

Annual Report 2007



Deutsche Bank AG

Group Five-Year Record

Balance Sheet (in € m.)	Data according to IFRS		Data according to U.S.GAAP ¹		
	2007	2006	2005	2004	2003
Total assets	2 020 349	1 584 493	992 161	840 068	803 614
Loans, net	198 892	178 524	151 355	136 344	144 946
Liabilities ²	1 981 883	1 551 018	961 603	813 616	775 065
Total shareholders' equity	37 044	32 758	29 936	25 904	28 202
Minority interest ³	1 422	717	622	548	347
Tier 1 risk-based capital (BIS)	28 320	23 539	21 898	18 727	21 618
Total risk-based capital (BIS)	38 049	34 309	33 886	28 612	29 871
Income Statement (in € m.)	2007	2006	2005	2004	2003
Net interest income	8 849	7 008	6 001	5 182	5 847
Provision for credit losses ⁴	612	298	350	307	1 063
Commissions and fee income	12 289	11 195	10 089	9 506	9 332
Net gains (losses) on financial assets / liabilities at fair value through profit or loss ⁵	7 175	8 892	7 429	6 186	5 611
Other noninterest revenues	2 432	1 399	2 121	1 044	478
Total noninterest revenues	21 896	21 486	19 639	16 736	15 421
Compensation and benefits	13 122	12,498	10,993	10,222	10 495
General and administrative expenses ^{4,6}	7 954	7 069	7 366	6 681	6 759
Policyholder benefits and claims	193	67	52	260	110
Impairment of intangible assets	128	31	-	19	114
Restructuring activities	(13)	192	767	400	(29)
Total noninterest expenses^{4,6}	21 384	19 857	19 178	17 582	17 449
Income before income tax expense^{6,7}	8 749	8 339	6 112	4 029	2 756
Income tax expense (benefit)	2 239	2 260	2 039	1 437	1 327
Effect from the reversal of 1999–2000 credits for tax rate changes	-	-	544	120	215
Cumulative effect of accounting changes, net of tax	-	-	-	-	151
Net income⁸	6 510	6 079	3 529	2 472	1 365
Net income attributable to minority interest	36	9	-	-	-
Net income attributable to Deutsche Bank shareholders	6,474	6,070	-	-	-
Key figures	2007	2006	2005	2004	2003
Basic earnings per share	13.65 €	12.96 €	7.62 €	5.02 €	2.44 €
Diluted earnings per share	13.05 €	11.48 €	6.95 €	4.53 €	2.31 €
Dividends paid per share in period	4.00 €	2.50 €	1.70 €	1.50 €	1.30 €
Return on average total shareholders' equity (post-tax)	18.0 %	20.4 %	12.5 %	9.1 %	4.7 %
Pre-tax return on average shareholders' equity	24.3 %	28.0 %	21.7 %	14.8 %	9.5 %
Cost/income ratio	69.6 %	69.7 %	74.7 %	79.9 %	81.8 %
BIS core capital ratio (Tier 1)	8.6 %	8.5 %	8.7 %	8.6 %	10.0 %
BIS capital ratio (Tier 1+2+3)	11.6 %	12.5 %	13.5 %	13.2 %	13.9 %
Employees (full-time equivalent)	78 291	68 849	63 427	65 417	67 682

¹ U.S. GAAP Balance Sheet, Income Statement and Key figures are only partially comparable with IFRS, presentation of U.S. GAAP Income Statement data was adjusted to IFRS definition.

² Excluding minority interest.

³ Minority interest are included in total equity under IFRS and included in other liabilities under U.S. GAAP.

⁴ For U.S. GAAP: Provision for off-balance sheet positions reclassified from General and administrative expenses to provisions for credit losses.

⁵ For U.S. GAAP: Trading revenues, net.

⁶ For U.S. GAAP: Includes minority interest expense.

⁷ For U.S. GAAP: Income before income tax expense and cumulative effect of accounting changes.

⁸ For U.S. GAAP: Net income attributable to Deutsche Bank shareholders.

01 // Deutsche Bank Group	
Deutsche Bank AG Group Five-Year Record	84
Management Bodies of the Bank	87
02 // Management Report	
Key Events in 2007	89
Business Environment	90
Corporate and Investment Banking at Deutsche Bank Polska S.A.	92
Transactional Banking – Corporate Cash Management and Trade Finance at Deutsche Bank Polska S.A.	93
Services to Financial Institutions at Deutsche Bank Polska S.A.	93
Custody Services at Deutsche Bank Polska S.A.	94
Money Market and Foreign Exchange Transactions at Deutsche Bank Polska S.A.	95
Brokerage Services at DB Securities S.A.	95
Modern IT Technologies at Deutsche Bank Polska S.A.	95
Risk Management in the Group	96
Organisation and Financial Structure	101
Structure of interest income in 2007	103
Fee and commission income in 2007	104
Outlook	105
03 // Consolidated Financial Statements	
Consolidated Statement of Income	108
Consolidated Balance Sheet	108
Consolidated Statement of Changes in Equity	109
Consolidated Statement of Cash Flows	110
Notes to Consolidated Financial Statements	111
04 // Further information	
Opinion of the independent auditor	155

Our Identity

We are a leading global investment bank with a strong and profitable private clients franchise. Our businesses are mutually reinforcing. A leader in Germany and Europe, we are powerful and growing in North America, Asia and key emerging markets.

Our Mission

We compete to be the leading global provider of financial solutions for demanding clients creating exceptional value for our shareholders and people.

A Passion to Perform

This is the way we do business. We pursue excellence, leverage unique insights, deliver innovative solutions and build long-term relationships.

Management Bodies

SUPERVISORY BOARD

Dr Tessen von Heydebreck

Chairman
Deutsche Bank AG
Frankfurt/Main

Peter Tils

Deutsche Bank AG
Frankfurt/Main

Dr Huber A. Janiszewski

Deutsche Bank AG
Warsaw

Ashok Aram

Deutsche Bank AG
London

Selim Basak

Deutsche Bank AG
London

dr Holger Lindner

Deutsche Bank AG
Frankfurt/Main
(until Feb. 12th 2007)

Ulrich Kissing

Deutsche Bank PBC
Frankfurt/Main
(from Feb. 12th 2007)

MANAGEMENT BOARD

Dr Krzysztof Kalicki

Chairman
Strategic Polish Corporates
Trust & Securities Services
Credit Risk Management
Chief Economist
Risk Controlling
Finance
Tax
Legal/Compliance
Internal Audit
CRES
Human Resources
Public Relations

Marcin Iwaszkiewicz

Relationship Management
Account Management & Service
Trade and Risk Services
Cash Management Corporates
Financial Institutions
Global Technology and Operations

Miroslaw Urbański

Global Markets
Treasury
(from May 30th 2007)

Michał Dobak

(until May 30th 2007)

Management Report

02//

Management Report of Deutsche Bank Polska S.A. Capital Group in 2007

KEY EVENTS IN 2007

In 2007, Deutsche Bank Polska Group, consisting of Deutsche Bank Polska S.A. and DB Securities S.A. reported record results in history. The Group's pre-tax profit rose by 52% on the previous year's figure, reaching PLN 125.4m. Its banking profit of PLN 209.9m was also at its record high, due to the sustained strong growth in net interest income and net fee and commission income. Relative to the previous year, the Bank posted a 14% growth in net interest income (which amounted to PLN 72.7m) and a 72% addition to net fee and commission income (which stood at PLN 86.6m). The net interest income improved on the back of a 16% expansion of the deposit base and an 85% increase in the portfolio of loans and advances on a year-on-year basis. The balance-sheet total was PLN 6,316.2m – up by 18% over the end of 2006. The increase was driven chiefly by higher client deposit balances.

Thanks to a continued focus on tight cost discipline and the rising income, in 2007 the Group recorded a cost to income ratio of 45% (down by 15% or 8 percentage points from 2006), bringing it down to the historically lowest level. The nominal return on equity rose – in the case of pre-tax profit – to 24% in the reporting period (up by 52%). The Group's capital adequacy ratio was high, standing at 24.8% as at the end of 2007. In 2007, the staffing levels were increased up to 245 in line with the scale-up of the Group's operations, a growth in its client base and a wider scope of services provided by the newly launched settlement centre. Specialising in corporate and investment banking, the Group has gained a strong foothold on the Polish financial services market, especially in the field of transactional banking, deposit-taking services, brokerage services, foreign currency activities and arrangement of financing for large-scale infrastructural investment projects. During the period under review, we recorded another increase in income from several key business lines – income from transactions executed on the FX and derivatives markets was up by 4%, while income from transactional banking surged by 34%.

2007 witnessed a further development of the Kraków Operations Centre, which handles transactions executed by the Group's clients in Central Europe (Austria, Czech Republic, Hungary and Poland). The Centre exhibited high operating efficiency. In addition to a 27% rise in the number of transactions for our own clients, the Bank recorded a significant increase in the number of transactions carried out for clients from entire Central Europe, which – having exceeded 17m – represented a two and a half-fold increase relative to the previous year. The major effort accomplished in 2007 involved bringing the Operations Centre to full readiness required to support SEPA transactions for all Europe-based branches of Deutsche Bank (across 11 countries).

2007 was the year of the third edition of the competition for young Polish artists designated as "Spojrzenia 2007 – Nagroda Fundacji Deutsche Bank" ("Views 2007 – Deutsche Bank Foundation Award"), which is co-organised by Deutsche Bank Polska S.A. Dedicated to promoting contemporary Polish art, as well as to showing and honouring the most remarkable modes of artistic expression, talents and works which have attracted notice in Polish contemporary art over the past two years, the competition has been hailed by the artistic circles as the most prestigious event of this kind in Poland. Among the third edition's nominees were

five individuals and two artistic groups: Rafał Jakubowicz, Olga Lewicka, Karol Radziszewski, Janek Simon, Michał Stachyra, the Sędzia Główny Group (Aleksandra Kubiak, Karolina Wiktor) and the Ruzs Gallery (Joanna Góraska, Rafał Góralski). The international panel of jurors chose Janek Simon as the most interesting young artist on the Polish art scene, while visitors to the Zachęta National Gallery gave their award to Michał Stachyra.

BUSINESS ENVIRONMENT

In 2007, Poland's GDP growth accelerated from 6.2% seen in 2006 to 6.5%. There was a growth in domestic demand, private consumption and gross investments in capital goods, which went up by 7.3%, 5.2% and 20.4%, respectively. Throughout 2007, economic growth continued to be fuelled by strong domestic demand, which contributed 7.4 percentage points to the GDP dynamics (private consumption and gross investments in capital goods generated – respectively – 3.2 percentage points and 4.0 percentage points of the overall GDP dynamics). The balance of exports and imports had a negative impact on GDP dynamics, reducing it down by 0.9 percentage point.

The average annual inflation rate in 2007 stood at 2.5%, relative to 1.0% in 2006. From January to October 2007, the inflation rate remained within the target set by the National Bank of Poland (2.5%+/-1%), but it overshot the target in October (3.6%) and in December (4.0%). Inflation growth in the second half of 2007 was driven mainly by food prices and – to a lesser extent – fuel prices.

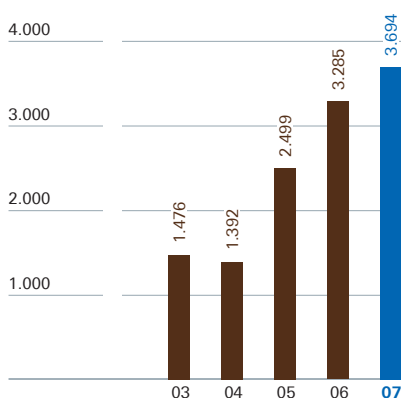
In 2007, the PLN/EUR exchange rate averaged 3.7829, which means a 2.9% appreciation of the zloty against the euro compared to 2006. The average PLN/USD exchange rate was 2.7667, which represents a 10.8% appreciation of the Polish currency against the U.S. dollar over 2006. The appreciation of the zloty both against the U.S. dollar and – less so – the euro, which over the first three quarters of 2007 was fairly moderate, accelerated violently in the fourth quarter, primarily as a consequence of the widening interest rate spreads between Poland and the US/euro zone. As at the end of 2007, the Polish currency strengthened by 16.3% against the U.S. dollar and by 6.5% against the euro, relative to the corresponding period of 2006.

The budget deficit was reduced in 2007 to PLN 16.9bn (1.5% of GDP), compared with the previous year's figure of PLN 25.1bn (2.4% of GDP). This substantial reduction was possible thanks to a significant increase in revenue from personal and corporate income tax, accompanied by a higher revenue from indirect taxes (PLN 7bn above the assumed level) and lower-than-expected budget expenditure (PLN 6bn below the budget target). As at the end of 2007, the government debt reached PLN 501.5bn, i.e. 43.1% of GDP, versus PLN 478.5bn as at the end of 2006 (45.1% of GDP).

In 2007, the Monetary Policy Council embarked on a tightening cycle, by implementing four 25 – basis point increases of the intervention rate (in April, June, August and November), which added up to a total increase of 100 basis points. The year 2007 brought a rise in

Deposits from customers

in PLN mln



The data for 2003-2005 relates exclusively to Deutsche Bank Polska S.A.

inflation by 260 basis points, from 1.4% year on year in December 2006 to 4.0% year on year in December 2007, which means that as at the year's end the inflation target was overshoot by 50 basis points.

The current-account deficit increased in 2007 to USD 15.5bn (3.7% of GDP), from USD 11.1bn (3.2% of GDP) in 2006. The deterioration of the current-account deficit reflected a growth in trade deficit – to USD 12.1bn in 2007, from USD -7.0bn in 2006. Both exports and imports were on an upward trajectory, growing by 25.4% (to USD 147.4bn) and by 28.1% (to USD 159.5bn), respectively. The net inflow of direct foreign investments in 2007 was USD 16.0bn, compared with USD 10.0bn in 2006. The primary driver of the increase in net direct investments in 2007 was a substantial drop in direct foreign investments of Polish businesses (USD 2.8bn in 2007, versus USD 9.1bn in 2006).

The robust economic growth, which for the second consecutive year stayed above 6%, coupled with the opening of some EU labour markets to Polish workforce, led in 2007 to a strong rise in wages. In 2007, the wage growth in the corporate sector reached 9.2% year on year, compared with 5.1% in the previous year. The unemployment rate fell in December 2007 to 11.4%, from 14.8% in December 2006.

The growth of money supply (M3) slowed in 2007 to 13.4% year on year, from 16.0% in 2006. Similarly, the growth rate of corporate deposits with banks declined in 2007 to 18.2% year on year, from 21.7% year on year in 2006). As concerns corporate term deposits, the rate of their growth fell to 10.1% year on year in 2007, from 30.9% in 2006. Term deposits of households fell by 2.4% in 2007, while in 2006 they decreased by 2.9%. On the other hand, household demand deposits continued to grow strongly, increasing by as much as 26.2% in 2007, compared with a 31.2% growth reported in 2006.

In 2007, the total value of loans grew to 29.9% year on year, exhibiting a significantly higher growth rate compared with 23.3% year on year seen in 2006. The total value of loans in 2007 amounted to PLN 469.1bn, i.e. 40.3% of GDP, against 34.1% of GDP in 2006. In 2007, the year-on-year growth rate of household loans was 37.9%, while in the case of corporate loans it was 24.1%, which suggests a continued strong growth momentum relative to 2006 (when the respective figures were 33.4% and 13.7% on a year-on-year basis).

We expect that in 2008 the Group will operate in the business environment still characterised by a robust – albeit somewhat slower – GDP growth (approx. 5.0% year on year), driven by persistently strong domestic demand and a continued upsurge (set to lose some of its momentum in the second half of the year, though) in spending on capital goods, accompanied by a stable and strong demand from households, driven by a strong wage rise and higher employment take-up rates. In the first half of 2008, the inflation rate will keep on climbing, still hovering above the target range set by the National Bank of Poland (2.5%+/-1%). Only in December 2008, the inflation growth is expected to fall back to some 3.5% year on year. In 2008, foreign trade volumes should continue to grow vigorously, whereas strong domestic demand will have its effect of increasing the current-account deficit to a little under 5% of GDP.

CORPORATE AND INVESTMENT BANKING AT DEUTSCHE BANK POLSKA S.A.

The major investment banking transactions in which Deutsche Bank Polska S.A. was involved in 2007 included an issue of high-yield bonds, valued at EUR 170m, for Złomrex International Finance, a subsidiary of Złomrex S.A. Deutsche Bank also carried out an issue of bonds for Bank Gospodarstwa Krajowego, with the value of EUR 200m, intended to finance the National Road Fund.

In the area of investment banking advisory services, Deutsche Bank Polska S.A. advised Nuevas Energias del Occidente, the EDP group's renewables subsidiary, on acquisition of a wind farm portfolio "Relax Wind Parks" in different stages of development. The transaction, worth EUR 54m, came with an option providing for an increase in its value as the successive stages of the wind portfolio development are successfully completed.

The Bank specialises in services related to large transactions, mergers and acquisitions, arrangement of local and international public offerings, equity transactions and financial advisory on large-scale investment projects, which are carried out in cooperation with the Corporate Finance and Capital Markets teams of Deutsche Bank based in London, New York and Frankfurt.

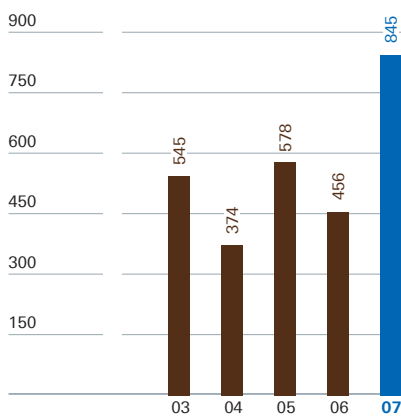
For several years now, the Bank has acted as co-arranger of securities offerings both for government agencies and the corporate sector. In 2007, we carried out another issue of 10-year Eurobonds for the Polish Ministry of Finance for a total value of EUR 1.5bn. We also co-arranged Poland's first – and so far the largest – issue of subordinate bonds, which was targeted at local financial investors. The issue, valued at more than PLN 1.6bn, was carried out for Bank PKO BP S.A.

We were actively involved in equity funding of the renewable energies sector, notably in the area of wind farm projects. Last year, the Bank's exposure to that sector corresponded to a target production capacity of up to 500 MW on a countrywide scale.

The year 2007 was the first full year in which the Bank implemented its strategy of offering corporate and investment banking services to small and medium-sized enterprises. Over that time, we acquired a significant number of new accounts among international and Polish companies. We also offered assistance to foreign branches of Polish companies in opening accounts with foreign branches of Deutsche Bank AG. These activities resulted in an over 27% increase (based on the risk-weighted asset value) in loans and advances. We support small and medium-sized enterprises in pre-IPO funding, before floating shares on stock exchanges (the average value of such transactions falls in the range of EUR 10m to EUR 25m).

Loans and advances to clients

in PLN mln



The data for 2003-2005 relates exclusively to Deutsche Bank Polska S.A.

TRANSACTIONAL BANKING – CORPORATE CASH MANAGEMENT AND TRADE FINANCE AT DEUTSCHE BANK POLSKA S.A.

The number of clients who use technological solutions designed to support trade finance doubled in 2007. The systems implemented by the Bank last year help minimise the amount of administrative work by offering access to a wide range of information and data, which serves to optimise management of trade finance products. Thanks to Deutsche Bank's proprietary systems deployed on the online platform, combined with fast and professional service, our offering of foreign trade finance products comes up to world-class standards. Our systems are particularly appreciated by clients with branches located abroad. They allow corporate headquarters to manage and control all subsidiaries from anywhere, as long as they have access to the Internet.

In addition to a wide array of transactional banking products, Deutsche Bank Polska S.A.'s product mix includes services related to the operation of escrow accounts. The Bank takes part in complex transactions involving purchase and sale of real estate, rights, trademarks and intangible assets.

Our services encompass professional legal advisory, assistance in preparation of escrow agreements, services related to subsequent implementation of such agreements and their monitoring. We are among a handful of Polish banks which handle the most complex transactions based on escrow accounts.

2007 was yet another year of rapid growth in the number of payments processed. It stood at 11% in the case of mass payments, at 23% in the case of incoming payments processed through the db-collect Internet system, and at nearly 40% for payments accounted for as single transactions and direct debits. In the discussed period, we also recorded a 10% increase in the number of clients who actively use our e-banking facilities.

SERVICES TO FINANCIAL INSTITUTIONS AT DEUTSCHE BANK POLSKA S.A.

Due to the fast-paced growth of the financial services market and the fact that people tend to be more and more inclined to save money, last year we saw a massive inflow of assets to investment funds and insurance companies. To leverage these market trends, the Bank continued to pursue its policy consisting in the provision of services to financial institutions, striving to strengthen its relations with the existing clients, while establishing relations with new arrivals on the financial services market.

Intensified selling activities were also targeted at foreign financial institutions looking to expand into the Polish market and interested in cooperating with a bank that would be able to offer state-of-the-art solutions with a local focus, while providing a global footprint and a team of experienced professionals; in other words – a bank that would have all the necessary capabilities and resources to support its clients in projects they undertake.

In 2007, the Bank's efforts in that area resulted in an increase in the number of client groups served from 105 to 120, while the number of accounts maintained for financial institutions went up to 406.

The success reported by the Bank in sales of services to financial institutions was also reflected in the volumes of executed transactions. The sales efforts were rewarded with a 300% rise in the number of transactions in the accounts and a nearly 30% increase in the value of such transactions, relative to the previous year.

The considerable increase in the volume and value of transactions handled by the Bank for its institutional clients led to an 18% year-on-year uplift in revenue from this business, which poses a challenge for the coming year.

CUSTODY SERVICES AT DEUTSCHE BANK POLSKA S.A.

2007 was another year of strong growth of the Bank's custody services. The Bank acquired mandates mainly from newly created investment funds managed by our existing clients. As at the end of 2007, we offered such services to 86 funds/sub-funds. This means that Deutsche Bank Polska S.A. maintained its significant position as a custodian bank, serving nearly 25% of all investment funds using custody services of Polish banks. The value and number of cleared transactions, similarly to the value of assets in the clients' portfolios, increased by approximately 20% relative to 2006. The most prestigious industry magazine, *Global Custodian*, in its annual survey prepared based on opinions of banks' clients, ranked Deutsche Bank Polska S.A. top among banks offering custody services to domestic clients and second in terms of services offered to foreign clients, granting the Top Rated grade in both categories. This is a very prestigious distinction, especially considering that it is based on clients' independent and anonymous opinions.

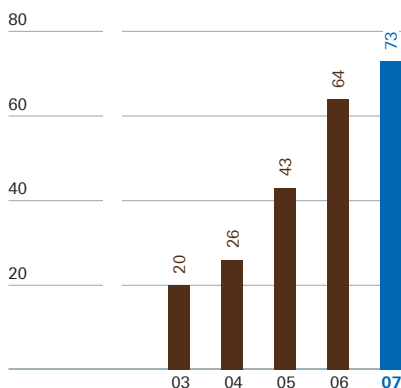
In 2007, the security lending market grew significantly. Deutsche Bank Polska S.A. is one of the leaders of that market segment, with the only dedicated security lending team on the market.

In 2007, the Bank worked on replacement of the main clearing system supporting transactions performed as part of its custody services. The new system was launched in February 2007. It allowed us to increase the automation of clearing processes, implement new products and offer management reports of the same high quality as those offered on developed securities markets.

We actively contribute to work aimed at adapting the existing regulatory framework in Poland to the expected development of the market. Deutsche Bank Polska S.A. is a member of the Council of Custodian Banks at the Polish Bank Association. Through its representatives, the Bank participates in the activities of the Advisory Committee at the National Depository for Securities, as well as numerous other working groups operating under the auspices of the Polish Bank Association, National Depository for Securities and the WSE.

Net interest income

in PLN mln



The data for 2003-2005 relates exclusively to Deutsche Bank Polska S.A.

MONEY MARKET AND FOREIGN EXCHANGE TRANSACTIONS AT DEUTSCHE BANK POLSKA S.A.

In 2007, the Bank's income from foreign-currency, money-market and interest-rate products increased again. The Bank also gradually developed its cooperation with other companies of the DB Group. Clients of DB PBC may conclude transactions in derivatives hedging against currency and interest rate risks, transactions optimising financing cost, as well as structured finance transactions.

In 2007, for the third time, Deutsche Bank was recognised by the prestigious *Euromoney* magazine as the world's best and largest bank in handling foreign exchange transactions. It was also thanks to Deutsche Bank Polska S.A.'s input that Deutsche Bank was recognised by *Euromoney* as the second best bank for handling transactions in the Polish zloty.

Deutsche Bank Polska S.A. was also active on the local money market by participating in money-market bills auctions organised by the National Bank of Poland. As a money-market dealer, the Bank takes part in setting the WIBOR reference rate on a daily basis and in the determination of the POLONIA rate for O/N depo transactions. In 2007, we again served as the dealer for treasury securities.

BROKERAGE SERVICES AT DB SECURITIES S.A.

DB Securities S.A.'s sources of success in 2007 were prosperity of the exchange markets across Europe and very promising transaction volumes realised on the Budapest Stock Exchange, where DB Securities acts as remote broker.

The DB Securities S.A.'s development plans for 2007 assumed further expansion of its domestic institutional customer base, and tighter cooperation with DB Global Emerging Markets (DB GEMs) at DB London in developing research products and handling foreign customers' transactions at the Warsaw and the Budapest stock exchanges.

In order to meet these plans, the Management Board of DB Securities S.A. enhanced the IT infrastructure to increase the efficiency of DB Securities' sales and settlement operations and facilitate brokerage activity on Budapest stock market.

We are pleased to say that the adopted strategy was successfully implemented.

MODERN IT TECHNOLOGIES AT DEUTSCHE BANK POLSKA S.A.

The continued increase in transaction volumes requires support from IT systems that ensure increasingly better performance and reliability. The use of centralised solutions at the Deutsche Bank Group enables the Group to flexibly react to surges of the volume of transactions processed, while simultaneously maintaining IT and data transmission costs at a relatively low level. The main banking system, db-internet, supports our business by providing the necessary functionalities and the required computing power.

In 2007, in the Bank's selected areas, we executed projects whose main objectives included strengthening the support of business processes. The largest project consisted in migration of the systems used at the Global Markets Sales Department. The project included migration of the dealer desk system to IPC's modern solution, replacement of the call recording system and dedicated telephone exchange for dealers.

Another important project included implementation of a dedicated FireWall solution designed to protect the point of connection with business partners. The solution significantly enhanced the security and reliability of the lines used.

Development of the IT platform, including network infrastructure and servers, was accompanied by a gradual development of the Bank's products by way of changes introduced into the existing applications or their necessary development. In this area, modifications were made in both the Bank's main accounting system and the application supporting the processing of mass transactions. In line with the requirements of platforms' compatibility with the current market standards and their life cycles, the General Ledger system was also migrated to the most recent release of the SAP system. These changes enabled specific modifications enhancing the system performance.

2007 was also the time of intensified support and maintenance efforts in the banking transaction centre at the Kraków Operations Centre. Certain production processes were reviewed, which led to improvements that enabled achieving the required level of services.

Deutsche Bank Polska S.A.'s activities have for years now been focused on continued process automation and implementation of technologically advanced products. We pursue these objectives by implementing new products and enhancing individual processes.

RISK MANAGEMENT IN THE GROUP

Taking into account its business profile, the Group has identified the following banking risks as material: credit risk, market risk, liquidity risk, and operational risk.

CREDIT RISK is the major risk involved in the Group's activities; it consists in the possibility of a claim arising against a client who defaults on a loan agreement with the Group.

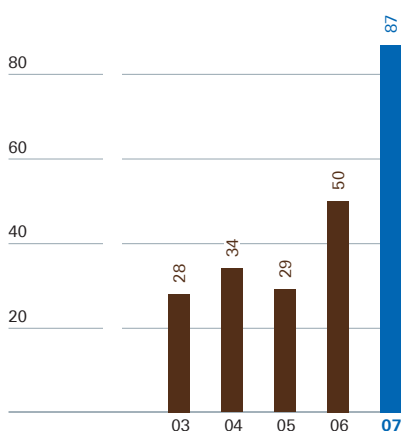
MARKET RISK arises from uncertainty relating to changes in market conditions as may be reflected by interest and foreign exchange rates, correlations among them and their volatility.

LIQUIDITY RISK is the risk of the Group being unable to repay its liabilities as they come due.

OPERATIONAL RISK refers to a possible loss or unjustified expense incurred as a result of inappropriate or ineffective internal processes, human actions, or technical systems, an impact of external circumstances or client relations.

Net fee and commission income

in PLN mln



The data for 2003-2005 relates exclusively to Deutsche Bank Polska S.A.

The Group also identifies and actively manages reputation risk understood as the risk of negative effect of public disclosure of transaction details or client relation practices on the level of public confidence in the Group entities.

The monitoring and management of the risk areas listed above, including risk factors considered immaterial from the point of view of the Group's operations, makes it possible to mitigate the risks inherent in banking activities. Each of the types of risk is monitored and managed by relevant departments, including the Credit Risk Department, the Market Risk Management Department and the Legal/Compliance Department. A number of decisions related to assessment of risk and to shaping of the Group's risk management policy are made by special committees, in which the decision-making powers rest with members of the Management Board.

For a detailed description of the risks typical for the business of Deutsche Bank Polska Group and their metrics see "Risk Report" attached to the 2007 consolidated financial statements prepared in accordance with the International Financial Reporting Standards, Note 3.

The Group has developed a process of effective risk management in each area materially exposed to risk. We use tools and metrics adapted to individual risk types and supporting ongoing risk monitoring.

As part of enhancing management systems, tools and metrics designed to monitor and control risks are subject to regular reviews for their relevance, usability and reliability. The Group's most commonly used risk metrics include:

- a. Expected loss,
- b. Value at risk (VaR),
- c. Stress testing.

As part of the liquidity risk management process, the Group also uses scenario-based analyses, which enable us to assess effects of sudden and dramatic market disruptions on the Group's liquidity.

CREDIT RISK

The Group has in place a number of procedures designed to minimise its credit risk exposure, pertaining especially to the rules of assessing transactional risk, collateralisation of loans, and limiting credit exposures to a single client or a group of clients having equity or organisational links.

The Group's loan portfolio quality is also protected by regular reviews and on-going monitoring of timely servicing of loans and the financial standing of clients. Thanks to the credit policy pursued by the Group, combined with its effective credit risk management, as at the end of 2007, the Group's portfolio contained no loans or advances threatened with impairment.

Credit-risk-related issues are regularly presented to the Commercial and Credit Committee by the Head of the Credit Risk Management Department.

Below is presented the quality of loan portfolio, including the amounts of impairment losses as well as incurred but not reported (IBNR) losses in the portfolio as at the end of 2007 and 2006.

in PLN thd	Dec 31 2007	%	Dec 31 2006	%
Loans and advances to customers	845 910	100%	456 617	100.00%
- impaired loans	-	0%	70	0.02%
- non-impaired loans	845 930	100%	456 597	99.98%
Effective interest rate adjustment	(20)	-	(50)	-

in PLN thd	Dec 31 2007	%	Dec 31 2006	%
Impairment losses	(1 325)	100%	(913)	100.00%
- portfolio of impaired loans	-	0%	(70)	7,67%
- portfolio of non-impaired loans (IBNR)	(1 325)	100%	(834)	92.33%

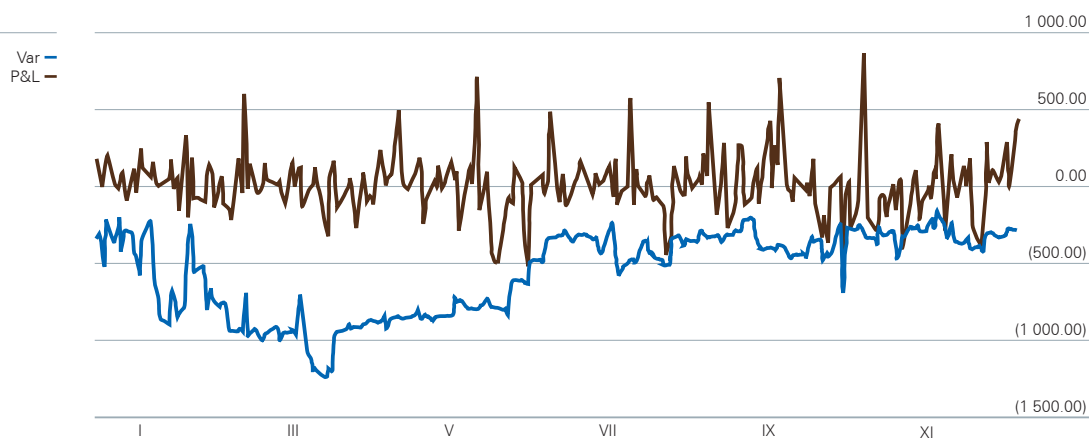
MARKET RISK

The market risk analysis encompasses the processes used to manage interest-rate risk, including the banking book interest-rate risk, and the exchange-rate risk. In the case of each of those areas of market risk, the Bank applies the limits approved by the Assets and Liabilities Committee. Actual exposure is monitored against those limits on a daily basis by the Market Risk Management Committee, whose findings are subsequently submitted for review by the Assets and Liabilities Committee. The Bank adapts the scale of its trading activities to internal and external prudential norms.

The Bank measures its exposure to market risk using the Value-at-Risk method (VaR). Below is presented the back-testing of the VaR model with respect to market risk throughout 2007.

Back testing of the VaR model

in PLN thd



LIQUIDITY RISK

The overall objective behind the liquidity risk management is to actively manage the Bank's balance-sheet and off-balance-sheet liabilities with a view to ensuring the Bank's uninterrupted ability to meet its obligations as they fall due. The liquidity risk management is closely linked to the nature of the Bank's business as well as its client base and is determined by the following operational factors:

- maintaining the ability to meet payment obligations,
- meeting the mid- and long-term liquidity requirements,
- minimising the cost of maintaining financial liquidity,
- liquidity stress-testing.

The Bank's financial liquidity is also influenced by a number of factors beyond the Bank's control, such as the interest-rate policy, the policy framework for managing the banking system liquidity as adopted by the National Bank of Poland, legal regulations applicable in Poland and abroad, the economic climate in Poland, as well as the current situation on the money market.

As part of its all-inclusive liquidity risk management, the Bank monitors – on a day-by-day basis – the cash-flow mismatches in particular time intervals, monitors the maximum limits of cash outflows and carries out stress tests as well as regular analyses of the stability and concentration of the deposit base.

The Bank's portfolio of treasury securities built with a view to ensuring its financial liquidity plays an important part in the liquidity risk management. The portfolio, whose size is determined by the Assets and Liabilities Committee, as at the end of 2007 was worth PLN 548m.

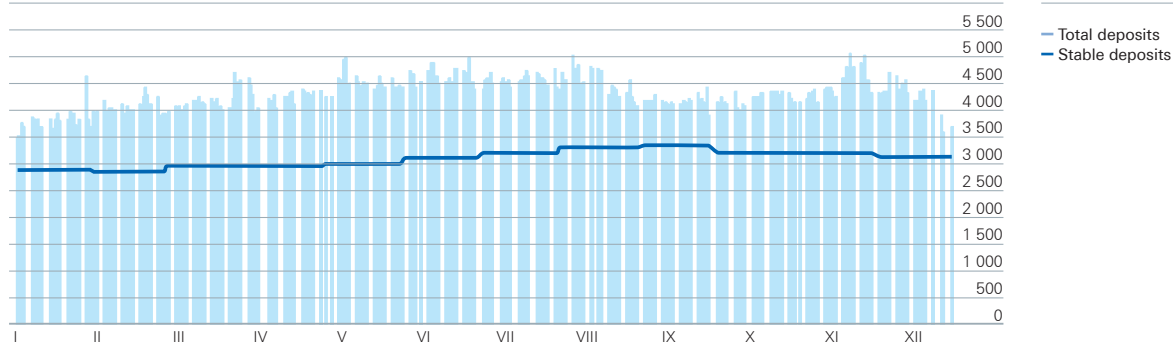
Another important element of securing the Bank's financial liquidity is the Declaration of Backing issued by the Bank's main shareholder - Deutsche Bank AG and published in DB AG's current report. Throughout 2007, the Bank's liquidity remained high, and consequently the security of deposits placed with the Bank was not threatened.

In order to mitigate liquidity risk in emergency situations, the Bank has in place contingency plans approved by the Bank's management, to be applied in case of unforeseen difficulties with current financial liquidity.

Below are presented changes in the Bank's deposit base in 2007.

Stable deposits

in PLN mln



OPERATIONAL RISK

The key objective behind the Group's operational risk management is to prevent events which generate operational risk and to reduce potential losses caused by such risk, while maintaining the highest quality of services delivered to our clients.

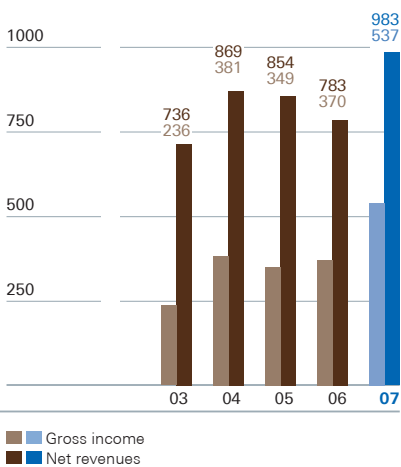
The Group places special emphasis on mitigating the operational risk through introduction of policies and procedures pertaining to: approval of newly acquired clients, approval of newly developed products, approval of new systems, business continuity of the Group under crisis scenarios, crisis management, prevention of money laundering and fraud.

The operational risk management is a continuous process supported by experts from the Deutsche Bank AG Group, especially its Divisional Operational Risk Officers.

Managing of operational risk involves close cooperation and support of the Group's business. Therefore, a functional structure conducive to efficient management of operational risk has been implemented at the Group.

Efficiency per employee

in PLN thd



The data for 2003-2005 relates exclusively to Deutsche Bank Polska S.A.

In the process of operational risk management, the Group has internal controls embedded in particular business processes and, based on their findings, it identifies areas of weakness in a given process which need to be improved or which require a different form of security to significantly reduce the risk of loss. The procedures and internal controls embedded in the processes undergo regular reviews and updates. The Group has a system for recording events and their consequences, which allows it to perform both qualitative and quantitative analyses of operational risk. The assessments of employee reliability and analysis of personnel-related processes are also recorded in the system.

ORGANISATION AND FINANCIAL STRUCTURE

In 2007, the organisational structure did not change significantly, but the employment in the Group grew from 222 full-time equivalents, to 245 full-time equivalents, up by 10%. The increase came about mainly as a result of the expansion of the Operations Centre which handles transactions executed by the Deutsche Bank AG Group companies in Central and Eastern Europe, as well as the development of client services.

The Group supports its employees' professional development by organising numerous training courses. In 2007, these covered new banking products, IT systems, accounting standards, as well as interpersonal and managerial skills. The investment into the employee development brought a positive result of improving the Group's efficiency ratio, calculated as total income divided by the number of persons employed.

The tables below set out changes in the consolidated balance sheet which occurred over the previous year (PLN '000).

Assets

	Dec 31 2007		Dec 31 2006		Change %
	in PLN thd	share %	in PLN thd	share %	
Cash in hand and balances with Central Bank	371 719	5.9%	73 790	1.4%	403.8%
Deposits with other banks, and loans and advances to other banks	3 878 028	61.4%	4 108 285	76.7%	-5.6%
Financial assets at fair value through profit or loss	403 361	6.4%	364 486	6.8%	10.7%
Loans and advances to customers	844 585	13.4%	455 704	8.5%	85.3%
Financial assets held as investment	581 647	9.2%	232 399	4.3%	150.3%
Tangible assets	7 360	0.1%	6 525	0.1%	12.8%
Intangible assets	1 418	0.0%	1 604	0.0%	-11.6%
Current tax assets	-	0.0%	177	0.0%	-100.0%
Deferred tax asset	30 143	0.5%	28 880	0.5%	4.4%
Other assets	197 935	3.1%	86 147	1.6%	129.8%
Total assets	6 316 196	100.0%	5 357 997	100.0%	17.9%

Equity and liabilities

	Dec 31 2007		Dec 31 2006		Change %
	in PLN thd	share %	in PLN thd	share %	
Deposits from other banks	1 508 734	23.9%	1 169 630	21.8%	29.0%
Financial liabilities at fair value through profit or loss	230 567	3.7%	121 926	2.3%	89.1%
Deposits from clients	3 694 257	58.5%	3 284 977	61.3%	12.5%
Debt securities in issue	79 450	1.3%	88 132	1.6%	-9.9%
Provisions	551	0.0%	6 854	0.1%	-92.0%
Current tax liability	11 931	0.2%	6 570	0.1%	81.6%
Deferred tax liability	26 249	0.4%	23 214	0.4%	13.1%
Other liabilities	137 701	2.2%	70 752	1.3%	94.6%
Total liabilities	5 689 440	90.1%	4 772 055	89.1%	19.2%
Total equity	626 756	9.9%	585 942	10.9%	7.0%
Total liabilities and equity	6 316 196	100.0%	5 357 997	100.0%	17.9%

As at December 31st 2007, the balance-sheet total was 17.9% higher year on year, which was mainly attributable to a 16% growth of the deposit base. The value of deposits from clients rose by 12.5% while deposits from other banks grew by 29%.

An over 85% growth in the value of loans and advances to clients represents the most significant change in the structure of assets. Since the Group provides funding exclusively to corporate clients, the revival in the corporate loans market recorded in 2007 caused an increase in the volume of loans advanced by the Group. As at the end of 2007, current account loans represented nearly 78% of the Group's loan exposure.

The notable growth in the value of financial assets held as investment, which as at December 31st 2007 amounted to PLN 582m, results primarily from the Group's strategy of building a liquidity portfolio. An increase in the value of the Group's liquidity portfolio is a consequence of the Group's prudent and safe management of its liquidity.

Throughout 2007, the value of deposits from clients grew strongly, to reach PLN 3,694m, which translates into a nearly 13% growth relative to the end of 2006. This improvement is

largely due to implementation of the targets aimed at intensifying the Group's activity in the area of transactional banking services. As at the end of 2007, clients' funds held in current accounts represented 42% of the total value of deposits received by the Group.

The table below contains the Group's income statement for the year ended December 31st 2007, together with comparable data (PLN '000).

Consolidated statement of income for 2007 and 2006

in PLN thd	Jan 1 – – Dec 31 2007	Jan 1 – – Dec 31 2006	Change %
Interest income	274 877	198 991	38.1%
Interest expense	(202 106)	(134 970)	49.7%
Net interest income	72 771	64 021	13.7%
Impairment losses	(1 641)	599	-374.0%
Net interest after impairment losses	71 130	64 620	10.1%
Fee and commission income	115 452	65 417	76.5%
Fee and commission expense	(28 887)	(15 035)	92.1%
Net fee and commission income	86 565	50 382	71.8%
Net trading income	52 174	50 751	2.8%
Other operating income	19 972	9 626	107.5%
Other operating expense	(336)	(1 636)	-79.5%
Operating income	229 505	173 743	32.1%
General and administrative expenses	(101 055)	(88 545)	14.1%
Depreciation and amortisation	(3 089)	(2 955)	4.5%
Pre-tax profit	125 361	82 243	52.4%
Income tax	(25 200)	(19 817)	27.2%
Net profit	100 161	62 425	60.4%
Earnings per share (PLN)	435 483	271 414	60.4%

In 2007, the Group recorded net profit of PLN 100.1m which means an over 60% improvement year on year. Such a strong growth is partial a result of consolidating whole 2007 results of the subsidiary, while in 2006 the Group consolidated second half of the year results only. Notable is an increase in net interest income and net fee and commission income resulting from the growth of the Group's brokerage operations and a slight increase in interest margins seen in 2007.

Interest expense grew ahead of interest income, which results from changes in the currency structure of the Group's deposit base and the recently growing difference between the złoty interest rate versus the interest rates of major foreign currencies.

STRUCTURE OF INTEREST INCOME IN 2007

Income from transactions executed on the interbank market represents the largest share of interest income (71% of the total), largely due to the policy of investing financial surplus accumulated in clients' deposit accounts and execution of transactions aimed at stabilising the

Group's financial liquidity. Within the total interest income, income from debt securities held for trading recorded the highest growth, which resulted from the higher value of securities held by the Group and their increased profitability in 2007 due to an increase in the market interest rates.

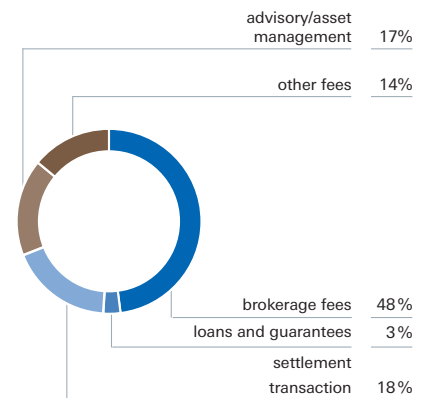
Net fee and commission income, which amounted to nearly PLN 87m in 2007 (up by 71.8% year on year) also contributed to the growth of net profit. The biggest impact on the results had increase of the brokerage fees. However, as mentioned above, we have been consolidating whole 2007 results of the subsidiary, while in 2006 the Group consolidated second half of the year results only.

FEE AND COMMISSION INCOME IN 2007

The structure of fee and commission income demonstrates some concentration, with leading proportion of fees from brokerage activities. Brokerage fees account for the most substantial share of the fee and commission income. In total, the Bank generated fee and commission income from brokerage activities in the amount of PLN 56.3m, which corresponds to 48% of total fee and commission income.

The excellent sales results were achieved without incurring proportional increase in operating expenses. Moreover, despite considerable market pressures on raising costs, thanks to its strict cost discipline in 2007 the Group managed to maintain its operating expenses at a reasonable level 14% above the previous year's figure, which is a dynamic far less than increase of the revenue base over the similar period.

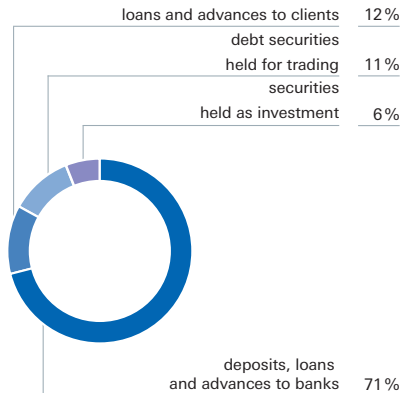
Fee and commission income in 2007



Key Financial Ratios

	Dec 31 2007	Dec 31 2006
ROE (post tax)	19.1%	12.0%
ROE (pre tax)	23.9%	15.7%
CIR	45.4%	52.7%
Compensation ratio	18.3%	20.8%
Non-compensation ratio	27.1%	31.9%
CAD	24.8%	31.0%

Structure of interest income in 2007



OUTLOOK

The financial objective of the Group for the coming years is to gradually increase its profits (by approx. 10% annually) and continue cost control, with a view to business activity optimisation, as demonstrated by the Cost Income Ratio (CIR) below 55%. In a longer-run, the Group will focus its attention on projects contributing to maintenance of ROE at a level of 25% in gross terms.

In 2008, we will focus on developing cooperation with corporations and expanding business with middle-sized companies, in particular in the area of financing their development. All these changes will be seen mainly in transactional banking and trade finance segments, where the Group intends to launch new products and enhance the existing solutions.

Furthermore, with respect to the brokerage activities the Group expects to increase its market share to 5.2% and 1.8% on the Warsaw and Budapest Stock Exchanges, respectively. We have plans to launch services offering local direct market access, and to expand retail business in cooperation with DB PBC SA. We also plan to expand offering structured brokerage products on the Polish market.

We also plan to dynamically expand the Group's services related to long-term financing of infrastructural projects (including in particular transport, road construction and renewable energy projects) and other development projects sponsored by the central and local governments.

Krzysztof Kalicki

President, CEO

Marcin Iwaskiewicz

Management Board
Member

Mirosław Urbański

Management Board
Member

Warsaw, April 23rd 2008.

Consolidated Financial Statements

03//

03 // Consolidated Financial Statements

Consolidated Statement of Income	108
Consolidated Balance Sheet	108
Consolidated Statement of Changes in Equity	109
Consolidated Statement of Cash Flows	110
Notes to Consolidated Financial Statements	111
1. General Information on the Group	111
2. Key Accounting Policies	112
3. Risk Report	119
4. Fair Value of Financial Assets and Liabilities	132
5. Accounting Estimates	132
6. Interest Income	133
7. Interest Expense	133
8. Impairment Losses	133
9. Fee and Commission Income	134
10. Net Trading Income	134
11. General and Administrative Expenses	134
12. Income Tax	135
13. Earnings per Share	135
14. Cash in Hand and Balances with Central Bank	135
15. Deposits in Other Banks, and Loans and Advances to Other Banks	136
16. Financial Assets at Fair Value through Profit or Loss	137
17. Loans and Advances to Customers	138
18. Financial Assets Held as Investment	140
19. Tangible Assets	140
20. Intangible Assets	141
21. Deferred Tax Asset	142
22. Other Assets	142
23. Deposits from Banks	143
24. Financial Liabilities at Fair Value through Profit or Loss	143
25. Deposits from Customers	144
26. Debt Securities Issued	144
27. Provisions	145
28. Deferred Tax Liability	145
29. Other Liabilities	146
30. Share Capital	146
31. Reserve Funds	147
32. Revaluation Capital Reserve	147
33. Retained Earnings	147
34. Currency Structure	148
35. Capital Adequacy Ratio	148
36. Financial and Operating Leases	149
37. Contingent Liabilities	149
38. Transactions with Related Parties	150
39. Transactions with Employees and Management Board Members	152
40. Material Events Subsequent to the Balance-Sheet Date	152

Consolidated Statement of Income

Consolidated statement of income for 2007 and 2006

in PLN thd	Note	Jan 1 2007– –Dec 31 2007	Jan 1 2006– –Dec 31 2006
Interest income	6	274 877	198 991
Interest expense	7	(202 106)	(134 970)
Net interest income		72 771	64 021
Impairment losses	8	(1 641)	599
Net interest income after impairment losses		71 130	64 620
Fee and commission income		115 452	65 417
Fee and commission expense		(28 887)	(15 035)
Net fee and commission income	9	86 565	50 382
Net trading income	10	52 174	50 751
Other operating income		19 972	9 626
Other operating expenses		(336)	(1 636)
Operating profit		229 505	173 743
General and administrative expenses	11	(101 055)	(88 545)
Depreciation/amortisation of tangible and intangible assets		(3 089)	(2 955)
Pre-tax profit		125 361	82 243
Corporate income tax	12	(25 200)	(19 817)
Net profit		100 161	62 425
Earnings per share (PLN)	13	435 483	271 411
Diluted earnings per share (PLN)	13	435 483	271 411

Consolidated Balance Sheet

Balance sheet as at December 31st 2007 and December 31st 2006

Assets

in PLN thd	Note	Dec 31 2007	Dec 31 2006
Cash in hand and balances with Central Bank	14	371 719	73 790
Deposits in other banks, and loans and advances to other banks	15	3 878 028	4 108 285
Financial assets at fair value through profit or loss	16	403 361	364 486
Loans and advances to customers	17	844 585	455 704
Financial assets held as investment	18	581 647	232 399
Tangible assets	19	7 360	6 525
Intangible assets	20	1 418	1 604
Current tax asset		-	177
Deferred tax asset	21	30 143	28 880
Other assets	22	197 935	86 147
Total assets		6 316 196	5 357 997

Liabilities and equity

in PLN thd	Note	Dec 31 2007	Dec 31 2006
Deposits from banks	23	1 508 734	1 169 630
Financial liabilities at fair value through profit or loss	24	230 567	121 926
Deposits from customers	25	3 694 257	3 284 977
Debt securities issued	26	79 450	88 132
Provisions	27	551	6 854
Current tax liabilities		11 931	6 570
Deferred tax liability	28	26 249	23 214
Other liabilities	29	137 701	70 752
Total liabilities		5 689 440	4 772 055
Share capital	30	230 000	230 000
Reserve funds	31	195 000	195 000
Revaluation capital reserve	32	(455)	(12)
Retained earnings	33	202 211	160 954
Total equity		626 756	585 942
Total liabilities and equity		6 316 196	5 357 997

Consolidated Statement of Changes in Equity

Changes in the period January 1st 2007 - December 31st 2007

in PLN thd	Share capital	Reserve funds	Revaluation capital reserve	Retained earnings (deficit) brought forward	Net profit (loss)	Total Equity
Balance as at January 1st 2007	230 000	195 000	(12)	98 529	62 425	585 942
Valuation of financial assets available for sale	-	-	(547)	-	-	(547)
Deferred income tax on valuation of financial assets available for sale	-	-	104	-	-	104
Net profit	-	-	-	-	100 161	100 161
Dividend paid	-	-	-	-	(58 904)	(58 904)
Transfer to reserves	-	-	-	1 107	(1 107)	0
Increases/Decreases from DB SECURITIES S.A.	-	-	-	2 414	(2 414)	-
Balance as at December 31st 2007	230 000	195 000	(455)	102 050	100 161	626 756

Changes in the period January 1st 2006 - December 31st 2006

in PLN thd	Share capital	Reserve funds	Revaluation capital reserve	Retained earnings (deficit) brought forward	Net profit (loss)	Total Equity
Balance as at January 1st 2006	230 000	195 000	231	95 891	43 370	564 492
Valuation of financial assets available for sale	-	-	(300)	-	-	(300)
Deferred income tax on valuation of financial assets available for sale	-	-	57	-	-	57
Net profit	-	-	-	-	62 425	62 425
Dividend paid	-	-	-	-	(40 732)	(40 732)
Transfer to reserves	-	-	-	2 638	(2 638)	-
Balance as at December 31st 2006	230 000	195 000	(12)	98 529	62 425	585 942

Consolidated Statement of Cash Flows

Consolidated Statement of Cash Flows

in PLN thd

	Jan 1 2007– –Dec 31 2007	Jan 1 2006– –Dec 31 2006
Operating cash flows		
Net profit (loss)	100 161	62 425
Adjustments for:	422 035	(169 190)
Unrealised foreign exchange gains/losses	(7 468)	(4 020)
Depreciation/amortisation	3 089	2 955
Accrued interest (from income statement)	(586)	(751)
Gain/(loss) on investing activities	(90)	(97)
Income tax (from income statement)	25 200	19 818
Income tax paid	(18 565)	(8 752)
Increase/decrease in deposits, and loans and advances to other banks	391 576	528 202
Increase/decrease in financial assets at fair value through profit or loss	(38 875)	196 467
Increase/decrease in financial assets held as investment	(349 248)	(90 613)
Increase/decrease in loans and advances to customers	(388 881)	123 211
Increase/decrease in other assets	(111 788)	(83 118)
Increase/decrease in deposits from banks	339 104	(1 486 608)
Increase/decrease in liabilities at fair value through profit or loss	108 641	(159 445)
Increase/decrease in deposits from customers	409 280	785 621
Increase/decrease in provisions	(6 303)	(3 498)
Increase/decrease in other liabilities	66 949	11 438
Net cash provided by operating activities	522 196	(106 764)
Cash flow from investing activities		
Acquisition of tangible and intangible assets	(3 893)	(2 224)
Disposal of tangible and intangible assets	522	64
Acquisition of shares in subordinated undertakings	-	-
Other cash provided by investing activities	650	1 003
Net cash used in investing activities	(2 721)	(1 157)
Cash flow from financing activities		
Dividends paid	(58 904)	(40 732)
Interest paid	(64)	-
Net cash used in financing activities	(58 968)	(40 732)
Increase/decrease in net cash	460 507	(148 654)
Cash at beginning of period	117 319	265 973
Cash at end of period	577 826	117 319

Notes to the Consolidated Financial Statements of Deutsche Bank Polska S.A. Group

1. GENERAL INFORMATION ON THE GROUP

The Deutsche Bank Polska Group ("the Group") comprises Deutsche Bank Polska S.A. ("the Bank") as the parent entity, and a subsidiary undertaking, which is of strategic importance for the Group as its business is complementary to the Bank's business profile.

Deutsche Bank Polska S.A., the parent undertaking, is a member of the Deutsche Bank AG Group.

DEUTSCHE BANK POLSKA S.A. – THE PARENT ENTITY

Deutsche Bank Polska S.A. ("the Bank") was established pursuant the Governor of the National Bank of Poland's Decision No. 2/95 of June 30th 1995. The Bank was originally registered with the District Court of Warsaw on August 9th 1995, and launched its services on October 11th 1995. On June 28th 2001, the District Court for the Capital City of Warsaw updated entry No. KRS 20832 in the National Court Register.

The scope of the Bank's business includes provision of banking services in domestic and foreign transactions and, to the extent permitted by law, other services to natural persons, legal entities, partnerships and other non-incorporated business organisations, and international organisations. The Bank also offers investment banking services and products.

In accordance with the Bank's Articles of Association, the Bank's business includes:

- Acceptance of demand or term deposits and maintenance of deposit accounts.
- Maintenance of other bank accounts.
- Execution of banking cash settlements.
- Issuance of payment cards and execution of payment card transactions.
- Cash lending.
- Execution of transactions involving cheques and bills of exchange.
- Purchase and sale of debt.
- Issuance of sureties and bank guarantees.
- Execution of foreign exchange transactions.
- Safekeeping of valuables and securities and provision of safe deposit boxes.
- Issuance of and trading in bank securities.
- Contract-based execution of tasks related to issuance of securities.
- Execution of forward financial transactions.
- Performance of banking services commissioned by other banks.

DB SECURITIES S.A. – THE SUBSIDIARY

On June 21st 2006, the Bank acquired 100% of shares in its subsidiary, DB Securities S.A., and has been consolidating DB Securities S.A. since that date. 2006 was the first year in which the Bank consolidated DB Securities S.A.

In accordance with the terms of the licence issued by the Polish Securities and Exchange Commission on August 7th 2001, DB Securities S.A.'s business includes in particular:

- Offering securities on the primary market or as part of initial public offerings.
- Buying and selling securities on another person's account.
- Keeping securities accounts and auxiliary cash accounts.
- Acting as an agent in the purchase and sale of securities traded on foreign regulated markets.
- Performing actual and legal actions as part of services provided to investment fund companies, investment funds, pension fund companies and pension funds.
- Performing actions related to trading in property rights.

2. KEY ACCOUNTING POLICIES

COMPLIANCE STATEMENT

These annual consolidated financial statements of Deutsche Bank Polska Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) endorsed by the European Union, and other applicable regulations.

The Bank's financial year covers the period of 12 months ending on December 31st. The financial statements are prepared in the Polish zloty, which is the Group's functional currency, and the amounts are rounded to the nearest thousand.

These financial statements of Deutsche Bank Polska Group have been approved by the Management Board on April 23rd 2008.

BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS AND VALUATION OF ASSETS AND LIABILITIES

To measure financial assets and liabilities at fair value through profit or loss, and financial assets classified as available for sale, the Group applies the concept of fair value determined based on market prices or recognised valuation models.

Other financial assets and liabilities (including loans and advances) and those financial assets and liabilities subject to measurement at fair value in the case of which the fair value cannot be determined, are valued at amortised cost less impairment losses, or at acquisition cost less impairment losses.

Effects of changes in accounting estimates are recognised in the current reporting periods, while changes in the accounting policies are applied by adjusting the results recorded in the current period and in the previous years by appropriate amounts.

In these financial statements, the Bank applied IFRS 7 „Financial Instruments: Disclosures“, effective as of January 1st 2007, as well as the amended IAS 1.

The accounting policies presented below have been applied with respect to all reporting periods presented in these financial statements.

EARLIER APPLICATION OF THE IFRS WHICH HAVE NOT TAKEN EFFECT YET

Standards, amendments to the existing standards and interpretations issued by the International Financial Reporting Interpretations Committee, either endorsed or not effective in the current reporting period, or pending endorsement by the European Commission, are not applicable to the Group's consolidated financial statements or, if applied, would not have a material effect on these financial statements.

CONSOLIDATION

The subsidiary undertaking is an entity with respect to which the Group has the capacity to direct its financial and operating policies by holding 100% of the total vote at the subsidiary's General Shareholders Meeting, which in practice gives the Group real influence over the key decisions concerning the subsidiary's activities.

The subsidiary undertaking is subject to consolidation from the date the Group gained control over it. The Group will cease to consolidate its subsidiary undertaking on the date when it ceases to exercise control over it. Acquisition of subsidiaries is accounted for using the purchase method.

The cost of acquisition is measured as the aggregate of the fair values of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the acquisition. The identifiable assets, liabilities and contingent liabilities acquired as part

of the business combination are initially recognized at their fair values at the acquisition date, irrespective of the size of any possible minority interests. Any excess of the acquisition cost over the fair value of the Group's share in identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is lower than the fair value of the net assets of an acquired subsidiary, the difference is charged directly to the income statement.

Any balances and unrealised profits from transactions between the Group companies are eliminated on consolidation. Any unrealised losses are also subject to elimination, unless the transaction provides evidence of impairment of the asset given.

INTEREST INCOME AND EXPENSE

Interest income comprises interest received or receivable on loans, inter-bank deposits and securities, computed at the effective interest rate, and where the effective interest rate cannot be determined, at the nominal contractual rate.

The effective interest rate is the rate which discounts future cash inflows or outflows to the net carrying amount of a financial asset or liability.

When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of a given financial instrument (for instance, a prepayment option), without taking into account potential future credit losses. The calculation factors in all payments made or received by the parties to the agreement (e.g. loan origination fees, prepayment fees).

Interest income comprises interest and those fees and commissions received or receivable on loans, inter-bank deposits and securities held to maturity, which have been taken into account in calculating the effective interest rate.

Interest income related to the reporting period is recognised in the income statement on an accrual basis.

Upon recognition of an impairment loss on a financial asset, interest income is recognised at the interest rate that discounts the future cash flows for the purpose of measuring the impairment loss.

Interest expense comprises interest paid or accrued on clients' deposits, on own securities in issue and other contracted liabilities, calculated at amortised cost.

Interest payable is accrued at the end of each day. Interest expense related to the reporting period is recognised in the income statement on an accrual basis.

FEE AND COMMISSION INCOME AND EXPENSE

Fee and commission income comprises all amounts other than interest on loans and advances and on other banking services. Fees and commissions also include fees collected by the Group on cash transactions, maintenance of clients' accounts, execution of money transfers, issuance of letters of credit, brokerage activities and other transactions.

Fee and commission expense comprises amounts paid on contracted loans as well as on financial and foreign exchange transactions.

Fee and commission income and expense are disclosed in the income statement on a cash basis or on an accrual basis, depending on the product type, characteristics and maturity. Non-recurring fees and commissions for a specific ad hoc service are recognised on a cash basis. Fees and commissions received or paid for a material service are recognised in the income statement on a one-off basis. Such fees and commissions include fees for cash settlement services, maintenance of bank accounts, and custody services with respect to securities.

Fees and commissions which can be taken into account when calculating the effective interest rate are accounted for and recognised as interest income.

Fees and commissions received or paid in connection with credit exposures (in the case of instruments generating cash flows which cannot be determined) are recognised in accordance with the straight-line method in the income statement over the term of the agreement concluded with the client.

NET TRADING INCOME

Net trading income comprises gains and losses on transactions involving financial instruments initially classified as ones to be measured "at fair value through profit or loss". "Foreign exchange gains (losses)" comprise gains and losses on spot transactions as well as forward contracts, options, futures and gains and losses on translation of the values of assets and liabilities expressed in foreign currencies. „Interest-bearing instruments" comprise the profit (loss) on trading in money-market instruments, interest rate and currency swaps, options and other derivatives.

FOREIGN CURRENCY TRANSACTIONS

Transactions expressed in foreign currencies are translated into the functional currency (the Polish zloty) at the exchange rate applicable on the transaction date. Foreign exchange gains and losses on the settlement of such transactions and on the balance-sheet valuation of monetary assets and liabilities expressed in foreign currencies are disclosed in the income statement.

OTHER OPERATING INCOME AND EXPENSES

Other operating income and expenses include income and expenses which are not directly related to the banking activities. These include in particular income and expenses received or incurred on account of disposal and liquidation of non-current assets, revenue from the lease of office premises, received and paid compensations, penalties and fines, the costs of court and notary fees and collection proceedings.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include: cash in hand and vault cash, cash in the nostro account at the Central Bank, and cash in current accounts at other banks.

HEDGE ACCOUNTING

The Group does not apply hedge accounting.

FINANCIAL ASSETS AND LIABILITIES

The Group classifies financial instruments into the following categories: financial assets or liabilities measured at fair value through profit or loss; financial instrument held to maturity; loans and advances; and financial assets available for sale.

FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group classifies a financial instrument as measured at fair value through profit or loss if at least one of the following conditions is met:

- 1) The instrument is classified as held for trading.
- 2) The instrument was designated on initial recognition as an instrument to be measured at fair value through profit or loss.

The Group classifies financial instruments as held for trading if they are:

- a) Acquired for the purpose of selling or repurchasing them in a short term.
- b) Part of an identified portfolio of financial instruments for which there is a specific management strategy generating short-term gains.
- c) Derivatives.

The Group classifies financial instruments as measured at fair value through profit or loss if a planned investment strategy is pursued, covering both financial assets and liabilities, and the results of the strategy are measured and monitored on an ongoing basis by the Group's management.

FINANCIAL INSTRUMENTS HELD TO MATURITY

Financial instruments held to maturity comprise financial assets which are not derivatives, with fixed or determinable payments and a fixed maturity, with respect to which the Bank on their initial recognition expressly intended to hold them to maturity.

LOANS AND ADVANCES

Loans and advances are financial instruments with pre-fixed or determinable cash flows, whose recovery is largely contingent upon the credit risk associated with the borrower and which are not quoted on active financial markets and are not instruments measured at fair value through profit or loss or instruments classified as available for sale.

FINANCIAL ASSETS AVAILABLE FOR SALE

Financial instruments available for sale are financial assets which are not derivatives and which have been designated as available for sale, or financial assets other than:

- a) Loans and advances.
- b) Financial instruments held to maturity.
- c) Financial assets at fair value through profit or loss.

FINANCIAL LIABILITIES NOT HELD FOR TRADING

Financial liabilities other than those held for trading are measured and presented in the financial statements at amortised cost.

RECOGNITION AND MEASUREMENT OF FINANCIAL INSTRUMENTS

A financial asset or financial liability is initially recognised at fair value. In the case of a financial asset or financial liability not classified as one to be measured at fair value through profit or loss, the fair value is increased by the transaction costs which may be directly attributed to the acquisition or issue of such financial asset or financial liability.

Following initial recognition, the Group measures financial assets, including derivatives disclosed as assets, at fair value without reducing the fair value by transaction costs which may be incurred in connection with their sale or other disposal, except for (a) loans and receivables, which are measured at amortised cost using the effective interest rate method; (b) financial instruments, held to maturity which are measured at amortised cost using the effective interest rate method.

A standard purchase and sale of financial assets measured at fair value through profit or loss, held to maturity and available for sale, is recognised on the transaction settlement date. Loans and advances are recognised in the balance sheet at the moment of cash disbursement.

Financial assets are derecognised from the balance sheet when the rights to the cash flows from such assets have expired or were transferred and the Group transferred substantially all risks and benefits incidental to the ownership of the assets.

Financial liabilities are derecognised from the balance sheet when the liability has expired, has been repaid, cancelled or transferred to another entity.

OFFSETTING OF FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and disclosed in the balance sheet at net amounts if there is a legally enforceable right to offset the disclosed amounts and the Bank intends to settle them at net amounts or realise a given asset and settle a given liability at the same time.

IMPAIRMENT OF FINANCIAL ASSETS

(a) Assets Measured at Amortised Cost

When determining the value of a financial asset, the Group assesses whether there exists objective evidence of an impairment of value of the asset. Impairment of a financial asset may be recognised if there is objective evidence of impairment as a result of an event or events which took place after the initial recognition of the asset, if such event may impact future cash flows related to the asset. Objective evidence of impairment of an asset may be any of the following events of which the Group became aware before performing an impairment test:

- There is delay in repayment of, or failure to repay, principal instalments, interest or other amounts due to the Group as required under the relevant agreement, with the proviso that such event is deemed to have occurred if the delay in payment of the most aged receivable exceeds 90 days.
- The client is granted, for economic or legal reasons, a facility, including debt restructuring through the conclusion of an annex to the relevant agreement or another form of amendment to the original terms and conditions of the agreement (e.g. an extension of the loan term, change in payment schedules, change in security value or change in the interest margin charged), which would not be otherwise considered by the Group.
- A part of the loan principal or interest due is written off, for instance as part of an arrangement or settlement with the client, or the receivable is transferred to off-balance-sheet records.
- The agreement is terminated by the Group and/or internal restructuring or collection procedures are commenced with respect to the credit exposure.
- The client is declared bankrupt or files for bankruptcy, or bankruptcy procedure is instituted against the client.
- There is an adverse change in the client's economic and financial standing, including in particular the occurrence of early warning signs, or the client rating being downgraded.

The Group first checks whether there is an objective evidence of impairment of particular material financial assets tested in groups or on an individual basis. If the Group finds that for a given financial asset tested on an individual basis there is no objective evidence of impairment (whether such an asset is material or not), such an asset is included in the group of financial assets with similar credit risk characteristics, which is then tested for impairment as a whole. The financial assets with respect to which an impairment loss was recognised based on individual assessment are not included in the collective impairment test.

Impairment value of a financial asset valued at amortised cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted with the effective interest rate or nominal interest rate (in the case of assets for which the effective interest rate is not determined). Following recognition of an impairment of a financial asset, the value of the asset is reduced, and the impairment loss is charged to the income statement and disclosed in the line adjusting "net interest income".

When estimating the present value of future cash flows related to a hedged financial asset, the Group takes into account all probable cash flows, including any potential inflows resulting from the foreclosure of security provided for such an asset, less the costs of its acquisition and sale.

Own receivables and advances are written off through impairment losses on loans, after it is determined that further collection proceedings will probably be ineffective. The Group derecognises receivables from the balance sheet when it loses control over the rights attached to the receivables. Control is lost when the rights under a relevant agreement expire or when the Group waives those rights, i.e. sells or cancels the receivables and when no cash flows from the receivables are expected.

If an amount which has been written off is recovered within six months from the date on which the receivable was written off, the amount of impairment losses on loans is reduced appropriately in the income statement.

If the Group recovers receivables which have been written off after six months from the date of the write-off, the recovered amounts are recognised under other operating income.

(b) Assets Measured at Fair Value

When identifying impairment of financial assets measured at fair value, the Group follows the same rules as in the case of financial assets measured at amortised cost and, additionally, identifies events which may be evidence of a long-term loss of market liquidity of the asset or a collapse (discontinuation) of the market on which the financial asset was traded.

The assets measured at fair value which the Group tests for impairment are debt securities classified as available for sale.

Impairment of a debt security classified as available for sale is charged to the income statement. If the fair value of a debt instrument classified as available for sale subsequently increases, and the increase may be directly attributed to an event which occurred following the recognition of impairment in the income statement, impairment losses are charged to the income statement.

TANGIBLE AND INTANGIBLE ASSETS

Tangible and intangible assets are disclosed at acquisition cost less cumulative depreciation/amortisation and impairment losses.

All tangible and intangible assets have definite economic useful lives and are depreciated/amortised with the straight-line method over their expected useful economic lives, using the following depreciation/amortisation rates:

Investments in third-party tangible assets	10%
Computers	25%
Motor vehicles	20%
Furniture	10–20%
Telecommunications equipment	20%
Licences, software	10–50%

The depreciation rates applied by the Group were set based on the expected economic useful lives of tangible assets.

Depreciation charges are made following completion of the investment, when a given tangible asset is complete and fit for use.

Depreciated tangible assets are tested for impairment whenever there occurs an event or a change of circumstances which indicates that the carrying value of the asset may be irrecoverable. If the carrying value of a tangible asset exceeds the estimated recoverable value, the carrying value is immediately reduced to the recoverable value. Recoverable value is the higher of: the fair value of a tangible asset less its costs to sell or its value in use.

Gains or losses on disposal of a tangible asset are determined by comparing the proceeds from its sale with the carrying value; they are recognised in the income statement.

IMPAIRMENT LOSSES ON ASSETS OTHER THAN FINANCIAL ASSETS

Assets other than financial assets are reviewed by the Group to identify any possible indications of value impairment. Any assets whose value is found to have been impaired are written off to their recoverable amount. Impairment losses are recognised in the income statement.

EMPLOYEE BENEFITS

Employee benefits comprise salaries and wages, discretionary bonuses, paid holiday leaves and social security contributions.

Bonuses and awards are granted after the end of the period for which performance is assessed. Employee benefits are expensed in the income statement in the period to which they relate.

SHARE-BASED PAYMENTS

The Group's employees participate in the equity-sharing programme operated by DB AG. DB AG shares are granted when an employee has completed the minimum required length of service with the DB AG Group.

Under IFRS 2 Share-Based Payments, the programme is treated as cash-settled. A provision is created for future payments, which is disclosed in the balance-sheet under "Other liabilities", and in the income statement under "General and administrative expenses – Salaries and wages". Costs of the programme are determined using a pricing model. In accordance with the requirements of IFRS 2, the fair value of the liability is determined initially at the date on which the shares are granted and then at each reporting date until full settlement. Share-based payments are usually granted and settled in the same financial year.

PROVISIONS

Under IAS 37 Provisions, Contingent Liabilities and Contingent Assets, the amount of provisions for contingent liabilities under guarantees issued is determined on the basis of estimates of future losses, in the amount equal to the present value of expected future losses relating to unpaid receivables which have originated under the guarantees.

Furthermore, provisions are disclosed in the balance sheet if the Group has a legal obligation following from a past event, and if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the Group can reliably estimate the amount of the outflow. If the effect is material, the provision amount is determined based on expected cash flows discounted at a pre-tax rate which reflects the current market assessment of the time value of money and, if applicable, risks specific to the liability.

INCOME TAX

The income tax charge includes the current tax liability and the deferred tax liability. Current income tax is the tax liability of the particular Group companies calculated on their taxable income at the applicable tax rate, and including any adjustments to tax liabilities relating to previous financial years.

Deferred tax liability is recognised in the full amount, using the balance-sheet liability method, in respect of temporary differences between the amounts of assets and liabilities for tax purposes and their carrying amounts for financial reporting purposes. Deferred tax is determined using tax rates (and on the basis of regulations) in force as at the balance-sheet date, which are expected to be applicable when the relevant deferred tax asset is realised or deferred tax liabilities is settled.

The main source of temporary differences is accrued costs, which are charged to the Group companies in the following financial year.

A deferred tax asset is recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be used.

A deferred tax liability resulting from Polish tax regulations is recognised as costs in the period during which the corresponding profit was earned. Tax consequences of tax-deductible losses which can be used in the future are recognised as assets if it is probable that future taxable profit will be available which can be reduced by the amount of the unsettled tax losses.

Deferred income tax arising from revaluation of investments available for sale is recognised directly in the revaluation capital reserve and then, as the investments are realised, it is charged to the income statement, along with deferred gains or losses.

OTHER ASSETS AND LIABILITIES

Other assets include in particular prepayments and accrued income pertaining to selected cost items paid for in advance, which are settled over time and which relate to future reporting periods.

Other liabilities include in particular cost accruals, which will be settled during future periods, and provisions for liabilities to employees (including annual bonuses, other bonuses, and provisions for unused holidays).

LEASING

All the existing lease agreements executed by the Group are classified as operating leases. All lease payments made under operating leases are charged to costs in accordance with the straight-line method over the term of the lease agreement.

CUSTODY SERVICES

The Group provides custody services with respect to domestic and foreign securities, as well as custody services related to investment and pension funds. Such assets are not disclosed in these financial statements as the Group has no control over them.

EQUITY

Equity comprises capital accounts and funds created by the Company in accordance with applicable regulations, i.e. the Banking Law and the Bank's Articles of Association.

Share capital is recognised at par value in the amount specified in the Articles of Association and in the entry in the commercial register.

Reserve funds are created from profit distributions and share premium, and are used to cover losses disclosed in the balance sheet.

Revaluation capital reserve includes the effects of revaluation of the portfolio of securities available for sale.

3. RISK REPORT

The key types of risk managed by the Group include: credit risk, market risk, liquidity risk and operating risk.

The responsibility for determining and monitoring the risk management policy rests with the Bank's Management Board.

At the operating level, the Assets and Liabilities Committee (ALCo), the Commercial and Credit Committee and dedicated Group's entities departments are responsible for the management of particular areas of banking risk, day-to-day monitoring of such risk, and defining the day-to-day risk management policy, consistent with the Management Board's guidelines.

The Assets and Liabilities Committee (ALCo) is a body appointed by the Group's Management Board. ALCo's scope of responsibilities includes in particular: determining the Group's capital and liquidity requirements in the context of assumed risks (risk appetite) and the nature of the Group's operations exposed to particular risk types. Furthermore, ALCo is responsible for regular reviews of the Group's and the Group's capital adequacy as well as monitoring compliance with the risk limits set by ALCo. In addition, ALCo coordinates and observes the application of the highest standards of assets, equity and liabilities management, adopted and applied by the DB Group globally (the standards being established by the Group Capital and Risk committee, or CAR).

The Commercial and Credit Committee is appointed by the Group's Management Board as a standing committee, whose meetings are attended by all Management Board Members, Director of the Credit Department and heads of business segments.

The Committee undertakes actions aimed at determining the Group's business and lending policies, and in particular:

- Participates in the process of accepting new clients, including high risk clients, in accordance with the New Client Acceptance policy.
- Determines product pricing policies.
- Manages the risk of large exposure concentrations, including credit limits for particular industries, and responds to any cases of the limits being exceeded.
- Makes decisions regarding credit exposures on the watch list based on data regularly submitted by the Director of the Credit Department.
- Reviews periodic risk reports.

The responsibility for risk management at the Group rests with the Management Board, which delegates part of its responsibilities to dedicated units within the Group charged with:

- Organising and monitoring the management risk structure, which consists in participating in the process of defining risk management strategy and its on-going implementation.
- Establishing and applying tools and procedures supporting the process of identifying risks, such as market risk, credit risk, operating risk and liquidity risk.
- Internal risk measurement and on-going risk monitoring, as well as reporting risk exposures.
- Participation in establishing and monitoring compliance with risk metrics, flags and limits.

The Finance Department, Audit Department and Compliance function support capital and risk management functions at the Group on an ongoing basis, as independent bodies. The Finance Department's function is to support the process of risk identification and measurement. The Audit Department monitors the compliance of the functional control system and procedures with relevant standards, both internal and external. The Compliance function serves in an advisory capacity in the process of managing non-compliance risk and reputation risk.

Banking risks are monitored and controlled in relation to the profitability of the Bank's operations and the level of capital necessary to ensure operational security in the context of prudential norms. Reporting on the risk position is part of the Group's management information system.

CREDIT RISK

Deutsche Bank Polska S.A.

Credit (default) risk is the most important type of risk in the Bank's business. It consists in counterparty's inability to timely and fully repay its liabilities towards the Bank.

In the credit risk management process, the Bank observes the following principles:

- Each loan exposure must be approved by persons or committees competent to make lending decisions.
- Decision regarding establishment of a lending limit must be consistent with the strategy adopted for a specific loan portfolio, taking into account the acceptable risk/return ratio.
- Any change in the financing conditions (life, type of security, repayment terms, etc.) which affects the exposure's risk profile requires a lending decision.
- Competence to make lending decisions is granted based on employee's qualifications, experience and training. Credit competence is subject to periodic reviews.
- In the process of making lending decisions, the four-eyes principle always applies.
- Responsibility for return generated by the Bank on a given loan exposure rests with the unit which acts as the business sponsor of a given client. Each time, lending limit applications must be endorsed by the relevant business sponsor.
- All and any loan exposures are considered from the perspective of the Group's consolidated exposure to the borrower (or a group of related entities).

- Internal lending limits must be consistent with external concentration standards and capital adequacy requirements.
- When approving new clients locally, the relevant rules observed by the DB Group globally are followed.

In the credit risk management process, the fundamental rule provides for the assessment of a client's creditworthiness by verifying the client's financial standing, market position and management quality. Such assessment forms the basis for adoption of credit decisions and is used in the assignment of credit competence.

The Bank uses 26-grade scale for assessment of clients' creditworthiness, to which, based on statistical analyses, a probability of default (PD) is assigned. PDs and ratings are used in the process of estimating impairment losses, in compliance with the International Financial Reporting Standards.

Client's creditworthiness is always assessed with respect to the total loan exposure of a given client, including liabilities of other entities with equity, personal or organisational links to the client. Credit exposures may include loan facilities, trade finance products, foreign exchange transactions or transactions in derivatives.

The Bank reviews the assessment of clients' creditworthiness on a regular basis using a standard procedure and identifies any signs of a possible impairment of the loan value. The Bank has implemented procedures supporting early identification of threats which may adversely affect the quality of the loan portfolio. We believe that early threat identification is necessary with respect to clients with growing credit risk, as it will enable effective management of a given exposure in the future. Wherever the Bank has at an early stage identified threats which may exacerbate credit risk associated with a given client, a given credit exposure is subjected to constant and detailed monitoring.

Credit risk may also be reduced with collateral securing future repayment of clients' liabilities towards the Bank. The assessment of collateral quality is an inherent element of the lending process.

The Bank strictly monitors its net open position on derivatives. Given the nature of its activities, a large portion of the Bank's significant exposures to credit risk under derivative transactions is guaranteed by entities with recognised credit ratings. Furthermore, the actual amount of the Bank's credit risk exposure is limited to the current fair value of the instruments whose valuation is positive, which in the case of derivative exposures is only a small fraction of the notional amount under the contract. Exposures to credit risk of such type are managed as part of the general credit limits for clients.

The Bank strictly applies the binding prudential norms in the area of credit risk and large exposures concentration. In 2007, there was one instance of technical excess over a large exposure limit. As at December 31st 2007 the limits of large exposures were as follows:

- PLN 100,490 thousand (20% of the Bank's equity, as required under the applicable regulations) in the case of exposures to the Bank's subsidiary or parent undertakings or subsidiary undertakings of the Bank's parent undertaking.
- PLN 125,612 thousand (25% of the Bank's equity, as required under the applicable regulations) in other cases.

CONCENTRATION OF THE BANK'S EXPOSURES TO INDIVIDUAL BORROWERS AND INDUSTRIES

List of the Bank's ten largest borrowers as at December 31st 2007:

in PLN thd	Balance-sheet exposure	Open credit facilities, LoCs	Guarantees	Total	% share in total exposure
Client 1	85 074	14 926	-	100 000	5%
Client 2	89 138	7 922	-	97 060	4%
Client 3	48 548	48 284	-	96 832	4%
Client 4	-	1 257	55 621	56 878	3%
Client 5	-	52 347	1 383	53 730	2%
Client 6	7 217	42 783	2 000	52 000	2%
Client 7	43 394	3 965	-	47 359	2%
Client 8	-	10 105	36 046	46 151	2%
Client 9	-	40 000	-	40 000	2%
Client 10	15 150	23 582	-	38 732	2%
Total	288 521	245 171	95 050	628 724	

Portfolio of loans to clients and off-balance-sheet liabilities assumed for clients as at December 31st 2007 and 2006 – the major industries:

Industry	Dec 31 2007		Dec 31 2006	
	in PLN thd	% share	in PLN thd	% share
Automotive	342 177	15.6%	218 295	12.2%
Consumer staples	299 003	13.7%	297 173	16.6%
Services	248 196	11.3%	81 606	4.6%
Chemicals	223 154	10.2%	193 480	10.8%
Financial and insurance services	206 490	9.4%	213 769	12.0%
Electro-technical industry	193 123	8.8%	231 136	12.9%
Power and engineering	170 196	7.8%	115 979	6.5%
Construction	136 464	6.2%	55 497	3.1%
Agriculture	126 001	5.8%	120 453	6.7%
Telecommunications	117 910	5.4%	119 157	6.7%
Metallurgy	59 949	2.7%	60 628	3.4%
Other exposures	57 693	2.6%	8 411	0.5%
Pharmaceuticals	7 164	0.3%	70 667	4.0%
Total	2 187 520	100.0%	1 786 251	100.0%

The Bank carries no excess over exposure limits to any particular industry. As at December 31st 2007, the largest client group were companies from the automotive industry, accounting for 15.6 % of the Bank's total exposure, up by 3.4 pp on the 2006 figure.

DB SECURITIES S.A.

DB Securities S.A.'s credit risk is mainly related to its trading receivables.

DB Securities S.A. offers its customers the possibility of submitting buy orders with a deferred payment date. To take advantage of the deferred payment option the customer is required to sign an appropriate agreement with DB Securities S.A., which specifies a limit of the maximum receivables under deferred payment, and the amount of the required coverage for the buy orders. When placing an order the customer must have funds in the amount agreed with the Brokerage House. The customer has the obligation to provide the balance of cash within three days from the date of the execution of the trade on the WSE – in the case of shares, or within two days – in the case of bonds.

MARKET RISK

Deutsche Bank Polska S.A.

Market risk arises from uncertainty relating to changes in market conditions as may be reflected by interest and foreign exchange rates, correlations among them and their volatility.

The Bank's current product strategy involves two main market risks: interest rate risk and currency risk.

As part of the strategy, we assume market risk in the areas of trading and banking activities. To a limited extent, we are a part of the market and we take risk positions on money market and FX instruments.

The principal objective of market risk management is to control the structure of balance-sheet assets and liabilities and off-balance-sheet items so that market risk remains within the external and internal market limits. A separate department of the Bank (Market Risk Management Department) is responsible for market risk management at the operating level. An indispensable element of measuring the Bank's exposure to market risk is an analysis performed to determine potential losses in the event of extreme changes in market prices (stress testing).

The Bank's exposure to market risk is measured on every business day on the basis of:

- 1) VaR expected change in net profit/(loss) caused by changing market prices, with the assumed 99% confidence,
- 2) BPV change in net profit/(loss) caused by a 1 basis point change in market prices,
- 3) currency position.

The list below presents areas of the Global Markets operations and the related financial instruments:

1) Global Market OTC:

- Treasury bonds.
- Treasury bills.
- IRS.

2) Global Market Finance:

- Bank and corporate securities,
- FRA.
- IRS, CIRS.
- Placements, deposits.
- FX swaps.
- FX spots/forwards.

The market risk exposure of individual portfolios is limited by the VaR limit specified for each portfolio as well as the aggregate limit, BPV (for the Global Markets OTC portfolio) and the open currency position limit.

The VaR model uses the historical method in computations, at the significance level of 0.01. The forecast period (the assumed period over which the constant quantity and structure of primary positions are maintained — position maintenance period) is one business day, with a sample of reliable historical data covering the 400 preceding business days (sample period).

The reliable historical data is understood as data on foreign exchange rates, interest rates and securities prices. The output data from the historical VaR model includes the forecast VaR for a given position maintenance period, with the assumed confidence level, broken down into currency risk and interest rate risk.

The Bank performs historical and revaluation reviews of the VaR model. In 2007, the Bank's average daily VaR for market risk was approximately PLN 550 thousand.

An additional market risk metric, complementing the measurement of value at risk, is derived from stress testing, simulating hypothetical change in the current valuation of the Bank's individual portfolios. Stress testing and crash testing are used to evaluate a potential loss in the event of an extraordinary situation on the financial market which cannot be described with standard statistical metrics.

Crash testing supplements VaR calculation with information concerning the level of the Bank's exposure to risk under extreme changes in market conditions.

Crash testing is performed on the Bank's entire position, that is the position resulting from transactions disclosed in the trading book and the position resulting from transactions disclosed in the banking book.

The Bank applies three types of crash testing using assumed scenarios of a shift of the yield curve or FX curve, based on the standard shift of the yield curve as specified in the capital requirement regulations, as well as based on interest rate changes equal to the 1st and 99th percentiles of the observed historical changes in interest rates.

In 2007, there were no material changes in the process of market risk management at the Bank.

INTEREST RATE RISK

Deutsche Bank Polska S.A.

The Bank is exposed to interest rate risk, which refers to the mismatch of revaluation periods for assets, liabilities and interest-rate derivatives. If market interest rates fluctuate and the Bank has exposures sensitive to such fluctuations, there is a risk of unexpected and uncontrollable losses and gains.

The Bank makes every effort to mitigate the risk of mismatch between interest rates applicable to its assets and liabilities, using internal funds transfer pricing system.

The table below sets forth the Group's exposure to interest rate risk, based on the carrying values of its assets and liabilities and the earlier of: the next revaluation date or the maturity date.

Dec 31 2007 in PLN thd	Up to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Non-interest bearing items	Total
Cash in hand and balances with Central Bank	371 719	0	0	0	0	0	0	371 719
Deposits in other banks, and loans and advances to other banks	2 514 461	680 841	564 178	120 000	0	0	(1 452)	3 878 028
Financial assets at fair value through profit or loss	150 833	58 159	95 701	35 512	33 790	29 366	0	403 361
Loans and advances to customers	792 530	32 393	20 839	168	0	0	(1 345)	844 585
Financial assets held as investment	500 859	80 754	0	0	0	0	34	581 647
Tangible assets	0	0	0	0	0	0	7 360	7 360
Intangible assets	0	0	0	0	0	0	1 418	1 418
Current tax assets	0	0	0	0	0	0	0	0
Deferred tax asset	0	0	0	0	0	0	30 143	30 143
Other assets	0	0	0	0	0	0	197 935	197 935
Total assets	4 330 402	852 147	680 718	155 680	33 790	29 366	234 093	6 316 196

Deposits from banks	1 291 208	199 526	18 000	0	0	0	0	1 508 734
Financial liabilities at fair value through profit or loss	135 961	22 061	61 826	10 719	0	0	0	230 567
Deposits from customers	3 610 147	39 826	44 003	281	0	0	0	3 694 257
Debt securities issued	0	0	80 648	0	0	0	(1 198)	79 450
Provisions	0	0	0	0	0	0	551	551
Current tax liabilities	0	0	0	0	0	0	11 931	11 931
Deferred tax liability	0	0	0	0	0	0	26 249	26 249
Other liabilities	0	0	0	0	0	0	137 701	137 701
Share capital	0	0	0	0	0	0	230 000	230 000
Reserve funds	0	0	0	0	0	0	195 000	195 000
Revaluation capital reserve	0	0	0	0	0	0	(455)	(455)
Retained earnings	0	0	0	0	0	0	202 211	202 211
Total equity and liabilities	5 037 316	261 413	204 477	11 000	0	0	801 990	6 316 196
Balance-sheet mismatch	(706 914)	590 734	476 241	144 680	33 790	29 366	-	-

Dec 31 2006 in PLN thd	Up to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Non-interest bearing items	Total
Cash in hand and balances with Central Bank	73 790	-	-	-	-	-	-	73 790
Deposits in other banks, and loans and advances to other banks	3 624 858	205 433	60 000	220 689	-	-	(2 695)	4 108 285
Financial assets at fair value through profit or loss	72 546	13 326	227 019	36 036	10 140	5 365	54	364 486
Loans and advances to customers	382 821	55 771	10 998	3 546	3 532	-	(964)	455 704
Financial assets held as investment	-	156 472	59 075	-	16 815	-	37	232 399
Tangible assets	-	-	-	-	-	-	6 525	6 525
Intangible assets	-	-	-	-	-	-	1 604	1 604
Current tax assets	-	-	-	-	-	-	177	177
Deferred tax asset	-	-	-	-	-	-	28 880	28 880
Other assets	-	-	-	-	-	-	86 147	86 147
Total assets	4 154 015	431 002	357 092	260 271	30 487	5 365	119 765	5 357 997
Deposits from banks	1 104 042	63 133	2 455	-	-	-	-	1 169 630
Financial liabilities at fair value through profit or loss	78 744	17 329	24 336	1 511	6	-	-	121 926
Deposits from customers	3 196 969	56 474	16 206	14 708	620	-	-	3 284 977
Debt securities issued	-	-	-	90 645	-	-	(2 513)	88 132
Provisions	-	-	-	-	-	-	6 823	6 854
Current tax liabilities	-	-	-	-	-	-	6 570	6 570
Deferred tax liability	-	-	-	-	-	-	23 214	23 214
Other liabilities	-	-	-	-	-	-	70 752	70 752
Share capital	-	-	-	-	-	-	230 000	230 000
Reserve funds	-	-	-	-	-	-	195 000	195 000
Revaluation capital reserve	-	-	-	-	-	-	(12)	(12)
Retained earnings	-	-	-	-	-	-	160 954	160 954
Total equity and liabilities	4 379 755	136 936	42 997	106 864	626	-	690 819	5 357 997
Balance-sheet mismatch	(225 740)	294 066	314 095	153 407	29 861	5 365	-	-

The table below sets forth effective interest rates in 2007 for key categories of interest-bearing assets and liabilities, by main currencies.

2007 (%)	PLN	EUR	USD
Deposits with other banks	4.3957%	3.8388%	5.2807%
Loans and advances to clients	5.2219%	4.9845%	6.9210%
Deposits from other banks	4.0429%	4.0120%	5.3018%
Deposits from clients	3.1797%	2.8980%	4.6344%

DB Securities S.A.

DB Securities S.A.'s exposure to interest rate risk relates mainly to its financial liabilities. DB Securities S.A. manages its interest expenses by incurring liabilities which bear interest at a variable rate.

FOREIN EXCHANGE RISK**Deutsche Bank Polska S.A.**

The Bank defines foreign exchange risk as a risk of deviation of the financial result from the target as such deviation may result from adverse changes in market foreign exchange rates. In the case of foreign exchange risk, a change in the financial result comes as foreign exchange gains/(losses) disclosed under net trading income.

Changes in foreign exchange rates affect assets, liabilities and off-balance-sheet items in the same manner as interest rate fluctuations do.

The Bank identifies the following types of currency risk: changes in exchange rates of a single currency against the functional currency, changes in cross rates between individual currencies, and appreciation/depreciation of the functional currency.

The tables below set forth the Group's exposure to foreign exchange risk relating to main currencies as at December 31st 2007 and 2006.

Dec 31 2007 in PLN thd	EUR	USD	CHF	GBP	Other	PLN	Total
Cash in hand and balances with Central Bank	0	0	0	0	0	371 719	371 719
Deposits in other banks, and loans and advances to other banks	1 154 922	288 053	1 568 041	19 051	28 199	819 762	3 878 028
Financial assets at fair value through profit or loss	5 295	3 077	202	0	0	394 787	403 361
Loans and advances to customers	85 801	18 186	0	0	7	740 590	844 585
Financial assets held as investment	0	0	0	0	0	581 647	581 647
Tangible assets	0	0	0	0	0	7 360	7 360
Intangible assets	0	0	0	0	0	1 418	1 418
Current tax assets	0	0	0	0	0	0	0
Deferred tax asset	0	0	0	0	0	30 143	30 143
Other assets	139	6	0	0	0	197 790	197 935
Total assets	1 246 157	309 322	1 568 243	19 051	28 206	3 145 217	6 316 196

Deposits from banks	330 038	142 397	201 955	17 707	241	816 397	1 508 734
Financial liabilities at fair value through profit or loss	5 140	3 077	202	-	-	222 148	230 567
Deposits from customers	945 486	241 416	3 056	1 349	42 699	2 460 251	3 694 257
Debt securities issued	-	80 648	-	-	-	(1 198)	79 450
Provisions	-	-	-	-	-	551	551
Current tax liabilities	-	-	-	-	-	11 931	11 931
Deferred tax liability	-	-	-	-	-	26 249	26 249
Other liabilities	3 188	231	-	2	3	134 277	137 701
Share capital	-	-	-	-	-	230 000	230 000
Reserve funds	-	-	-	-	-	195 000	195 000
Revaluation capital reserve	-	-	-	-	-	(455)	(455)
Retained earnings	-	-	-	-	-	202 211	202 211
Total equity and liabilities	1 283 851	467 769	205 213	19 058	42 943	4 297 363	6 316 196
Net balance-sheet position	37 694	158 448	(1 363 030)	7	14 736	1 152 145	-

Dec 31 2006 in PLN thd	EUR	USD	CHF	GBP	Other	PLN	Total
Cash in hand and balances with Central Bank	-	-	-	-	-	73 790	73 790
Deposits in other banks, and loans and advances to other banks	419 043	1 644 329	1 099 755	8 175	11 389	925 594	4 108 285
Financial assets at fair value through profit or loss	5 007	-	-	-	-	359 479	364 486
Loans and advances to customers	72 957	1 724	-	-	-	381 023	455 704
Financial assets held as investment	-	-	-	-	-	232 399	232 399
Tangible assets	-	-	-	-	-	6 525	6 525
Intangible assets	-	-	-	-	-	1 604	1 604
Current tax assets	-	-	-	-	-	177	177
Deferred tax asset	-	-	-	-	-	28 880	28 880
Other assets	1 086	67	4	2	-	84 988	86 147
Total assets	498 093	1 646 120	1 099 759	8 177	11 389	2 094 459	5 357 997

Deposits from banks	224 645	192 027	44 722	6 643	207	701 386	1 169 630
Financial liabilities at fair value through profit or loss	5 007	-	-	-	-	116 919	121 926
Deposits from customers	801 101	99 953	5 487	1 508	10 111	2 366 817	3 284 977
Debt securities issued	-	90 645	-	-	-	(2 513)	88 132
Provisions	-	-	-	-	-	6 854	6 854
Current tax liabilities	-	-	-	-	-	6 570	6 570
Deferred tax liability	-	-	-	-	-	23 214	23 214
Other liabilities	4 890	199	-	12	1	65 650	70 752
Share capital	-	-	-	-	-	230 000	230 000
Reserve funds	-	-	-	-	-	195 000	195 000
Revaluation capital reserve	-	-	-	-	-	(12)	(12)
Retained earnings	-	-	-	-	-	160 954	160 954
Total equity and liabilities	1 035 643	382 824	50 209	8 163	10 319	3 870 839	5 357 997
Net balance-sheet position	537 550	(1 263 296)	(1 049 550)	(14)	(1 071)	1 776 380	-

DB Securities S.A.

DB Securities S.A. is exposed to the foreign exchange risk in connection with the transactions it executes. Such risk arises when DB Securities S.A. makes a sale or purchase in a currency other than its reporting currency. In the case of transactions executed on other stock exchanges, DB Securities S.A. sells or purchases forward contracts in order to eliminate the related foreign exchange risk exposure. The forward contracts must be expressed in the same currency as the hedged item.

LIQUIDITY RISK

Deutsche Bank Polska S.A.

Liquidity risk is the risk of the Bank being unable to repay its liabilities as they come due.

The management of the Bank's liquidity is determined by the following operational factors:

- Maintenance of ability to settle payments.
- Incorporation of the Bank's liquidity requirements in mid- and long-term operating plans.
- Minimising the cost of liquidity maintenance.
- Liquidity stress testing.

The objective of managing the Bank's liquidity is active management of the balance sheet and off-balance-sheet liabilities with a view to ensuring the Bank's uninterrupted liquidity. Liquidity management procedures depend on the Bank's operating profile and client base. Our liquidity is also affected by factors outside our control, such as the National Bank of Poland's interest rate policy and banking system liquidity policy, domestic and international regulations, Poland's economic situation, as well as the current situation on the money market.

Those funds which serve as liquidity enhancements are invested in financial instruments of other banks with high ratings (predominantly instruments with short maturities) and in highly liquid treasury securities.

The matching and monitoring of maturities of financial instruments are of key importance to the Bank's management.

The Bank has developed emergency procedures to be applied in situations which might lead to a significant increase in the liquidity risk (contingency plan). An important element of the plan with regard to a crisis on a local scale is the liquidity support provided by the Bank's main shareholder.

In 2007, with an increase in stable deposits of nearly PLN 335m, the Bank's liquidity continued to rise. The growing volume of stable deposits was a result of a significant increase in deposits from the non-financial sector.

A material element of liquidity management is the Bank's maintenance of a treasury securities portfolio. As at the end of 2007, the value of that portfolio was PLN 540m. The value of the liquidity portfolio is determined by the Assets and Liabilities Committee.

In 2007, there were no material changes in liquidity risk management at the Bank.

The table below sets forth the Group's assets and liabilities with agreed maturities, by maturity as from the balance-sheet date:

Dec 31 2007 in PLN thd	Up to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Non-interest bearing items	Total
Cash in hand and balances with Central Bank	371 719	0	0	0	0	0	0	371 719
Deposits in other banks, and loans and advances to other banks	2 514 461	680 841	564 178	120 000	0	0	(1 452)	3 878 028
Financial assets at fair value through profit or loss	262 480	58 109	71 899	10 873	0	0	0	403 361
Loans and advances to customers	753 038	40 827	22 651	25 477	2 818	1 119	(1 345)	844 585
Financial assets held as investment	0	13 176	0	0	67 577	500 859	35	581 647
Tangible assets	0	0	0	0	0	0	7 360	7 360
Intangible assets	0	0	0	0	0	0	1 418	1 418
Current tax assets	0	0	0	0	0	0	0	0
Deferred tax asset	0	0	0	0	0	0	30 143	30 143
Other assets	0	0	0	0	0	0	197 935	197 935
Total assets	3 901 698	792 953	658 728	156 350	70 395	501 978	234 094	6 316 196
Deposits from banks	1 291 208	199 526	18 000	0	0	0	0	1 508 734
Financial liabilities at fair value through profit or loss	135 961	22 061	61 826	10 719	0	0	0	230 567
Deposits from customers	3 609 568	39 826	44 003	281	579	0	0	3 694 257
Debt securities issued	0	0	80 648	0	0	0	(1 198)	79 450
Provisions	-	-	-	-	-	-	-	551
Current tax liabilities	-	-	-	-	-	-	-	11 931
Deferred tax liability	-	-	-	-	-	-	-	26 249
Other liabilities	-	-	-	-	-	-	-	137 701
Share capital	-	-	-	-	-	-	-	230 000
Reserve funds	-	-	-	-	-	-	-	195 000
Revaluation capital reserve	-	-	-	-	-	-	-	(455)
Retained earnings	-	-	-	-	-	-	-	202 211
Total equity and liabilities	5 036 737	261 413	204 477	11 000	579	0	(1 198)	6 316 196
Balance-sheet gap	1 135 039	(531 540)	(454 251)	(145 350)	(69 816)	(501 978)	-	-

Dec 31 2006 in PLN thd	Up to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Non-interest bearing items	Total
Cash in hand and balances with Central Bank	73 790	-	-	-	-	-	-	73 790
Deposits in other banks, and loans and advances to other banks	3 624 858	200 433	65 000	220 689	-	-	(2 695)	4 108 285
Financial assets at fair value through profit or loss	329 962	11 706	21 300	1 518	-	-	-	364 486
Loans and advances to customers	349 961	54 839	14 424	28 090	7 889	1 465	(964)	455 704
Financial assets held as investment	-	105 849	59 075	-	67 438	-	37	232 399
Tangible assets	-	-	-	-	-	-	-	6 525
Intangible assets	-	-	-	-	-	-	-	1 604
Current tax assets	-	-	-	-	-	-	-	177
Deferred tax asset	-	-	-	-	-	-	-	28 880
Other assets	-	-	-	-	-	-	-	86 147
Total assets	4 378 571	372 827	159 799	250 297	75 327	1 465	(3 622)	5 357 997

Deposits from banks	1 104 042	63 133	2 455	-	-	-	-	1 169 630
Financial liabilities at fair value through profit or loss	78 744	17 329	24 336	1 511	6	-	-	121 926
Deposits from customers	3 196 969	56 474	16 206	14 708	620	-	-	3 284 977
Debt securities issued	-	-	-	90 645	-	-	(2 513)	88 132
Provisions	-	-	-	-	-	-	-	6 854
Current tax liabilities	-	-	-	-	-	-	-	6 570
Deferred tax liability	-	-	-	-	-	-	-	23 214
Other liabilities	-	-	-	-	-	-	-	70 752
Share capital	-	-	-	-	-	-	-	230 000
Reserve funds	-	-	-	-	-	-	-	195 000
Revaluation capital reserve	-	-	-	-	-	-	-	(12)
Retained earnings	-	-	-	-	-	-	-	160 954
Total equity and liabilities	4 379 755	136 936	42 997	106 864	626	-	(2 513)	5 357 997
Balance-sheet gap	1 184	(235 891)	(116 802)	(143 433)	(74 701)	(1 465)	-	-

DB Securities S.A.

Based on a risk analysis, it was found that the greatest risk for the liquidity of DB Securities S.A. relates to an obligation to make a contribution to the Settlements Guarantee Fund maintained by the Polish National Depository for Securities (KDPW). This risk is mitigated by the possibility of obtaining liquidity support from the Group.

OPERATIONAL RISK

Operational risk is inherently related to all types of risk involved in Group's operations. This risk refers to possible losses that may be incurred as a result of inappropriate or ineffective internal processes, human actions, and systems, or an impact of external circumstances. Some specific unquantifiable aspects of operating risk are such elements as the risk of fraud by the Group's employees or third parties, erroneous authorisation of transactions, failures of equipment or data transmission systems, insufficient staff training, or human error.

The operational risk management at the Group is a continuous process, supported by the DB Group's specialists, including in particular officers responsible for individual business units (Divisional Operational Risk Officers).

The operational risk management at the Group focuses on close cooperation and support of the Group's business. Nevertheless, to avoid any potential conflict of interests and to ensure unbiased management, the function of operating risk assessment is separated from business decision-making functions.

Under our rules of operational risk management, each employee is responsible for identifying operational risks arising in his/her competence area and taking actions to mitigate the risk. These actions also include appropriate reporting of the identified threats to the Operating Risk Division Coordinator at the Group's relevant unit, as well as exercising due professional care in the performance of assigned duties and abiding by the applicable regulations.

The Operational Risk Coordinator reports on all events involving operating risk to the Group's Management Board, which then presents regular operating risk strategy reviews to the Supervisory Board as part of the overall risk management strategy; these reviews also include information on the actions taken by the Group to mitigate operating risk.

The Group's strategy for operating risk management is based on the following principles:

- Each of the Group's units is required to identify and estimate operating risk, and to perform necessary actions mitigating the risk, on an ongoing basis, even when such risk is difficult to identify.
- Operating risk management is delegated to the lowest (from the practical perspective) levels of the Group's structure.
- If risk-mitigating measures do not yield expected results, the risk acceptance process applicable at the DB Group should be initiated.
- Responsibilities for operating risk management are defined for individual employees.
- Transparency and efficiency of the operating risk management structure are achieved through clear assignment of responsibilities, independence in decision making, effective process of notification and escalation of events monitored by the Bank's individual departments.
- Each individual business line is directly responsible for costs incurred as a result of actions taken to mitigate operating risk or caused by operating-risk-related events which have occurred within the business line.

The Bank's organisational structure includes a clearly defined independent unit responsible for operating risk management.

The following positions were established within Group to support and coordinate operating risk management: Risk Operational Officer, Technical Information Security Officer, Business Information Security Officer, Business Continuity Coordinator, and Administrator of Personal Data Security.

CAPITAL MANAGEMENT

The process of capital planning and management reflects the current and forecast macroeconomic situation in the Group's business environment.

The macroeconomic factors taken into account by the Group in its capital management process include:

- Interest rates and their changes – as drivers of corporate borrowing and interest margins.
- Corporate and retail savings – as sources of inexpensive funding.
- Economic growth indicators – as data reflecting the scale of clients' investments and their financial standing.
- Scenario-based analyses.

The Group's objective is to manage and reduce those risks whose cost of capital is not offset by the projected return on capital employed.

In the process of the long-term capital management, our goal is to maintain the capital-to-risk ratio above the level ensuring security of clients' funds deposited with the Group, at an amount not less than the limit specified by the regulator for deposit-taking activities, i.e. PLN 450m or the PLN equivalent of EUR 100m, with the capital adequacy ratio of at least 9%, not less than the value of internal capital estimated under ICAAP, or a higher ratio required by the regulator.

NEW CAPITAL ACCORD

In 2007, the Bank implemented the provisions of the New Capital Accord (Basel II), which resulted in introduction of a structured risk and capital management system. Implementation of the Basel II methodology enabled the Bank to meet the regulatory standards following from the coming into force of the Banking Supervision Commission's resolutions regarding the transposition of EU Directives concerning Basel II in Poland.

The implementation process for the Basel II project was partially based on the experience of the DB AG Group's experts. It should be emphasised, though, that the process of implementing the New Capital Accord at the Bank was at each stage executed with due consideration to the character of the Polish market.

The Bank's Supervisory Board has adopted a policy of meeting disclosure requirements (known as the Third Pillar). Such disclosure requirements under Basel II are to be defined annually by the Polish Financial Supervision Authority.

4 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The table below sets forth carrying amounts and fair values of those financial assets and liabilities which are not disclosed at their fair values in the Group's balance sheet. Fair value of financial assets and liabilities was established on the basis of their market prices, where possible, or recognised valuation models.

in PLN thd	Dec 31 2007		Dec 31 2006	
	Carrying value	Fair value	Carrying value	Fair value
Deposits with other banks, and loans to other banks	3 878 028	3 874 770	4 108 285	4 121 211
Loans and advances to clients	844 585	845 736	455 704	457 917
Deposits from other banks	1 508 734	1 508 718	1 169 630	1 170 642
Deposits from clients	3 694 257	3 693 076	3 284 977	3 291 968

Fair values of deposits bearing interest at a variable rate and overnight deposits are equal to their respective carrying values. Estimated fair values of fixed-rate deposits are based on discounted cash flows determined with the use of interest rates computed based on the zero-coupon curve.

Loans and advances are disclosed net of impairment losses. Estimated fair values of loans and advances are equal to the respective discounted cash flows expected to be received in the future. Fair value of cash to be received is established by discounting the cash amounts at market rates quoted at a given time.

Estimated fair values of fixed-rate deposits and loans for which no market quotations exist are arrived at by discounting cash flows at interest rates applicable to loans contracted at a given time with similar maturities.

5. ACCOUNTING ESTIMATES

While performing on-going valuation of certain items of assets and liabilities, the Bank adopts estimates and assumptions which are included in valuation models. In doing so, the Bank uses its best knowledge and experience, as well as the best banking practice.

The main areas in which estimates and assumptions are used to value balance-sheet items include the determination of:

- Impairment of value of loans and advances.
- Fair values of derivatives.
- Fair values of debt securities.

In executing the implemented credit risk management processes, the Bank performs a review of its loan portfolio for impairment of its value on a regular basis.

In the event of exposures for which indications of possible impairment losses have been identified, the amounts of impairment write-offs are based on estimated future cash flows. The Bank estimates cash flows based on its own experience and realistic assessment of a given borrower's ability to continue servicing his debt. The methodology used in the Bank in identification-related estimates and permanent impairment measurements is subject to regular reviews.

Fair values of derivatives for which no active market exists (no reliable market prices are available) are determined with the use of generally accepted models, calibrated to obtain instrument prices as close to comparable market prices as possible.

Impairment of value of debt financial instruments available for sale is recognised if the market price of the instrument stays below its purchase price for at least three months. The reversal of impairment of value is performed upon the Bank's deciding that the causes of impairment of value of a given instrument have permanently ceased to exist.

6. INTEREST INCOME

Interest income

in PLN thd	Dec 31 2007	Dec 31 2006
Deposits, loans and advances to banks	195 729	153 350
Loans and advances to customers	32 581	28 014
Interest on debt securities held for trading	31 089	10 896
Interest on debt securities available for sale	14 731	5 996
Interest on debt securities held to maturity	747	735
Total interest income:	274 877	198 991

Interest income for 2007 and 2006 includes interest on loans in respect of which impairment losses were recognised, in the amount of PLN 3 thousand and PLN 5 thousand, respectively.

7. INTEREST EXPENSE

Interest expense

in PLN thd	Dec 31 2007	Dec 31 2006
Deposits of customers	(133 516)	(91 997)
Deposits of banks	(68 590)	(42 973)
Total interest expense:	(202 106)	(134 970)

8. IMPAIRMENT LOSSES

in PLN thd	Dec 31 2007	Dec 31 2006
Increase	(2 003)	(19)
revaluation of loans, advances and other receivables	(1 868)	-
provisions for off-balance-sheet commitments and liabilities	(135)	(19)
Decrease	362	618
revaluation of loans, advances and other receivables	17	546
provisions for off-balance-sheet commitments and liabilities	345	72
Impairment losses	(1 641)	599

9. FEE AND COMMISSION INCOME

in PLN thd	Dec 31 2007	Dec 31 2006
Fee and commission income	115 452	65 417
advisory services/asset management	19 738	13 235
domestic settlement transactions	14 572	10 734
other fees and commissions	12 764	10 672
foreign settlement transactions	6 034	6 202
guarantees	2 274	2 279
sale of FX options	2 977	1 340
loans and advances	751	671
brokerage commissions – shares	47 578	15 367
brokerage commissions – derivatives	6 676	2 125
brokerage commissions – bonds	1 323	2 463
brokerage commissions – others	765	329
Fee and commission expense	(28 887)	(15 035)
brokerage services	(4 285)	(3 280)
domestic settlement transactions	(6 320)	(3 222)
other fees and commissions	(2 378)	(2 092)
purchase of FX options	(2 977)	(1 352)
foreign settlement transactions	(316)	(223)
GPW costs	(6 297)	(2 721)
KDPW costs	(2 341)	(1 017)
other transaction fees	(3 973)	(1 128)
Net fee and commission income	86 565	50 382

10. NET TRADING INCOME

in PLN thd	Dec 31 2007	Dec 31 2006
Foreign exchange gains/(losses)	56 287	48 621
Gain /(loss) on debt instruments	(5 342)	935
Gain/ (loss) on Interest rate derivatives	1 229	1 195
Net trading income	52 174	50 751

11. GENERAL AND ADMINISTRATIVE EXPENSES

in PLN thd	Dec 31 2007	Dec 31 2006
Salaries and wages	(42 044)	(32 756)
Operation of IT systems	(13 367)	(14 190)
Contracted services	(10 932)	(11 359)
Building maintenance and lease expenses	(10 326)	(10 063)
Taxes, charges and other contributions	(3 430)	(4 388)
Other administrative expenses	(11 579)	(7 551)
Insurance	(4 508)	(3 172)
Other employee benefits	(2 312)	(2 214)
Postal and telecommunications charges	(1 682)	(1 752)
Consulting and advisory services	(494)	(657)
Contributions and payments to BFG (Bank Guarantee Fund)	(381)	(443)
Total general and administrative expenses	(101 055)	(88 545)

12. INCOME TAX

in PLN thd	Note	Dec 31 2007	Dec 31 2006
Current income tax		(23 330)	(25 209)
Current year		(23 330)	(24 802)
Correction from previous years		-	(407)
Deferred income tax		(1 870)	5 391
Deferred tax liability	28	(26 249)	(23 214)
Deferred tax asset	21	30 042	28 877
Increase/decrease due to asset/liability brought forward		(5 663)	(272)
Total income tax		(25 200)	(19 818)

Reconciliation to actual income tax expense

in PLN thd	Dec 31 2007	Dec 31 2006
Pre-tax profit	125 361	82 243
Tax at 19%	(23 819)	(15 626)
Non-tax-deductible costs, non-taxable income and unused deferred tax	(1 381)	(4 192)
Tax effect of impairment losses	(312)	111
Depreciation/amortisation	(11)	64
Correction from previous years	(769)	(407)
Non-tax-deductible costs (i.e. voluntary membership fees, donations, etc)	(595)	(674)
Unused deferred tax on provisions for expenses and tax effect of court proceedings	306	(3 287)
	-	-
Total income tax	(25 200)	(19 818)

13. EARNINGS PER SHARE

Earnings per share for 12 months

in PLN thd	Dec 31 2007	Dec 31 2006
Basic		
Profit for the period	100 161	62 425
Weighted average number of ordinary shares	230	230
Basic earnings per ordinary share in the period (PLN)	435 483	271 411
Diluted		
Profit for the period	100 161	62 425
Weighted average number of ordinary shares	230	230
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	230	230
Diluted earnings per ordinary share in the period (PLN)	435 483	271 411

Basic earnings per share are computed as the quotient of the profit attributable to equity holders of the Bank and the weighted average number of shares.

14. CASH IN HAND AND BALANCES WITH CENTRAL BANK

(a). Cash in hand and balances with Central Bank

in PLN thd	Dec 31 2007	Dec 31 2006
Cash	4	3
Current nostro account held at NBP	371 715	73 787
Total	371 719	73 790

(b) Cash items in cash-flow statement

in PLN thd	Dec 31 2007	Dec 31 2006
Cash	4	3
Current nostro account held at NBP	371 715	73 787
Current accounts – other banks	206 107	43 529
Total	577 826	117 319

The nostro account held at NBP is used to hold the obligatory reserve. The amount of the obligatory reserve due is decreased by PLN equivalent of EUR 500 thousand. The balance of obligatory reserve in the periods from December 31st 2007 to January 30th 2008, and for the period from November 30th 2006 to January 1st 2007 was PLN 158,850 thousand and PLN 139,736 thousand, respectively. The basis for calculation of the obligatory reserve for a given month is the arithmetic mean of cash in bank accounts as at the end of each day of a given month.

15. DEPOSITS IN OTHER BANKS, AND LOANS AND ADVANCES TO OTHER BANKS

(a) Deposits in other banks, loans and advances to banks (by type)

in PLN thd	Dec 31 2007	Dec 31 2006
Current accounts	206 107	43 529
Inter-bank deposits	3 660 471	4 069 467
Accrued interest	17 594	9 208
CLAS discount	(4 692)	(11 223)
Effective interest rate adjustment	(1 224)	(2 569)
Impairment losses	(228)	(127)
– for individual assets	-	-
– for groups of assets	(228)	(127)
Total	3 878 028	4 108 285

(b) Deposits in other banks, loans and advances to banks (by maturity)

in PLN thd	Dec 31 2007	Dec 31 2006
Repayable on demand	206 107	43 529
Term loans	3 660 471	4 069 467
up to 1 month	2 295 452	3 572 122
more than 1 month, up to 3 months	680 841	200 433
more than 3 months, up to 1 year	564 178	65 000
more than 1 year, up to 5 years	120 000	231 912
Accrued interest (not payable)	17 594	9 208
CLAS discount	(4 692)	(11 223)
Effective interest rate adjustment	(1 224)	(2 569)
Impairment losses	(228)	(127)
Total	3 878 028	4 108 285

(c) Movement in impairment allowance for loans and advances to banks

in PLN thd	Dec 31 2007	Dec 31 2006
Balance as at beginning of period	127	299
Movements:	101	(172)
Creation during the period	101	-
Releases during the period	-	(172)
Balance as at end of period	228	127

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(a) Financial assets at fair value through profit or loss

in PLN thd	Dec 31 2007	Dec 31 2006
Treasury bills	44 113	205 528
Treasury bonds	98 317	51 835
Shares	-	54
Market value of financial instruments	260 931	107 069
Total	403 361	364 486

(b) Change in financial assets at fair value through profit or loss

in PLN thd	Dec 31 2007	Dec 31 2006
Balance as at beginning of period	364 486	560 953
Increase	67 907 657	58 853 749
– purchase of debt securities	67 735 353	58 808 811
– increase in value of securities	9 011	454
– valuation of off-balance-sheet derivatives	163 293	44 484
Decrease	(67 868 782)	(59 050 216)
– sale of debt securities	(48 391 077)	(56 752 237)
– redemption of debt securities	(19 467 820)	(2 061 370)
– decrease in value of securities	(453)	(5 632)
– valuation of off-balance-sheet derivatives	(9 432)	(230 977)
Balance as at end of period	403 361	364 486

(c) Financial assets at fair value through profit or loss (by maturity)

in PLN thd	Dec 31 2007	Dec 31 2006
up to 1 month	133 323	72 599
more than 1 month, up to 3 months	59 242	11 705
more than 3 months, up to 1 year	99 048	227 021
more than 1 year, up to 5 years	71 002	47 796
more than 5 years	40 746	5 365
Total	403 361	364 486

(d) Financial instruments at fair value through profit or loss by maturity as from the end of 2007

1. Derivative contracts – forwards and futures (speculative)

in PLN thd

	Nominal values by maturity			
	up to 3 months	3 months to 1 year	more than 1 year	total
a) Interest rate contracts	2 294 955	1 034 678	1 842 900	5 172 533
– FRA	-	-	-	-
– IRS	2 294 955	1 034 678	1 842 900	5 172 533
– Other interest rate contracts	-	-	-	-
b) Currency contracts	5 822 548	3 467 032	1 895 055	11 184 634
– FX spot/forward	815 067	798 011	586 617	2 199 695
– FX swap	4 477 597	1 152 098	375 616	6 005 311
– CIRS	-	-	350 436	350 436
– Currency options purchased	264 942	758 461	291 193	1 314 596
– Currency options sold	264 942	758 461	291 193	1 314 596
c) Securities transactions	76 776	-	-	76 776
Total	8 194 279	4 501 710	3 737 955	16 433 943

(e) Financial instruments at fair value through profit or loss by maturity as from the end of 2006

1. Derivative contracts - forwards and futures (speculative)

in PLN thd	Nominal values by maturity			
	up to 3 months	3 months to 1 year	more than 1 year	total
a) Interest rate contracts	1 468 250	116 420	1 035 700	2 620 370
– FRA	-	-	-	-
– IRS	1 417 022	116 420	1 035 700	2 569 142
– Other interest rate contracts	51 228	-	-	51 228
b) Currency contracts	13 728 752	3 410 030	154 074	17 292 856
– FX spot/forward	2 653 623	1 898 499	122 336	4 674 458
– FX swap	10 498 341	522 365	1 254	11 021 960
– CIRS	-	-	-	-
– Currency options purchased	288 394	494 583	15 242	798 219
– Currency options sold	288 394	494 583	15 242	798 219
Total	15 197 002	3 526 450	1 189 774	19 913 226

(f) Positive market value of financial instruments not payable

1. Derivative contracts - forwards and futures (speculative)

in PLN thd	Positive market value as at Dec 31 2007	Positive market value as at Dec 31 2006
a) Interest rate contracts	90 848	36 569
– FRA	-	-
– IRS	90 848	36 568
– Other interest rate contracts	-	1
b) Currency contracts	122 246	65 493
– FX spot/forward	21 114	30 545
– FX swap	84 332	24 600
– CIRS	258	-
– Currency options purchased	16 542	10 348
– Currency options sold	-	-
c) Financial assets designated on initial recognition as ones to be measured at fair value	47 921	5 007
Total	261 015	107 069

17. LOANS AND ADVANCES TO CUSTOMERS

(a) Loans and advances to customers

in PLN thd	Dec 31 2007	Dec 31 2006
Overdraft facilities	656 709	231 330
Other loans and advances with agreed maturities	188 042	224 680
Accrued interest	1 179	657
Effective interest rate adjustment	(20)	(50)
Impairment losses	(1 325)	(913)
Total	844 585	455 704

(b) Loans and advances to customers by maturity

in PLN thd	Dec 31 2007	Dec 31 2006
Repayable on demand	656 709	231 330
With agreed maturities	188 042	224 680
up to 1 month	95 149	117 972
more than 1 month, up to 3 months	40 828	54 839
more than 3 months, up to 1 year	22 651	14 424
more than 1 year, up to 5 years	25 477	35 980
more than 5 years	3 937	1 465
Accrued interest (not payable)	1 179	657
Effective interest rate adjustment	(20)	(50)
Impairment losses	(1 325)	(913)
Total	844 585	455 704

(c) Quality of the loan portfolio

in PLN thd	Dec 31 2007	Dec 31 2006
Loans and advances to customers	845 910	456 667
– impaired loans	-	70
– non-impaired loans	845 930	456 597
Effective interest rate adjustment	(20)	(50)
Impairment losses	(1 325)	(913)
– portfolio of impaired loans	-	(70)
– portfolio of non-impaired loans	(1 325)	(843)
Total	844 585	455 704

(d) Loan portfolio by method of impairment estimation

in PLN thd	Dec 31 2007	Dec 31 2006
Loans and advances to customers	845 930	456 667
– tested individually	845 930	456 667
– tested by portfolio	-	-
Effective interest rate adjustment	(20)	(50)
Impairment losses	(1 325)	(913)
– impairment losses on loans tested individually	-	(70)
– impairment losses on loans tested by portfolio	-	-
– impairment losses incurred but not reported (IBNR)	(1 325)	(843)
Total	844 585	455 704

(e) Movement in impairment allowance for loan receivables

in PLN thd	Dec 31 2007	Dec 31 2006
Balance at beginning of period	913	1 287
Movements:	412	(374)
Creation during period	485	-
Releases during period	(17)	(374)
Receivables charged to provisions	(56)	-
Balance at end of period	1 325	913

18. FINANCIAL ASSETS HELD AS INVESTMENT

(a) Financial assets held as investment

in PLN thd	Dec 31 2007	Dec 31 2006
Financial assets available for sale	564 834	215 585
– Treasury bonds	551 621	50 624
– Treasury bills	13 176	164 924
– Shares	37	37
Financial assets held to maturity	16 813	16 814
– NBP Bonds	16 813	16 814
Total	581 647	232 399

Debt securities in the amount of PLN 13,176 thousand as at the end of 2007 and PLN 6,544 thousand as at the end of 2006 secure the Bank Guarantee Fund (BGF)

(b) Change in financial assets held as investment

in PLN thd	Dec 31 2007	Dec 31 2006
Balance as at beginning of period	232 399	141 786
Increase	581 045	219 809
– purchase of debt securities	567 950	218 600
– increase in value of securities	13 095	1 172
– transfers from subsidiaries	-	37
Decrease	(231 797)	(129 195)
– sale of debt securities	(50 000)	-
– redemption of debt securities	(181 250)	(127 400)
– decrease in value of securities	(547)	(1 795)
Balance as at end of period	581 647	232 399

19. TANGIBLE ASSETS

(a) Gross value of tangible assets

in PLN thd	Gross value as at Jan 1 2007	Increase purchase	Decrease sale	Decrease liquidation	Gross value as at Dec 31 2007
Vehicles	3 281	715	(485)	-	3 511
Other tangible assets	17 596	2 368	(37)	(1 415)	18 512
Leasehold improvements	15 589	309	-	-	15 898
Total gross value of tangible assets	36 466	3 392	(522)	(1 415)	37 921

Other tangible assets comprise computer hardware, data communications equipment and technical office equipment.

(b) Depreciation of tangible assets

in PLN thd	Cumulative depreciation as at Jan 1 2007	Increase	Decrease sale	Decrease liquidation	Cumulative depreciation as at Dec 31 2007
Vehicles	2 100	458	(485)	-	2 073
Other tangible assets	14 850	1 509	(32)	(1 397)	14 930
Leasehold improvements	12 991	567	-	-	13 558
Total cumulative depreciation	29 941	2 534	(517)	(1 397)	30 561

(c) Net value of tangible assets

in PLN thd	Total net value as at Jan 1 2007	Increase	Decrease sale	Decrease liquidation	Total net value as at Dec 31 2007
Vehicles	1 181	257	-	-	1 438
Other non-current assets	2 746	859	(5)	(18)	3 582
Leasehold improvements	2 598	(258)	-	-	2 340
Total net value of tangible assets	6 525	858	(5)	(18)	7 360

20. INTANGIBLE ASSETS

(a) Gross value of intangible assets

in PLN thd	Gross value as at Jan 1 2007	Increase purchase	Decrease sale	Decrease liquidation	Gross value as at Dec 31 2007
Start-up costs	115	-	-	-	115
Licences	8 633	137	-	(41)	8 729
Software	5 871	227	-	(181)	5 917
Total gross value of intangible assets	14 619	364	-	(222)	14 761

(b) Amortisation of intangible assets

in PLN thd	Cumulative amortisation as at Jan 1 2007	Increase	Decrease sale	Decrease liquidation	Cumulative amortisation as at Dec 31 2007
Start-up costs	115	-	-	-	115
Licences	7 029	439	-	(41)	7 427
Software	5 871	111	-	(181)	5 801
Total cumulative amortisation	13 015	550	-	(222)	13 343

(c) Net value of intangible assets

in PLN thd	Total net value as at Jan 1 2007	Increase	Decrease sale	Decrease liquidation	Total net value as at Dec 31 2007
Start-up costs	-	-	-	-	-
Licences	1 604	(302)	-	-	1 302
Software	-	116	-	-	116
Total net value of intangible assets	1 604	(186)	-	-	1 418

21. DEFERRED TAX ASSET

in PLN thd	Dec 31 2007	Dec 31 2006
Deferred tax asset (through income statement)	30 042	28 877
Deferred tax asset - valuation of securities available for sale (through revaluation capital reserve)	101	3
Balance as at end of period	30 143	28 880

(a) Computation of deferred tax asset as at December 31st 2007

Deductible temporary differences

in PLN thd	Tax base as at Dec 31 2007	Tax rate	Dec 31 2007
Accrued interest – amounts due to other banks	5 459	19%	1 037
Accrued interest – amounts due to customers	2 544	19%	483
Financial derivatives held for trading – securities with future settlement date	8	19%	1
Valuation of debt securities – trading book	190	19%	36
Financial derivatives held for trading – currency options	16 542	19%	3 143
Financial derivatives held for trading – CIRS/IRS	105 209	19%	19 990
Effective interest rate adjustment	1 198	19%	228
Cost of currency option premiums	81	19%	15
Cost accruals	26 286	19%	4 994
Other expenses to be paid	598	19%	114
Valuation of securities available for sale	532	19%	101
	158 647		30 143

(a) Computation of deferred tax asset as at December 31st 2006

Deductible temporary differences

in PLN thd	Tax base as at Dec 31 2006	Tax rate	Dec 31 2006
Accrued interest – amounts due to other banks	1 043	19%	198
Accrued interest – amounts due to customers	1 683	19%	320
Financial derivatives held for trading – FX forward and FX swap	70 560	19%	13 407
Financial derivatives held for trading – securities with future settlement date	6	19%	1
Financial derivatives held for trading – currency options	10 348	19%	1 966
Financial derivatives held for trading – CIRS/IRS	36 005	19%	6 841
Effective interest rate adjustment	2 513	19%	477
Cost of currency option premiums	175	19%	33
Cost accruals	29 083	19%	5 526
Other expenses to be paid	567	19%	108
Valuation of securities available for sale	15	19%	3
	151 998		28 880

22. OTHER ASSETS

in PLN thd	Dec 31 2007	Dec 31 2006
Inter-bank settlements	247	1 258
Receivables from customer	19 042	19 258
Receivables from the National Depository for Securities (KDPW S.A.)	48 567	42 689
Receivables from brokerage houses	115 995	17 725
Sundry debtors	3 501	6 196
Other	8 019	729
Prepayments and accrued income	3 814	2 762
Sundry debtors - impairment allowances	(1 250)	(4 470)
Total	197 935	86 147

23. DEPOSITS FROM BANKS

(a) Deposits from banks

in PLN thd	Dec 31 2007	Dec 31 2006
Current accounts	524 590	247 344
Inter-bank deposits	978 779	921 277
Accrued interest	5 365	1 009
Effective interest rate adjustment	-	-
Total	1 508 734	1 169 630

(b) Deposits from banks by maturity

in PLN thd	Dec 31 2007	Dec 31 2006
Repayable on demand	524 590	247 344
Term loans	978 779	921 277
up to 1 month	761 253	855 688
more than 1 month, up to 3 months	199 526	63 133
more than 3 months, up to 1 year	18 000	2 456
more than 1 year, up to 5 years	-	-
over 5 years	-	-
Accrued interest (not payable)	5 365	1 009
Effective interest rate adjustment	-	-
Total	1 508 734	1 169 630

24. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

(a) Financial liabilities at fair value through profit or loss

in PLN thd	Dec 31 2007	Dec 31 2006
Financial derivatives held for trading – FX forward and FX swap	60 887	70 560
Financial derivatives held for trading – securities with future settlement date	8	6
Financial derivatives held for trading – currency options	16 542	10 348
Financial derivatives held for trading – CIRS/IRS	105 209	36 005
Financial liabilities designated on initial recognition as ones to be measured at fair value	47 921	5 007
Total	230 567	121 926

(b) Change in financial liabilities at fair value through profit or loss

in PLN thd	Dec 31 2007	Dec 31 2006
Balance as at beginning of period	121 926	281 371
Increase	118 314	66 414
– valuation of off-balance-sheet derivatives	118 314	66 414
Decrease	(9 673)	(225 859)
– valuation of off-balance-sheet derivatives	(9 673)	(225 859)
Balance as at end of period	230 567	121 926

(c) Negative value of financial instruments not payable

1. Derivative contracts forwards and futures (speculative)

w tys. PLN

	Negative market value as at Dec 31 2007	Negative market value as at Dec 31 2006
a) Interest rate contracts	105 000	36 011
– FRA	-	-
– IRS	104 992	36 005
– Other interest rate contracts	8	6
b) Currency contracts	77 646	80 908
– FX spot/forward	33 559	38 196
– FX swap	27 328	32 364
– CIRS	217	-
– Currency options purchased	-	-
– Currency options sold	16 542	10 348
c) Financial liabilities designated on initial recognition as ones to be measured at fair value	47 921	5 007
Total	230 567	121 926

25. DEPOSITS FROM CUSTOMERS

(a) Deposits from customers

in PLN thd	Dec 31 2007	Dec 31 2006
Current accounts	1 583 070	1 223 290
Deposits	2 108 601	2 060 004
Accrued interest	2 586	1 683
Effective interest rate adjustment	-	-
Total	3 694 257	3 284 977

(b) Deposits from customers by maturity

in PLN thd	Dec 31 2007	Dec 31 2006
Repayable on demand	1 583 070	1 223 290
Term deposits	2 108 601	2 060 004
up to 1 month	2 023 912	1 971 996
more than one 1 month, up to 3 months	39 826	56 474
more than 3 months, up to 1 year	44 003	16 206
more than 1 year, up to 5 years	860	15 328
more than 5 years	-	-
Accrued interest (not payable)	2 586	1 683
Effective interest rate adjustment	-	-
Total	3 694 257	3 284 977

26. DEBT SECURITIES ISSUED

(a) Debt securities issued

in PLN thd	Dec 31 2007	Dec 31 2006
Debt securities issued	85 225	101 868
Discount	(4 577)	(11 223)
Effective interest rate adjustment	(1 198)	(2 513)
Total	79 450	88 132

27. PROVISIONS

(a) Provisions

in PLN thd	Dec 31 2007	Dec 31 2006
Provisions for court proceedings	96	6 193
Provisions for off-balance-sheet liabilities	419	630
Provisions for retirements	36	31
Total	551	6 854

The Bank creates provisions by obligation, for legal cases or probable liabilities, provided the amount of the liabilities can be reasonably estimated. The liabilities relates to past events and the outflow of cash to settle the liability is probable.

28. DEFERRED TAX LIABILITY

(a) Deferred Tax Liability

in PLN thd	Dec 31 2007	Dec 31 2006
Deferred tax liability (through income statement)	26 249	23 214
Total	26 249	23 214

(b) Computation of deferred tax liability as at December 31st 2007

Taxable temporary differences

in PLN thd	Tax base as at Dec 31 2007	Tax rate	Dec 31 2007
Accrued interest - deposits in other banks, and loans and advances to other banks	18 310	19%	3 479
Accrued interest - loans and advances to customers	525	19%	100
Interest accrued on purchased accounts receivable	922,00	19%	175
Financial derivatives held for trading - securities with future settlement date	-	19%	-
Financial derivatives held for trading - currency options	16 545	19%	3 144
Financial derivatives held for trading - CIRS/IRS	91 107	19%	17 310
Valuation of treasury bills and bonds	-	19%	-
Effective interest rate adjustment - deposits in other banks	1 809	19%	344
Effective interest rate adjustment - loans and advances to customers	-	19%	-
Fee and commission and other income to be received	3 510	19%	667
Adjustment for securities discount	5 425	19%	1 031
Total taxable temporary differences	138 153		26 249

(c) Computation of deferred tax liability as at December 31st 2006

Taxable temporary differences

in PLN thd	Tax base as at Dec 31 2006	Tax rate	Dec 31 2006
Accrued interest - deposits in other banks, and loans and advances to other banks	9 242	19%	1 756
Accrued interest - loans and advances to customers	657	19%	125
Financial derivatives held for trading - FX forward and FX swap	55 145	19%	10 477
Financial derivatives held for trading - securities with future settlement date	1	19%	0
Financial derivatives held for trading - currency options	10 348	19%	1 966
Financial derivatives held for trading - CIRS/IRS	36 568	19%	6 948
Valuation of treasury bills and bonds	210	19%	40
Effective interest rate adjustment - deposits in other banks	2 569	19%	488
Effective interest rate adjustment - loans and advances to customers	50	19%	10
Fee and commission and other income to be received	2 089	19%	397
Adjustment for securities discount	4 731	19%	899
Accrued interest income on securities to be received - only NBP bonds	569	19%	108
Total taxable temporary differences	122 179		23 214

29. OTHER LIABILITIES

(a) Other liabilities

in PLN thd	Dec 31 2007	Dec 31 2006
Audit accrual	286	469
Accruals for unused holidays	889	955
Accrued bonuses to employees	14 957	12 901
IT and telecommunications services	3 555	5 640
Accrual for rent	468	288
Other expenses to be paid	10 554	12 626
Other liabilities – inter-bank settlements	100 520	35 596
Other liabilities – deferred income	345	-
Other liabilities – various creditors	6 127	2 277
Total	137 701	70 752

30. SHARE CAPITAL

(a) Changes in share capital since incorporation of Deutsche Bank Polska S.A.

Date	Series	Transaction	Change in share capital in PLN thd	Share capital after change in PLN thd
Jul 21 1995	A	Incorporation of the Bank	20 000	20 000
Nov 20 1995	B	share capital increase	10 000	30 000
Aug 21 1996	C	share capital increase	40 000	70 000
Jul 7 1998	D	share capital increase	80 000	150 000
Oct 16 1998	E	share capital increase	80 000	230 000

The sole shareholder of Deutsche Bank Polska S.A. is Deutsche Bank AG. As a result of the share issues effected to date, DB AG holds all, i.e. 230 ordinary shares in the Bank with the par value of PLN 1m per share. Deutsche Bank AG holds 100% of the total vote at the General Shareholders Meeting. In 2007, no new shares were issued. All shares were paid up in cash.

31. RESERVE FUNDS

The Bank's reserve funds consist of share premium only. The table below presents changes in the reserve funds over the successive years of the Bank's operations:

Date	Series	Transaction	Change in reserve funds in PLN thd	Reserve funds after change in PLN thd
Jul 21 1995	A	First issue of shares	5 000	5 000
Nov 20 1995	B	Second issue of shares	10 000	15 000
Aug 21 1996	C	Third issue of shares	25 000	40 000
Jul 7 1998	D	Fourth issue of shares	80 000	120 000
Oct 16 1998	E	Fifth issue of shares	75 000	195 000

32. REVALUATION CAPITAL RESERVE

	Dec 31 2007	Dec 31 2006
Revaluation capital reserve - revaluation of financial assets	(562)	(15)
Revaluation capital reserve - deferred income tax	107	3
Total	(455)	(12)

33. RETAINED EARNINGS

	Dec 31 2007	Dec 31 2006
Retained earnings (deficit) brought forward	102 050	98 529
Net profit for the current year	100 161	62 425
Total	202 211	160 954

Pursuant to Resolution of the General Shareholders Meeting, the Bank paid out dividend for the previous financial year in the amount of PLN 58 904 thousand, i.e. PLN 256.1 thousand per share, and as at December 31st 2007 had no liabilities under dividends declared but not paid. Dividend from the net profit for 2007 is planned to be paid in the amount of PLN 82 412 thousand. The planned dividend per share is estimated at PLN 358.3 thousand.

34. CURRENCY STRUCTURE

Currency structure as at December 31st 2007

Currency	Assets and off-balance-sheet items	Liabilities and off-balance-sheet items	Long position (+)	Short position (-)
207 – HUF	17 429	16 604	825	-
213 – CZK	13 429	15 235	-	1 806
233 – EEK	7	7	-	-
781 – AUD	455	235	220	-
784 – JPY	32 526	32 524	2	-
787 – USD	1 288 711	1 288 922	-	211
788 – CAD	100	-	100	-
789 – GBP	20 255	20 261	-	6
792 – DKK	1 610	1 609	1	-
796 – NOK	7 099	6 595	504	-
797 – CHF	1 669 435	1 671 832	-	2 397
798 – SEK	933	717	216	-
978 – EUR	2 162 696	2 162 182	514	-
201 – RUB	12 940	12 938	2	-
212 – SIT	-	-	-	-
214 – SKK	223	9	214	-
232 – UAH	-	-	-	-
234 – LTL	13	8	5	-
235 – LVL	1	3	-	2
RON	28 983	28 966	17	-
INR	1	-	1	-
SGD	1	1	-	0
TRY	1 643	1 616	27	-
Total	5 258 490	5 260 264	2 648	4 423

The Bank's foreign currency position is presented in accordance with Resolution No. 1/2007 of the Banking Supervision Commission of March 30th 2007 (Dz.U. NBP No. 2).

On December 31st 2007 the total currency position (short) of the Bank amounted to PLN 4 423 thousand, which accounted for 0.84% of the equity. Therefore, there is no capital requirement on account of the currency risk.

35. CAPITAL ADEQUACY RATIO

(a) Data for computation of the capital adequacy ratio as at December 31st 2007

Type of risk

in PLN thd	Exposure	Capital requirement
Credit risk	1 820 283	148 648
Exposure concentration risk	x	-
Market risk	x	10 826
Other	-	19 949
Total	x	179 423

Compliance with the capital adequacy regulatory requirements

in PLN thd	Amount
Basic capital (Tier I)	230 000
Supplementary capital (Tier II)	296 595
Deductions from basic and supplementary capital	(1 418)
Including: deficit in required loan-loss provisions	-
Equity	525 177
Short-term capital (Tier III)	30 775
Equity and short-term capital	555 952
Total capital requirement	179 423
Capital adequacy ratio	24,79%

36. FINANCIAL AND OPERATING LEASES

Deutsche Bank Polska S.A. is not a lessee under any financial lease agreements. Deutsche Bank Polska S.A. leases office space under operating lease agreements. Generally, the agreements are concluded for 8 to 11 years. Lease payments are adjusted annually based on the EICP Index.

The table below shows total liabilities under irrevocable operating leases:

Liabilities under operating leases less subleases

in PLN thd	Dec 31 2007	Dec 31 2006
up to 1 year	3 833	4 315
1 to 5 years	11 500	18 686
over 5 years	-	-
Total	15 333	23 001

37. CONTINGENT LIABILITIES

(a) Off-balance-sheet liabilities

The Bank has lending commitments which include approved loan financing, credit card limits and overdraft facilities.

Additionally the Bank issues guarantees and letters of credit, which secure performance of its customers' obligations towards third parties. The Bank's guarantee liabilities include guarantees and open export letters of credit. The most common types of guarantees issued by the Bank include payment guarantees, performance bonds, bid bonds, advance payment guarantees, loan repayment guarantees, and customs guarantees. The break-down of contingent liabilities into categories is presented below. The values associated with guarantees and letters of credit set out in the table below represent the maximum possible loss that would be disclosed as at the balance sheet day if customers failed to discharge their obligations in full.

in PLN thd	Dec 31 2007	Dec 31 2006
I Contingent liabilities assumed and received	2 745 661	2 906 572
1 Liabilities assumed:	1 586 668	1 622 175
a) financial liabilities	1 020 560	1 132 344
b) guarantee liabilities	566 108	489 831
2 Liabilities received:	1 158 993	1 284 397
a) financial liabilities	24 487	180 889
b) guarantee liabilities	1 134 506	1 103 508

38. TRANSACTIONS WITH RELATED PARTIES

The Bank is wholly owned by DB AG, which holds 100% of the total vote at the Bank's General Shareholders Meeting. DB Securities S.A. is the Bank's subsidiary undertaking. In 2006, Deutsche Bank Polska S.A. acquired 100% of shares in DB Securities S.A. The majority of related party transactions are banking transactions executed as part of the ordinary course of business. These involve mainly placements, deposits, guarantees and derivatives.

(a) Income and expenses under transactions with related parties Jan 1 – Dec 31 2007

Income and expenses

in PLN thd	Subsidiary	Other members of DB AG Group
Interest income	185	174 322
Fee and commission income	113	-
Net trading income	(86)	62 963
Other operating income	375	10 744
Interest expenses	(4 617)	(55 984)
Fees and commissions expense	(401)	-
General and administrative expenses	-	(17 559)

(a) Income and expenses under transactions with related parties Jan 1 – Dec 31 2006

Income and expenses

in PLN thd	Subsidiary	Other members of DB AG Group
Interest income	295	142 476
Fee and commission income	-	6 634
Net trading income	-	(37 980)
Other operating income	203	2 141
Interest expenses	(2 343)	(32 307)
Fees and commissions expense	-	(1 249)
General and administrative expenses	-	(12 931)

(b) Receivables and liabilities under transactions with related parties - Dec 31 2007

Receivables and liabilities

in PLN thd	Subsidiary	Other members of DB AG Group
Deposits in other banks, and loans and advances to other banks	-	3 818 270
Financial assets at fair value through profit or loss	-	105 659
Loans and advances to customers	192	-
Liabilities to other banks	-	1 171 013
Liabilities to customers	97 667	36 898
Financial liabilities at fair value through profit or loss	85	142 707

(b) Receivables and liabilities under transactions with related parties - Dec 31 2006

Receivables and liabilities

in PLN thd	Subsidiary	Other members of DB AG Group
Deposits in other banks, and loans and advances to other banks	-	4 067 654
Financial assets at fair value through profit or loss	-	38 951
Loans and advances to customers	-	-
Liabilities to other banks	-	731 859
Liabilities to customers	179 249	193 257
Financial liabilities at fair value through profit or loss	-	64 535

(c) Off-balance-sheet transactions with related parties - Dec 31 2007

Off-balance-sheet transactions

in PLN thd	Subsidiary	Other members of DB AG Group
Guarantee liabilities assumed	-	132 493
Financial liabilities assumed	30 000	-
Guarantee liabilities received	-	88 997
Financial liabilities received	-	3 067
Notional amounts of derivatives, including:	12 926	11 751 228
Liabilities under securities trading	-	-
Currency options	-	1 314 596
Interest rate swaps	-	4 317 051
FRA	-	-
FX Swap, FX Spot, FX Forward	12 926	6 119 581

(c) Off-balance-sheet transactions with related parties - Dec 31 2006

Off-balance-sheet transactions

in PLN thd	Subsidiary	Other members of DB AG Group
Guarantee liabilities assumed	-	185 558
Financial liabilities assumed	30 000	47 684
Guarantee liabilities received	-	151 888
Financial liabilities received	-	5 877
Notional amounts of derivatives, including:	-	12 429 415
Liabilities under securities trading	-	-
Currency options	-	798 220
Interest rate swaps	-	2 126 292
FRA	-	-
FX Swap, FX Spot, FX Forward	-	9 504 903

39. TRANSACTIONS WITH EMPLOYEES AND MANAGEMENT BOARD MEMBERS

In 2007, the aggregate remuneration paid to the Bank's Management Board members amounted to PLN 3,398.19 thousand, of which 52.85% was paid as a performance-based bonus. The remuneration of the Supervisory Board in 2007 was PLN 236.4 thousand. The number of Bank's employees increased to 245 as at the end of December 2007.

In 2006, the aggregate remuneration paid to the Bank's Management Board members amounted to PLN 3,880.45 thousand, of which 47.33% was paid as a performance-based bonus. The remuneration of the Supervisory Board in 2006 was PLN 206 thousand. The number of Bank's employees increased to 200 as at the end of December 2006.

40. MATERIAL EVENTS SUBSEQUENT TO THE BALANCE-SHEET DATE

There were no material events after the balance-sheet date.

Signatures of the Board Members



Krzysztof Kalicki
President, CEO



Marcin Iwaszkiewicz
Management Board
Member



Mirosław Urbański
Management Board
Member

Signature of the person responsible for the Group's accounts



Zbigniew Bętkowski
Finance Director

Warsaw, April 23rd 2008 r.

Further information

04//

Opinion of the independent auditor

TO THE GENERAL MEETING OF DEUTSCHE BANK POLSKA S.A.

We have audited the accompanying consolidated financial statements of Deutsche Bank Polska S.A. Capital Group seated in Warsaw, Al. Armii Ludowej 26 ("Capital Group"), which comprise the consolidated balance sheet as at 31 December 2007, with total assets and total liabilities and equity of PLN 6,316,196 thousand, the consolidated profit and loss account for the year then ended with a net profit of PLN 100,161 thousand, the consolidated statement of changes in equity for the year then ended with an increase in equity of PLN 40,814 thousand, the consolidated cash flow statement for the year then ended with an increase in cash amounting to PLN 460,507 thousand and notes to the consolidated financial statements, comprising of a summary of significant accounting policies and other explanatory notes.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management of the parent entity is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by European Union and with other applicable regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility, based on our audit, is to express an opinion on these consolidated financial statements. We conducted our audit in accordance with section 7 of the Accounting Act dated 29 September 1994 (Official Journal from 2002, No. 76, item 694 with amendments) ("the Accounting Act"), the professional standards established by the Polish National Council of Certified Auditors and International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, the accompanying consolidated financial statements of Deutsche Bank Polska S.A. Group have been prepared and present fairly in all material respects the financial position of the Group as at 31 December 2007 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, and are in compliance with the respective regulations that apply to the consolidated financial statements, applicable to the Group.

OTHER MATTERS

As required under the Accounting Act we also report that the Report of the Management Board on the Group's activities includes, in all material respects, the information required by Art. 49 of the Accounting Act and the information is consistent with the consolidated financial statements.



Certified Auditor No. 9794/7301
Mariola Szczesiak



For KPMG Audyt Sp. z o.o.
ul. Chłodna 51; 00-867 Warsaw
Certified Auditor No. 9941/7390
Bożena Graczyk,
Member of the Management
Board



For KPMG Audyt Sp. z o.o.
ul. Chłodna 51; 00-867 Warsaw
David Pozzocco, Partner

Warsaw, 23 April 2008.

tel. (+48 22) 579 90 00

Bank's Headquarters

al. Armii Ludowej 26
00-609 Warszawa
tel. (+48 22) 579 90 00
fax (+48 22) 579 90 01
www.db-polska.pl
e-mail: public.relations@db.com