Annual Financial Statements and Management Report of Deutsche Bank AG 2006

Deutsche Bank

Management Report

ECONOMIC ENVIRONMENT IN 2006

The global economy expanded by another 5 % in the past year, which means that growth remained well above its long-term average. About half of the increase in real global GDP was generated in China and the United States, where the growth rates were 10.7 % and 3.4 % respectively. In Japan the growth rate remained at just over 2 %, whereas real GDP growth in the eurozone nearly doubled to 2.7 %. Germany managed to keep up with its neighbours' growth rates, helped by exceptional factors, in particular the bringing-forward of purchases to beat the increase in value-added tax (VAT). Real German GDP also grew 2.7 % in 2006. In previous years Germany's growth rates still lagged well behind those of other EMU countries. Capital markets remained benign overall during 2006, although global monetary policy became tighter. The U.S. Federal Reserve hiked its key rates by a further 200 basis points to 5.25 %. The European Central Bank stepped up the rate-hike campaign embarked upon in late 2005 by raising key rates 100 basis points to 3.5 %. The Japanese Central Bank also ended its extremely loose monetary policy by implementing its first rate hike to 0.25 %. Equity markets also continued to flourish in 2006. The DAX gained 22 % in the past year. The Dow Jones rose 16 %. The Nikkei Index gained just 7 %; this came, however, after a 40 % increase in 2005.

In 2006, the banks even achieved another substantial increase in profits from the previous year's record highs. This was attributable mainly to the particularly benign capital market environment and still accommodative monetary policy. Thanks to the ongoing rally in the international financial markets and the absence of negative shocks, commissions and trading revenues reached new all-time highs. Interest income, by contrast, remained as weak as in the preceding year, so non-interest revenue components continued to gain in relative importance for the banks. Under the pressure of rising interest rates in the major industrialised countries, mortgage lending – a segment with hitherto highly dynamic growth – started to lose momentum in a number of markets even though the US-led interest cycle began to turn. Consumer credit business, however, expanded further, benefiting from the optimistic outlook of households as a result of the favorable macroeconomic situation. The pronounced increase in investment in the European corporate sector, and especially in Germany, as well as high M&A intensity helped the banks to expand corporate lending markedly. Despite strong demand, fierce competition still prevented a widening of the tight margins, though. In the course of the year, risk provisioning rose considerably from historically very low levels but, in keeping with low default rates, remained limited. At the same time, after several years of strict cost control and conservative capital management, many banks have been aiming at stronger growth again, in the form of both organic growth and M&A activity. Consequently, consolidation in the European banking sector and in the USA has continued via cross-border and national mergers. All in all, however, the rise in costs triggered by higher investment and moderate hiring was outstripped by the rise in revenues.

INCOME STATEMENT

2006 was a highly successful year for Deutsche Bank AG on the back of the benign economic environment and the robustness of the financial markets. All the bank's business lines made a contribution to its outstanding financial results. Any comparison of these figures with the previous year has to take account of the fact that the bank's financial results for 2005 were significantly affected by the high level of net income from financial transactions, which was attributable to our adoption of the risk-adjusted mark-to-market approach for the valuation of our trading activities. This provides a much more accurate picture of the bank's net assets, financial position and results of operations. The net income from financial transactions reported for 2005 includes income of € 6.6 billion that was attributable to our adjustment of the valuation methods used for years up to 2004 and is therefore classified as a one-off item. In addition, € 3.5 billlion was allocated in 2005 to the fund for general banking risks, which is reported on the face of the balance sheet.

STRONG RISE IN NET INTEREST INCOME

Net interest income rose by € 3,806 million to € 10,114 million during the year under review, benefiting from the higher income generated by both fixed-income securities and government-inscribed debt (up by € 1,274 million) and by equity shares and other variable-yield securities (up by € 1,352 million). The development in net interest income is mainly impacted by trading activities. This increased net interest income in 2006 is partly offset by revenue contributions within net income from financial transactions from economic hedges within the trading portfolios. Moreover, interest income from investments in affiliated companies increased to € 423 million as a result of higher distributions of our subsidiaries.

Of the income from profit-pooling, profit-transfer and partial profit-transfer agreements totalling € 2,486 million (an increase of € 955 million), € 1,493 million related to DB Capital Markets (Deutschland) GmbH (partly due to the sale of shares in EUROHYPO AG), € 691 million to Deutsche Bank Privat- und Geschäftskunden AG, and € 144 million to Nordwestdeutsche Wohnungsbauträger GmbH.

NET COMMISSION INCOME EXCEEDS € 5 BILLION

The bank earned net commission income of more than € 5 billion for the first time (€ 5.4 billion), exceeding the already high prior-year figure by 8.9 %. The key drivers of this growth in income were the commissions from securities business, especially the purchase and sale of equity shares, from the successful issuance of index-linked certificates, and from the issuance and placement of equity shares and bonds. There was also an improvement in commission income from loan processing, guarantees, asset management and agency business.

NET INCOME FROM FINANCIAL TRANSACTIONS IN 2005 BOOSTED BY ONE-OFF ITEM

The bank's trading functions generated net income of € 1,810 million due to the overall robustness of the financial markets. The figure reported for 2005 was significantly improved by our adoption of the risk-adjusted mark-to-market approach for the valuation of our trading activities. The decrease in net income from financial transactions compared to the prior year result (without one-off-item) is compensated by higher interest income.

RISE IN ADMINISTRATIVE EXPENSE

Administrative expense amounted to € 12,074 million, a year-on-year rise of 13.3 %. Staff expenses grew by 15.9 % to € 7,107 million, primarily due to the increase in variable remuneration driven by the bank's improved financial results. Cost effectiveness remains one of our top priorities and is a key element on our management agenda. The number of employees increased by 677 to 27,778.

The table below gives a geographical breakdown of our staff:

	Dec 31, 2006	Dec 31, 2005	Change
Germany	12,366	13,230	(864)
Europe excl. Germany	7,705	7,278	+ 427
Americas	2,254	2,211	+ 43
Africa / Asia / Australia	5,453	4,382	+ 1,071
Total	**27,778**	**27,101**	**+ 677**

The higher headcount in the Africa / Asia / Australia region is especially attributable to the expansion of business in India and China.

The € 448 million (10.4 %) increase in other administrative expenses to € 4,747 million is largely due to the higher rents paid for premises and to our greater utilization of consultancy services.

Depreciation, amortization and write-downs of tangible and intangible assets came to € 220 million (2005: € 230 million).

The balance of other operating income/expenses resulted in net income of € 863 million. This amount includes income from the merger of DB Value GmbH with Deutsche Bank AG.

FURTHER REDUCTION IN CREDIT RISK

Income from write-ups of receivables and certain securities as well as from the release of provisions for loan losses is reported at € 433 million (2005: € 72 million). Our level of risk provisioning benefited from releases and recoveries.

Income of € 267 million (2005: € 216 million) was earned on securities of the liquidity reserve (certain securities).

OPERATING PROFIT

The bank generated an operating profit of € 6,569 million during the year under review. The comparability of this figure with the corresponding figure for 2005 is limited because, as mentioned at the beginning of this report, in 2005 we adopted the risk-adjusted mark-to-market approach to value our trading activities.

OTHER INCOME/EXPENSES

Write-downs of and value adjustments to participating interests, investments in affiliated companies and securities treated as fixed assets came to € 1,553 million after having been offset against income pursuant to section 340c (2) HGB. This expense largely concerns value adjustments to investments in affiliated companies, which were written down to the lower fair value exercising the option within the German Commercial Code.

The extraordinary expenses of € 92 million relate to restructuring costs in connection with the Business Realignment Program.

TAXES

The income taxes of € 619 million comprise tax credits in Germany and tax expense abroad. Tax credits in Germany mainly arise from the one-off effect of capitalizing the corporation tax credit resulting from the enactment in December 2006 of the law on accompanying tax measures for the introduction of the European company and the amendment of further tax legislation (SEStEG); they also arise from the non-cash release of tax provisions after completion of the external tax audits for previous years.

NET INCOME

The bank earned net income of € 4,280 million during the year under review, a year-on-year increase of € 608 million or 16.6 %. Because our holdings of own shares were increased, we allocated € 1,780 million from our net income (including profit of € 47 million carried forward) to the reserve for the bank's own shares; we also allocated € 448 million to our other revenue reserves.

PROPOSED APPROPRIATION OF PROFIT: SIGNIFICANT DIVIDEND INCREASE

After the allocation to revenue reserves the distributable profit amounts to € 2,099 million. We propose to our shareholders that this distributable profit be appropriated to pay a dividend of € 4 per share (2005: € 2.50). The total dividend payout was increased by € 772 million as a result of the higher dividend and by € 41 million owing to capital increases resulting from the exercise of option rights.

From the income statement of Deutsche Bank AG:

			Change	
€ m.	**2006**	**2005**	€ m.	%
Interest income[1]	32,670	25,289	+ 7,381	+ 29.2
Current income[2]	8,573	6,029	+ 2,544	+ 42.2
Total interest income	41,243	31,318	+ 9,925	+ 31.7
Interest expenses	31,129	25,010	+ 6,119	+ 24.5
Net interest income	**10,114**	**6,308**	**+ 3,806**	**+ 60.3**
Commission income	6,723	6,164	+ 559	+ 9.1
Commission expenses	1,300	1,183	+ 117	+ 9.9
Net commission income	**5,423**	**4,981**	**+ 442**	**+ 8.9**
Net income from financial transactions	**1,810**	**10,097**	**(8,287)**	**(82.1)**
Wages and salaries	5,759	4,907	+ 852	+ 17.4
Compulsory social security contributions[3]	1,348	1,224	+ 124	+ 10.2
Staff expenses	7,107	6,131	+ 976	+ 15.9
Other administrative expenses[4]	4,967	4,529	+ 438	+ 9.7
Administrative expense	**12,074**	**10,660**	**+ 1,414**	**+ 13.3**
Balance of other operating income/expenses	863	(847)	+ 1,710	
Risk provisioning	(433)	(72)	(361)	
Operating profit	**6,569**	**9,951**	**(3,382)**	**(34.0)**
Balance of other income/expenses	(1,652)	155	(1,780)	
Addition to the fund for general banking risks	**–**	**3,475**	**(3,475)**	
Net income before taxes	**4,944**	**6,631**	**(1,687)**	**(25.4)**
Taxes	664	2,959	(2,295)	(77.5)
Net income	**4,280**	**3,672**	**+ 608**	**+ 16.6**
Profit carried forward from the previous year	47	56	(9)	(16.1)
	4,327	3,728	+ 599	+ 16.1
Allocations to revenue reserves	**2,228**	**2,442**	**(214)**	**(8.8)**
– to the reserve for own shares	1,780	1,741	+ 39	+ 2.3
– to other revenue reserves	448	701	(253)	(36.1)
Distributable profit	**2,099**	**1,286**	**+ 813**	**+ 63.2**

1 From lending and money market business, fixed-income securities and government-inscribed debt
2 From equity shares and other variable-yield securities, participating interests, investments in affiliated companies (including profit and loss transfer agreements) and leasing business
3 Including expenses for pensions and other employee benefits
4 Including depreciation on tangible assets

BALANCE SHEET

Total assets of Deutsche Bank AG amounted to € 1,454.7 billion on December 31, 2006. The moderate growth of 1.8 %, or € 25.3 billion, stemmed mainly from our customers' brisk demand for credit and from the increase in our securities holdings. Exchange rate movements, particularly in the U.S. dollar, dampened this volume growth.

TOTAL CREDIT EXTENDED

Total credit extended (excluding reverse repos and receivables from securities lending and securities spot deals) grew strongly by € 50.5 billion, or 22.5 %, to € 274.9 billion, largely in our branches outside Germany.

Credit totaling € 243.5 billion (increase of € 47.3 billion) was extended to corporate and institutional customers, while loans to private and small business clients came to € 5.8 billion (up by € 0.2 billion); loans to banks, which are reported under total credit extended, increased by € 3.1 billion to € 20.5 billion.

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

€ bn.	Dec 31, 2006	Dec 31, 2005	Change € bn.	Change %
Claims on customers	**253.9**	**206.6**	**+ 47.3**	**+ 22.9**
with a residual period of				
up to 5 years[1]	226.3	183.5	+ 42.8	+ 23.3
over 5 years	27.6	23.1	+ 4.5	+ 19.2
Discounts[2]	**0.5**	**0.4**	**+ 0.1**	**+ 33.1**
Loans to banks	**20.5**	**17.4**	**+ 3.1**	**+ 17.9**
with a residual period of				
up to 5 years[1]	16.9	15.4	+ 1.5	+ 9.9
over 5 years	3.6	2.0	+ 1.6	+ 77.5
Total	**274.9**	**224.4**	**+ 50.5**	**+ 22.5**

1 Including those repayable on demand and those with an indefinite period
2 Unless reported under receivables

Claims on banks (excluding loans) decreased by € 14.9 billion to € 186.5 billion primarily as a result of lower balances on clearing accounts repayable on demand at banks outside Germany and due to the reduction in securities lending. These include receivables of € 52.2 billion from the Group's own banks.

The total volume of reverse repos – including transactions concluded with customers – fell by € 14.6 billion to € 211.7 billion.

Liabilities to banks remained virtually unchanged at € 457.1 billion (decrease of 0.3 %). They included Group banks' deposits of € 93.9 billion (increase of € 8.6 billion).

SECURITIES

We continued to increase our holdings of securities due to the growth in trading activity. Our holdings of bonds and other fixed-income securities grew by € 18.6 billion to € 207.5 billion, while our holdings of equity shares and other variable-yield securities expanded by € 6.8 billion to € 114.7 billion. These are mainly used for trading purposes.

PARTICIPATING INTERESTS

The shareholdings reported under participating interests increased by € 0.1 billion to € 1.2 billion. Additions to our portfolio of participating interests amounted to € 0.8 billion (including the purchase of shares in HuaXia Bank Co. Ltd, Beijing), while sales and other disposals came to € 0.7 billion (including the sale of shares in EUROHYPO AG).

INVESTMENTS IN AFFILIATED COMPANIES

Investments in affiliated companies are reported at € 37.9 billion (increase of € 3.5 billion). Additions include the establishment of a financing company for intra-Group purposes and, in particular, the Russian investment company United Financial Group (UFG). This acquisition enabled us to further strengthen our market presence. DB Value GmbH was merged with Deutsche Bank AG. In addition, value adjustments to the lower fair value were made on investments in affiliated companies.

OWN SHARES

The bank retired 40 million of its own shares at the beginning of 2006. This amounted to 7.2 % of its share capital.

The General Meeting on June 1, 2006 adopted a resolution to launch a further share buyback program, which allows up to 10 % of our outstanding shares to be repurchased. We utilized this resolution to repurchase some of our own shares. At December 31, 2006, a total of 25.9 million of the bank's own shares had been repurchased under stock buyback programs (December 31, 2005: 48.8 million shares).

CUSTOMER DEPOSITS

Customer deposits are reported unchanged at € 393.7 billion. Demand deposits decreased by € 2.1 billion, while time deposits grew by € 1.5 billion and savings deposits increased by € 0.6 billion. Customer deposits included reverse repos of € 76.7 billion (decrease of € 2.6 billion).

Liabilities in certificate form grew sharply by € 28.3 billion, or 24.9 %, to € 142.2 billion. The volume of bonds and notes issued increased by € 1.5 billion, while other liabilities in certificate form (mainly index-linked certificates) grew by € 26.8 billion to € 119.6 billion.

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

			Change	
€ bn.	Dec 31, 2006	Dec 31, 2005	€ bn.	%
Liabilities to banks	**457.1**	**458.3**	**(1.2)**	**(0.3)**
repayable on demand	269.4	267.9	+ 1.5	+ 0.6
with agreed period or notice period	187.7	190.4	(2.7)	(1.4)
Liabilities to customers	**393.7**	**393.7**	**–**	
savings deposits	3.3	2.7	+ 0.6	+ 21.9
other liabilities				
repayable on demand	178.0	180.1	(2.1)	(1.2)
with agreed period or notice period	212.4	210.9	+ 1.5	+ 0.7
Liabilities in certificate form	**142.2**	**113.9**	**+ 28.3**	**+ 24.9**
bonds and notes issued	22.6	21.1	+ 1.5	+ 7.1
other liabilities in certificate form	119.6	92.8	+ 26.8	+ 28.9
(thereof: money market instruments)	(35.6)	(35.3)	(+ 0.3)	(+ 0.9)

Our subordinated liabilities decreased by a net € 0.2 billion to € 13.8 billion as some of the bonds and notes we had issued fell due.

CAPITAL AND RESERVES

The capital and reserves of Deutsche Bank AG (including distributable profit, which increased by € 0.8 billion to € 2.1 billion) rose by € 1.1 billion to € 22.0 billion. During the year under review the Management Board utilized the authorization it had been granted by the General Meeting to retire some of the bank's own shares under the share buyback program. It retired a total of 40 million shares worth € 2.8 billion. € 1.8 billion was added to the reserve for the bank's own shares owing to its holdings of its own shares; we allocated € 0.5 billion to the other revenue reserves. The exercise of option rights increased the bank's capital by a further € 0.8 billion.

Regulatory capital and reserves as defined by the German Banking Act (KWG) totaled € 33.8 billion. These mainly consist of equity capital and reserves (as defined by the German Commercial Co-de), the fund for general banking risks, and subordinated liabilities recognized as supplementary capital (Tier II and Tier III capital).

COMPENSATION REPORT

The Compensation Report explains the principles applied in determining the compensation of the members of the Management Board and Supervisory Board of Deutsche Bank AG as well as the structure and amount of the Management Board members' compensation. This Compensation Report has been prepared in accordance with the requirements of Germany's new Act on Disclosure of Management Board Compensation (VorstOG) as well as the recommendations of the German Corporate Governance Code.

The individualized disclosure of the compensation of our Management Board members has been adjusted to the new requirements of the Act on Disclosure of Management Board Compensation (VorstOG), sub-divided into non-performance-related and performance-related components as well as components with long-term incentives.

PRINCIPLES OF THE COMPENSATION SYSTEM FOR MANAGEMENT BOARD MEMBERS

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

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

in €	2006
Non-performance-related components:	
Salary	4,081,111
Other benefits	526,369
Performance-related components	18,332,086
Components with long-term incentives	9,961,972
Total compensation	**32,901,538**

This presentation conforms with the reward components defined in the German Act on the Disclosure of Management Board Compensation (VorstOG). The individual positions are therefore not directly comparable in all cases with the prior-year figures published in our 2005 Financial Report. The aggregate compensation taking into account the expense booked in the 2006 financial year for long-term incentive components granted in the financial year 2006 and in previous years amounted to € 26,835,169.

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

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

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

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

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

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

In February 2007, members of the Management Board were granted a total of 91,821 equity rights (DB Equity Units) for their performance in the 2006 financial year. With receipt subject to certain conditions, the shares from these rights will be delivered on August 1, 2010.

For further information on the terms of our DB Global Partnership Plan, pursuant to which these equity rights (DB Equity Units) are issued, see Note [20] to the consolidated financial statements.

MANAGEMENT BOARD COMPENSATION

Our Management Board members received the following compensation components for their service on the Management Board for the year 2006:

Members of the Management Board in €	Non-performance-related components		Performance-related components	Components with long-term incentives[2]	Total Compensation
	Salary	Other benefits[1]			
Dr. Josef Ackermann	1,150,000	156,930	8,134,813	3,770,000	13,211,743
Dr. Hugo Bänziger[3]	528,889	40,359	1,615,194	1,117,278	3,301,720
Dr. Clemens Börsig[4]	273,333	51,555	1,197,009	577,416	2,099,313
Anthony Di Iorio[3]	528,889	35,217	1,615,194	1,117,278	3,296,578
Dr. Tessen von Heydebreck	800,000	147,918	2,884,938	1,690,000	5,522,856
Hermann-Josef Lamberti	800,000	94,390	2,884,938	1,690,000	5,469,328

1 Unlike last year, other benefits are reported on an individualized basis.

2 The number of DB Equity Units granted to each member was determined by dividing such euro amounts by € 108.49, the closing price of our shares on February 1, 2007. As a result, the number of DB Equity Units granted to each member was as follows: Dr. Josef Ackermann: 34,749, Dr. Hugo Bänziger: 10,298, Dr. Clemens Börsig: 5,322, Anthony Di Iorio: 10,298, Dr. Tessen von Heydebreck: 15,577, and Hermann-Josef Lamberti: 15,577. The expense in the 2006 financial year for the long-term incentive components of compensation granted in the 2006 financial year and in prior years for their service on the Management Board was as follows: Dr. Josef Ackermann: € 1,918,067, Dr. Clemens Börsig: € 255,234, Dr. Tessen von Heydebreck: € 861,151, and Hermann-Josef Lamberti: € 861,151.

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

4 Member of the Management Board until May 3, 2006.

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

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

For the 2006 financial year, the annual payments made by us under this plan were € 379,500 for Dr. Ackermann, € 158,668 for Dr. Bänziger, € 302,000 for Dr. Börsig, € 79,334 for Mr. Di Iorio, € 333,605 for Dr. von Heydebreck and € 440,000 for Mr. Lamberti. Dr. Ackermann, Dr. von Heydebreck and Mr. Lamberti are also entitled in principle, after they have left the Management Board, to a monthly pension payment of € 29,400 each under a discharged prior pension entitlement. The different sizes of the annual payments are due to the respective age-related factors, the different contribution rates and the individual pensionable compensation amounts. A further factor is that Dr. Bänziger and Mr. Di Iorio joined the Management Board during the year and Dr. Börsig left the Management Board during the year, as a result of which their contribution periods were shorter.

Pursuant to the service agreements concluded with each of the Management Board members, they are entitled to receive a severance payment upon a premature termination of the service agreement at our initiative, without us having been entitled to give notice of summary dismissal for cause. The severance payment comprises the salary for the remaining term of the contract, as well as the average bonus and MTI paid in the last three years for a period of up to one year.

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

If a Management Board member's departure is in connection with a change of control, he is entitled to receive his contractual compensation for the remaining period of his appointment, or if such period is less than three years, three times his compensation, in the form of a one-time payment. The payment is calculated on the basis of the compensation (salary, bonus and MTI) received in the last full calendar year before the departure. Any rights under the DB Global Partnership Plan will remain in place.

Dr. Clemens Börsig, a former member of the Management Board, left that Board effective May 3, 2006 at the request of the Supervisory Board to join the Supervisory Board and become its Chairman. The agreement negotiated with him, before May 3, 2006, in consideration for his leaving the Management Board at our request, prior to the end of his contract in 2010 and without cause, provides for an aggregate payment of € 15.0 million. As part of the agreement, Dr. Börsig also agreed to a non-compete arrangement. In settlement of his contractual pension rights, an amount of € 3,0 million will be added to the existing balance in his defined contribution pension account no later than December 31, 2008.

The total compensation paid to former Management Board members or their surviving dependents in 2006 amounted to an aggregate of € 27,453,021.

PRINCIPLES OF THE COMPENSATION SYSTEM FOR SUPERVISORY BOARD MEMBERS

The compensation of Supervisory Board members is set forth in our Articles of Association, which our shareholders amend from time to time at their annual meetings. Such compensation provisions were last amended at our Annual General Meeting on June 10, 2003.

For 2006, the following compensation policies apply. The compensation generally consists of a fixed remuneration of € 30,000 per year (plus value-added tax (Umsatzsteuer), currently 19 %) and a dividend-based bonus of € 1,000 per year for every full or fractional € 0.05 increment by which the dividend we distribute to our shareholders exceeds € 0.15 per share. We increase both the fixed remuneration and the dividend-based bonus of each Supervisory Board member by 25 % for each committee on which the Supervisory Board member sits, except that for the chair of a committee the rate of increment is 50 % and if the committee chairperson is not identical with the Supervisory Board chairperson the rate of increment is 75 %. These amounts are based on the premise that the respective committee has met during the financial year. We pay the chairperson of the Supervisory Board three times the total compensation of a regular member, and we pay the deputy chairperson one and a half times the total compensation of a regular member. The members of the Supervisory Board also receive an annual remuneration linked to our long-term performance; this remuneration varies in size depending on how the ratio between the total return on our shares – based on share price development, dividend and capital actions – and the average total return of shares of a group of peer companies currently consisting of Citigroup Inc., Credit Suisse Group, J. P. Morgan Chase & Co., Merrill Lynch & Co. Inc. and UBS AG, has developed in the three financial years immediately preceding the year for which the remuneration is paid. If the ratio lies between –10 % and +10 % each member receives an amount of € 15,000; if our shares outperform the peer group by 10 % to 20 %, the payment increases to € 25,000; and in case of a more than 20 % higher performance it rises to € 40,000. The members of the Supervisory Board receive a meeting fee of € 1,000 for each meeting of the Supervisory Board and its committees in which they take part. In addition, in our interest, the members of the Supervisory Board will be included in any financial liability insurance policy held in an appropriate amount by us, with the corresponding premiums being paid by us.

We also reimburse members of the Supervisory Board for all cash expenses and any value-added tax (Umsatzsteuer) they incur in connection with their roles as members of the Supervisory Board. Employee-elected members of the Supervisory Board also continue to receive their employee benefits. For Supervisory Board members who served on the board for only part of the year, we pay a fraction of their total compensation based on the number of months they served, rounding up or down to whole months.

OTHER INFORMATION

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

STRUCTURE OF THE SUBSCRIBED CAPITAL

As of 31 December 2006, Deutsche Bank's issued share capital amounted to € 1,343,406,103.04 consisting of 524,768,009 ordinary shares without par value. The shares are fully paid up and in registered form. Each share confers one vote.

RESTRICTIONS ON VOTING RIGHTS OR THE TRANSFER OF SHARES

We are not aware of any restrictions on voting rights or the transfer of shares.

SHAREHOLDINGS WHICH EXCEED 10 PER CENT OF THE VOTING RIGHTS

The German Securities Trading Act (Wertpapierhandelsgesetz) requires any investor whose share of voting rights reaches, exceeds or falls below certain thresholds as the result of purchases, disposals or otherwise, must notify us and the German Federal Financial Supervisory Authority (BaFin) thereof. The lowest threshold has so far been 5 per cent, however, since January 20, 2007, it has been reduced to 3 per cent. We are not aware of any shareholder holding directly or indirectly more than 10 per cent of the voting rights.

SHARES WITH SPECIAL CONTROL RIGHTS

Shares which confer special control rights have not been issued.

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

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

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

Pursuant to the German Stock Corporation Act (Section 84) and the Articles of Association of Deutsche Bank (Section 6) the members of the Management Board are appointed by the Supervisory Board. The number of Management Board members is determined by the Supervisory Board. According to the articles of Association, the Management Board has at least three members. The Supervisory Board may appoint one member of the Management Board as Chairperson of the Management Board. Members of the Management Board may be appointed for a maximum term of up to five years. They may be re-appointed or have their term extended for one or more terms of up to a maximum of five years each. The German Co-Determination Act (*Mitbestimmungsgesetz*; Section 31) requires a majority of at least two thirds of the members of the Supervisory Board to appoint members of the Management Board. If such majority is not achieved, the Mediation Committee shall give, within one month, a recommendation for the appointment to the Management Board. The Supervisory Board will then appoint the members of the Management Board with the majority of its members. If such appointment fails, the Chairperson of the Supervisory Board shall have two votes in a new vote. If a required member of the Management Board has not been appointed, the Local Court (*Amtsgericht*) in Frankfurt am Main shall, in urgent cases, make the necessary appointments upon motion by any party concerned (Section 85 of the German Stock Corporation Act).

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

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

RULES GOVERNING THE AMENDMENT OF THE ARTICLES OF ASSOCIATION

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

POWERS OF THE MANAGEMENT BOARD TO ISSUE OR BUY BACK SHARES

Deutsche Bank's share capital may be increased by issuing new shares for cash and in some circumstances for non-cash consideration. At December 31, 2006, Deutsche Bank had authorized but unissued capital of € 426,000,000 which may be issued at various dates through April 30, 2009 as follows.

Authorized Capital	Expiration Date
€ 100,000,000	April 30, 2007
€ 128,000,000[1]	April 30, 2008
€ 198,000,000	April 30, 2009

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

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

The Annual General Meeting of June 1, 2006 authorized the Management Board pursuant to Section 71 (1) No. 7 of the Stock Corporation Act to buy and sell, for the purpose of securities trading, own shares of Deutsche Bank AG on or before October 31, 2007, at prices which do not exceed or fall short of the average of the share prices (closing auction prices of the Deutsche Bank share in Xetra trading and/or in a comparable successor system on the Frankfurt Stock Exchange) on the respective three preceding stock exchange trading days by more than 10 per cent. In this context, the shares acquired for this purpose may not, at the end of any day, exceed 5 per cent of the share capital of Deutsche Bank AG.

The Annual General Meeting of June 1, 2006 authorized the Management Board pursuant to Section 71 (1) No. 8 of the Stock Corporation Act to buy, on or before October 31, 2007, own shares of Deutsche Bank AG in a total volume of up to 10 per cent of the present share capital. Together with own shares acquired for trading purposes and/or for other reasons and which are from time to time in the company's possession or attributable to the company pursuant to Sections 71a sq. of the Stock Corporation Act, the own shares purchased on the basis of this authorization may not at any time exceed 10 per cent of the company's share capital. The own shares may be bought through the stock exchange or by means of a public purchase offer to all shareholders. In the case of purchase through the stock exchange, the company may use the services of third parties and employ derivatives, provided the third parties observe the following restrictions. The countervalue for the purchase of shares (excluding ancillary purchase costs) through the stock exchange may not be more than 10 per cent higher or more than 20 per cent lower than the average of the share prices (closing auction prices of the Deutsche Bank share in Xetra trading and/or in a comparable successor system on the Frankfurt Stock Exchange) on the last three stock exchange trading days before the obligation to 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.

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

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

AGREEMENTS FOR COMPENSATION IN CASE OF A TAKEOVER BID

If a member of the Management Board leaves the bank within the framework of a change of control, he receives a one-off compensation payment described in greater detail in the Compensation Report on pages 8 to 11.

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

RISK REPORT

TYPES OF RISK

Deutsche Bank AG is exposed to credit, market, liquidity, operational, reputational and business risks.

THE RISKS OF DEUTSCHE BANK AG WITHIN THE GROUP NETWORK

The impact of the above risks on Deutsche Bank AG cannot be isolated from the effects on Deutsche Bank's other separate legal entities. There are several reasons for this:

- The Group's internal structure according to Group Divisions is determined by its customers' needs, in other words by the framework dictated by the market. The external legal structure is determined by local legislation and therefore does not necessarily follow the internal structure. For example, lo-cal legislation can determine whether the Group's business in a certain country is handled by a branch of Deutsche Bank AG or by a separate subsidiary. However, the management has to monitor the risks in the bank's business – irrespective of whether it is transacted by a branch or a subsidiary.
- Adequate risk monitoring and management requires knowledge of the extent to which the Group's profit situation depends on the development of certain risk factors, i.e. on the creditworthiness of individual customers or securities issuers or on movements in market prices. The respective exposures therefore need to be analyzed across legal entities. Especially for the credit risk attached to a borrower, it is fairly irrelevant whether the credit exposure to a company is spread over several Group companies or concentrated on Deutsche Bank AG. Separate monitoring of the risk affecting Deutsche Bank AG alone would neglect the potential hazard facing the Group and, indirectly, Deutsche Bank AG – as the parent – if the company became insolvent.

— Individual risk factors are sometimes correlated, and in some cases they operate independently of each other. If estimates of the nature and extent of this correlation are available, the Group's management can greatly reduce the overall risk by diversifying its businesses across customer groups, issuers and countries. The risk correlation is also independent of the Group's legal and divisional structure. The management can therefore only optimize the risk-mitigating effects of diversification if it manages them Group-wide and across legal entities.

RISK MANAGEMENT OF DEUTSCHE BANK AG WITHIN THE GROUP NETWORK

For the reasons mentioned, the identification, monitoring and management of all risks in Deutsche Bank AG are integrated into the Group-wide risk management process. It goes without saying that Deutsche Bank AG complies with all legal and regulatory requirements.

RISK MANAGEMENT ORGANIZATION

The Management Board provides overall risk and capital management oversight for the consolidated Group as a whole. Our Chief Risk Officer, who is a member of our Management Board, is responsible for our credit, market, liquidity, operational and business risk management as well as capital management activities within our consolidated Group. In 2006, we merged Risk Management and Treasury & Capital Management, previously called Group Treasury, to form an integrated Risk and Capital Management function. Additionally, the Capital and Risk Committee was formed as a functional committee of Deutsche Bank Group to further integrate our risk and capital management activities. It is chaired by our Chief Risk Officer, with the Chief Financial Officer being Vice-Chairman. The responsibilities of the Capital and Risk Committee include risk profile and capital planning, capital capacity monitoring and optimization of funding. Additionally, the Chief Risk Officer chairs our Risk Executive Committee, which is responsible for the management and control of the aforementioned risks across our consolidated Group. The Group Reputational Risk Committee, which is an official sub-committee of both the Risk Executive Committee and the Group Compliance Committee, and is co-chaired by the chairmen of these committees, reviews and makes final determinations on all reputational risk issues, where escalation of such issues is deemed necessary by senior business and regional management, or required under other Group policies and procedures.

RISK MANAGEMENT TOOLS

Deutsche Bank uses a comprehensive range of quantitative tools and metrics for monitoring and man-aging risks. Some of these tools are common to a number of risk categories, while others are tailored to the particular features of specific risk categories. These quantitative tools and metrics generate the following kinds of information:

— Information that quantifies the susceptibility of the market value of single positions or portfolios to changes in market parameters (commonly referred to as sensitivity analysis).
— Information that measures aggregate risk using statistical techniques, taking into account the inter-dependencies and correlations between individual risks.
— Information that quantifies exposures to losses that could arise from extreme movements in market prices or rates, using scenario analysis to simulate crisis situations.

Deutsche Bank's policies and risk limits are aligned with such quantitative tools and metrics across the Group Divisions to effectively manage risks.

FIGURES PRESCRIBED BY THE REGULATORY AUTHORITY

The risk position and capital and reserves must be calculated for regulatory assessment of the bank's capacity to assume risk.

RISK POSITION

The risk position is the total risk the bank has assumed, which is calculated according to regulations by risk-weighting the assets for credit risk and market risk. The German Federal Financial Supervisory Authority permits us to use our proprietary value-at-risk approach to calculate the market risk component. The bank's risk position must be backed by capital such that the required regulatory capital ratios are maintained.

REGULATORY CAPITAL AND RESERVES

Regulatory capital and reserves consist of core capital (Tier I), supplementary capital (Tier II) and Tier III capital.

INFORMATION ON THE TYPES OF RISK

The following sections give information on the types of risk.

MARKET RISK

Deutsche Bank assumes market risk in both trading and nontrading activities. We employ different methods for the measurement of these risks, which are specifically tailored to the risk situation in the trading book or the nontrading book respectively. Value-at-risk is the most important metric we use in the management of our trading market risk while we assess the market risk in our nontrading portfolios primarily through the use of stress szenarios. The trading market risk of the Group is managed by the Risk Executive Committee and those responsible for market risk management in the Group Divisions. We make use of a comprehensive risk limit structure by Business Division and region which is deter-mined mainly by Market Risk Management. The Capital and Risk Committee supervises our nontrading asset activity, supported by a dedicated Investment Risk Management team that was carved out of the Market Risk Management team and was established within Risk and Capital Management during 2006.

CREDIT RISK

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

LIQUIDITY RISK

Liquidity risk management is the responsibility of Treasury & Capital Management, previously called Group Treasury. It is based on the analysis of all cash flows by business division, product, currency and location. The management process includes monitoring and limiting of aggregated cash outflows and funding. Diversification effects and customer concentration are observed. In addition we apply regular scenario analysis in order to determine potential liquidity stresses due to unexpected bank-specific or external events and how to compensate them.

OPERATIONAL RISK

Operational Risk Management is an independent risk management function within Deutsche Bank. The Global Head of Operational Risk is a member of the Risk Executive Committee and reports to the Chief Risk Officer. The Operational Risk Management Committee, which is a permanent sub-committee of the Risk Executive Committee, is the main decision making committee for all operational risk matters. Operational Risk Management is responsible for defining the operational risk framework and related policies and provides the risk management toolset to the Business Divisions who are responsible for implementing the framework.

REPUTATIONAL RISK

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

BUSINESS RISK

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

OVERALL RISK POSITION ACCORDING TO SUPERVISORY LAW

From a regulatory point of view, the risk positions according to Principle I (risk-weighted assets of the banking book, default risk of the trading book and market risk equivalent) are as shown in the following table. Their calculation is based on the provisions of the German Banking Act (KWG), Principle I and the German Commercial Code (HGB). The table below shows the risk positions according to Principle I:

in € m.	**Dec 31, 2006**	**Dec 31, 2005**
Risk-weighted assets of the banking book	206,074	191,032
Market risk equivalent and default risk of the trading book	75,085	66,790
Total	**281,159**	**257,822**

CAPITAL AND RESERVES

Capital and reserves according to the German Banking Act and Principle I, which are calculated on the basis of the German Commercial Code, are as shown:

in € m.	**Dec 31, 2006**	**Dec 31, 2005**
Core capital (Tier I)	20,383	19,128
Supplementary capital (Tier II)	10,270	9,642
Items deducted pursuant to § 10 (6) German Banking Act and Principle I	(419)	(427)
Available Tier III capital	3,271	3,578
Total eligible own funds according to Principle I	**33,505**	**31,921**
Liable capital ratio	14.7 %	14.8 %
Overall ratio	11.9 %	12.4 %

With an overall ratio of 11.9 %, Deutsche Bank AG is well above the minimum ratio of 8 % prescribed by the German Banking Act.

OUTLOOK

THE GLOBAL ECONOMY

The global economy's robust growth during 2006 is expected to continue in the near term, although the pace of growth may moderate to just over 4 % in 2007, compared to 5 % in 2006. Slower growth is foreseen in the U.S. economy, where rises in interest rates will impact the housing sector and consumer spending. The Eurozone is expected to grow at a slightly lower rate than the 2.7 % achieved in 2006. In the Eurozone's largest economy, Germany, the economy will continue to benefit from the factors which contributed to solid growth last year: strong exports, corporate confidence, capital investment, and recovery in the construction sector; nevertheless, the recent 3 % increase in Value Added Tax rate may dampen consumer spending.

Emerging growth economies will again be important contributors to global economic performance. China and India are expected to grow at 9 % and 8 % respectively, sustaining the strong momentum achieved in 2006, underpinning continued demand for energy and other commodities. Growth in other emerging economies, and energy-producing nations, is also expected to remain strong. The leading corporations of these economies will be increasingly visible as global players in their markets, while economic growth and sustained industrialization will continue to drive personal wealth in these nations. The pace of globalisation will continue to accelerate, characterised by increased volumes of traded goods, growing international capital flows, and markets will become more globally integrated. Global trade imbalances, with surpluses in major emerging economies and energy producers, offsetting a substantial current account deficit in the U.S., will again be a feature of the world economy.

Several risks exist in the global economy. Major geopolitical events, including war, natural disasters, political instability or significant terrorist activity, have the potential to destabilise financial markets. Stronger-than-expected monetary tightening, worsening trade imbalances, a harder-than-expected landing in the U.S. economy, a significant rise in energy prices, and sharper-than-expected interest rate rises, could all dampen prospects for economic growth across the world.

THE BANKING INDUSTRY

The outlook for the banking sector will include both challenges and opportunities. The factors underpinning the growth of the capital markets witnessed since 2003 look set to continue in the near term, as growth in the global economy continues to be financed increasingly via the capital markets rather than traditional bank lending, as the world's financial markets become more globally accessible, and as investor appetite remains strong.

In standardized trading products, including cash equities and foreign exchange, margin pressure will remain; however, growth and margins will likely be more robust in more sophisticated products including derivatives and structured credit instruments. Against a background of high valuations and robust cash flows, strong levels of corporate activity are set to continue, sustaining the growth in M&A witnessed in 2006 and generating healthy levels of both equity and debt issuance. These factors will positively influence the outlook for investment banking revenues.

In asset gathering, positive impetus is expected from several factors. In mature economies, invested asset growth will be stimulated by increasing focus on private retirement and pension funding, while in emerging growth markets, the creation of new wealth will continue to stimulate demand for investment management. Both institutional and private investors are likely to sustain their appetite for new asset classes, including hedge funds, private equity and real estate, which will continue to drive growth in these areas.

Lending activities will face the prospect of upward pressure on interest rates in most industrialised countries. In retail banking, rising interest rates will mitigate growth of consumer credit and mortgage products in some markets, although demand will likely remain strong for investment advisory products and services, with sustained strong growth in demand for personal banking services in emerging growth markets.

Major banks will continue to expand their international operations, seeking to take advantage of the opportunities offered by the globalisation of the world economy and to overcome growth constraints in their domestic markets. Banking sector consolidation is expected to continue, both via incremental acquisitions and cross-border mergers.

Some downside risks exist. Financial markets are by nature unpredictable. After positive market conditions in late 2006, continuing into early 2007, leading indices in both mature and emerging markets reached high and in some cases record levels, giving rise to the possibility of corrections and periods of volatile conditions. Such conditions may, in turn, inhibit origination volumes and M&A activity. Higher interest rates may trigger a rise in provisioning, reflecting higher default rates for corporate credits – especially in the sub-investment-grade segment – and for highly indebted households. However, the impact of this development would be mitigated by advances in risk management, such as increased use of hedging techniques. The aforementioned major geopolitical events, which pose risks for the global economy, could also have a potentially significant impact on financial markets, including stock market corrections or increased volatility, which could in turn impact the earnings prospects of banks with substantial capital markets-related activities.

The industry will also face several important regulatory changes in 2007, some of which will necessitate substantial adjustments. For instance, parallel application of old and new regulations marks the transition to the new regime for capital adequacy requirements under Basel II. Moreover, the forthcoming implementation of the European Markets in Financial Instruments Directive (MiFID) has to be implemented. It aims to further integrate the securities markets in the European Econimic Area and improve competiton by harmonizing regulations on transparency and investor protection in securities dealings.

THE DEUTSCHE BANK AG

The outlook for Deutsche Bank is favourably influenced by several factors. Against a backdrop of increasing globalization in the world economy, Deutsche Bank Group is very well-positioned, with a presence in 73 countries, significant regional diversification and substantial revenue streams from all the major regions of the world. We have established strong bases in all major emerging markets, and therefore have good prospects for business growth in fast-growing economies, including the Asia-Pacific region, Central and Eastern Europe, and Latin America. In Europe, we are well placed to benefit from the aforementioned resilient conditions in our home market, Germany, and from continued strong levels of corporate activity in the Eurozone.

As one of the world's leading investment banks (as measured by publicly available revenue data), Deutsche Bank is also well-positioned to benefit from continued growth in the world's capital markets. We command strong positions in emerging capital markets, notably in Asia, which continue to expand rapidly. Our corporate finance business is well-positioned to benefit from sustained high levels of corporate activity, both in M&A and in debt and equity issuance, including high yield debt and syndicated loans. Our sales and trading businesses stand to gain from sustained growth in more complex, high-value areas, including derivatives, securitization, and structured credit products. In periods of market uncertainty, the diversification of our investment banking business, spanning different client types, products and regions, mitigates the impact of challenging conditions in specific areas. As financial markets witness increasing levels of leverage and risk distribution, Deutsche Bank's risk management competencies, including innovative techniques such as loan exposure management and dynamic hedging, are likely to play an increasingly important role in our business growth.

While the outlook all in all is positive, it will to some extent be mitigated by margin erosion on standardized or commoditized products, reflecting rapid maturity cycles in a highly innovative and competitive global industry. Furthermore, corrections and periods of uncertainty may occur in equity markets, including emerging markets, and this may impact Deutsche Bank's business. Also, a reduction in volumes, a cyclical market downturn, or the possibility of a market shock would negatively affect all market participants, including Deutsche Bank.

Declining global trading volumes and stagnating economic growth may negatively impact revenues in our Trade Finance business, while downward interest rate trends, decreasing payment volumes as well as pricing pressure would present substantial risks to our Cash Management business. Market value reductions driving pricing reductions of custody assets and aggressive price competition from industry consolidation could potentially negatively impact our Trust & Securities Services business.

As invested assets continue to grow across the world, Deutsche Bank is likewise well-positioned to capture growth opportunities. At the end of 2006, Deutsche Bank managed € 966 billion in assets for institutional clients, high net worth individuals and private customers. As mature economies see growing levels of private retirement funding and pension planning, Deutsche Bank's mutual fund subsidiary, DWS, is well-placed to benefit, with a top-three position among European mutual fund providers (as measured by publicly available invested asset data), and clear leadership in the German market. As new wealth is created in emerging economies, the DWS franchise has favorable prospects for growth in these markets. As a leader in real estate asset management, Deutsche Bank is also poised to benefit from growing demand for alternative asset classes. Substantial investment in our Private Wealth Management platform during 2006, including the hiring of more than 400 new employees and the acquisition of Tilney Group in the UK, positions us well to capture growth in assets invested by wealthy individuals around the world.

In personal banking, Deutsche Bank is well-positioned to benefit from resilient economic conditions in our home market, Germany, and from the added capacity created by two acquisitions, Berliner Bank and norisbank. Our investments in India, China and Vietnam, including both organic expansion and local partnerships, also enable us to tap growth in demand for personal banking products and services in these fastgrowing economies.

Lower GDP growth, inflation and interest rates remaining at lower levels would lead to lower than expected growth in Net New Assets and would jeopardize planned improvements in return on assets. As a result, we may generate lower revenues from brokerage and other commission- and fee-based businesses. Initiatives launched by us or partnerships we enter into may not match expectations, and intense competition, in our home market of Germany as well as in international markets, could hurt our revenues and profitability.

Deutsche Bank's commitment to continued cost, risk, capital and regulatory discipline will play a critical role in the development of our business. As our core businesses expand, risk appetite and cost pressures will continue, and any increases will be subject to strict internal controls. Potential acquisitions are also rigorously monitored against strict criteria, both before and after completion. Against a backdrop of increasing regulatory and legal scrutiny, we will continue to operate a rigorous control environment, in order to minimize reputational, regulatory and litigation risk.

On the back of increased regulation and complexity of the financial markets, efforts are repeatedly undertaken to subject financial services providers to increased responsibilities and liabilities. As a result, we need to devote additional resources to address these requirements and our exposure to legal risks such as litigation, arbitration and regulatory proceedings has increased, in particular in the U.S. We may settle such proceedings prior to a final judgment on the claim and its amount, even when we believe we have valid defenses against liability. This applies in particular where the potential economic, business, regulatory or reputational consequences of failing to prevail would be disproportionate to the cost of settlement. The ongoing financial impact of legal risks might be considerable but is impossible to estimate with confidence.

Overall, we are confident that Deutsche Bank has the right strategy, the right growth dynamics, the right cost and risk discipline as well as the right capital management to achieve these objectives. We enjoy leading franchises in our key businesses areas, and have proven our ability to perform both in favorable and in challenging conditions. Based on our current outlook for the global economy and the world's capital markets, we are confident of maintaining, in 2007, the good progress of 2006.

Balance Sheet

Assets (€ m.)				Dec 31, 2006	Dec 31, 2005
Cash reserve					
a) cash on hand			21		18
b) balances with central banks			4,357		2,736
thereof: with Deutsche Bundesbank	1,517				(1,297)
				4,378	2,754
Debt instruments of public-sector entities and bills of exchange eligible for refinancing at central banks					
a) Treasury bills, discountable Treasury notes and similar debt instruments of public-sector entities			3,916		8,251
thereof: eligible for refinancing at Deutsche Bundesbank	3,106				(1,269)
b) bills of exchange			516		390
thereof: eligible for refinancing at Deutsche Bundesbank	229				(294)
				4,432	8,641
Receivables from banks					
a) repayable on demand			94,074		105,510
b) other receivables			112,924		113,311
				206,998	218,821
thereof: reverse repos	61,891				(64,745)
Receivables from customers				480,107	457,316
thereof: secured by mortgage charges	3,019				(3,107)
loans to or guaranteed by public-sector entities	4,261				(3,218)
reverse repos	149,843				(161,575)
Bonds and other fixed-income securities					
a) money market instruments					
aa) of public-sector issuers		468			1,325
ab) of other issuers		6,402			4,207
thereof: eligible as collateral for Deutsche Bundesbank advances	508				(110)
			6,870		5,532
b) bonds and notes					
ba) of public-sector issuers		77,482			79,396
thereof: eligible as collateral for Deutsche Bundesbank advances	40,369				(47,914)
bb) of other issuers		121,571			101,542
thereof: eligible as collateral for Deutsche Bundesbank advances	16,793				(11,177)
			199,053		180,938
c) own debt instruments			1,555		2,396
nominal amount	1,824				(2,577)
				207,478	188,866
Equity shares and other variable-yield securities				114,681	107,901
Participating interests				1,237	1,156
thereof: in banks	172				(332)
in financial services institutions	1				(258)
Investments in affiliated companies				37,858	34,319
thereof: in banks	5,753				(5,690)
in financial services institutions	1,098				(1,078)
Assets held in trust				845	941
thereof: loans on a trust basis	335				(537)
Intangible assets				577	582
Tangible assets				670	650
Own shares (notional par value € 66 million)				2,366	3,355
Sundry assets				391,142	401,374
Tax deferral				1,038	1,276
Prepaid expenses				857	1,389
Total Assets				**1,454,664**	**1,429,341**

Liabilities and Shareholders' Equity (€ m.)				Dec 31, 2006	Dec 31, 2005
Liabilities to banks					
a) repayable on demand			269,425		267,908
b) with agreed period or notice period			187,666		190,359
				457,092	458,267
thereof:					
repos	55,728				(54,657)
Liabilities to customers					
a) savings deposits					
aa) with agreed notice period of three months		2,156			1,912
ab) with agreed notice period of more than three months		1,086			749
			3,242		2,661
b) other liabilities					
ba) repayable on demand		178,045			180,155
bb) with agreed period or notice period		212,419			210,927
			390,464		391,082
				393,706	393,743
thereof:					
repos	76,732				(79,344)
Liabilities in certificate form					
a) bonds in issue			22,569		21,069
b) other liabilities in certificate form			119,639		92,787
				142,208	113,856
thereof:					
money market instruments	35,648				(35,330)
own acceptances and promissory notes in circulation	1,291				(655)
Liabilities held in trust				845	941
thereof: loans on a trust basis	335				(537)
Sundry liabilities				409,619	412,301
Deferred income				467	543
Provisions					
a) provisions for pensions and similar obligations			3,076		2,995
b) provisions for taxes			1,564		2,019
c) other provisions			6,872		6,292
				11,512	11,306
Subordinated liabilities				13,775	14,016
Fund for general banking risks				3,475	3,475
Capital and reserves					
a) subscribed capital			1,343		1,420
conditional capital € 171 m. (Dec 31, 2005: € 198 m.)					
b) capital reserve			12,524		11,647
c) revenue reserves					
ca) statutory reserve		13			13
cb) reserve for own shares		2,366			3,355
cc) other revenue reserves		3,620			3,172
			5,999		6,540
d) distributable profit			2,099		1,286
				21,965	20,893
Total Liabilities and Shareholders' Equity				**1,454,664**	**1,429,341**
Contingent liabilities					
a) contingent liabilities from rediscounted bills of exchange			–		–
b) liabilities from guarantees and indemnity agreements (see also pages 34 and 35)			39,291		36,734
c) liability arising from the provision of collateral for third-party liabilities			59		64
				39,350	36,798
Other obligations					
a) repurchase obligations under agreements to sell securities with an option to repurchase them			–		–
b) placement and underwriting obligations			162		120
c) irrevocable credit commitments			134,488		116,399
				134,650	116,519

Income Statement

Expenses (€ m.)			2006	2005
Interest expenses			31,129	25,010
Commission expenses			1,300	1,183
Administrative expenses				
a) staff expenses				
aa) wages and salaries	5,759			4,907
ab) compulsory social security contributions and expenses for pensions and other employee benefits	1,348			1,224
		7,107		6,131
thereof: for pensions	520			(440)
b) other administrative expenses		4,747		4,299
			11,854	10,430
Depreciation, amortization and write-downs of and value adjustments to tangible and intangible assets			220	230
Other operating expenses			639	977
Write-downs of and value adjustments to participating interests, investments in affiliated companies and securities treated as fixed assets			1,553	–
Expenses from assumption of losses			19	2
Addition to the fund for general banking risks			–	3,475
Extraordinary expenses			92	293
Income taxes			619	2,903
Other taxes, unless reported under other operating expenses			45	56
Net income			4,280	3,672
Total Expenses			**51,750**	**48,231**

		2006	2005
Net income		4,280	3,672
Profit carried forward from the previous year		47	56
		4,327	3,728
Allocations to revenue reserves			
– to reserve for own shares	1,780		1,741
– to other revenue reserves	448		701
		2,228	2,442
Distributable profit		**2,099**	**1,286**

Income (€ m.)		2006	2005
Interest income from			
a) lending and money market business	27,588		21,480
b) fixed-income securities and government-inscribed debt	5,082		3,809
		32,670	25,289
Current income from			
a) equity shares and other variable-yield securities	5,601		4,249
b) participating interests	58		49
c) investments in affiliated companies	423		193
		6,082	4,491
Income from profit-pooling, profit-transfer and partial profit-transfer agreements		2,486	1,531
Commission income		6,723	6,164
Net income from financial transactions		1,810	10,097
Income from write-ups of receivables and certain securities as well as from the release of provisions for possible loan losses		433	72
Income from write-ups of participating interests, investments in affiliated companies and securities treated as fixed assets		–	410
Other operating income		1,507	137
Extraordinary income		39	40
Total Income		**51,750**	**48,231**

Notes to the Accounts

The annual financial statements of Deutsche Bank AG for the 2006 financial year have been prepared in accordance with the regulations of the Bank Accounting Directives Act (sections 340 et seq. of the German Commercial Code (HGB), Statutory Order on Banks' Accounts (RechKredV)); company-law regulations have been complied with. For the sake of clarity, the figures are reported in millions of euros (€).

BASIS OF PRESENTATION

Accounting policies for:

RECEIVABLES

Receivables from banks and customers are reported at their nominal amount or at acquisition cost. Necessary value adjustments are deducted.

SECURITIES

Holdings of bonds and other fixed-income securities and of equity shares and other variable-yield securities that do not form part of the trading portfolio are accounted for using the strict lower-of-cost-or-market rule applicable to current assets, i.e. at acquisition cost or market value (if lower) or fair value (if lower).

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

TRADING ACTIVITIES

Since the 2005 financial year, our trading portfolios have been fully valued using the risk-adjusted fair-value approach based on the fair value of financial instruments in our trading portfolios. The method used to value financial instruments at fair value includes value adjustments on close-out costs, liquidity risk and counterparty risk. The positive and negative fair values of derivative financial instruments held for trading purposes are reported under sundry assets or sundry liabilities. In order to take account of any remaining realization risk, the result of the fair-value measurement is reduced by a value-at-risk adjustment, which is reported under sundry liabilities. The calculation of the value-at-risk adjustment is based on a holding period of ten days and a confidence level of 99 %.

PARTICIPATING INTERESTS, INVESTMENTS IN AFFILIATED COMPANIES AND TANGIBLE ASSETS

Tangible assets and intangible assets acquired for a consideration are reported at their acquisition or manufacturing cost less any depreciation or amortization. Write-downs are made for any impairments that are likely to be permanent. The option available under section 281 (1) HGB has been utilized. Participating interest and investments in affiliated companies are reported at their acquisition cost or lower fair value exercising the option within section 253 HGB.

Securities, participating interests and investments in affiliated companies are written up in pursuant to the requirement to reinstate original values (section 280 HGB). Low-value assets are written off in the year in which they are acquired.

The offsetting option available under section 340c (2) HGB has been utilized.

LIABILITIES

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

PROVISIONS

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

The pension provisions for fund based contribution plans are recognized as the sum of the fair value of plan assets and the present value of the risk premium. In cases where this value is lower than the value calculated under the entry-age normal method pursuant to section 6a of the German Income Tax Act the provision will be increased to the higher amount.

Provisions for taxes and other provisions are recognized in accordance with the principles of prudent commercial judgement in the amount of contingent liabilities or anticipated losses from pending transactions.

RISK PROVISIONING

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

Provision for credit risks is made in accordance with prudent criteria in the amount of the expected losses.

The transfer risk for loans to borrowers in foreign states (country risk) is assessed using a rating system that takes account of the economic, political and regional situation. Provision is made in accordance with prudent criteria for cross-border exposures to certain countries.

Provision is made for inherent credit risk in the form of general value adjustments in accordance with commercial-law principles. In addition, general banking risks are provisioned pursuant to section 340f HGB. The option available under section 340f (3) HGB has been utilized.

CURRENCY TRANSLATION

Currency translation is consistent with the principles set forth in section 340h HGB.

Assets denominated in foreign currency and treated as fixed assets, but not separately covered in the same currency, are shown at historical cost. Other assets and liabilities denominated in foreign currency and outstanding cash deals are translated at the middle spot rate at the balance sheet date, and forward exchange deals at the forward rate at the balance sheet date.

Expenses and income resulting from currency translation have been recognized in the income statement pursuant to section 340h (2) HGB.

The items on the balance sheets and the income statements of foreign branches are translated into euros at mid-rates at the respective balance sheet dates (closing-rate method). Differences resulting from the translation of balance sheet items within the bank - with the exception of exchange-rate losses on the translation of the capital allocated to our branches outside Germany (including gains and losses carried forward) - are reported as sundry assets or sundry liabilities.

NOTES TO THE BALANCE SHEET

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

	listed		unlisted	
€ m.	Dec 31, 2006	Dec 31, 2005	Dec 31, 2006	Dec 31, 2005
Bonds and other fixed-income securities	182,327	172,686	25,151	16,180
Equity shares and other variable-yield securities	109,273	101,049	1,753	2,960
Participating interests	125	21	0	0
Investments in affiliated companies	0	–	47	47

Equity shares and other variable-yield securities (€ 114,681 million) include mutual fund units of € 3,583 million (December 31, 2005: € 3,468 million) held in trust by an independent asset manager. The assets' sole purpose is the fulfillment of pension obligation to staff members and retired employees in Germany as well as to meet obligation towards pre-retirement part-time employees.

Bonds and other fixed-income securities include securities of € 203,626 million (December 31, 2005: € 182,780 million) that are held for trading purposes and recognized at fair value. Equity shares and other variable-yield securities include securities of € 110,682 million (December 31, 2005: € 103,130 million) that are held for trading purposes and recognized at fair value.

The following schedule shows the changes in fixed assets:

	Acquisition/manufacturing costs			Depreciation/amortization, write-downs and value adjustments			Book values	
€ m.	Balance at Jan 1, 2006	Additions	Disposals	Cumulative	therein current year	therein disposals	Balance at Dec 31, 2006	Balance at Dec 31, 2005
Intangible assets	821	54	1	297	62	1	577	582
Tangible assets	1,952	211	207	1,286	158	177	670	650
land and buildings	47	71	1	16	4	0	101	35
office furniture and equipment	1,850	140	151	1,270	148	140	569	590
leased equipment	55	–	55	–	6	37	–	25
			Changes					
Participating interests			+ 81				1,237	1,156
Investments in affiliated companies			+ 3,539				37,858	34,319
Equity shares and other variable-yield securities			(28)				–	28

The option to combine financial assets pursuant to section 34 (3) RechKredV has been utilized. Exchange rate changes at foreign branches resulting from currency translation at closing rates have been recognized in acquisition/manufacturing costs (balance at January 1, 2006) and in cumulative depreciation/amortization, write-downs and value adjustments. Land and buildings with a total book value of € 92 million were used as part of our own activities.

SUBORDINATED ASSETS

Subordinated assets are reported as follows:

€ m.	Dec 31, 2006	Dec 31, 2005
Receivables from banks	1,949	1,149
Receivables from customers	359	410
Bonds and other fixed-income securities	655	739
Equity shares and other variable-yield securities	17	13

INTANGIBLE ASSETS

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

SUNDRY ASSETS

Sundry assets primarily comprise positive fair values of € 384,431 million (December 31, 2005: € 398,481 million) from derivative financial instruments held for trading purposes. They also include margin payments on swaps, precious metals holdings, checks, matured bonds and entitlements to tax rebates from the tax authorities.

TAX DEFERRAL

The deferred tax assets reported pursuant to section 274 (2) HGB amounted to € 1,038 million in 2006. They correspond to the probable tax benefit arising from the differences between commercial-law and tax-law gains and losses based on country-specific tax rates.

SUNDRY LIABILITIES

Sundry liabilities primarily comprise negative fair values of € 406,450 million (December 31, 2005: € 410,707 million) from derivative financial instruments held for trading purposes. Under this item we also report the value-at-risk adjustment and accrued but not yet matured interest on subordinated liabilities as well as translation adjustment losses.

SUBORDINATED LIABILITIES

There are no early-redemption obligations on the part of Deutsche Bank AG for subordinated liabilities. In the event of liquidation or insolvency, the receivables and interest claims arising from these liabilities are subordinate to the non-subordinated receivables of all creditors of Deutsche Bank AG. These conditions also apply to subordinated borrowings not specified individually.

Interest expenses for all subordinated liabilities totaled € 614 million. Accrued but not yet matured interest of € 274 million included in this figure is reported under sundry liabilities.

Material subordinated liabilities:

Currency	Amount	Issuer/type	Interest rate	Maturity
€	750,000,000	Deutsche Bank AG (taken over from Deutsche Bank Finance N.V., Curaçao/ Netherlands Antilles, in 2005; formerly issue proceeds passed on to us)	5.38 %	27.3.2012
€	1,100,000,000	Deutsche Bank AG, bond of 2003	5.13 %	31.1.2013
€	1,000,000,000	Deutsche Bank AG, bond of 2004	3.88 %	16.1.2014
€	750,000,000	Deutsche Bank AG, bond of 2005	3.91 %	22.9.2015
€	500,000,000	Deutsche Bank AG, bond of 2004	4.00 %	20.9.2016
€	500,000,000	Deutsche Bank AG, bond of 2005	3.63 %	9.3.2017
€	1,000,000,000	Deutsche Bank AG, registered bond of 2003 (DB Capital Funding LLC IV, Wilmington/USA, issue proceeds passed on to us)	5.33 %	19.9.2023
€	300,000,000	Deutsche Bank AG, registered bond of 2003 (DB Capital Funding LLC V, Wilmington/USA, issue proceeds passed on to us)	6.15 %	2.12.2033
€	900,000,000	Deutsche Bank AG, registered bond of 2005 (DB Capital Funding LLC VI, Wilmington/USA, issue proceeds passed on to us)	6.00 %	28.1.2035
€	300,000,000	Deutsche Bank AG, registered bond of 2005 (DB Capital Finance LLC I, Wilmington/USA, issue proceeds passed on to us)	7.00 %	27.6.2035
GBP	225,000,000	Deutsche Bank AG, bond of 2004	5.25 %	15.12.2015
U.S.$	318,000,000	DB Capital LLC I, Wilmington/USA, issue proceeds passed on to us	7.06 %	30.3.2009
U.S.$	550,000,000	Deutsche Bank Financial Inc., Dover/USA, issue proceeds passed on to us	7.50 %	25.4.2009
U.S.$	250,000,000	Deutsche Bank AG (taken over from Deutsche Bank Finance N.V., Curaçao/ Netherlands Antilles, in 2005; formerly issue proceeds passed on to us)	5.70 %	30.4.2009
U.S.$	650,000,000	DB Capital Funding LLC I, Wilmington/USA, issue proceeds passed on to us	7.87 %	30.6.2009
U.S.$	500,000,000	Deutsche Bank AG (taken over from Deutsche Bank Finance N.V., Curaçao/ Netherlands Antilles, in 2005; formerly issue proceeds passed on to us)	5.87 %	27.3.2012
U.S.$	800,000,000	Deutsche Bank Financial Inc., Dover/USA, issue proceeds passed on to us	5.38 %	2.3.2015
U.S.$	800,000,000	Deutsche Bank AG, registered bond of 2006 (DB Capital Funding LLC VII, Wilmington/USA, issue proceeds passed on to us)	5.63 %	19.1.2036
U.S.$	600,000,000	Deutsche Bank AG, registered bond of 2006 (DB Capital Funding LLC VIII, Wilmington/USA, issue proceeds passed on to us)	6.38 %	unlimited

OWN SHARES

In the course of 2006, the bank and its affiliated companies bought 503,270,633 Deutsche Bank shares at prevailing market prices and sold 503,295,778 Deutsche Bank shares at prevailing market prices for trading purposes. The purchase of its own shares was based on the authorizations given by the General Meetings on May 18, 2005 and June 1, 2006 pursuant to section 71 (1) number 7 of the German Joint Stock Corporation Act (AktG), whose restrictions were complied with for every share purchase and sale. The authorization given on May 18, 2005 expired once the authorization of June 1, 2006 became effective. The average purchase price was € 91.74 per share; the average selling price was € 91.78. The resulting income was reported under operating profit.

The bank's own shares bought and sold for trading purposes during 2006 corresponded to roughly 96 % of its share capital. The largest holding on any one day was 1.71 % and the average daily holding 0.17 % of its share capital.

The bank was authorized by the General Meeting resolution of June 1, 2006 to purchase its own shares amounting to up to 10 % of its share capital on or before October 31, 2007 pursuant to section 71 (1) number 8 of the German Joint Stock Corporation Act. Together with the bank's own shares – purchased for trading purposes or for other reasons – that are either in the company's possession or attributable to it at any one time pursuant to sections 71a et seq. of the German Joint Stock Corporation Act, the shares purchased on the basis of this authorization must not at any time exceed 10 % of the company's share capital; compliance with these limits was monitored on a timely basis. The shares may be purchased either through the stock market or by means of a public offering to all shareholders. If the shares are purchased through the stock market, the price paid for them must not be more than 10 % above or more than 20 % below the average share price quoted (closing price quoted for Deutsche Bank shares in the Xetra trading system or in a similar successor system replacing the Xetra system on the Frankfurt Stock Exchange) on the last three trading days prior to the obligation to purchase the shares. If the shares are purchased through a public offering, the price paid for them must not be more than 10 % below or more than 15 % above the average share price quoted (closing price quoted for Deutsche Bank shares in the Xetra trading system or in a similar successor system replacing the Xetra system on the Frankfurt Stock Exchange) on the last three trading days prior to the date on which the offering is made public. If, when a public offering is made, the volume of shares offered exceeds the intended repurchase volume, acceptance of the offering must be proportionate to the volume of shares offered in each case. It is possible to allow preferential acceptance of small numbers of up to 50 shares per shareholder for the purchase of Deutsche Bank shares on offer.

The Management Board was authorized, with the consent of the Supervisory Board, to sell the purchased shares other than through the stock market or by means of an offering to all shareholders provided this is done against contributions in kind, excluding shareholders' pre-emptive rights, for the purpose of acquiring companies or holdings in companies. Furthermore, the Management Board was authorized, when selling the bank's purchased own shares by means of an offering to all shareholders, to grant the holders of the warrants, convertible bonds and convertible profit-sharing rights issued by the bank pre-emptive rights to the shares to the extent to which they would be entitled after having exercised the option or conversion right. Shareholders' pre-emptive rights are excluded for these cases and to this extent. The Management Board was also authorized to exclude shareholders' pre-emptive rights if the shares are to be issued as staff shares to employees and retired employees of the bank and of affiliated companies, or if they are to be used to fulfil option rights or purchase rights or purchase obligations attaching to shares of the bank granted to employees of the bank or of affiliated companies.

Furthermore, the Management Board was authorized to sell the shares to third parties against cash payment, excluding shareholders' pre-emptive rights, unless the purchase price of the shares is substantially lower than their market price at the time they are sold. This authorization may only be utilized if it is ensured that the number of shares sold as a result of this authorization together with shares issued from authorized capital, excluding shareholders' pre-emptive rights, pursuant to section 186 (3) sentence 4 of the German Joint Stock Corporation Act does not exceed 10 per cent of the company's share capital available at the time the shares are issued or sold.

The Management Board was also authorized to retire shares purchased as a result of this authorization without requiring any further resolution to be adopted by the General Meeting. The authorization for the bank to purchase its own shares, which was given by the General Meeting on May 18, 2005 and was valid until October 31, 2006, expired as soon as the authorization of June 1, 2006 came into effect.

At the end of 2006, Deutsche Bank AG held none of its own shares pursuant to section 71 (1) number 7 of the German Joint Stock Corporation Act. Its holdings pursuant to section 71 (1) number 8 of the German Joint Stock Corporation Act amounted to 25,945,306 shares, or 4.94 % of its share capital. The bank's total holdings of its own shares at the balance sheet date required a reserve for these shares in the amount of their carrying value of € 2,365,717,686.98. On December 31, 2006, 1,287,832 (end of 2005: 1,456,812) Deutsche Bank shares, i.e. 0.25 % (end of 2005: 0.26 %) of our share capital, were pledged to the bank and its affiliated companies as security for loans.

CHANGES IN SUBSCRIBED, AUTHORIZED AND CONDITIONAL CAPITAL

The bank's subscribed capital is divided into 524,768,009 registered no-par-value shares. During the year under review, 40,000,000 shares were retired and 10,232,739 were issued to staff under stock option programs.

Excluding holdings of the bank's own shares, the number of shares in issue at December 31, 2006 came to 498,822,703 (end of 2005: 505,748,046); the average number of shares in issue in the year under review was 501,224,286.

The Management Board adopted a resolution on January 24, 2006 to retire 40,000,000 of the bank's own shares in its portfolio. This was officially entered in the Commercial Register on February 15, 2006.

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

€	Subscribed capital	Authorized capital	Conditional capital (yet to be utilized)
Balance at Dec 31, 2005	**1,419,610,291.20**	**554,000,000.00**	**197,654,914.56**
Capital reduction owing to the retirement of 40,000,000 shares under the General Meeting resolution of May 18, 2005	(102,400,000.00)		
Expiry of the General Meeting resolution of May 17, 2001		(128,000,000.00)	
Exercise of option rights issued to members of the Management Board and executives of Deutsche Bank AG and to members of the managements and executives of affiliated companies under the Global Partnership Plans	23,308,751.36		(23,308,751.36)
Exercise of option rights issued to employees of the Deutsche Bank Group under the Global Share Plans	2,887,060.48		(2,887,060.48)
Expiry of option rights issued to members of the Management Board and executives of Deutsche Bank AG and to members of the managements and executives of affiliated companies under Global Partnership Plans			(62,213.12)
Expiry of option rights issued to employees of the Deutsche Bank Group under Global Share Plans			(141,634.56)
Balance at Dec 31, 2006	**1,343,406,103.04**	**426,000,000.00**	**171,255,255.04**

AUTHORIZATIONS GIVEN BY THE GENERAL MEETING

The General Meeting granted the Management Board the following authorizations to increase the share capital - with the consent of the Supervisory Board - through the issue of new shares as follows:

AUTHORIZED CAPITAL

— by up to a total of € 100,000,000 against cash payments, on one or more occasions on or before April 30, 2007; shareholders' general pre-emptive rights can be excluded unless the issue price of the new shares is substantially lower than the market price of the already listed shares at the time the issue price is fixed (General Meeting resolution of May 22, 2002);

— by up to a total of € 128,000,000 against cash payments or contributions in kind, on one or more occasions on or before April 30, 2008, with pre-emptive rights generally being granted to share-holders; however, pre-emptive rights can be excluded if a capital increase against contributions in kind was made for the purpose of acquiring companies or holdings in companies (General Meeting resolution of June 10, 2003);

— by up to a total of € 150,000,000 against cash payments, on one or more occasions on or before April 30, 2009, with pre-emptive rights generally being granted to shareholders (General Meeting resolution of June 2, 2004);

— by up to a total of € 48,000,000 against cash payments, on one or more occasions on or before April 30, 2009; shareholders' general pre-emptive rights can be excluded unless the issue price of the new shares is substantially lower than the market price of the already listed shares at the time the issue price is fixed (General Meeting resolution of June 2, 2004).

In all cases, pre-emptive rights may be excluded for fractional amounts and to grant pre-emptive rights to holders of issued warrants, convertible bonds and convertible profit-sharing rights.

CONDITIONAL CAPITAL

— The Management Board was allowed, as a result of the authorization of May 17, 2001 and with the consent of the Supervisory Board, to issue up to 12,000,000 option rights on Deutsche Bank shares to employees of the Deutsche Bank Group on or before December 31, 2003. Their issue price, performance target and exercise periods were the same as those for the issue of option rights to executives. The conditional capital amounted to € 10,000,000. Option rights on shares amounting to € 3,397,096.96 had not yet been exercised under this authorization at December 31, 2006. This conditional capital can no longer be utilized.

The Management Board was authorized, with the consent of the Supervisory Board, to issue option rights on shares of Deutsche Bank AG to members of the Management Board and executives of Deutsche Bank AG and to members of the managements and executives of affiliated companies. The authorizations contain the following conditions:

— General Meeting resolution of May 17, 2001: issue of up to 20,000,000 option rights on or before May 10, 2003; granted in two annual tranches, neither of which must exceed 70 % of the total volume (conditional capital of € 51,200,000);
— General Meeting resolution of May 22, 2002: issue of up to 25,000,000 option rights on or before May 20, 2005; granted in annual tranches, none of which must exceed 60 % of the total volume (conditional capital of € 64,000,000).

Option rights on shares amounting to € 17,858,158.08 had not yet been exercised under these authorizations at December 31, 2006. This conditional capital can no longer be utilized.

Each option right entitles the holder, against payment of the issue price, to purchase one no-par-value share of Deutsche Bank AG. If the option is exercised, the issue price of one share represents its exercise price plus a premium of 20 %. The exercise price corresponds to the average closing price quoted for Deutsche Bank shares in the Xetra trading system on the Frankfurt Stock Exchange over the last 10 trading days prior to the date on which the option rights are issued. The exercise of option rights is subject to the waiting period for their first-time exercise and exercise periods.

The conditional capital is increased only to the extent that the holders of issued option rights exercise their pre-emptive rights and that the bank does not fulfil the option rights by transferring ownership of its own shares or by making a cash payment.

The Management Board was authorized by the General Meeting on June 2, 2004 to issue bearer or registered participatory certificates on one or more occasions on or before April 30, 2009 and, instead of or in addition to participatory certificates, to issue warrant-linked bonds and/or convertible bonds for a term of no more than 20 years on one or more occasions. Bearer warrants may be attached to the participatory certificates, or they may be linked to a conversion right for the bearer. The holders of warrant-linked bonds and convertible bonds may be granted option rights and conversion rights respectively to new shares of Deutsche Bank AG subject to the conditions governing warrant-linked bonds and convertible bonds. The total amount of participatory certificates, warrant-linked bonds and convertible bonds issued under this authorization must not exceed € 6,000,000,000 in total (conditional capital of € 150,000,000).

The conditional capital is increased only to the extent that these rights are exercised or that the bondholders obliged to exercise their conversion rights meet their conversion obligations.

CHANGES IN CAPITAL AND RESERVES

€ m.		
Balance at Dec 31, 2005		**20,893**
Distribution in 2006		(1,239)
Profit carried forward		(47)
Capital reduction through retirement of own shares		
– derecognition of subscribed capital	(102)	
– allocation to capital reserve	102	
– withdrawal from revenue reserves	(2,769)	(2,769)
Capital increase through exercise of options		
– increase in subscribed capital	25	
– allocation to capital reserve	775	800
Revenue reserves		
– allocation to reserve for own shares	1,780	
– allocation to other revenue reserves	448	2,228
Distributable profit for 2006		2,099
Balance at Dec 31, 2006		**21,965**

Regulatory capital and reserves pursuant to the German Banking Act totaled € 33.8 billion (based on the bank's own calculation).

CONTINGENT LIABILITIES

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

€ m.	Dec 31, 2006	Dec 31, 2005
Guarantees	24,343	20,528
Letters of credit	3,927	3,354
Credit liabilities	11,021	12,852

OTHER OBLIGATIONS

The irrevocable credit commitments shown on the balance sheet (€ 134,488 million) include commitments of € 62,334 million for loans and discounts in favor of non-banks. The irrevocable credit commitments as of December 31, 2005 were increased by € 12.4 billion and amount to € 116,399 million.

SUNDRY OBLIGATIONS

Payment obligations under rental agreements and leases amount to € 1,180 million with residual maturities of up to 17 years. These obligations include € 38 million owed to affiliated companies. Further payment obligations will continue to be incurred in connection with necessary construction measures required by the authorities to meet fire protection regulations as well as further related conversion and refurbishment measures – especially concerning internal technical installations – with respect to the rented Head Office building located at Taunusanlage 12, Frankfurt am Main, Germany. There are also further obligations of € 2.7 billion for purchase obligations for goods and services, which include future payments for, among other things, processing, information technology and custodian services.

Liabilities for possible calls on not fully paid-up shares in public and private limited companies and other shares amounted to € 51 million at the end of 2006. Joint liabilities pursuant to section 24 of the German Private Limited Companies Act (GmbHG) amounted to € 5 million. Where other joint liabilities exist, the credit standing of the co-shareholders is impeccable in all cases.

In connection with our participating interest in Liquiditäts-Konsortialbank GmbH, Frankfurt am Main, there is an obligation to pay further capital of up to € 70 million and a pro rata contingent liability to fulfill the capital obligations of other shareholders belonging to Bundesverband deutscher Banken e.V., Berlin.

Liabilities for possible calls on other shares totaled € 3 million at December 31, 2006.

Pursuant to section 5 (10) of the Statute of the Deposit Guarantee Fund we have undertaken to indemnify Bundesverband deutscher Banken e.V., Berlin, for any losses incurred through measures taken in favor of banks majority-held or controlled by Deutsche Bank.

Pursuant to section 3 (1a) of the Statute of the Deposit Guarantee Fund for Banks' Building and Loan Associations, Deutsche Bank AG has also undertaken to indemnify Fachverband für Bank-Bausparkassen e.V. for any losses incurred through measures taken in favor of Deutsche Bank Bauspar AG, Frankfurt am Main.

As part of the business activities of our foreign branches, collateral security of € 1.3 billion was required by statutory regulations.

Obligations arising from transactions on futures and options exchanges and toward clearing houses for which securities were pledged as collateral amounted to € 8.0 billion at December 31, 2006.

There are contingent liabilities totaling € 49 million in connection with the resale of the trading company Klöckner & Co. AG, Duisburg.

Furthermore, there remain other obligations totaling € 176 million arising from third-party put.

DECLARATION OF BACKING[1]

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

Berliner Bank AG & Co. KG, Berlin

DB Investments (GB) Limited, London

Deutsche Asset Management International GmbH, Frankfurt am Main

Deutsche Asset Management Investmentgesellschaft mbH vormals DEGEF Deutsche Gesellschaft für Fondsverwaltung mbH, Frankfurt am Main

Deutsche Australia Limited, Sydney

Deutsche Bank Americas Holding Corp., Wilmington

Deutsche Bank Luxembourg S.A., Luxembourg

Deutsche Bank (Malaysia) Berhad, Kuala Lumpur

Deutsche Bank Polska S.A., Warsaw

Deutsche Bank (Portugal), S.A., Lisbon

Deutsche Bank Rt., Budapest

Deutsche Bank S.A., Buenos Aires

Deutsche Bank S.A. – Banco Alemão, São Paulo

Deutsche Bank S.A./N.V., Brussels

Deutsche Bank, Sociedad Anónima Española, Barcelona

Deutsche Bank Società per Azioni, Milan

Deutsche Bank (Suisse) S.A., Geneva

Deutsche Futures Singapore Pte Ltd., Singapore

Deutsche Morgan Grenfell Group plc, London

Deutsche Securities Asia Limited, Hong Kong

Deutsche Securities Limited, Hong Kong

DWS Holding & Service GmbH, Frankfurt am Main

DWS Investment GmbH, Frankfurt am Main

DWS Investment S.A., Luxembourg

OOO Deutsche Bank, Moscow

Schiffshypothekenbank zu Lübeck Aktiengesellschaft, Hamburg

1 Companies with which a profit and loss transfer agreement exists are marked in the List of Shareholdings.

MATURITY STRUCTURE OF RECEIVABLES

€ m.	Dec 31, 2006	Dec 31, 2005
Other receivables from banks	**112,924**	**113,311**
with a residual period of		
up to three months	74,621	72,428
more than three months and up to one year	25,019	27,496
more than one year and up to five years	8,223	9,924
more than five years	5,061	3,463
Receivables from customers	**480,107**	**457,316**
with a residual period of		
up to three months	363,771	348,103
more than three months and up to one year	52,635	36,835
more than one year and up to five years	35,364	48,792
more than five years	27,579	23,130
with an indefinite period	758	456

Of the bonds and other fixed-income securities of € 207,478 million, € 40,083 million mature in 2007.

MATURITY STRUCTURE OF LIABILITIES

€ m.	Dec 31, 2006	Dec 31, 2005
Liabilities to banks with agreed period or notice period	**187,667**	**190,359**
with a residual period of		
up to three months	140,860	149,181
more than three months and up to one year	20,769	14,499
more than one year and up to five years	15,216	15,524
more than five years	10,822	11,155
Savings deposits with agreed notice period of more than three months	**1,086**	**749**
with a residual period of		
up to three months	450	339
more than three months and up to one year	442	242
more than one year and up to five years	192	165
more than five years	2	3
Other liabilities to customers with agreed period or notice period	**212,419**	**210,927**
with a residual period of		
up to three months	146,774	143,453
more than three months and up to one year	31,711	19,646
more than one year and up to five years	21,672	35,034
more than five years	12,262	12,794
Other liabilities in certificate form	**119,639**	**92,787**
with a residual period of		
up to three months	26,325	25,999
more than three months and up to one year	31,049	21,771
more than one year and up to five years	38,748	26,911
more than five years	23,517	18,106

Of the issued bonds of € 22,569 million, € 4,552 million mature in 2007.

PREPAID EXPENSES AND DEFERRED INCOME

The prepaid expenses of € 857 million include a balance of € 435 million pursuant to section 250 (3) HGB. The deferred income of € 467 million contains € 34 million in balances pursuant to section 340e (2) HGB.

TRUST BUSINESS

	Assets held in trust			Liabilities held in trust	
€ m.	Dec 31, 2006	Dec 31, 2005	€ m.	Dec 31, 2006	Dec 31, 2005
Receivables from banks	46	342	Liabilities to banks	2	5
Receivables from customers	335	534	Liabilities to customers	843	936
Bonds and other fixed-income securities	387	–			
Equity shares and other variable-yield securities	6	50			
Participating interests	12	15			
Sundry assets	59	–			
Total	**845**	**941**	**Total**	**845**	**941**

INFORMATION ON AFFILIATED, ASSOCIATED AND RELATED COMPANIES

	Affiliated companies		Associated and related companies	
€ m.	Dec 31, 2006	Dec 31, 2005	Dec 31, 2006	Dec 31, 2005
Receivables from banks	61,728	55,660	2	707
Receivables from customers	207,420	224,593	541	301
Bonds and other fixed-income securities	689	1,388	1,075	876
Positive fair value of derivatives held for trading purposes (incl. in sundry assets)	12,585	12,803	–	–
Liabilities to banks	93,902	85,274	30	190
Liabilities to customers	102,504	120,112	1,050	665
Liabilities in certificate form	1,590	1,241	–	–
Subordinated liabilities	5,831	5,662	–	–
Negative fair value of derivatives held for trading purposes (incl. in sundry liabilities)	10,101	8,336	–	–

SHAREHOLDINGS

The complete list of our shareholdings is published in the electronic Federal Gazette. It can be obtained free of charge from Deutsche Bank AG, Frankfurt am Main.

ASSETS PLEDGED AS COLLATERAL

Assets in the stated amounts were pledged as collateral for the liabilities shown below:

€ m.	Dec 31, 2006	Dec 31, 2005
Liabilities to banks	20,957	19,742
Liabilities to customers	1,116	677

TRANSACTIONS SUBJECT TO SALE AND REPURCHASE AGREEMENTS

The book value of assets reported on the balance sheet and sold subject to a repurchase agreement in the amount of € 33,425 million related exclusively to securities sold under repo agreements.

FOREIGN CURRENCIES

The total amount of assets denominated in foreign currency was the equivalent of € 806,510 million at the balance sheet date; the total value of liabilities was the equivalent of € 782,438 million.

FORWARD TRANSACTIONS

Forward transactions outstanding at the balance sheet date consisted mainly of the following types of business:

— interest rate-linked transactions
  forward deals linked to debt instruments, forward rate agreements, interest rate swaps, interest futures, option rights in certificate form, option deals and option contracts linked to interest rates and indices;
— exchange rate-linked transactions
  foreign exchange and precious metal forwards, cross-currency swaps, option rights in certificate form, option deals and option contracts linked to foreign exchange and precious metals, foreign exchange and precious metal futures;
— other transactions
  equity forwards and futures, index futures, option rights in certificate form, option deals and option contracts linked to equities and indices.

The above types of transaction are concluded almost exclusively to hedge interest rate, exchange rate and market price fluctuations in trading activities.

FAIR VALUE OF DERIVATIVES

€ m.	Notional amount	Positive fair value	Negative fair value
OTC products			
interest rate-linked transactions	32,135,325	219,098	(227,238)
exchange rate-linked transactions	3,531,476	51,798	(52,268)
equity- and index-linked transactions	796,849	44,763	(53,957)
credit derivatives	3,191,749	30,378	(34,444)
other transactions	425,672	26,575	(24,534)
Exchange-traded products			
interest rate-linked transactions[1]	41,110	0	0
exchange rate-linked transactions	42	12	(27)
equity- and index-linked transactions	315,743	12,686	(15,570)
other transactions	11,776	271	(381)
Total	**40,449,742**	**385,581**	**(408,419)**

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

The positive fair values of € 385,581 million and the negative fair values of € 408,419 million comprise trading derivatives and derivatives held for hedging purposes. The positive and negative fair values of trading derivatives are reported under sundry assets or sundry liabilities.

NOTES TO THE INCOME STATEMENT

INCOME BY GEOGRAPHICAL MARKET

The total amount of interest income, of current income from equity shares and other variable-yield securities, participating interests and investments in affiliated companies, of commission income, of net income from financial transactions and of other operating income is spread across various regions as shown by the following breakdown pursuant to section 34 (2) RechKredV:

€ m.	2006	2005
Germany	12,294	13,143
Europe excl. Germany	26,863	23,739
Americas	5,694	6,299
Africa / Asia / Australia	3,941	2,997
Total	**48,792**	**46,178**

NET INCOME FROM FINANCIAL TRANSACTIONS

Net income from financial transactions comes to € 1,810 million for the 2006 financial year. Net income from financial transactions for the 2005 financial year comes to € 10,097 million; the majority of this amount (€ 6.6 billion) was attributable to the cumulative effect of changing the valuation method relating to years up to 2004.

ADMINISTRATIVE AND AGENCY SERVICES PROVIDED FOR THIRD PARTIES

The following administrative and agency services were provided for third parties: custody services; referral of mortgages, insurance policies and housing finance contracts; administration of assets held in trust, and asset management.

OTHER ADMINISTRATIVE EXPENSES

The table below gives a breakdown of the fees charged by our auditors for the 2006 financial year:

Category (€ m.)	2006	2005
Audit fees	13	12
Fees for audit-related services	3	3
Fees for tax advice	1	1
Total	**17**	**16**

OTHER OPERATING INCOME

Our other operating income of € 1,507 million essentially comprises profits of € 1,122 million on the merger of a subsidiary (DB Value GmbH) with Deutsche Bank AG, income of € 83 million from the disposal of sundry assets, income of € 52 million from the release of provisions, income of € 37 million from the sale of loans and income of € 5 million from leasing.

OTHER OPERATING EXPENSES

Other operating expenses of € 639 million include the allocation of € 177 million to provisions for guarantees, € 140 million for operational risks, € 80 million in litigation costs and € 44 million for insurance premiums.

EXTRAORDINARY EXPENSES AND EXTRAORDINARY INCOME

The extraordinary expenses of € 92 million relate to restructuring costs in connection with the Business Realignment Program. The extraordinary income of € 39 million relates to the release of restructuring provisions recognized in 2005.

OTHER INFORMATION

MANAGEMENT BOARD AND SUPERVISORY BOARD

Details of the total remuneration paid to the Management Board are disclosed in the compensation report on pages 8 to 11. Former members of the Management Board of Deutsche Bank AG or their surviving dependants received € 27,453,021. In addition to a fixed payment of € 1,157,680 (including VAT), the Supervisory Board received dividend-related remuneration totaling € 2,773,077.

Pension obligations to former members of the Management Board or their surviving dependants totaled € 193,366,824.

At the end of 2006, loans and advances granted and contingent liabilities assumed for members of the Management Board amounted to € 1,219,000 and for members of the Supervisory Board of Deutsche Bank AG to € 1,567,000.

The members of the Management Board and the Supervisory Board are listed on pages 44 and 45.

The List of Mandates mentions all directorships held in Germany and abroad and published in the electronic Federal Gazette. Both the List of Mandates and the Corporate Governance Report can be obtained free of charge from Deutsche Bank AG, Frankfurt am Main.

EMPLOYEES

The average number of full-time equivalent staff employed during the year under review was 25,975 (2005: 25,927), 9,698 of whom were women. Part-time employees are included proportionately in these figures. An average of 14,295 (2005: 13,274) staff members worked at branches outside Germany.

CORPORATE GOVERNANCE

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

Frankfurt am Main, March 6, 2007

Deutsche Bank Aktiengesellschaft
The Management Board

Josef Ackermann | Hugo Bänziger | Tessen von Heydebreck

Anthony Di Iorio | Hermann-Josef Lamberti

AUDITOR'S REPORT

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of the Deutsche Bank AG for the business year from January 1, 2006 to December 31, 2006. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § 317 HGB [„Handelsgesetzbuch": „German Commercial Code"] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of Deutsche Bank AG in accordance with principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, March 9, 2007

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Becker
Wirtschaftsprüfer

Bose
Wirtschaftsprüfer

Management Board

JOSEF ACKERMANN
Chairman

HUGO BÄNZIGER

TESSEN VON HEYDEBRECK

ANTHONY DI IORIO

HERMANN-JOSEF LAMBERTI

Supervisory Board

DR. CLEMENS BÖRSIG
Chairman,
Frankfurt am Main
(from May 4, 2006)

DR. ROLF-E. BREUER
Chairman,
Frankfurt am Main
(until May 3, 2006)

HEIDRUN FÖRSTER*
Deputy Chairperson,
Deutsche Bank Privat- und
Geschäftskunden AG,
Berlin

DR. KARL-GERHARD EICK
Deputy Chairman of the Board
of Management of
Deutsche Telekom AG,
Cologne

KLAUS FUNK*
Deutsche Bank Privat-
und Geschäftskunden AG,
Frankfurt am Main
(until February 1, 2006)

ULRICH HARTMANN
Chairman of the Supervisory
Board of E.ON AG,
Düsseldorf

GERD HERZBERG*
Deputy Chairman of
ver.di Vereinte Dienstleistungs-
gewerkschaft,
Berlin
(from June 2, 2006)

SABINE HORN*
Deutsche Bank AG,
Frankfurt am Main

ROLF HUNCK *
Deutsche Bank AG,
Hamburg

SIR PETER JOB
London

**PROF. DR.
HENNING KAGERMANN**
Chairman and CEO of SAP AG,
Walldorf/Baden

ULRICH KAUFMANN*
Deutsche Bank AG,
Düsseldorf

PETER KAZMIERCZAK*
Deutsche Bank AG,
Essen
(from February 1, 2006)

**PROF. DR. DR. H. C.
PAUL KIRCHHOF**
University professor, Ruprecht-
Karls-University Heidelberg,
Heidelberg
(until July 15, 2006)

MAURICE LÉVY
Chairman and Chief Executive
Officer, Publicis Groupe S.A.,
Paris
(from June 1, 2006)

HENRIETTE MARK*
Deutsche Bank AG,
Munich

MARGRET MÖNIG-RAANE*
Deputy Chairperson of
ver.di Vereinte Dienstleistungs-
gewerkschaft,
Berlin
(until June 1, 2006)

**PROF. DR. JUR. DR.-ING. E.H.
HEINRICH VON PIERER**
Chairman of the Supervisory
Board of Siemens AG,
Erlangen

GABRIELE PLATSCHER*
Deutsche Bank Privat- und
Geschäftskunden AG,
Braunschweig

KARIN RUCK*
Deutsche Bank AG,
Bad Soden am Taunus

DR. THEO SIEGERT
Managing Partner of
de Haen Carstanjen & Söhne,
Düsseldorf
(from July 16, 2006)

TILMAN TODENHÖFER
Managing Partner of
Robert Bosch Industrie-
treuhand KG,
Stuttgart

**DIPL.-ING. DR.-ING. E.H.
JÜRGEN WEBER**
Chairman of the Supervisory
Board of Deutsche Lufthansa AG,
Hamburg

**DIPL.-ING.
ALBRECHT WOESTE**
Chairman of the Supervisory
Board and Shareholders'
Committee of Henkel KGaA,
Düsseldorf
(until June 1, 2006)

LEO WUNDERLICH*
Deutsche Bank AG,
Mannheim

* Employees' representative

Committees

CHAIRMAN'S COMMITTEE

Dr. Clemens Börsig
Chairman
(from May 4, 2006)

Dr. Rolf-E. Breuer
Chairman
(until May 3, 2006)

Heidrun Förster*

Ulrich Hartmann

Ulrich Kaufmann*

MEDIATION COMMITTEE

Dr. Clemens Börsig
Chairman
(from May 4, 2006)

Dr. Rolf-E. Breuer
Chairman
(until May 3, 2006)

Heidrun Förster*

Ulrich Hartmann

Henriette Mark*

AUDIT COMMITTEE

Dr. Karl-Gerhard Eick
Chairman

Dr. Clemens Börsig
(from May 4, 2006)

Dr. Rolf-E. Breuer
(until May 3, 2006)

Heidrun Förster*

Sabine Horn*

Rolf Hunck*

Sir Peter Job

RISK COMMITTEE

Dr. Clemens Börsig
Chairman
(from May 4, 2006)

Dr. Rolf-E. Breuer
Chairman
(until May 3, 2006)

Sir Peter Job

Prof. Dr. Henning Kagermann

Prof. Dr. jur. Dr.-Ing. E.h.
Heinrich von Pierer
Substitute Member

Tilman Todenhöfer
Substitute Member

* Employees' representative

Regional Advisory Board Europe

WERNER WENNING
Chairman
Chairman of the Board of Managing Directors of Bayer AG, Leverkusen

DR. KURT BOCK
Member of the Group Board of BASF Aktiengesellschaft, Ludwigshafen

CARL L. VON BOEHM-BEZING
Frankfurt am Main
(until June 1, 2006)

DR. KARL-LUDWIG KLEY
Vice Chairman of the Executive Board and General Partner of Merck KGaA, Darmstadt

FRANCIS MER
Bourg-la-Reine

ALEXEY A. MORDASHOV
Chairman of the Board of Directors, Severstal; Director General, Company Severstal-Group, Cherepovets

DR. H. C. AUGUST OETKER
General Partner of Dr. August Oetker KG, Bielefeld

ECKHARD PFEIFFER
Kitzbühl

DR. BERND PISCHETSRIEDER
Volkswagen AG, Wolfsburg

DR. WOLFGANG REITZLE
President and CEO of Linde AG, Wiesbaden

DR. RER. POL. MICHAEL ROGOWSKI
Chairman of the Supervisory Board of J. M. Voith AG, Heidenheim

HÅKAN SAMUELSSON
President and CEO of MAN Aktiengesellschaft, Munich

MARIA-ELISABETH SCHAEFFLER
Partner and Chairman of the Supervisory Board of INA-Holding Schaeffler KG, Herzogenaurach

DR. CEZARY STYPULKOWSKI
Former President and CEO of PZU SA, Warsaw
(until December 31, 2006)

JÜRGEN R. THUMANN
President, BDI – Federation of German Industries, Chairman of the Shareholders' Committee of Heitkamp & Thumann KG, Düsseldorf

DR. DIETER ZETSCHE
Chairman of the Board of Management and Head of Mercedes Car Group of DaimlerChrysler AG, Stuttgart

Regional Client Advisory Board – Americas

MICHAEL CAPELLAS
Senior Advisor, Silver Lake Partners;
Former President & CEO, MCI

ANTHONY W. DEERING
Chairman, Exeter Capital

ARCHIE DUNHAM
Former Chairman, ConocoPhillips

BENJAMIN H. GRISWOLD, IV
Chairman, Brown Advisory

ROBERT L. JOHNSON
Founder & Chairman,
the RLJ Companies;
Founder & Former Chairman,
Black Entertainment Television

EDWARD KANGAS
Chairman, Tenet Healthcare;
Former Chairman & CEO,
Deloitte Touche Tohmatsu

LYNN MARTIN
President, Martin Hall Group;
Former U.S. Labor Secretary

ROBERT P. MAY
CEO, Calpine Corp.

MICHAEL E. J. PHELPS
Chairman, Dornoch Capital;
Former CEO & President,
WestCoast Energy

NORMAN AUGUSTINE
Former CEO & Chairman,
Lockheed Martin
(from January 1, 2007)

GEORGE J. MITCHELL
Former Chairman, Walt Disney
Company;
Former U.S. Senator
(from January 1, 2007)

JOHN SNOW
Chairman, Cerberus Capital
Management;
Former U.S. Treasury Secretary
(from January 1, 2007)

Deutsche Bank Aktiengesellschaft
Taunusanlage 12
D-60262 Frankfurt am Main

FINANCIAL CALENDAR

2007

May 8, 2007	Interim Report as of March 31, 2007
May 24, 2007	**Annual General Meeting in the Festhalle Frankfurt am Main (Exhibition Center)**
May 25, 2007	Dividend payment
Aug 1, 2007	Interim Report as of June 30, 2007
Oct 31, 2007	Interim Report as of September 30, 2007

2008

Feb 7, 2008	Preliminary results for the 2007 financial year
Mar 26, 2008	Annual Report 2007 and Form 20-F
Apr 29, 2008	Interim Report as of March 31, 2008
May 29, 2008	**Annual General Meeting in the Festhalle Frankfurt am Main (Exhibition Center)**
May 30, 2008	Dividend payment
Jul 31, 2008	Interim Report as of June 30, 2008
Oct 30, 2008	Interim Report as of September 30, 2008