challenging in the near term.

Deutsche Bank has a strong operating platform and a clear, focused strategy. Tight management of risks, capital and costs will continue to be a priority. We have built leading positions in our core businesses, and are thus well-placed to benefit from a flight to quality. We will continue to develop our “stable” businesses and build on our competitive edge in investment banking. Furthermore, we will continue to exploit synergies across these mutually reinforcing businesses.

The longer-term trends which are shaping our environment remain in place, and these trends favour Deutsche Bank. The pace of globalisation continues, as the momentum of key Asian economies, including China and India, and of energy-producing nations, is largely sustained. The world's capital markets continue to gain in importance as a means of connecting issuers and investors across the globe in an environment where capital constraints restrict traditional bank lending. Invested assets continue to grow, as private individuals plan for their retirement and as new wealth is created in fast-growing economies. As a world-leading investment bank and a major global asset gatherer, we are well-positioned to benefit from these trends.

Deutsche Bank has proven its strength in both favourable and unfavourable markets. Our strategy is right, and we will stay the course. Our highest priority is to serve the interests of our shareholders, clients, employees, and the communities in which we operate. Despite the uncertainties in our business environment, this commitment remains as strong as ever.

Yours sincerely,



Josef Ackermann
Chairman of the Management Board and
the Group Executive Committee

Frankfurt am Main, March 2008