

# Management Report

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# 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 <sup>1</sup>	€ 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 <sup>2</sup>	29.2 %	32.7 %
Book value per share issued <sup>3</sup>	€ 69.84	€ 62.42
Book value per basic share outstanding <sup>4</sup>	€ 77.54	€ 69.48
Cost/income ratio <sup>5</sup>	69.6 %	69.7 %
Compensation ratio <sup>6</sup>	42.7 %	43.9 %
Non-compensation ratio <sup>7</sup>	26.9 %	25.8 %
	<b>in € m.</b>	<b>in € m.</b>
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
	<b>Dec 31, 2007</b>	<b>Dec 31, 2006</b>
	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.

# 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.

in € m. (except percentages)	2007	2006	2007 increase (decrease) from 2006	
			in €	in %
Net interest income	8,849	7,008	1,841	26
Provision for credit losses	612	298	314	105
<b>Net interest income after provision for credit losses</b>	<b>8,237</b>	<b>6,710</b>	<b>1,527</b>	<b>23</b>
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
<b>Total noninterest income</b>	<b>21,896</b>	<b>21,486</b>	<b>410</b>	<b>2</b>
<b>Total net revenues</b>	<b>30,133</b>	<b>28,196</b>	<b>1,937</b>	<b>7</b>
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
<b>Total noninterest expenses</b>	<b>21,384</b>	<b>19,857</b>	<b>1,527</b>	<b>8</b>
<b>Income before income tax expense</b>	<b>8,749</b>	<b>8,339</b>	<b>410</b>	<b>5</b>
Income tax expense	2,239	2,260	(21)	(1)
<b>Net income</b>	<b>6,510</b>	<b>6,079</b>	<b>431</b>	<b>7</b>
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.

in € m. (except percentages)	2007	2006	2007 increase (decrease) from 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
<b>Net interest income</b>	<b>8,849</b>	<b>7,008</b>	<b>1,841</b>	<b>26</b>
Average interest-earning assets <sup>1</sup>	1,226,191	1,071,617	154,574	14
Average interest-bearing liabilities <sup>1</sup>	1,150,051	1,005,133	144,918	14
Gross interest yield <sup>2</sup>	5.52 %	5.44 %	0.08 ppt	1
Gross interest rate paid <sup>3</sup>	5.12 %	5.10 %	0.02 ppt	–
Net interest spread <sup>4</sup>	0.40 %	0.34 %	0.06 ppt	18
Net interest margin <sup>5</sup>	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.

in € m. (except percentages)	2007	2006	2007 increase (decrease) from 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
<b>Total net gains (losses) on financial assets/liabilities at fair value through profit or loss</b>	<b>7,175</b>	<b>8,892</b>	<b>(1,717)</b>	<b>(19)</b>

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.

in € m. (except percentages)	2007	2006	2007 increase (decrease) from 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)
<b>Total net interest income and net gains (losses) on financial assets/liabilities at fair value through profit or loss</b>	<b>16,024</b>	<b>15,900</b>	<b>124</b>	<b>1</b>
<b>Breakdown by Group Division/CIB product<sup>1</sup>:</b>				
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 <sup>2</sup>	499	490	9	2
Transaction services	1,297	1,074	223	21
Remaining products <sup>3</sup>	(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)
<b>Total net interest income and net gains (losses) on financial assets/liabilities at fair value through profit or loss</b>	<b>16,024</b>	<b>15,900</b>	<b>124</b>	<b>1</b>

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

in € m. (except percentages)	2007	2006	2007 increase (decrease) from 2006	
			in €	in %
Commissions and fee income <sup>1</sup>	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
<b>Total remaining noninterest income</b>	<b>14,721</b>	<b>12,594</b>	<b>2,127</b>	<b>17</b>
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)
<b>Total</b>	<b>3,965</b>	<b>3,911</b>	<b>54</b>	<b>1</b>
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
<b>Total</b>	<b>5,497</b>	<b>4,709</b>	<b>788</b>	<b>17</b>
Fees for other customer services	2,827	2,575	252	10
<b>Total commissions and fee income</b>	<b>12,289</b>	<b>11,195</b>	<b>1,094</b>	<b>10</b>

**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.

in € m. (except percentages)	2007	2006	2007 increase (decrease) from 2006	
			in €	in %
Compensation and benefits	13,122	12,498	624	5
General and administrative expenses <sup>1</sup>	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
<b>Total noninterest expenses</b>	<b>21,384</b>	<b>19,857</b>	<b>1,527</b>	<b>8</b>

N/M – Not meaningful

<sup>1</sup> 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	Corporate and Investment Bank	Private Clients and Asset Management	Corporate Investments	Total Management Reporting	Consolidation & Adjustments	Total Consolidated
in € m. (except percentages)						
<b>Net revenues</b>	<b>19,092</b>	<b>10,129</b>	<b>1,517</b>	<b>30,738</b>	<b>7</b>	<b>30,745<sup>1</sup></b>
<b>Provision for credit losses</b>	<b>109</b>	<b>501</b>	<b>3</b>	<b>613</b>	<b>(1)</b>	<b>612</b>
<b>Total noninterest expenses</b>	<b>13,802</b>	<b>7,561</b>	<b>220</b>	<b>21,583</b>	<b>(200)</b>	<b>21,384</b>
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)
<b>Minority interest</b>	<b>34</b>	<b>8</b>	<b>(5)</b>	<b>37</b>	<b>(37)</b>	<b>–</b>
<b>Income (loss) before income tax expense</b>	<b>5,147</b>	<b>2,059</b>	<b>1,299</b>	<b>8,505</b>	<b>244</b>	<b>8,749</b>
Cost/income ratio	72 %	75 %	15 %	70 %	N/M	70 %
Assets <sup>2</sup>	1,895,756	156,391	13,002	2,011,654	8,695	2,020,349
Average active equity <sup>3</sup>	20,714	8,539	473	29,725	121	29,846
Pre-tax return on average active equity <sup>4</sup>	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	Corporate and Investment Bank	Private Clients and Asset Management	Corporate Investments	Total Management Reporting	Consolidation & Adjustments	Total Consolidated
in € m. (except percentages)						
<b>Net revenues</b>	<b>18,802</b>	<b>9,315</b>	<b>574</b>	<b>28,691</b>	<b>(197)</b>	<b>28,494<sup>1</sup></b>
<b>Provision for credit losses</b>	<b>(94)</b>	<b>391</b>	<b>2</b>	<b>298</b>	<b>(0)</b>	<b>298</b>
<b>Total noninterest expenses</b>	<b>12,789</b>	<b>7,000</b>	<b>214</b>	<b>20,003</b>	<b>(147)</b>	<b>19,857</b>
therein:						
Policyholder benefits and claims	–	63	–	63	4	67
Impairment of intangible assets	–	–	31	31	–	31
Restructuring activities	99	91	1	192	–	192
<b>Minority interest</b>	<b>23</b>	<b>(11)</b>	<b>(3)</b>	<b>10</b>	<b>(10)</b>	<b>–</b>
<b>Income (loss) before income tax expense</b>	<b>6,084</b>	<b>1,935</b>	<b>361</b>	<b>8,380</b>	<b>(41)</b>	<b>8,339</b>
Cost/income ratio	68 %	75 %	37 %	70 %	N/M	70 %
Assets <sup>2</sup>	1,468,321	130,642	17,783	1,576,714	7,779	1,584,493
Average active equity <sup>3</sup>	17,105	7,206	1,057	25,368	100	25,468
Pre-tax return on average active equity <sup>4</sup>	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
<b>Net revenues:</b>		
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)
<b>Total net revenues</b>	<b>19,092</b>	<b>18,802</b>
therein: Net interest income and net gains (losses) on financial assets/liabilities at fair value through profit or loss	12,278	12,743
<b>Provision for credit losses</b>	<b>109</b>	<b>(94)</b>
<b>Total noninterest expenses</b>	<b>13,802</b>	<b>12,789</b>
therein:		
Policyholder benefits and claims	116	–
Impairment of intangible assets	–	–
Restructuring activities	(4)	99
<b>Minority interest</b>	<b>34</b>	<b>23</b>
<b>Income (loss) before income tax expense</b>	<b>5,147</b>	<b>6,084</b>
Cost/income ratio	72 %	68 %
Assets	1,895,756	1,468,321
Average active equity <sup>1</sup>	20,714	17,105
Pre-tax return on average active equity	25 %	36 %

<sup>1</sup> 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
<b>Net revenues:</b>		
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)
<b>Total net revenues</b>	<b>16,507</b>	<b>16,574</b>
<b>Provision for credit losses</b>	<b>102</b>	<b>(65)</b>
<b>Total noninterest expenses</b>	<b>12,169</b>	<b>11,236</b>
therein:		
Policyholder benefits and claims	116	–
Impairment of intangible assets	–	–
Restructuring activities	(4)	77
<b>Minority interest</b>	<b>34</b>	<b>23</b>
<b>Income (loss) before income tax expense</b>	<b>4,201</b>	<b>5,379</b>
Cost/income ratio	74 %	68 %
Assets	1,881,638	1,459,190
Average active equity <sup>1</sup>	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 ORIGATION 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.

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

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.

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

**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.

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

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.

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

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.

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

<b>Mark-to-market write-downs of loans and loan commitments</b>	<b>2007</b>
in € m.	
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.

<b>Leveraged Finance Exposure</b>	<b>Gross Exposure</b>
in € m.	Dec 31, 2007
Funded positions	15,317
Unfunded commitments	20,897
<b>Total Leveraged Finance exposure</b>	<b>36,214</b>
Of which:	
North America	26,620
Europe	8,959
Asia/Pacific	635
<b>Mark-to-market write-downs of loans and loan commitments</b>	
in € m.	<b>2007</b>
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
<b>Net revenues:</b>		
Transaction services	2,585	2,228
Other products	–	–
<b>Total net revenues</b>	<b>2,585</b>	<b>2,228</b>
<b>Provision for credit losses</b>	<b>7</b>	<b>(29)</b>
<b>Total noninterest expenses</b>	<b>1,633</b>	<b>1,552</b>
therein:		
Policyholder benefits and claims	–	–
Impairment of intangible assets	–	–
Restructuring activities	(1)	22
<b>Minority interest</b>	<b>–</b>	<b>–</b>
<b>Income (loss) before income tax expense</b>	<b>945</b>	<b>705</b>
Cost/income ratio	63 %	70 %
Assets	32,083	25,646
Average active equity <sup>1</sup>	1,095	1,064
Pre-tax return on average active equity	86 %	66 %

<sup>1</sup> 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
<b>Net revenues:</b>		
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
<b>Total net revenues</b>	<b>10,129</b>	<b>9,315</b>
therein: Net interest income and net gains (losses) on financial assets/liabilities at fair value through profit or loss	3,529	3,071
<b>Provision for credit losses</b>	<b>501</b>	<b>391</b>
<b>Total noninterest expenses</b>	<b>7,561</b>	<b>7,000</b>
therein:		
Policyholder benefits and claims	73	63
Impairment of intangible assets	74	–
Restructuring activities	(9)	91
<b>Minority interest</b>	<b>8</b>	<b>(11)</b>
<b>Income (loss) before income tax expense</b>	<b>2,059</b>	<b>1,935</b>
Cost/income ratio	75 %	75 %
Assets	156,391	130,642
Average active equity <sup>1</sup>	8,539	7,206
Pre-tax return on average active equity	24 %	27 %
Invested assets (in € bn.) <sup>2</sup>	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
<b>Net revenues:</b>		
Portfolio/fund management (AM)	2,351	2,470
Portfolio/fund management (PWM)	414	332
<b>Total portfolio/fund management</b>	<b>2,765</b>	<b>2,802</b>
Brokerage	964	811
Loan/deposit	223	191
Payments, account & remaining financial services	22	18
Other products	401	345
<b>Total net revenues</b>	<b>4,374</b>	<b>4,166</b>
<b>Provision for credit losses</b>	<b>1</b>	<b>(1)</b>
<b>Total noninterest expenses</b>	<b>3,453</b>	<b>3,284</b>
therein:		
Policyholder benefits and claims	73	63
Impairment of intangible assets	74	–
Restructuring activities	(8)	43
<b>Minority interest</b>	<b>7</b>	<b>(11)</b>
<b>Income (loss) before income tax expense</b>	<b>913</b>	<b>894</b>
Cost/income ratio	79 %	79 %
Assets	39,081	35,922
Average active equity <sup>1</sup>	5,109	4,917
Pre-tax return on average active equity	18 %	18 %
Invested assets (in € bn.) <sup>2</sup>	749	732

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

<sup>2</sup> 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
<b>Net revenues:</b>		
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
<b>Total net revenues</b>	<b>5,755</b>	<b>5,149</b>
<b>Provision for credit losses</b>	<b>501</b>	<b>391</b>
<b>Total noninterest expenses</b>	<b>4,108</b>	<b>3,717</b>
therein:		
Policyholder benefits and claims	–	–
Impairment of intangible assets	–	–
Restructuring activities	(1)	49
<b>Minority interest</b>	<b>0</b>	<b>0</b>
<b>Income (loss) before income tax expense</b>	<b>1,146</b>	<b>1,041</b>
Cost/income ratio	71 %	72 %
Assets	117,533	94,760
Average active equity <sup>1</sup>	3,430	2,289
Pre-tax return on average active equity	33 %	45 %
Invested assets (in € bn.) <sup>2</sup>	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
<b>Net revenues:</b>	<b>1,517</b>	<b>574</b>
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
<b>Total noninterest expenses</b>	<b>220</b>	<b>214</b>
therein:		
Policyholder benefits and claims	–	–
Impairment of intangible assets	54	31
Restructuring activities	(0)	1
<b>Minority interest</b>	<b>(5)</b>	<b>(3)</b>
<b>Income (loss) before income tax expense</b>	<b>1,299</b>	<b>361</b>
Cost/income ratio	15 %	37 %
Assets	13,002	17,783
Average active equity <sup>1</sup>	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				
	Total	Less than 1 year	1–3 years	3–5 years	More than 5 years
in € m.					
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 <sup>1</sup>	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
<b>Total</b>	<b>240,677</b>	<b>36,976</b>	<b>75,968</b>	<b>55,507</b>	<b>72,226</b>

<sup>1</sup> 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 <sup>1</sup>	Aa1	Aa3
Standard & Poor's, New York <sup>2</sup>	AA	AA-
Fitch Ratings, New York <sup>3</sup>	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 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.

<b>Authorized capital</b>	<b>Expiration date</b>
€ 128,000,000 <sup>1</sup>	April 30, 2008
€ 198,000,000	April 30, 2009
€ 128,000,000 <sup>1</sup>	April 30, 2011

<sup>1</sup> 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
<b>Total compensation</b>	<b>33,182,395</b>	<b>32,901,538</b>

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

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

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

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

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

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

return on equity. As further part of the variable compensation, Management Board members receive a performance-related mid-term incentive which reflects, for a rolling two year period, the ratio between our total shareholder return and the corresponding average figure for a selected group of comparable companies. The MTI payment consists of a cash payment (approximately one third) and equity-based compensation elements (approximately two thirds), which contain long-term risk components, which are discussed in the following paragraph.

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

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

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

#### MANAGEMENT BOARD COMPENSATION

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

Members of the Management Board in €		Non-performance-related components		Performance-related components	Components with long-term incentives <sup>1</sup>	Total compensation
		Salary	Other benefits			
Dr. Josef Ackermann	2007	1,150,000	151,517	8,148,725	4,531,250	13,981,492
	2006	1,150,000	156,930	8,134,813	3,770,000	13,211,743
Dr. Hugo Bänziger <sup>2</sup>	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 <sup>2</sup>	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 <sup>3</sup>	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 <sup>1</sup>	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
<b>Total</b>	<b>2008</b>	<b>397,448</b>	<b>452,915</b>	<b>–</b>
Total	2007	306,352	427,545	106,659

<sup>1</sup> 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 in €	Compensation for fiscal year 2007				Compensation for fiscal year 2006			
	Fixed	Variable <sup>6</sup>	Meeting fee	Total	Fixed	Variable	Meeting fee	Total
Dr. Clemens Börsig <sup>1</sup>	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 <sup>2</sup>	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 <sup>3</sup>	60,000	100,167	5,000	165,167	27,500	84,333	5,000	116,833
Maurice Lévy <sup>4</sup>	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 <sup>5</sup>	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
<b>Total</b>	<b>2,190,000</b>	<b>3,656,084</b>	<b>176,000</b>	<b>6,022,084</b>	<b>730,000</b>	<b>2,146,167</b>	<b>183,000</b>	<b>3,041,167</b>

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

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](http://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.