9 April 2009

Deutsche Bank Aktiengesellschaft

Registration Document

Pursuant to Sec. 5 and 12 (1) 3 German Securities Prospectus Act *(Wertpapierprospektgesetz)*

English Language Version

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The following information has been incorporated in this Registration Document by reference to the registration document of Deutsche Bank AG dated 29 April 2008 which has been approved by and filed with the *Bundesanstalt für Finanzdienstleistungsaufsicht* (the "BaFin") and published on www.db.com/ir. The Registration Document must be read together with the following sections which are deemed to be included in, and to form part of, the Registration Document:

- Financial Statements – Audited consolidated financial statements (U.S. GAAP) of Deutsche Bank Aktiengesellschaft for the fiscal year ending on 31 December 2006 including the auditors' report (Page F-325); Registration Document of 29 April 2008 (English language version); Pages F-385 to F-482.

APPROVAL, PUBLICATION AND VALIDITY OF REGISTRATION DOCUMENT

This Registration Document has been approved pursuant to Section 13 subsection 1 of the Securities Prospectus Act by the BaFin. It has been published on the website (www.db.com/ir) of Deutsche Bank Aktiengesellschaft (hereinafter also referred to as "Deutsche Bank AG", the "Bank" or "the Company" and together with its consolidated subsidiaries the "Deutsche Bank Group", the "Deutsche Bank" or "the Group") on the date of its approval.

The Registration Document is valid for a period of twelve months from the date of its publication and it reflects the status as of its respective date of approval. This Registration Document complies with the requirements of a share registration document (Art. 4, Annex I Commission Regulation (EC) No 809/2004) as well as the requirements of a bank registration document (Art. 14, Annex XI Commission Regulation (EC) No 809/2004). Therefore, it may be used in regard to shares and other securities covered by Art. 4 of Commission Regulation (EC) No 809/2004 as well as in regard to debt and derivative securities and those securities which are not covered by Art. 4 of Commission Regulation (EC) No 809/2004.

This Registration Document neither constitutes an offer nor an invitation by Deutsche Bank to subscribe for or purchase any securities. It should not be considered as a recommendation by Deutsche Bank that any recipient of this Registration Document should subscribe for or purchase any securities Deutsche Bank may issue. No person has been authorized by Deutsche Bank to give any information or to make any representation other than those contained in this document or consistent with this document. If given or made, any such information or representation should not be relied upon as having been authorized by Deutsche Bank.

PERSONS RESPONSIBLE

Deutsche Bank Aktiengesellschaft, Frankfurt am Main, assumes responsibility for the contents of this Registration Document (the "Registration Document") pursuant to Section 5(4) of the German Securities Prospectus Act *(Wertpapierprospektgesetz)* and hereby declares that to its knowledge the information contained in this Registration Document is true and accurate and no material circumstances have been omitted, as well as that it has exercised proper care to ensure that the information contained in the Registration Document is true and accurate to its knowledge and that no facts likely to alter the assertions made in the Registration Document have been omitted.

STATUTORY AUDITORS

The independent auditors of Deutsche Bank are KPMG AG Wirtschaftsprüfergesellschaft (formerly known as KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft) ("KPMG"), Marie-Curie-Strasse 30, 60439 Frankfurt am Main, Germany. The annual financial statements prepared in accordance with the German Commercial Code, the consolidated financial statements prepared in accordance with IFRS for the fiscal years 2008 and 2007 (with comparative figures to preceding year) as well as the consolidated financial statements prepared in accordance with U.S. GAAP for the fiscal year 2006 have been audited by KPMG and an unqualified auditor's report has been issued in each case. KPMG is a member of the chamber of public accountants *(Wirtschaftsprüferkammer).*

RISK FACTORS

An investment in securities of Deutsche Bank involves a number of risks. Investors should carefully consider the following information about the risks Deutsche Bank faces, together with the other information in this document, before making investment decisions involving securities of Deutsche Bank. If one or more of these risks were to materialize, it could have a material adverse effect on Deutsche Bank's financial condition, results of operations, cash flows or prices of Deutsche Bank's securities. The Securities Note for the respective securities might contain further risk factors in regard to these respective securities. Other risks of which the Bank is currently unaware may also have a material adverse effect on the business, financial condition and results of operations of Deutsche Bank AG or Deutsche Bank Group, as the case may be. The selected order in which the following risk factors are presented does not have any significance in regard to the likelihood of their realization nor the severity of their economic impact.

Deutsche Bank has been and expects to continue to be affected by the ongoing global financial crisis and economic downturn.

As a global investment bank with a large private clients franchise, Deutsche Bank's businesses are materially affected by conditions in the global financial markets and economic conditions generally. Over the past year, these conditions have changed significantly and negatively and continue to deteriorate. Since the second half of 2007, and particularly since September 2008, the financial services industry, including Deutsche Bank, and the global financial markets have been materially and adversely affected by significant declines in the values of nearly all classes of financial assets. The declines initially occurred in financial assets linked to or backed by U.S. subprime residential mortgages, but soon spread to nearly all other asset classes, including mortgage and real estate asset classes, leveraged finance loans and equities. The financial markets have been, and continue to be, characterized by unprecedented levels of volatility (rapid changes in price direction) and the breakdown of historically observed correlations (the extent to which prices move in tandem) across asset classes, compounded by extremely limited liquidity. This has materially and adversely affected the availability and performance of instruments used to hedge positions and manage risk. Furthermore, there has been a widespread loss of investor confidence, initially and most severely in financial institutions, but more recently also in companies in a number of other industries and in the broader markets.

Market conditions have also led to the failure or merger under distressed conditions of a number of prominent financial institutions. Financial institution failures or near-failures have resulted in losses, including for Deutsche Bank, as a consequence of defaults on securities issued by them and defaults under bilateral derivatives and other contracts entered into with such entities as counterparties. Furthermore, declining asset values, defaults on mortgages and consumer loans, and the lack of market and investor confidence, as well as other factors, have all combined to increase the spreads, or costs, on credit default swaps, which are instruments used to manage credit risks, to cause rating agencies to lower credit ratings, including Deutsche Bank's own, and to otherwise increase the cost and decrease the availability of liquidity, despite very significant declines in central bank borrowing rates and other government actions. While governments, regulators and central banks worldwide, including in Germany and the U.S., have taken numerous steps to increase liquidity and to restore investor confidence, asset values have continued to decline and access to liquidity continues to be very limited.

As of the end of 2008, Europe, the U.S. and other important economies were contracting. Business activity across a wide range of industries and regions continues to be greatly reduced and local governments and many companies are in serious economic difficulty due to the lack of consumer spending and the lack of liquidity in the credit markets. Unemployment has increased significantly.

As described further below, these extremely adverse financial market and economic conditions have negatively impacted many of Deutsche Bank's businesses, particularly Deutsche Bank's credit trading, equity and derivatives trading, mortgage, leveraged finance, corporate finance and investment management businesses, and Deutsche Bank has no reason to expect that these conditions will improve in the near or medium term. Until they do, Deutsche Bank expects its results of operations to continue to be materially and adversely affected.

Market declines and volatility can materially adversely affect Deutsche Bank's revenues and profits.

In recent years Deutsche Bank has increased its exposure to the financial markets as Deutsche Bank has emphasized growth in its investment banking activities, including trading activities. Accordingly, Deutsche Bank is more at risk from the adverse developments in the financial markets than it was when it derived a larger percentage of its revenues from traditional lending activities. Market declines have caused and can continue to cause Deutsche Bank's revenues to decline, and, if Deutsche Bank is unable to reduce its expenses at the same pace, can cause Deutsche Bank's profitability to erode or cause it to show material losses, as it did in 2008. Volatility can also adversely affect Deutsche Bank, by causing the value of financial assets Deutsche Bank holds to decline or the expense of hedging Deutsche Bank's risks to rise.

Deutsche Bank has incurred and may continue to incur significant losses from its trading and investment activities due to market fluctuations.

Deutsche Bank enters into and maintains large trading and investment positions in the fixed income, equity and currency markets, primarily through its Corporate Banking & Securities Corporate Division. Deutsche Bank also has made significant investments in individual companies, primarily through its Corporate Investments and Corporate Investment Bank Group Divisions. It also maintains smaller trading and investment positions in other assets. Many of these trading positions include derivative financial instruments.

In each of the product and business lines in which Deutsche Bank enters into these kinds of positions, part of its business entails making assessments about the financial markets and trends in them. The revenues and profits Deutsche Bank derives from many of its positions and transactions in connection with them can be negatively impacted by market prices, which have recently been both declining and volatile. When Deutsche Bank owns assets, market price declines can expose it to losses. Many of the more sophisticated transactions Deutsche Bank describes in its discussions of its Corporate Banking & Securities Corporate Division are designed to profit from price movements and differences among prices. If prices move in a way Deutsche Bank has not anticipated, it may experience losses. Also, when markets are volatile, the assessments Deutsche Bank has made may prove to lead to lower revenues or profits, or may lead to losses, on the related transactions and positions. In addi-

tion, Deutsche Bank commits capital and takes market risk to facilitate certain capital markets transactions; doing so can result in losses as well as income volatility.

Since the second half of 2007, and particularly since September 2008, financial markets have experienced exceptionally difficult conditions, which have been reflected in material declines in the values of financial assets, considerably lower volumes of business activity in the areas most directly affected and slowing economic and business momentum more generally. Among the principally affected areas in which Deutsche Bank does business have been the leveraged finance and structured credit markets. In addition to causing reduced business activity and revenues in these and other areas, continuing difficult market conditions have required Deutsche Bank to write down the carrying values of some of its portfolios of assets, including leveraged loans and loan commitments. Furthermore, Deutsche Bank incurred sizeable losses in its equity derivatives trading and equity and credit proprietary trading businesses. Despite initiatives to reduce its exposure to the affected asset classes or activities, such reduction has not always been possible due to illiquid trading markets for many assets. As a result, Deutsche Bank has substantial remaining exposures and thus continues to be exposed to further deterioration in prices for the remaining positions. These write-downs and losses led Deutsche Bank to incur a loss in 2008, as performance in its other businesses was not sufficient to offset them. Deutsche Bank's inability to offset the potential negative effects on its profitability through performance in its other businesses may continue in the future, which may further adversely affect Deutsche Bank's business and financial condition.

Protracted market declines have reduced and may continue to reduce liquidity in the markets, making it harder to sell assets and possibly leading to material losses.

In some of Deutsche Bank's businesses, protracted market movements, particularly asset price declines, can reduce the level of activity in the market or reduce market liquidity. These developments can lead to material losses if Deutsche Bank cannot close out deteriorating positions in a timely way. This may especially be the case for assets Deutsche Bank holds for which there are not very liquid markets to begin with. Assets that are not traded on stock exchanges or other public trading markets, such as derivatives contracts between banks, may have values that Deutsche Bank calculates using models other than publicly-quoted prices. Monitoring the deterioration of prices of assets like these is difficult and could lead to losses Deutsche Bank did not anticipate.

The exceptionally difficult market conditions since the second half of 2007, and particularly since September 2008, have resulted in greatly diminished liquidity in certain markets in which Deutsche Bank does business, including the leveraged finance and structured credit markets. Deutsche Bank has already written down, and continuing difficult market conditions may require Deutsche Bank to write down further, the carrying values of some of its portfolios of assets, which could have a material adverse effect on Deutsche Bank's financial condition. In the third and fourth quarter of 2008, Deutsche Bank has, as permitted by recent amendments to IFRS, reclassified certain financial assets out of financial assets carried at fair value through profit or loss or available for sale into loans. While such reclassified assets, which had a carrying value of € 34.4 billion as of December 31, 2008, are no longer subject to mark-to-market accounting, Deutsche Bank continues to be exposed to the risk of impairment of such assets. In addition, to the extent Deutsche Bank is unable to sell assets, it bears additional funding and capital costs with respect to them.

Deutsche Bank has incurred losses, and may incur further losses, as a result of changes in the fair value of its financial instruments.

A substantial proportion of the assets and liabilities on Deutsche Bank's balance sheet comprise financial instruments that it carries at fair value, with changes in fair value recognized in the income statement. Fair value is defined as the price at which an asset or liability could be exchanged in a current transaction between knowledgeable, willing parties, other than in a forced or liquidation sale. If the value of an asset carried at fair value declines (or the value of a liability carried at fair value increases) a corresponding write-down is recognized in the income statement. These write-downs have been and could continue to be significant.

Observable prices or inputs are not available for certain classes of financial instruments. Fair value is determined in these cases using valuation techniques Deutsche Bank believes to be appropriate for

the particular instrument. The application of valuation techniques to determine fair value involves estimation and management judgment, the extent of which will vary with the degree of complexity of the instrument and liquidity in the market. Management judgment is required in the selection and application of the appropriate parameters, assumptions and modeling techniques. If any of the assumptions change due to negative market conditions or for other reasons, subsequent valuations may result in significant changes in the fair values of Deutsche Bank's financial instruments, requiring it to record losses.

Deutsche Bank's exposure and related write-downs are reported net of any fair value gains it may record in connection with hedging transactions related to the underlying assets. However, Deutsche Bank may never realize these gains, and the fair value of the hedges may change in future periods for a number of reasons, including as a result of deterioration in the credit of its hedging counterparties. Such declines may be independent of the fair values of the underlying hedged assets and may result in future losses.

Deutsche Bank's results for the fiscal year 2008 included losses on trading activities in relative value trading in both debt and equity, CDO correlation trading and residential mortgage-backed securities, and the leveraged loan book including loan commitments. Deutsche Bank continues to have significant exposures to these markets and products and therefore is exposed to the risk of further losses. Such losses could have a material adverse effect on Deutsche Bank's results of operations and financial condition.

Even where losses are for Deutsche Bank's clients' accounts, they may fail to repay Deutsche Bank, leading to material losses for Deutsche Bank, and its reputation can be harmed.

While Deutsche Bank's clients would be responsible for losses Deutsche Bank incurs in taking positions for their accounts, it may be exposed to additional credit risk as a result of their need to cover the losses. Deutsche Bank's business may also suffer if its clients lose money and Deutsche Bank loses the confidence of clients in its products and services.

Deutsche Bank's investment banking revenues have declined and may continue to decline in the current or any future adverse market or economic conditions.

Deutsche Bank's investment banking revenues, in the form of financial advisory and underwriting fees, directly relate to the number and size of the transactions in which Deutsche Bank participates and are susceptible to adverse effects from sustained market downturns, such as the one currently experienced. These fees and other income are generally linked to the value of the underlying assets and therefore decline as asset values decline, as they have during the current financial crisis. During 2008, Deutsche Bank's investment banking business has been negatively affected by the decrease in equity and debt underwriting and a decline in mergers and acquisitions. Deutsche Bank's revenues and profitability could sustain further material adverse effects from a significant reduction in the number or size of debt and equity offerings and merger and acquisition transactions.

Deutsche Bank may generate lower revenues from brokerage and other commission- and fee-based businesses.

Market downturns have led and are likely to continue to lead to declines in the volume of transactions that Deutsche Bank executes for its clients and, therefore, to declines in its noninterest income. In addition, because the fees that Deutsche Bank charges for managing its clients' portfolios are in many cases based on the value or performance of those portfolios, a market downturn, such as the one currently experienced, that reduces the value of its clients' portfolios or increases the amount of withdrawals reduces the revenues Deutsche Bank receives from its asset management and private banking businesses. Even in the absence of a market downturn, below-market or negative performance by Deutsche Bank's investment funds may result in increased withdrawals and reduced inflows, which would reduce the revenue Deutsche Bank receives from its asset management business.

The risk management policies, procedures and methods leave Deutsche Bank exposed to unidentified or unanticipated risks, which could lead to material losses.

Deutsche Bank has devoted significant resources to developing risk management policies, procedures and assessment methods and intends to continue to do so in the future. Nonetheless, the risk management techniques and strategies have not been and may in the future not be fully effective in mitigating Deutsche Bank's risk exposure in all economic market environments or against all types of risk, including risks that it fails to identify or anticipate. Some of the quantitative tools and metrics for managing risk are based upon the use of observed historical market behavior. Deutsche Bank applies statistical and other tools to these observations to arrive at quantifications of its risk exposures. In the current volatile market environment, these tools and metrics failed to predict some of the losses Deutsche Bank experienced and may continue to fail to predict future important risk exposures. In addition, the quantitative modeling does not take all risks into account and makes numerous assumptions regarding the overall environment, which may not be borne out by events. As a result, risk exposures have arisen and could continue to arise from factors Deutsche Bank did not anticipate or correctly evaluate in its statistical models. This has limited and could continue to limit Deutsche Bank's ability to manage its risks. Deutsche Bank's losses thus have been and may continue to be significantly greater than the historical measures indicate.

For example, the value-at-risk approach Deutsche Bank uses to derive quantitative measures for its trading book market risks is designed to model risk factors assuming normal market conditions, and the statistical parameters required for the value-at-risk calculation are based on a 261 trading day history with equal weighting being given to each observation. However, in its regulatory back-testing in 2008, Deutsche Bank observed 35 outliers (as compared to 12 in 2007), which are hypothetical buy-and-hold losses that exceeded the value-at-risk estimate for the trading units as a whole versus two to three outliers statistically expected in any one year. While Deutsche Bank believes that the majority of these outliers were related to extreme events outside standard market conditions, it is also re-evaluating its modeling assumptions and parameters for potential improvements in such unusual market conditions.

In addition, Deutsche Bank's more qualitative approach to managing those risks not taken into account by the quantitative methods could also prove insufficient, exposing Deutsche Bank to material unanticipated losses. Also, if existing or potential customers believe Deutsche Bank's risk management is inadequate, they could take their business elsewhere. This could harm Deutsche Bank's reputation as well as its revenues and profits.

Deutsche Bank's nontraditional credit businesses materially add to its traditional banking credit risks.

As a bank and provider of financial services, Deutsche Bank is exposed to the risk that third parties that owe Deutsche Bank money, securities or other assets will not perform their obligations. Many of the businesses Deutsche Bank engages in beyond the traditional banking businesses of deposit-taking and lending also expose Deutsche Bank to credit risk.

In particular, many of the businesses Deutsche Bank has engaged in through its Corporate Banking & Securities Corporate Division entail credit transactions, frequently ancillary to other transactions. Nontraditional sources of credit risk can arise, for example, from holding securities of third parties; entering into swap or other derivative contracts under which counterparties have obligations to make payments to Deutsche Bank; executing securities, futures, currency or commodity trades that fail to settle at the required time due to nondelivery by the counterparty or systems failure by clearing agents, exchanges, clearing houses or other financial intermediaries; and extending credit through other arrangements. Parties to these transactions, such as trading counterparties, may default on their obligations to Deutsche Bank due to bankruptcy, political and economic events, lack of liquidity, operational failure or other reasons.

Many of Deutsche Bank's derivative transactions are individually negotiated and non-standardized, which can make exiting, transferring or settling the position difficult. Certain credit derivatives require that Deutsche Bank delivers to the counterparty the underlying security, loan or other obligation in order to receive payment. In a number of cases, Deutsche Bank does not hold, and may not be able

to obtain, the underlying security, loan or other obligation. This could cause Deutsche Bank to forfeit the payments otherwise due to it or result in settlement delays, which could damage Deutsche Bank's reputation and ability to transact future business, as well as increased costs to Deutsche Bank.

The exceptionally difficult market conditions since the second half of 2007 have severely adversely affected certain areas in which Deutsche Bank does business that entail nontraditional credit risks, including the leveraged finance and structured credit markets, and appear likely to continue to do so in 2009.

Deutsche Bank has a continuous demand for liquidity to fund its business activities. It may suffer during periods of market-wide or firm-specific liquidity constraints and is exposed to the risk that liquidity is not made available to it even if its underlying business remains strong.

Deutsche Bank is exposed to liquidity risk, which is the risk arising from its potential inability to meet all payment obligations when they become due or only being able to meet them at excessive costs. Deutsche Bank's liquidity may become impaired due to a reluctance of Deutsche Bank's counterparties or the market to finance Deutsche Bank's operations due to actual or perceived weaknesses in Deutsche Bank's businesses. Such impairments can also arise from circumstances unrelated to Deutsche Bank's businesses and outside its control, such as, but not limited to, disruptions in the financial markets, such as experienced during 2008, negative developments concerning other financial institutions perceived to be comparable to Deutsche Bank, such as the collapse of another financial institution, or negative views about the financial services industry in general, as experienced as a result of the financial crisis, or disruptions in the markets for any specific class of assets. Negative perceptions concerning Deutsche Bank's business and prospects could develop as a result of large losses, changes of credit ratings, a general decline in the level of business activity in the financial services sector, regulatory action, serious employee misconduct or illegal activity, as well as many other reasons.

In December 2008, Moody's Investors Service changed the outlook on Deutsche Bank's ratings to negative and Standard & Poor's lowered Deutsche Bank's long-term credit rating to A+ with stable outlook from AA- with negative outlook. In January 2009, Fitch Ratings placed Deutsche Bank's long-term credit rating on rating watch negative. The outlook for a particular rating provides an indication of the rating agency's view on the anticipated further development of the rating over the medium or long-term (Standard & Poor's), the medium term (Moody's Investors Service) or over a period of one to two years (Fitch Ratings). Ratings downgrades may impact the cost and availability of Deutsche Bank's funding, collateral requirements and the willingness of counterparties to do business with Deutsche Bank.

Deutsche Bank requires capital to support its business activities and meet regulatory requirements. Losses due to the financial crisis could diminish Deutsche Bank's capital, and market conditions may prevent Deutsche Bank from raising additional capital or increase its cost of capital.

The recent market volatility has created downward pressure on stock prices and credit capacity both for certain issuers, often without regard to those issuers' underlying financial strength, and for financial market participants generally. In 2008, the price of Deutsche Bank's shares declined and has continued to do so through early 2009, and the spreads on Deutsche Bank's credit default swaps have widened. If current levels of market disruption and volatility continue or worsen, Deutsche Bank's ability to access the capital markets and obtain the necessary funding to support its business activities on acceptable terms may be adversely affected. Among other things, an inability to refinance assets on its balance sheet or maintain appropriate levels of capital to protect against deteriorations in their value could force Deutsche Bank to liquidate assets it holds at depressed prices or on unfavorable terms, as well as forcing Deutsche Bank to curtail business, such as extending new credit. This could have an adverse effect on Deutsche Bank's business, financial condition and results of operations.

Governmental and central bank action in response to the financial crisis significantly affects competition and may affect the legal or economic position of shareholders or other investors and the regulatory environment.

In response to the financial markets crisis, there has been significant intervention by governments and central banks into the financial services sector, including the taking of direct shareholdings in individual financial institutions, particularly in the U.S., the UK and Switzerland, and contributions of other forms of capital to, guarantees of debt of and purchases of distressed assets from financial institutions. In some instances, individual financial institutions have been nationalized or their nationalization is being considered. The conditions under which banks may take advantage of such measures vary from country to country and in some cases such measures are only available to the parent bank of a group. Generally, participation by a bank is voluntary but in some cases has been politically encouraged. It may become mandatory if certain thresholds, such as predefined capital ratios, are no longer met. The eligibility to benefit from such measures is in some instances tied to certain commitments of the participating bank, such as lending to certain types of borrowers, adjustments to the bank's business strategy, suspension of dividends and other profit distributions and limitations on the compensation of executives.

Such interventions involve significant amounts of money and have significant effects on both institutions that participate in them and institutions that do not participate including with respect to access to funding and capital and recruiting and retention of talent. Institutions that do not receive such government support may be in a position to preserve greater autonomy in their strategy, lending and compensation policy but may suffer competitive disadvantages on their cost base, in particular their cost of funding and of capital. They also may suffer a decline in depositor or investor confidence thus risking a loss of liquidity. Institutions that receive such government support will, as described above, have to make certain commitments and become subject to certain constraints.

In Germany, the Financial Market Stabilization Act of October 17, 2008 *(Finanzmarktstabilisierungsgesetz)* provides for the temporary suspension of otherwise applicable stock corporation and takeover law, in particular with respect to the rights of the shareholders to resolve on capital increases, preemptive rights of shareholders, reporting duties, and obligations to make public tender offers upon acquiring a controlling stake, in connection with the implementation of the stabilization measures. Access to judicial review of stabilization measures is limited. In addition, the Financial Market Stabilization Fund will generally seek remuneration for stabilization measures that ranks senior to the other shareholders' rights in the profits of that financial institution, and may condition such measures on a ban on dividends. Deutsche Bank's senior management has stated that it currently does not intend to participate in the program of the Financial Market Stabilization Fund. However, further deteriorations in market conditions or the competitive environment might require a change of such intention.

The Financial Market Stabilization Supplementary Act *(Finanzmarktstabilisierungsergänzungsgesetz)* of April 7, 2009 extends the scope of the above-described suspensions and also provides for the temporary authorization (through October 31, 2009) to nationalize financial institutions that are essential to the functioning of the German financial market through the expropriation (with compensation) of its shareholders or the holders of financial instruments qualifying as own funds *(Eigenmittel)* of the financial institution if such expropriation is necessary to safeguard the stability of the financial market, and no other less restrictive legally and economically reasonable and equally effective means are available in order to achieve this goal. Conversion or option rights relating to expropriated shares or expropriated other financial instruments would terminate by operation of law.

The implementation of any stabilization measures with respect to Deutsche Bank could adversely affect the legal or economic position of Deutsche Bank's shareholders or other investors.

In addition, there is a wide variety of proposals on a reform of the regulatory framework for financial services which are presently being discussed. Such proposals relate in particular to increased capital requirements, additional regulatory oversight and reporting, business models and business practices. If these proposals in whole or in part become law, they may significantly increase Deutsche Bank's costs.

Operational risks may disrupt Deutsche Bank's businesses.

Deutsche Bank faces operational risk arising from errors, inadvertent or intentional, made in the execution, confirmation or settlement of transactions or from transactions not being properly recorded, evaluated or accounted for. Derivative contracts are not always confirmed with the counterparties on a timely basis; while the transaction remains unconfirmed, Deutsche Bank is subject to heightened credit and operational risk and in the event of a default may find it more difficult to enforce the contract. The current financial crisis, in which the risk of counterparty default has increased, has increased the possibility that this operational risk materializes.

Deutsche Bank's businesses are highly dependent on its ability to process, on a daily basis, a large number of transactions across numerous and diverse markets in many currencies, and certain of the transactions Deutsche Bank processes have become increasingly complex. Consequently, Deutsche Bank relies heavily on its financial, accounting and other data processing systems. If any of these systems do not operate properly, or are disabled, Deutsche Bank could suffer financial loss, a disruption of its businesses, liability to clients, regulatory intervention or reputational damage.

In addition, despite the contingency plans Deutsche Bank has in place, its ability to conduct business may be adversely impacted by a disruption in the infrastructure that supports Deutsche Bank's businesses and the communities in which Deutsche Bank is located. This may include a disruption involving electrical, communications, transportation or other services used by Deutsche Bank or third parties with which it conducts business, terrorist activities or disease pandemics.

The size of Deutsche Bank's clearing operations exposes it to a heightened risk of material losses should these operations fail to function properly.

Deutsche Bank has large clearing and settlement businesses. These give rise to the risk that Deutsche Bank, its customers or other third parties could lose substantial sums if Deutsche Bank's systems fail to operate properly for even short periods. This will be the case even where the reason for the interruption is external to Deutsche Bank. In such a case, Deutsche Bank might suffer harm to its reputation even if no material amounts of money are lost. This could cause customers to take their business elsewhere, which could materially harm Deutsche Bank's revenues and profits.

If Deutsche Bank is unable to implement its strategic initiatives or otherwise respond to the financial crisis, it may continue to incur losses or low profitability, and Deutsche Bank's share price may continue to be materially and adversely affected.

In response to the financial crisis, Deutsche Bank has defined several near-term strategic initiatives, including reducing exposure to, and activity in, certain businesses that have been directly impacted by the financial crisis, investing selectively in growth initiatives of the 'stable' businesses and pursuing efficiency measures. Deutsche Bank may continue to incur losses, or low profitability, and Deutsche Bank's share price may continue to be materially and adversely affected, should Deutsche Bank fail to implement these strategic initiatives or otherwise respond to the financial crisis or should such initiatives that are implemented fail to produce the anticipated benefits. A number of internal and external factors could prevent the implementation of these initiatives or the realization of their anticipated benefits, including the continuation or worsening of the extreme turbulence in the markets in which Deutsche Bank is active or of global, regional and national economic conditions and increased competition for business. In particular, the current exceptionally difficult market conditions may adversely affect Deutsche Bank's ability to reduce Deutsche Bank's exposures to affected classes of assets or to implement Deutsche Bank's growth initiatives.

Deutsche Bank may have difficulty in identifying and executing acquisitions, and both making acquisitions and avoiding them could materially harm Deutsche Bank's results of operations and its share price.

Deutsche Bank considers business combinations from time to time. Even though Deutsche Bank reviews the companies it plans to acquire, it is generally not feasible for these reviews to be complete in all respects. As a result, Deutsche Bank may assume unanticipated liabilities, or an acquisition may not perform as well as expected. Were Deutsche Bank to announce or complete a significant

business combination transaction, its share price could decline significantly if investors viewed the transaction as too costly or unlikely to improve Deutsche Bank's competitive position. In addition, Deutsche Bank might have difficulty integrating any entity with which Deutsche Bank combines its operations. Failure to complete announced business combinations or failure to integrate acquired businesses successfully could materially adversely affect Deutsche Bank's profitability. It could also affect investors' perception of Deutsche Bank's business prospects and management, and thus cause its share price to fall. It could also lead to departures of key employees, or lead to increased costs and reduced profitability if Deutsche Bank felt compelled to offer them financial incentives to remain.

In March 2009, Deutsche Bank acquired a stake of 22.9% in Deutsche Postbank AG ("Postbank") and bonds of Postbank's parent that are mandatorily exchangeable in 2012 into an additional 27.4% of Postbank's shares for a total consideration of € 3.8 billion. If Deutsche Bank continues to hold the bonds when they are exchanged, it would own a majority of Postbank's shares. As its current holding does not give Deutsche Bank control of Postbank, it is not in a position to influence the business of Postbank which, like that of many financial institutions, has been affected by the financial crisis. While Deutsche Bank is able to determine, in the implementation of its strategy, whether to hold the exchangeable bonds at the time of their mandatory exchange, and accordingly whether it will in fact acquire control of Postbank, Deutsche Bank remains exposed to the risk of loss on its present investment in Postbank. Any such loss could be material.

Deutsche Bank may have difficulties selling noncore assets at favorable prices, or at all.

Deutsche Bank may seek to sell certain noncore assets. Unfavorable business or market conditions may make it difficult to sell such assets at favorable prices, or may preclude such a sale altogether.

Events at companies in which Deutsche Bank has invested may make it harder to sell these holdings and result in material losses irrespective of market developments.

Deutsche Bank has made significant investments in individual companies. Losses and risks at those companies may restrict the ability to sell these shareholdings and may reduce the value of the holdings considerably, potentially impacting Deutsche Bank's financial statements or earnings, even where general market conditions are favorable. Deutsche Bank's larger, less liquid interests are particularly vulnerable given the size of these exposures.

Intense competition, in Deutsche Bank's home market of Germany as well as in international markets, could materially adversely impact its revenues and profitability.

Competition is intense in all of Deutsche Bank's primary business areas, in Germany as well as in international markets. If Deutsche Bank is unable to respond to the competitive environment in these markets with attractive product and service offerings that are profitable for Deutsche Bank, it may lose market share in important areas of Deutsche Bank's business or incur losses on some or all of Deutsche Bank's activities. In addition, downturns in the economies of these markets could add to the competitive pressure, through, for example, increased price pressure and lower business volumes for Deutsche Bank.

In recent years there has been substantial consolidation and convergence among financial services companies. In 2008, the banking sector witnessed further substantial consolidation and merger activity, some of it in distressed circumstances, including the merger of some U.S. investment banks with commercial banks, the conversion of others into bank holding companies and, in Germany, the merger of the second and third largest private sector banks together with an infusion of capital by the German government. This trend has significantly increased the capital base and geographic reach of some of Deutsche Bank's competitors and has hastened the globalization of the securities and other financial services markets. In order to meet of some of Deutsche Bank's most significant challenges and to take advantage of related opportunities, Deutsche Bank must compete with financial institutions that may be larger and better capitalized than Deutsche Bank is and that may have a stronger position in local markets. Also, as described above, governmental action in response to the financial crisis may place Deutsche Bank at a competitive disadvantage.

Deutsche Bank operates in an increasingly regulated and litigious environment, potentially exposing it to liability and other costs, the amounts of which may be difficult to estimate.

The financial services industry has historically been and continues to be among the most highly regulated industries. Deutsche Bank's operations throughout the world are regulated and supervised by the central banks and regulatory authorities in the jurisdictions in which it operates. Regulation and supervision includes requirements regarding structure, capitalization and function, as well as requirements relating to the conduct of business. In recent years, regulation and supervision in a number of areas has increased, and regulators, counterparties and others have sought to subject financial services providers to increasing responsibilities and liabilities. As a result, Deutsche Bank may be subject to an increasing incidence or amount of liability or regulatory sanctions and may be required to make greater expenditures and devote additional resources to address potential liability.

Due to the nature of its business, Deutsche Bank and its subsidiaries are involved in litigation, arbitration and regulatory proceedings in Germany and in a number of jurisdictions outside Germany, including the U.S. Such matters are subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. Deutsche Bank may settle litigation or regulatory proceedings prior to a final judgment or determination pursuant to which its liability is established and quantified. Deutsche Bank may do so to avoid the cost, management efforts or negative business, regulatory or reputational consequences of continuing to contest liability, even when Deutsche Bank believes it has valid defenses to liability. Deutsche Bank may also do so when the potential economic, business, regulatory or reputational consequences of failing to prevail would be disproportionate to the costs of settlement. Furthermore, Deutsche Bank may, for similar reasons, reimburse counterparties for losses incurred by them even in situations where Deutsche Bank does not believe that it is legally compelled to do so.

The financial impact of legal risks might be considerable but may be hard or impossible to estimate and so to quantify, so that amounts eventually paid may exceed the amount of reserves set aside to cover such risks.

Transactions with counterparties in countries designated by the U.S. State Department as state sponsors of terrorism may lead potential customers and investors to avoid doing business with Deutsche Bank or investing in its securities.

Deutsche Bank engages or has engaged in a limited amount of business with counterparties, including government owned or controlled counterparties, in certain countries which the U.S. State Department has designated as state sponsors of terrorism, including Iran. Deutsche Bank also had a representative office in Tehran, Iran, which it discontinued at December 31, 2007. U.S. law generally prohibits U.S. persons from doing business with such countries. Deutsche Bank is a German bank and its activities with respect to such countries have not involved any U.S. person in either a managerial or operational role and have been subject to policies and procedures designed to ensure compliance with United Nations, European Union and German embargoes. In 2007 and before, Deutsche Bank AG's Management Board decided not to engage in new business with counterparties in countries such as Iran, Syria, Sudan and North Korea and to exit existing business, if any, to the extent legally possible.

The existing business with Iranian counterparties consists mostly of participations as lender and/or agent in a few large trade finance facilities arranged some years ago to finance the export contracts of exporters in Europe and Asia, which exporters are primarily multinational corporations supplying goods, equipment and related services in the petrochemical and hydrocarbon processing industries. The lifetime of most of these facilities is ten years or more and Deutsche Bank is legally obligated to fulfill its contractual obligations. Other business activities, such as correspondent banking services to banks located in Iran and private banking loans to Iranian citizens, have already been terminated or closed down. Deutsche Bank does not believe its business activities with Iranian counterparties are material to its overall business, with the outstandings to Iranian borrowers representing less than 0.1% of the Bank's total assets as of December 31, 2008 and the revenues from all such activities representing less than 0.1% of the Bank's total revenues for the year ended December 31, 2008.

Deutsche Bank is aware, through press reports and other means, of initiatives by governmental entities in the U.S. and by U.S. institutions such as universities and pension funds, to adopt laws, regulations or policies prohibiting transactions with or investment in, or requiring divestment from, entities doing business with Iran. It is possible that such initiatives may result in Deutsche Bank being unable to gain or retain entities subject to such prohibitions as customers or as investors in its securities. In addition, Deutsche Bank's reputation may suffer due to its association with Iran. Such a result could have significant adverse effects on Deutsche Bank's business or the price of its securities.

SELECTED BUSINESS AND FINANCIAL DATA

The following tables summarize selected business and financial data of Deutsche Bank Group for the fiscal years 2008, 2007 and 2006.

The consolidated balance sheet data, the consolidated income statement data and the cash flow statement data for 2008, 2007 and 2006 was derived from Deutsche Bank's consolidated financial statements for the fiscal years 2008 and 2007 (with comparative figures to preceding year) prepared in accordance with the International Financial Reporting Standards of the International Accounting Standards Board (IASB) as adopted by the EU (hereinafter referred to as "IFRS"), which have been audited by KPMG who issued an unqualified auditor's report in each case. The information provided herein in respect of the own funds and capital ratios for 2008, 2007 and 2006 was derived from the notes to the aforementioned audited consolidated financial statements.

The following tables should be read in conjunction with the consolidated financial statements, which are printed in the *"Financial Statements"* section of this Registration Document. Due to roundings in connection with summations percentages my deviate marginally.

Consolidated Income Statement Data

in € m. (except per share data)	2008	2007	2006
		(audited)	
Total interest and similar income	54,549	64,675[1]	58,275
Total interest expenses	42,096	55,826	51,267
Net interest income	**12,453**	**8,849**	**7,008**
Provision for credit losses	1,076	612	298
Net interest income after provision for credit losses	**11,377**	**8,237**	**6,710**
Commissions and fee income	9,749	12,289	11,195
Net gains (losses) on financial assets/liabilities at fair value through profit or loss	(9,992)	7,175	8,892
Net gains (losses) on financial assets available for sale	666	793	591
Net income (loss) from equity method investments	46	353	419
Other income	568	1,286	389
Total noninterest income	**1,037**	**21,896**	**21,486**
Compensation and benefits	9,606	13,122	12,498
General and administrative expenses	8,216	7,954	7,069
Policyholder benefits and claims	(252)	193	67
Impairment of intangible assets	585	128	31
Restructuring activities	–	(13)	192
Total noninterest expenses	**18,155**	**21,384**	**19,857**
Income (loss) before income taxes	**(5,741)**	**8,749**	**8,339**
Income tax expense (benefit)	(1,845)	2,239	2,260
Net income (loss)	**(3,896)**	**6,510**	**6,079**
Net income (loss) attributable to minority interest	(61)	36	9
Net income (loss) attributable to Deutsche Bank shareholders	(3,835)	6,474	6,070
Basic earnings per share[2]	(7.61)	13.65	12.96
Diluted earnings per share	(7.61)	13.05	11.48
Dividends paid per share[3]	4.50	4.00	2.50

1 Adjusted (consolidated income statement 2007: € 67,706 million)

2 The result per share is determined by divion of the group result attributable to the Bank's share holders by the average number of common shares outstanding in the reporting year. The average number of common shares results from the average number of issued shares adjusted by the average number of shares held by the Bank and the average number of shares acquired via forward transactions, which are performed by delivery of shares, plus unallocated unexpired shares from employee share plans. Diluted earnings per share are based on the assumption of the conversion of securities in common shares or the exercise of contracts to issue common shares, convertible securities, share rights which have not become non-lapsable yet and forward contracts. The diluted earnings per share for each period have been calculated by dividing the Bank's net income (loss) by the weighted-average number of common shares outstanding after assumed conversions. Financial instruments are included in the calculation of diluted earnings per share only if they are dilutive in the respective reporting period.

3 Dividends declared and paid in the year.

Consolidated Balance Sheet Data

in € m.	Dec 31, 2008	Dec 31, 2007[1] (adjusted)	Dec 31, 2007[2]	Dec 31, 2006
		(audited)		
Assets:				
Cash and due from banks	**9,826**	**8,632**	**8,632**	**7,008**
Interest-earning deposits with banks	64,739	21,615	21,615	19,199
Central bank funds sold and securities purchased under resale agreements	9,267	13,597	13,597	14,265
Securities borrowed	35,022	55,961	55,961	62,943
Financial assets at fair value through profit or loss[3]	1,623,811	1,378,011	1,474,103	1,104,650
Financial assets available for sale[4]	24,835	42,294	42,294	38,037
Equity method investments	2,242	3,366	3,366	2,541
Loans	269,281	198,892	198,892	178,524
Property and equipment	3,712	2,409	2,409	3,241
Goodwill and other intangible assets	9,877	9,383	9,383	8,612
Other assets	137,829	183,638	182,897	139,021
Assets for current tax	3,512	2,428	2,428	2,120
Deferred tax assets	8,470	4,777	4,772	4,332
Total assets	**2,202,423**	**1,925,003**	**2,020,349**	**1,584,493**
Liabilities and equity:				
Deposits	**395,553**	**457,946**	**457,946**	**411,916**
Central bank funds purchased and securities sold under repurchase agreements	87,117	178,741	178,741	102,200
Securities loaned	3,216	9,565	9,565	21,174
Financial liabilities at fair value through profit or loss	1,333,765	870,085	966,177	694,619
Other short-term borrowings	39,115	53,410	53,410	48,433
Other liabilities	160,598	171,444	171,509	144,129
Provisions	1,418	1,295	1,295	1,768
Liabilities for current tax	2,354	4,221	4,515	4,033
Deferred tax liabilities	3,784	2,380	2,124	2,285
Long-term debt	133,856	126,703	126,703	111,363
Trust preferred securities	9,729	6,345	6,345	4,771
Obligation to purchase common shares	4	3,553	3,553	4,327
Total liabilities	**2,170,509**	**1,885,688**	**1,981,883**	**1,551,018**
Common shares, no par value, nominal value of € 2.56	1,461	1,358	1,358	1,343
Additional paid-in capital	14,961	15,808	15,808	15,246
Retained earnings	20,074	26,051	25,116	20,451
Common shares in treasury, at cost	(939)	(2,819)	(2,819)	(2,378)
Equity classified as obligation to purchase common shares	(3)	(3,552)	(3,552)	(4,307)
Net gains (losses) not recognized in the income statement, net of tax				
Unrealized net gains (losses) on financial assets available for sale, net of applicable tax and other	(882)	3,635	3,635	3,208
Unrealized net gains (losses) on derivatives hedging variability of cash flows, net of tax	(349)	(52)	(52)	(45)
Foreign currency translation, net of tax	(3,620)	(2,536)	(2,450)	(760)
Total net gains (losses) not recognized in the income statement, net of tax	(4,851)	1,047	1,133	2,403
Total shareholders' equity	**30,703**	**37,893**	**37,044**	**32,758**
Minority interest	1,211	1,422	1,422	717
Total equity	**31,914**	**39,315**	**38,466**	**33,475**
Total liabilities and equity	**2,202,423**	**1,925,003**	**2,020,349**	**1,584,493**

1 Figures as of 31 December 2007 have been sourced from the consolidated financial statements of Deutsche Bank as of 31 December 2008 and have been adjusted to the information shown as of December 31, 2008. For a description of adjustments made see Note 1 to Deutsche Bank's consolidated financial statements as for the fiscal year 2008.

2 These figures have been sourced from the consolidated financial statements of Deutsche Bank for the fiscal year 2007 and have not been adjusted to the information shown as of December 31, 2008 and are therefore as well as figures as of December 31, 2006 not directly comparable to information shown as of December 31, 2008.

3 Consolidated financial statements as of 31 December 2008: of which € 62 billion (2007: € 179 billion) were pledged to creditors and can be sold or repledged; consolidated financial statements as of December 31, 2007: of which € 158 billion (2006: € 87 billion) were pledged to creditors and can be sold or repledged.

4 Of which, as of December 31, 2008 € 464 million (2007: € 17 million) were pledged to creditors and can be sold or repledged.

Cashflow Statement Data of the Group

in € m.	2008	2007	2006
		(audited)	
Net income (loss)	(3,896)	6,510	6,079
Income (loss) adjusted for noncash charges and other items	(3,075)	5,696	6,861
Net cash provided by operating activities	37,117	16,790	11,164
Net cash used in investing activities	(769)	(4,388)	(3,470)
Net cash provided by (used in) financing activities	3,220	(3,369)	(3,252)
Net effect of exchange rate changes on cash and cash equivalents	(402)	(289)	(510)
Total	**65,264**	**26,098**	**17,354**

Capital Resources and Capital Ratios

	2008	2007[1] (adjusted)	2007[2]	2006
		(audited)		
Income (loss) before income taxes (in € m).	– 5,741	8,749	8,749	8,339
Return on average shareholders' equity (post tax)	– 11.1 %	17.9 %[3]	18.0 %	20.4 %
Pre-tax return on average shareholders' equity	– 16.5 %	24.1 %[3]	24.3 %	28.0 %
Pre-tax return on average active equity[4]	– 17.7 %	29.0 %[3]	29.2 %	32.7 %
Cost/income ratio[5]	134.6 %	69.6 %	69.6 %	69.7 %
Total assets (in bn. €)	2,202	1,925	2,020	1,584
Shareholders' equity (in bn. €)	30.7	37.9	37.0	32.8
Tier-1 capital ratio	10.1 %[6]	8.6 %[6]	8.6 %	8.5 %[6]

1 The information has been sourced from the consolidated financial statements for the fiscal year 2008 of Deutsche Bank and has been adjusted to the information shown as of December 31, 2008. A description of adjustments made is contained in Note 1 to Deutsche Bank's consolidated financial statements for the fiscal year 2008.

2 These figures have been sourced from the consolidated financial statements of Deutsche Bank for the fiscal year 2007.

3 The rate adjustment results from the equity adjustments as described in Note 1 to Deutsche Bank's consolidated financial statements for the fiscal year 2008.

4 This adjusted measure of the return on average shareholders equity is calculated to make it easier to compare Deutsche Bank to Deutsche Bank's competitors. Deutsche Bank refers to this adjusted measure as Deutsche Bank's "Pre-tax return on average active equity". However, this is not a measure of performance under IFRS and investors should not compare this ratio to other companies' ratios without considering the difference in calculation of the ratios. The item for which Deutsche Bank's adjusts the average shareholders' equity of € 34,442 million for 2008; € 35,888 million for 2007 (restated: € 36,134 million) and € 29,751 million for 2006 are the average unrealized net gains on assets available for sale/average fair value adjustment on cash flow hedges, net of applicable tax of € 619 million for 2008 and € 3,841 million for 2007 and the average dividend accruals of € 1,743 million for 2008; € 2,200 million for 2007 and € 1,615 million for 2006. The dividend payment is paid once a year following its approval by the general shareholders' meeting.

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

6 The Tier 1 capital ratio shown for 2008 is pursuant to the German Banking Act ("KWG") and the Solvency Regulation *("Solvabilitätsverordnung"),* which adopted the revised capital framework presented by the Basel Committee in 2004 ("Basel II") into German law, while the ratios presented for 2007 and 2006 are based on the Basel I framework. Basel II Tier 1 capital excludes transitional items pursuant to KWG section 64h (3).

Share Information

	2008	2007	2006
		(in € per share)	
Share price (XETRA)			
Share price at the end of the reporting period	27.83	89.40	101.34
Share price high	89.80	118.51	103.29
Share price low	18.59	81.33	80.74

INFORMATION ABOUT DEUTSCHE BANK

Name, Registered Office, Registration and Incorporation of the Company

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

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

History and Development

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

Fiscal Year

The fiscal year of the Bank is the calendar year.

Objectives of the Company

The Company is a credit institution *(Kreditinstitut)* within the meaning of Section 1 paragraph 1 of the German Banking Act *(Kreditwesengesetz)*. The purpose of the Company as set forth in Section 2 of its Articles of Association is to conduct banking transactions of all types, and to render financial and other services, including / plus the promotion of the international economic relations. The Bank may realise these objectives itself or through subsidiaries and affiliated companies. To the extent permitted by law, the Bank is entitled to transact all business and to take all steps which appear likely to promote the objectives of the Bank, in particular: to acquire and dispose of real estate, to establish branches at home and abroad, to acquire, administer and dispose of participations in other enterprises, and to conclude enterprise agreements.

Group Structure and Principle Investments

Deutsche Bank AG is the parent company of a group consisting of banks, capital market companies, fund management companies, a property finance company, instalment financing companies, research and consultancy companies and other domestic and foreign companies. For information on the current material subsidiaries of Deutsche Bank AG see Note 39 to the consolidated financial statements of Deutsche Bank for the fiscal year 2008 which are included in the "*Financial Statements*" section of this Registration Document.

Publications

In accordance with its Articles of Association, all notifications shall be published by the Company in the electronic version of the German Federal Gazette *(elektronischer Bundesanzeiger)*. Notifications to the holders of the Company's admitted securities may also be made by long-distance data transmission.

Long-term Credit Ratings

The following table shows Deutsche Bank's long-term credit ratings at the date of this Registration Document:

Moody's Investors Service, New York[1]	Aa1
Standard & Poor's, New York[2]	A+
Fitch Ratings, New York[3]	AA-

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

2 Standard and Poor's defines its A rating as somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor's capacity to meet its financial commitment on the obligation is still strong.

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

Each rating reflects the view of the rating agency only at the time it gave Deutsche Bank the rating. The rating agencies can change their ratings at any time if they believe that circumstances so warrant.

DIVIDEND POLICY AND EARNINGS PER COMMON SHARE

Dividend Policy

Under German law, the dividends are based on the unconsolidated results of Deutsche Bank AG as prepared in accordance with German accounting rules. The Management Board, which prepares the annual financial statements of Deutsche Bank AG on an unconsolidated basis, and the Supervisory Board, which reviews them, first allocate part of the Bank's annual surplus (if any) to the statutory reserves and to any losses carried forward, as it is legally required to do. For treasury shares a reserve in the amount of their value recorded on the asset side must be set up from the annual surplus or from other revenue reserves. They then allocate the remainder between other revenue reserves (or retained earnings) and balance sheet profit (or distributable profit). They may allocate up to one-half of this remainder to other revenue reserves, and must allocate at least one-half to balance sheet profit. Then the full amount of the balance sheet profit of Deutsche Bank AG is distributed if the Annual General Meeting so resolves. The Annual General Meeting may resolve a non-cash distribution instead of or in addition to a cash dividend. However, the Bank is not legally required to distribute its balance sheet profit to the shareholders to the extent that the Bank has issued participatory rights *(Genussrechte)* or granted a silent participation *(stille Gesellschaft)* that accord their holders the right to a portion of its distributable profit. If the Bank fails to meet the capital adequacy requirements or the liquidity requirements under the Banking Act, the BaFin may suspend or limit the payment of dividends. The annual financial statements of the Company as of December 31, 2008 are contained in the "*Financial Statements"* section of this Registration Document. Contrary to the consolidated financial statements which were prepared in accordance with IFRS, these unconsolidated financial statements have been prepared in accordance with the German Commercial Code (HGB). There are differences between HGB and IFRS accounting standards, as applicable within the EU. In connection with the determination of the balance sheet profit available for distribution the annual net income/loss is adjusted by accumulated income/losses in regard to the preceding year and allocations to and withdrawals from reserves.

Where the capital base of a bank is increased by issuing shares, hybrid capital or other instruments that qualify as own funds to the Financial Market Stabilization Fund (referred to as the Fund), the Fund will generally as a precondition to subscribing such issuances require that to the extent legally possible the bank does not pay dividends or make other profit distributions other than payments on the instruments held by the Fund. The Fund is a special fund *(Sondervermögen)* created by the German Financial Market Stabilization Act in October 2008 to acquire rights and incur obligations in its own name for which the Federal Republic of Germany is liable. The Federal Ministry of Finance determines whether the Fund will implement stabilization measures to support financial institutions in distress and which measures will be employed.

The Bank declares dividends at the Annual General Meeting and pays them once a year. Dividends approved at a General Meeting are payable on the first stock exchange trading day after that meeting, unless otherwise decided at that meeting. Under German law, dividend claims are generally subject to a three-year statute of limitations. In accordance with the German Stock Corporation Act, the record date for determining which holders of the ordinary shares are entitled to the payment of dividends, if any, or other distributions whether cash, stock or property, is the date of the General Meeting at which such dividends or other distributions are declared. If the Bank issues a new class of shares, its Articles of Association permit it to declare a different dividend entitlement for the new class of shares.

Result per Share

The following table shows the earnings per share and the annual dividend paid per share for the fiscal years 2006, 2007 and 2008:

	2008	2007	2006
Dividends per share in €	0.50[1]	4.50	4.00
Basic earnings per share in €[2]	(7.61)	13.65	12.96
Diluted earnings per share in €[3]	(7.61)	13.05	11.48

1 Proposal by management board and supervisory board for the annual general meeting 2009 which decides on the dividend distribution.

2 The result per share is determined by division of the group result attributable to the Bank's share holders by the average number of common shares outstanding in the respective reporting year. The average number of common shares results from the average number of issued shares adjusted by the average number of shares held by the Bank and the average number of shares acquired via forward transactions, which are performed by delivery of shares, plus unallocated unexpired shares from employee share plans.

3 Diluted earnings per share are based on the assumption of the conversion of securities in common shares or the exercise of contracts to issue common shares, convertible securities, share rights which have not become non-lapsable yet and forward contracts. Financial instruments will only be taken into account for the determination of diluted earnings per share if these have a diluting affect in the relevant reporting period.

Dividends distributed in the past are not a suitable measure for drawing any conclusions in regard to future dividend payments.

The following table shows the hypothetical earnings per share for the financial years 2006, 2007 and 2008. It was calculated based on 620,859,015 shares issued by the Company, which agrees to the number of shares issued as of the date of the Registration Document. This presentation differs from the actual earnings per share calculation for the financial years 2006, 2007 and 2008 which are based on IAS 33. Under IAS 33, earnings per share are amongst others based on the actual average number of shares issued during the period. This hypothetical calculation however is based on the number of 620,859,015 shares issued in each of the three financial years. Therefore the number of shares outstanding, i. e. the denominator for basic and diluted earnings per share, is significantly higher in this hypothetical calculation than in the actual calculation for the financial years 2006, 2007 and 2008.

	2008	2007	2006
Basic earnings per share in €[1]	(6,58)[1]	11,40[1]	10,71[1]
Diluted earnings per share in €[1]	(6,58)[1]	10,98[1]	9,66[1]

1 Hypothetical determination based on 620,859,015 shares issued as at the date of this Registration Document.

BUSINESS

Overview

Headquartered in Frankfurt am Main, Germany, Deutsche Bank is, in its own estimation, one of the largest financial institutions in Europe and the world, as measured by total assets of € 2,202 billion as of December 31, 2008. As of that date, Deutsche Bank employed 80,456 people on a full-time equivalent basis and operated in 72 countries out of 1,981 branches worldwide, of which 50 % were in Germany. Deutsche Bank offers a wide variety of investment, financial and related products and services to private individuals, corporate entities and institutional clients around the world.

Deutsche Bank is organized into three group divisions, two of which are further sub-divided into corporate divisions. The Bank's group divisions are:

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

These divisions are supported by infrastructure functions and the Corporate Center. In addition, Deutsche Bank allotted a regional management function that covers regional responsibilities worldwide.

Deutsche Bank has operations or dealings with existing or potential customers in most countries in the world. These operations and dealings include subsidiaries and branches in many countries; representative offices in many other countries and one or more representatives assigned to serve customers in almost every other country.

The following table shows the net revenues by geographical region, based on the management reporting systems.

	2008	2007	2006
		in € m.	
		(unaudited)	
Germany:			
CIB	2,866	2,921	2,265
PCAM	5,208	5,514	4,922
Total Germany	8,074	8,434	7,187
Europe, Middle East and Africa:			
CIB	(621)	7,721	6,836
PCAM	2,391	2,816	2,661
Total Europe, Middle East and Africa	1,770	10,537	9,497
Americas (primarily U.S.):			
CIB	(838)	4,628	6,810
PCAM	971	1,331	1,350
Total Americas	133	5,959	8,160
Asia/Pacific:			
CIB	1,671	3,823	2,891
PCAM	471	468	381
Total Asia/Pacific	2,142	4,291	3,273
CI	1,290	1,517	574
Consolidation & Adjustments	82	7	(197)
Consolidated net revenues[1]	13,490	30,745	28,494

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

Corporate and Investment Bank

In CIB, Deutsche Bank carries out the capital markets business including the origination, sales and trading activities in debt, equity and other securities, as well as the advisory, credit and transaction banking businesses. CIB's institutional clients are public sector clients like sovereign countries and multinational organizations, and private sector clients like medium-sized companies and multinational corporations.

CIB is further sub-divided into the Corporate Divisions Corporate Banking & Securities (CB&S) and Global Transaction Banking (GTB).

CB&S includes the Corporate Divisions Global Markets and Corporate Finance, which globally carry out Deutsche Bank Group's securities origination, sales and trading businesses, as well as its mergers and acquisitions advisory and corporate finance businesses.

GTB includes the product offerings in trade finance, cash management and trust & securities services for financial institutions and other companies.

Private Clients and Asset Management

PCAM is further sub-divided into the Corporate Divisions Asset and Wealth Management (AWM) and Private & Business Clients (PBC).

AWM consists of the Asset Management Business Division (AM) and the Private Wealth Management Business Division (PWM). The global retail mutual fund business of Deutsche Bank subsidiary

DWS forms part of AM. Furthermore, AM offers a variety of products to institutional clients like pension funds and insurance companies, including traditional investments, hedge funds as well as specific real estate investments. PWM offers its products globally to high net worth clients and families. PWM offers its demanding clients an integrated approach to wealth management, including succession planning and philanthropic advisory services.

PBC offers retail clients as well as small and medium sized business customers a variety of products including accounts, loan and deposit services as well as investment advice. Besides Germany, PBC has operated for a long time in Italy, Spain, Belgium and Portugal, and for several years in Poland. Furthermore, Deutsche Bank makes focused investments in emerging markets in Asia, for instance in China and India.

Corporate Investments

The CI Group Division comprises mainly the industrial holdings and other investments.

Strategy

Business Strategy

Deutsche Bank has a clearly defined business strategy, which encompasses all dimensions of practice: in corporate identity; mission and values; the brand; and the management agenda, which comprises a program of transformation and profitable growth initiatives which Deutsche Bank has implemented since 2002. The Deutsche Bank strategy has been adjusted in response to the more difficult market conditions of the second half of 2007 and 2008, as detailed below.

Identity. Deutsche Bank is in its own estimation a leading global investment bank with a strong private clients franchise. These are mutually reinforcing businesses; taking full advantage of the synergy potential between these businesses is a strategic priority for Deutsche Bank. Deutsche Bank considers itself as a leader in Europe, with strong positions in North America, Asia, and according to its estimation key emerging markets. Growth initiatives include both organic investment and selective, incremental acquisitions.

Mission and Values. Deutsche Bank competes to be the leading global provider of financial solutions for demanding clients, and to create exceptional value for Deutsche Bank's shareholders and people. Deutsche Bank is committed to its core values of customer focus, teamwork, innovation, performance and trust.

Brand. According to the Group's estimation, the brand is synonymous with strength and quality throughout the world and the logo is one of the best-recognized brand symbols in the global financial industry. The brand campaign aims to leverage a distinctive logo, the business achievements, and offering to clients. This campaign has according to the Group's estimation further strengthened the profile in established markets and built awareness in new growth markets.

Management agenda. In 2002, Deutsche Bank initiated a multi-year and multi-phased agenda. The first phase of this agenda focused on management's priorities to transform Deutsche Bank and the second phase focused on a strategy of achieving sustainable profitable growth. The implementation of these two phases of the strategy was successful. Between 2002 and 2007, Deutsche Bank has made significant gains in profitability as measured by growth in net income and pre-tax return on average active equity. According to its estimation, Deutsche Bank has reached positions among the leaders in the chosen core businesses; has substantially reduced the credit risk and alternative asset risk; and pursued a clear capital management strategy, which allowed to maintain core capital strength within a stated target range while simultaneously investing in business growth and returning cash to shareholders during this period. In 2006, Deutsche Bank launched "Phase 3" of the management agenda, covering the period 2006–2008. The overall objective was to leverage in a global platform for accelerated growth. Deutsche Bank defined four specific goals. First, to maintain the cost, risk, capital and regulatory discipline; second, to continue to invest in organic growth and bolt-

on acquisitions; third, to further grow the businesses which Deutsche Bank believes are viewed by the market as having more stable earnings streams, namely Private Clients and Asset Management (PCAM) and Global Transaction Banking; and fourth, to build on the competitive strength in the Corporate and Investment Bank (CIB).

The financial crisis which began in the second half of 2007, and particularly the rapid deterioration of conditions in financial markets during the fourth quarter 2008, saw the banking industry significantly and negatively impacted by considerably lower volumes of business activity in many key areas, together with mark-downs and losses related to the decline in value of some classes of assets. Following the insolvency of a large U.S. investment bank in September 2008, capital markets faced conditions of acute stress, with interbank lending severely reduced, extreme illiquidity in credit and other markets, and exceptional volatility, including sharp falls, in major equity markets. Bank balance sheets also came under pressure from exposures to assets which had deteriorated in value during the credit crisis and from a worsening credit environment as the financial crisis spread to the wider economy. Central banks and governments intervened on an unprecedented scale, injecting liquidity in key markets and recapitalizing banks through direct equity stakes. Against the backdrop of these extremely challenging conditions, Deutsche Bank was unable to reach all of the Bank's objectives in "Phase 3" of the management agenda. Deutsche Bank was considerably less impacted than some of Deutsche Bank's peers by losses related to declines in the value of collateralized debt obligations and some other types of securities which were directly impacted by the credit crisis; however, Deutsche Bank's performance in 2008 was substantially and adversely affected by losses in certain sales and trading businesses, write-downs on leveraged loans and loan commitments, and lower revenues, notably from declining fee and commission income in Deutsche Bank's investment management activities.

Deutsche Bank responded to these developments with a number of initiatives in 2008. It strengthened capital ratios and bolstered is funding base via capital market issuance and several other measures. Deutsche Bank recalibrated its investment banking business model by reducing the exposure to, and activity in, certain businesses which have been directly impacted by the financial crisis, including global credit trading and some proprietary trading activities. Also it reduced the legacy trading-book exposures in key areas such as leveraged finance and commercial real estate, and made substantial reductions in non-derivative trading assets. It will continue to invest selectively in growth initiatives in its 'stable' businesses, balancing these investments with efficiency measures. At Group level, Deutsche Bank is reducing complexity in its operations, standardizing processes across businesses and improving the functions through additional offshoring, which enables it to achieve cost savings by relocating certain activities to lower-cost locations. It has also initiated a review of its compensation procedures.

Strategies of the Group Divisions

Strategies in the CIB Businesses

In **Corporate Banking & Securities,** Deutsche Bank aims to build further on the position it reached in recent years as, in its own estimation, one of the world's leading investment banks (based on publicly available revenue information). In sales and trading, it has, in its own estimation, established a position as one of the world's leading banks (based on publicly available revenue information). In response to the financial crisis, it has taken steps to recalibrate its investment banking platform, adjusting in deployment of capital, its resource levels and the risk-weighted assets to the changed environment. Deutsche Bank is withdrawing resources from certain illiquid trading businesses, including some areas of credit trading, that have been directly impacted by the financial crisis and in which levels of activity appear unlikely to return to pre-crisis levels in the near term. Deutsche Bank closed some proprietary trading desks and has reduced proprietary trading activity. The recalibration efforts include an increased focus on more liquid trading businesses, including foreign exchange, money market and interest rate trading, and also aim to reap the benefits of prior investments in such businesses as prime brokerage, commodities trading and U.S. cash equities. The continuity offered by Deutsche Bank's client franchise, during a period of significant consolidation, merger-related reorganization and structural change elsewhere in the investment banking industry, is also a potential source of strategic advantage for Deutsche Bank.

In **Corporate Finance,** Deutsche Bank has built a powerful European franchise, and its principal strategic objective is to build a sustainable top-5 position globally, as measured by the industry fee pool. Deutsche Bank aims to achieve this goal by building on its leading position in Europe; by growing market share, profitably, in the U.S. market; and by continuing to build its presence in important emerging growth markets. The financial crisis, and the impact of this crisis on the wider economy, caused a reduction in market activity in some corporate finance businesses, including highly-leveraged M&A and leveraged buyouts, initial public offerings, leveraged finance and commercial real estate, counterbalanced to some extent by demand for corporate restructuring and recapitalization, as the corporate client base reacts to a more difficult business environment. In response to these conditions, Deutsche Bank is recalibrating its activities in Commercial Real Estate and Leveraged Finance, aiming to capture opportunities in capital raising and restructuring advisory, and selectively investing in its advisory capability in particular industry sectors.

In **Global Transaction Banking (GTB),** Deutsche Bank achieved significant growth in pre-tax profitability between 2004 and 2008. The strategic aim is to leverage this momentum by expanding into new markets, attracting new clients in core markets, increasing the penetration of the Deutsche Bank's existing client base, and further developing its product offering. Wherever GTB is present, Deutsche Bank offers comprehensive services for domestic and cross-border trade, including structuring, financing and risk mitigation. Deutsche Bank continues to develop flexible, innovative solutions in areas such as the credit card business and low-value cross-currency payments. For this purpose Deutsche Bank aims to continue to invest in new technologies and improve its range of products. GTB aims both to grow organically and to take advantage of opportunities for attractive bolt-on acquisitions.

Strategies in the PCAM Businesses

In **Asset and Wealth Management,** Deutsche Bank operates in all major regions of the world, with invested assets of € 628 billion as of the end of 2008. The aim of Deutsche Bank is to develop further, and grow profitably in, both the Asset Management and Private Wealth Management businesses. As the financial crisis developed in 2008, the performance of the Asset Management business of Deutsche Bank was significantly and negatively impacted by declines in equity valuations, which caused a decline in the value of client portfolios and thereby adversely impacted fee and commission income and led to Deutsche Bank making cash injections to support certain European money market funds and deteriorating conditions in alternative investments, notably real estate. In response, Deutsche Bank has launched a series of initiatives to re-engineer the division in order to restore operating leverage. These initiatives will impact each of Asset Management's four global business lines: retail, alternative investments, institutional and insurance. In retail asset management, Deutsche Bank has taken action to restructure some money market fund products and will aim to enhance its position in the mutual fund business around the world by leveraging its DWS brand. In alternative asset management, which operates under the RREEF brand, Deutsche Bank will right-size its platform to take account of the more difficult conditions in the real estate markets. It has also downsized the hedge fund platform. Deutsche Bank further aims to realize cost efficiencies by streamlining production processes for new funds and reducing costs in its mid- and back-office operations.

In Private Wealth Management, the aim is to build on the strong Deutsche Bank brand, continue to attract net new money inflows and profit from a "flight to quality". Key measures to achieve profitable growth and net new money inflows are to selectively recruit top talent and to build out its discretionary portfolio management business along with its wealth advisory mandate business. In addition, Deutsche Bank will respond to challenging conditions in financial markets by continuing to focus on front-office productivity and cost efficiency. The strategy contemplates both organic growth and focused bolt-on acquisition opportunities.

In **Private & Business Clients (PBC),** Deutsche Bank's strategy is to build on its position in Germany and other core European markets, while also expanding its platform in growth markets in Central Eastern Europe and Asia. The business model is based on the two core competencies of advisory banking and consumer banking. As the financial crisis developed through 2008, PBC experienced a decline in revenues from investment and brokerage products against a backdrop of falling equity markets, higher provisions for credit losses and margin compression in deposit and other basic banking products. In response, Deutsche Bank will continue to implement its Growth and Efficiency

Program, launched in 2008, which comprises efficiency measures both in middle and back offices, integration of credit operations, and selective investments in distribution. In advisory banking, Deutsche Bank aims to position PBC for a recovery in investment products via selective investments. In consumer banking, Deutsche Bank is addressing margin compression via cost-efficiency measures. Deutsche Bank also aims to fully leverage the growth of its customer and deposit base during 2008 and in prior years. In 2008 alone, PBC attracted 800,000 net new clients and € 19 billion in new customer deposits, which supports revenue generation in the future.

PBC's commitment to growth in the home market of Deutsche Bank – already underlined by the acquisitions of Berliner Bank and norisbank in 2006 and 2007, respectively – was further emphasized in February 2009 by the acquisition of a minority stake in Deutsche Postbank, Germany's largest private retail bank from Deutsche Post, Deutsche Postbank's parent. Deutsche Bank also acquired mandatorily-exchangeable bonds issued by Deutsche Post which will be exchanged for an additional 27.4% stake in Deutsche Postbank in February 2012, as well as the exclusive option to acquire an additional 12.1 % stake between February 2012 and February 2013. If Deutsche Bank acquired a majority stake in Deutsche Postbank, the combined entity would enjoy a clear leadership position in retail banking in Germany (as measured by number of clients), and would serve nearly 30 million clients across Europe. In addition, Deutsche Bank has reached an agreement with Deutsche Postbank on comprehensive business cooperation regarding investment products, loans and partnerships in the areas of IT and sourcing. This agreement aims to deliver cost and revenue synergies for both parties.

Outside Germany, PBC aims to grow in "core" European markets: Italy, Spain, Portugal and Belgium. Deutsche Bank's organic expansion in Poland continued in 2008, with growth in revenues and business volume, reflecting the expansion of its network in both advisory banking and consumer banking.

Capital Management Strategy

Focused management of capital has been a clearly-stated part of all phases of the management agenda. In the current difficult conditions, Deutsche Bank views a strong capital base, liquidity and funding position as key assets. In 2008, it increased its Tier 1 capital over the course of the year from € 28.3 billion to € 31.1 billion. At the end of 2008, Deutsche Bank's Tier 1 capital ratio, as measured under Basel II, stood at 10.1 %, higher than at the beginning of the financial crisis. Deutsche Bank also reduced its leverage ratio – the ratio of total assets to equity – during the second half of 2008. Deutsche Bank remains committed to maintaining a Tier 1 capital ratio of approximately 10 % and to making further progress on bringing down Deutsche Bank's leverage ratio.

Markets and Competition

Competitors, Markets and Competitive Factors

The financial services industry and each of Deutsche Bank's businesses are intensely competitive, and Deutsche Bank expects them to remain so. The main competitors are other commercial banks, savings banks, other public sector banks, brokers and dealers, investment banking firms, insurance companies, investment advisors, mutual funds and hedge funds. Deutsche Bank competes with some of its competitors globally and with some others on a regional, product or niche basis. Deutsche Bank competes on the basis of a number of factors, including the quality of client relationships, transaction execution, its products and services, innovation, reputation and price.

In Germany, Deutsche Bank's competitive environment is influenced by a division of the banking sector into the three following pillars: private sector banks such as Deutsche Bank, public sector banks (state banks, or Landesbanken, and savings banks) and cooperative banks. A number of foreign banks also operate in Germany. The public sector banks and the cooperative banks often collaborate closely with other banks within their respective pillar and thus operate as networks for most products. The different legal form of private sector banks, public sector banks and mutual banks impedes cross-pillar consolidation, and consequently consolidation has taken place within, rather than across, the three pillars described above. Public sector banks are only permitted to be owned by municipali-

ties and other public bodies and are able to rely on unlimited state guarantees in various forms. Following an agreement between the European Commission and the German government, these arrangements have generally been discontinued for Landesbanken after July 18, 2005, subject to transition rules for liabilities existing on that date. For the savings banks which are mainly owned by municipalities and which are mainly engaged in retail business, these arrangements remain in force.

In Europe, consolidation in the banking industry has mainly taken place within individual countries. In September 2007, the European Union amended the rules on the review of bank mergers and acquisitions under bank regulatory laws, by narrowing the focus of and imposing a strict time frame on such reviews, with the aim to facilitate cross-border business combinations within Europe. These new rules must be transposed into national law by March 21, 2009. In addition, the European Commission is considering further measures to enhance competition among banks within the European Union and to improve the competitiveness of European banks globally. Deutsche Bank monitors these discussions closely and analyzes carefully any potential business opportunities or challenges that might emerge as a result.

The performance of Deutsche Bank depends on the talents and efforts of highly-skilled individuals. Deutsche Bank competes for employees qualified for work in the banking, securities and financial services industries with other financial institutions as well as with companies outside of the financial services industry. For Deutsche Bank's continued ability to compete effectively in the businesses it is important to attract new employees as necessary and to retain and motivate the existing employees. Pressure to redesign the banking industry's compensation models, and to restrain the absolute level of senior executive pay, may have a significant impact on the ability to attract new recruits and retain talented staff.

The Bank's reputation for financial strength and integrity is vital to the ability of Deutsche Bank to attract and maintain customers. To keep its well-established reputation Deutsche Bank has to promote and market its brand adequately and may decide to abstain from certain transactions or activities, even where they would be financially profitable. The loss of business that would result from damage to the reputation of Deutsche Bank could affect its results of operations and financial condition.

Consolidation and Globalization

In recent years there has been substantial consolidation and convergence in the financial services industry. A number of large commercial banks, insurance companies and other broad-based financial services firms have merged with or been acquired by other financial institutions. In 2008, the banking sector witnessed further substantial consolidation and merger activity, some of which occurred against a backdrop of significant losses in certain financial institutions resulting from exposure to troubled assets. 2008 also saw a decisive shift away from the large, independent broker-dealer business model. Some broker-dealers have been acquired by large, integrated banks, others have chosen to become bank holding companies, and one collapsed in September 2008. The recent consolidation activity will according to the estimation of Deutsche Bank likely result in significant discontinuities from post-merger integration, restructurings or internal reorganizations in the institutions concerned. Disruptive change at some institutions may present opportunities for banks unaffected by consolidation activity, including Deutsche Bank, to capture market share. This opportunity may also arise for other banks which have acquired investment banking operations during the consolidation process. In Germany, the merger of the second and third largest private sector banks, together with an infusion of capital into the combined entity by the German government, will also alter the competitive landscape.

Government Intervention in Response to the Financial Markets Crisis

Governments and central banks in a number of countries, including Germany, the UK, Switzerland and the U.S., have taken a series of measures to address the current crisis in the financial markets and, in particular, its effects on banks, with a view to restore market liquidity and investor confidence. These measures include guarantees by a government or governmental agency of debt of certain

banks, the purchase of illiquid assets from certain banks and the injection of various forms of capital (hybrid instruments, preferred stock, and common stock) into banks. In some cases banks have been nationalized or their nationalization is being considered. The German government has recently presented a draft bill which will extend the scope of certain suspensions of provisions of takeover laws and provide for the temporary authorization (through October 31, 2009) to nationalize financial institutions that are essential to the functioning of the German financial market through the expropriation (with compensation) of its shareholders or the holders of financial instruments qualifying as own funds (Eigenmittel) of the financial institution if such expropriation is necessary to safeguard the stability of the financial market, and no other less restrictive legally and economically reasonable and equally effective means are available in order to achieve this goal.

The conditions under which banks may take advantage of such measures vary from country to country and in some cases such measures are only available to the parent bank of a group. Generally, participation by a bank is voluntary but in some cases has been politically encouraged. It may become mandatory if certain thresholds, such as predefined capital ratios, are no longer met. The eligibility to benefit from such measures is in some instances tied to certain commitments of the participating bank, such as lending to certain types of borrowers (for example, small and medium sized companies), adjustments to the bank's business strategy, suspension of dividends and other profit distributions and limitations on the compensation of its executives.

Certain of the above-mentioned government intervention programs involve significant sums of money, but differences exist between the various national programs. They have significant effects both on banks that participate in them and on banks that do not participate. These effects relate, in particular, to access to funding and capital; the degree of strategic autonomy retained by participating financial institutions; executive compensation; and the recruiting and retention of talent. Banks which have not received direct government support, currently including Deutsche Bank, may be in a position to derive competitive advantage from preservation of strategic autonomy, and greater autonomy of lending policy or executive compensation policy. On the other hand, banks which have received direct government support may be in a position to derive competitive advantage from additional access to, or lower cost of, capital and funding. Non-participating banks also may suffer a decline in depositor or investor confidence thus risking a loss of liquidity.

Competition in Deutsche Bank's Businesses

Corporate and Investment Bank Group Division

Deutsche Bank's investment banking operation competes in domestic and international markets in Europe, the Americas and Asia Pacific. Competitors include bank holding companies, investment advisors, brokers and dealers in securities and commodities, securities brokerage firms and certain commercial banks. Within Germany and other European countries, Deutsche Bank's competitors also include German private universal banks, public state banks and foreign banks.

Private Clients and Asset Management Group Division

In the retail banking business Deutsche Bank faces intense competition from savings banks and cooperative banks, other universal banks, insurance companies, home loan and savings companies and other financial intermediaries. In Germany, savings and cooperative banks form Deutsche Bank's biggest group of competitors. These banks generally operate regionally. In other European countries, private universal banks and savings banks are Deutsche Bank's main competitors. The large Asian markets (India and China), where Deutsche Bank recently opened a limited number of retail branches, are dominated by local public and private sector banks. However, with deregulation, international financial institutions are likely to increase their investments in these markets and thereby intensify competition.

Deutsche Bank's private wealth management business faces fierce competition from the private banking and wealth management units of other global and regional financial service companies and from investment banks.

Deutsche Bank's main competitors in the asset management business are asset management subsidiaries of major financial services companies and large stand-alone retail and institutional asset managers. Most of the main competitors are headquartered in Europe or the United States, though many operate globally.

Group Divisions

Group division is a term the Bank uses to describe the three highest-level divisions the firm, which are the Corporate and Investment Bank Group Division (CIB), the Private Clients and Asset Management Group Division (PCAM) and the Corporate Investments Group Division (CI). The CIB and PCAM Group Divisions each comprise two principal corporate divisions. The CI Group Division does not use the intermediate corporate division designation.

Corporate and Investment Bank Group Division

The Corporate and Investment Bank Group Division primarily serves large and medium-sized corporations, financial institutions and sovereign, public sector and multinational organizations. This group division generated 23 % of the net revenues in 2008, 62 % of the net revenues in 2007 and 66 % of the net revenues in 2006 (on the basis of the management reporting systems).

The Corporate and Investment Bank Group Division's operations are predominantly located in the world's primary financial centers, including London, New York, Frankfurt, Tokyo, Singapore and Hong Kong.

Deutsche Bank's businesses that comprise the Corporate and Investment Bank Group Division seek to reach and sustain a leading global position in corporate and institutional banking services, as measured by financial performance, market share, reputation and customer franchise, while making optimal usage of, and achieving optimal return on, its capital. The division also continues to exploit business synergies with the Private Clients and Asset Management Group Division and the Corporate Investments Group Division. The Corporate and Investment Bank Group Division's activities and strategy are primarily client-driven. Teams of specialists in each business division give clients of Deutsche Bank access not only to their own products and services, but also to those of its other businesses.

This group division includes two corporate divisions, comprising the following business divisions:

- Corporate Banking & Securities Corporate Division
  - Global Markets
  - Corporate Finance
- Global Transaction Banking Corporate Division
  - Trade Finance and Cash Management Corporates
  - Trust & Securities Services and Cash Management Financial Institutions

Corporate Banking & Securities includes the debt and equity sales and trading businesses, which are housed in the Global Markets Business Division. Global Markets has eight primary business lines and three horizontally-integrated client-facing groups (Debt Capital Markets / Corporate Coverage, the Institutional Client Group, and Research), unified at a local level by strong regional management. Corporate Banking & Securities also includes the Corporate Finance Business Division, which focuses on providing advisory, equity and debt financing and structuring services to corporates and financial institutional clients and also includes the commercial real estate business. CIB's client coverage functions are also a key part of the Corporate Finance Business Division.

Global Transaction Banking is closely aligned with Corporate Finance, but is a separately managed corporate division, providing trade finance, cash management and trust & securities services.

Corporate Banking & Securities and Global Transaction Banking are supported by the Loan Exposure Management Group ("LEMG"). LEMG has responsibility for a range of loan portfolios, actively managing the risk of these through the implementation of a hedging regime on a selective basis. LEMG manages the credit risk of loans and lending-related commitments related to both the investment-grade portfolio and the medium-sized German companies portfolio.

Corporate Banking & Securities Corporate Division

Corporate Division Overview

Corporate Banking & Securities is made up of the business divisions Global Markets and Corporate Finance. These businesses offer financial products worldwide ranging from the underwriting of stocks and bonds to the tailoring of structured solutions for complex financial requirements.

In July 2007, Deutsche Bank announced the acquisition of Abbey Life Assurance Company Limited, a UK company that consists primarily of unit-linked life and pension policies and annuities. The acquisition was completed in October 2007.

In July 2006, Deutsche Bank announced the signing of a definitive agreement to acquire MortgageIT Holdings, Inc., a residential mortgage real estate investment trust (REIT) based in the U. S. The acquisition was closed in January 2007.

In April 2006, Deutsche Bank closed the purchase of a 30.99 % stake in Paternoster Limited, a UK life assurance company that is focused on bulk annuity purchases.

In February 2006 Deutsche Bank closed the purchase of the remaining 60 % of United Financial Group ("UFG"), a Moscow investment bank, having purchased an initial 40 % stake in January 2004.

Products and Services

The Global Markets Business Division is responsible for origination, sales, financing, structuring and trading activities across a wide range of fixed income, equity, equity-linked, convertible bond, foreign exchange and commodities products. The division aims to deliver creative solutions to the capital-raising, investing, hedging and other financing needs of customers.

Within the Corporate Finance Business Division, Deutsche Bank's clients are offered mergers and acquisitions and general corporate finance advice, together with leveraged debt and equity origination services, and a variety of credit products and financial services. In addition, Deutsche Bank provides a variety of financial services to the public sector. Corporate Finance also includes coverage functions related to corporate, financial and institutional clients globally.

Within Corporate Banking & Securities, Deutsche Bank closed its Credit Proprietary trading business with remaining risk positions being transferred for ongoing management and liquidation by the relevant product trading management within the Bank's Sales and Trading businesses. In addition, Deutsche Bank also further reduced its Equity Proprietary trading business over the course of 2008 with a particular reduction in both the number and size of Deutsche Bank's trading strategies during the fourth quarter in the light of the significant market disruptions and illiquidity following the failure of a large U.S. investment bank. Deutsche Bank continues to be exposed to the risk of further losses for the remaining positions held by it, and has not managed to fully mitigate its risk. Deutsche Bank will continue to conduct some proprietary trading, or trading on Deutsche Bank's own account, in addition to providing products and services to customers. Most of this trading is undertaken in the normal course of facilitating client business. For example, to facilitate customer flow business, traders will maintain long positions (accumulating securities) and short positions (selling securities Deutsche Bank does not yet own) in a range of securities and derivative products, reducing the exposure to hedging transactions where appropriate. While these activities give rise to market and other risk, Deutsche Bank does not view this as proprietary trading. However, Deutsche Bank also uses the capital to exploit market opportunities across all asset classes, and this is what Deutsche Bank terms proprietary trading.

Distribution Channels and Marketing

In the Corporate Banking & Securities Corporate Division, the focus of the corporate and institutional coverage bankers and sales teams is on the relationships to Deutsche Bank's clients. It has structured the client coverage model so as to provide varying levels of standardized or dedicated services to its customers depending on their needs and level of complexity.

Global Transaction Banking Corporate Division

Corporate Division Overview

Global Transaction Banking is primarily engaged in the gathering, transfer, safeguarding and control of assets for its clients throughout the world. It provides processing, fiduciary and trust services to corporations, financial institutions and governments and their agencies and comprises the following business divisions:

- Trade Finance and Cash Management Corporates
- Trust & Securities Services and Cash Management Financial Institutions

In October 2008, Deutsche Bank closed the acquisition of the operating platform of Pago eTransaction GmbH into the Deutsche Card Services GmbH, based in Germany.

In July 2008, Deutsche Bank agreed to purchase New HBU II N.V. and IFN Finance B.V., comprising parts of ABN Amro's commercial banking activities in the Netherlands, from ABN Amro and Fortis Group. The transaction is subject to approval by the Dutch Central Bank. No date for closing has been scheduled.

In January 2008, Deutsche Bank acquired HedgeWorks LLC, a hedge fund administrator based in the United States.

In July 2007, Deutsche Bank closed the acquisition of the institutional cross-border custody business of Türkiye Garanti Bankasi A. S.

In May 2006, Deutsche Bank completed the acquisition of the UK Depository and Clearing Centre business from JPMorgan Chase.

Products and Services

Trade Finance provides comprehensive solutions along the client's trade value chain by combining international trade risk mitigation products and services with custom-made solutions for structured trade and export finance as well as, in a continuously growing number of regions, cross-selling of interest and currency risk products.

Cash Management caters to the needs of a diverse client base of corporates and financial institutions. With the provision of a comprehensive range of innovative and robust solutions, Deutsche Bank handles the complexities of global and regional treasury functions including customer access, payment and collection services, liquidity management, information and account services and electronic bill presentation and payment solutions.

Trust & Securities Services provides a range of trust, payment, administration and related services for selected securities and financial transactions, as well as domestic securities custody in more than 28 markets.

Distribution Channels and Marketing

The Global Transaction Banking Corporate Division develops and markets its own products and services in Europe, Asia and the Americas. The marketing is carried out in conjunction with the coverage functions both in this division and in the Corporate Banking & Securities Corporate Division.

Customers can be differentiated into two main groups: (i) financial institutions, such as banks, mutual funds and retirement funds, broker-dealers, fund managers and insurance companies, and (ii) multinational corporations and large local corporates.

Private Clients and Asset Management Group Division

The Private Clients and Asset Management Group Division primarily serves retail and small corporate customers as well as affluent and wealthy clients and provides asset management services to retail and institutional clients. This group division generated 67 % of the net revenues in 2008 and 33 % of the net revenues in both 2007 and 2006 (on the basis of the management reporting systems).

This group division includes the following corporate divisions:

- Asset and Wealth Management (AWM)
- Private & Business Clients (PBC)

The Asset and Wealth Management (AWM) Corporate Division consists of the Asset Management Business Division (AM) and the Private Wealth Management Business Division (PWM). AWM Corporate Division's operations are located in Europe, Middle East, Africa, the Americas and Asia.

The AWM Corporate Division is, in Deutsche Bank's estimation, among the leading asset managers in the world as measured by total invested assets. The division serves a range of retail, private and institutional clients.

The Private & Business Clients (PBC) Corporate Division serves retail and affluent clients as well as small corporate customers in Deutsche Bank's key markets of Germany, Italy and Spain, as well as in Belgium, Portugal and Poland. This is complemented by Deutsche Bank's established market presence in India and China.

Asset and Wealth Management Corporate Division

Corporate Division Overview

The Asset Management (AM) Business Division is organized into four global business lines:

Retail offers a range of products, including mutual funds and structured products, across many asset classes

Alternative Investments manages real estate and infrastructure investments and private equity funds of funds

Insurance provides specialist advisory and portfolio management services to insurers and re-insurers globally

Institutional provides investment solutions across both traditional and alternative strategies to all other (non-insurance) institutional clients, such as pension funds, endowments and corporates

The PWM Business Division, which includes wealth management for high net worth clients and ultra high net worth individuals, their families and selected institutions, is organized into regional teams specialized in their respective regional markets.

Among significant transactions, in December 2008 RREEF Alternative Investments acquired a significant minority interest in Rosen Real Estate Securities LLC (RRES), a long/short real estate investment advisor.

In November 2008, Deutsche Bank acquired a 40% stake in UFG Invest, the Russian investment management company of UFG Asset Management, with an option to become a 100% owner in the future. The business will be branded Deutsche UFG Capital Management.

In June 2008, AM sold its Italian life insurance company DWS Vita SpA to Zurich Financial Services Group. The transaction includes an exclusive 7-year agreement for the distribution of life insurance products via Deutsche Bank's financial advisors network in Italy, Finanza & Futuro Banca SpA.

Also in June 2008, AM sold DWS Investments Schweiz AG, consisting of the Swiss fund administration business, to State Street Bank.

On June 30, 2008, AM consolidated Maher Terminal LLC and Maher Terminals of Canada Corp., collectively and hereafter referred to as Maher Terminals, a privately held operator of port terminal facilities in North America acquired in July 2007. RREEF Infrastructure acquired all third party investors' interests in the North Americas Infrastructure Fund, whose sole investment is Maher Terminals.

PWM increased its footprint in two large emerging markets with the opening of representative offices in St. Petersburg, Russia in April 2008 and Kolkata, India in February 2008.

Effective March 2008, AM completed the acquisition of a 60% interest in Far Eastern Alliance Asset Management Co. Limited, a Taiwanese investment management firm.

In January 2008, AM increased its stake in Harvest Fund Management by 10.5% to 30%. Harvest is one of the largest mutual fund manager in China, with a 6.0% market share.

In July 2007, RREEF Private Equity acquired a significant minority interest in Aldus Equity, an alternative asset management and advisory boutique specializing in customized private equity investing for institutional and high net worth investors.

In July 2007, AM completed the sale of its local Italian mutual fund business and established long term distribution arrangements with Deutsche Bank's strategic partner, Anima S. G. R. p. A.

In June 2007, AM closed the sale of part of its Australian business to Aberdeen Asset Management. As a result of the repositioning, AM's Australian operation migrated from being primarily a domestic manufacturing platform to become a distribution platform with specialist investment management capabilities.

In December 2006, PWM completed the acquisition of the UK wealth manager, Tilney Group Limited, strengthening Deutsche Bank's position in the second-largest wealth management market in Europe. The acquisition was an important element in Deutsche Bank's strategy to expand the onshore presence in dedicated core markets and to expand into various client segments, including the Independent Financial Advisors sector.

At the end of 2006, PWM entered into the important Chinese onshore market with the opening of an office in Shanghai to serve wealthy clients.

Products and Services

Asset and Wealth Management's (AWM) portfolio/fund management products include active fund management, passive/quantitative fund management, alternative investments, discretionary portfolio management and wealth advisory services.

AM focuses primarily on active investing. Its products and services encompass a broad range of investment strategies and asset classes, and cover many industries and geographic regions. AM's product offering includes mutual funds, structured products, commingled funds and separately managed accounts.

AM's global retail brand is DWS. The product range of DWS covers all regions and sectors as well as many forms and styles of investment. DWS Investments is, in Deutsche Bank's estimation, one of Europe's leading retail asset managers. DWS also operates in the U.S. and key markets in Asia-Pacific.

In the Alternative Investments business line, real estate, infrastructure and private equity funds of funds investment management products and services are offered under the RREEF brand. RREEF is, in Deutsche Bank's estimation, one of the world's largest real estate investment organizations.

The Insurance platform provides clients with customized investment programs designed to address an insurer's specific needs. It offers investment solutions across multiple asset classes, including traditional fixed income, equities, asset allocation services, and alternative asset classes such as hedge funds and real estate.

Institutional products and services are marketed under the DB Advisors brand. The Institutional business offers its clients access to AM's full range of products and services, including both traditional and alternative investments. The single-manager/multi-manager hedge fund business operates within DB Advisors.

PWM provides a fully-integrated service offering for its clients based on dynamic strategic asset allocation including individual risk-management according to the clients' risk/return profile.

PWM offers discretionary portfolio management, in which the portfolio managers of Deutsche Bank have discretion to manage clients' investments within the clients' general guidelines. The portfolio managers invest client funds in various investment products, such as stocks, bonds, mutual funds, hedge funds and other alternative investments including derivatives, where appropriate. In addition, Deutsche Bank offers wealth advisory services for actively-involved clients with customized investment advice via a unique combination of risk management and portfolio optimization.

PWM also provides brokerage services in which the relationship managers and client advisors provide investment advice to clients but do not exercise investment discretion. An integrated approach to wealth management is the core of the advisory services. The investment advice covers stocks, bonds, mutual funds, hedge funds and other alternative investments, including derivatives where appropriate. The relationship managers also advise their clients on the products of third parties in all asset classes. Furthermore, the solutions include wealth preservation strategies and succession planning, philanthropic advisory services, art advisory services, family office solutions and services for financial intermediaries.

PWM continued to expand its offering of alternative investments in 2008, especially with respect to innovative solutions within the private equity and hedge funds asset classes. Going forward, real estate offerings will be broadened. PWM generates foreign exchange products, as well as structured investment products in cooperation with the Global Markets Business Division.

PWM's loan/deposit products include traditional and specialized deposit products (including current accounts, time deposits and savings accounts) and both standardized and specialized secured and unsecured lending. It also provides payment, account & remaining financial services, processing and disposition of cash and non-cash payments in local currency, international payments, letters of credit, guarantees, and other cash transactions.

AWM generates revenues from other products, including direct real estate investments included in the alternative investments business, rental revenues and gains and losses earned on real estate deal flows and revenues that are not part of the core business, specifically, the gain on sale of businesses.

Distribution Channels and Marketing

AM markets its retail products in Germany and other Continental European countries generally through the established internal distribution channels in PWM and PBC. Deutsche Bank also distributes its funds through other banks, insurance companies and independent investment advisors.

Deutsche Bank markets its retail funds outside Europe via its own Asset and Wealth Management distribution channels and through third-party distributors. DWS Investments distributes its retail products to U.S. investors primarily through financial representatives at major national and regional wirehouses, independent and bank-based broker dealers, and independent financial advisors and registered investment advisors.

Products for institutional clients are distributed through the substantial sales and marketing network within AM and through third-party distribution channels. They are also distributed through the other businesses, notably the Corporate and Investment Bank Group Division.

Alternative investment products are distributed through the sales and marketing network within Asset and Wealth Management and through third-party distribution channels, predominantly to high net worth clients, institutions and retail customers worldwide.

Insurance asset management solutions are marketed and distributed by AM's specialist insurance unit, which provides advisory and portfolio management services for insurers and re-insurers globally.

PWM pursues an integrated business model to cater to the complex needs of high net worth clients and ultra high net worth individuals, their families and selected institutions. The relationship managers work within target customer groups, assisting clients in developing individual investment strategies and creating enduring relationships with the clients.

In Deutsche Bank's PWM onshore business, wealthy customers are served via its relationship manager network in the respective countries. Where PBC has a presence, customers of Deutsche Bank also have access to the retail branch network and other general banking products. The offshore business encompasses all of the clients who establish accounts outside their countries of residence. These customers are able to use Deutsche Bank's offshore services to access financial products that may not be available in their countries of residence.

In addition, the client advisors of the U.S. Private Client Services business focus on traditional brokerage offering and asset allocation, including a wide range of third party products.

A major competitive advantage for PWM is the fact that it is a private bank within Deutsche Bank, with its leading investment banking, corporate banking and asset management activities. In order to make optimal use of the potential offered by cross-divisional cooperation, since 2007 PWM has established Key Client Teams in order to serve clients with very complex assets and highly sophisticated needs. PWM offers these clients the opportunity to make direct additional purchases, coinvest in its private equity activities or obtain direct access to its trading units. Large entrepreneurial families are increasingly expecting wealth management and investment banking operations to work hand in hand. Cooperation with the corporate banking division also helps to identify potential PWM clients at a very early stage.

Private & Business Clients Corporate Division

Corporate Division Overview

The Private & Business Clients Corporate Division operates under a single business model across Europe and selected Asian markets with a focused, sales-driven management structure predominantly under the Deutsche Bank brand. PBC serves retail and affluent clients as well as small and medium sized business customers.

In 2008, Deutsche Bank continued its balanced and profitable growth in selected European and Asian markets, supported by a comprehensive global growth and efficiency program including the opening of new branches, hiring of highly qualified sales staff and a plan to increase efficiency in the middle and back offices.

In the German core market, Deutsche Bank was able to expand its already strong position by attracting new customers and business volume. In February 2009, after the acquisitions of Berliner Bank

and norisbank in 2006 and 2007, Deutsche Bank acquired a stake of 22.9% in Germany's largest private retail bank, Deutsche Postbank, and bonds of Postbank's parent that are mandatorily exchangeable in February 2012 into an additional 27.4% of Postbank's shares, for a total consideration of € 3.8 billion. Deutsche Bank also holds an exclusive option, exercisable between February 2012 and February 2013, to potentially increase its stake by an additional 12.1%. In addition, Deutsche Bank has reached an agreement with Deutsche Postbank on comprehensive business cooperation regarding, inter alia, investment products, loans and partnerships in the areas of IT and sourcing. This agreement aims to deliver cost and revenue synergies for both parties.

In Italy, Deutsche Bank continued to open new branches and increased its client base substantially compared to last year. Deutsche Bank also expanded its business in Spain, Belgium and, especially, in Portugal, where the network was further strengthened with the opening of new branches.

Deutsche Bank also continued to invest in promising countries and business lines. After entering the Polish consumer finance market in February 2007, Deutsche Bank has opened 120 "db-kredyt"-branded loan shops by the end of 2008. PBC's entry into the consumer finance business is a meaningful addition to the Polish branch business and follows the PBC business model, which is successfully in use in Germany, Italy and Spain.

The development of PBC in Asia has also maintained momentum. PBC further invested in its strategic partnership with Hua Xia Bank in China and increased its shareholding from 9.9% to 13.7% by investing € 423 million. This investment was part of Hua Xia Bank's private placement to its three biggest shareholders and was completed in October 2008. As part of the strategic partnership, Deutsche Bank and Hua Xia Bank jointly have developed and distributed credit cards in China since June 2007. Moreover PBC now has three branches in China. In India, PBC expanded its presence through the addition of three branches, increasing the number of branches to thirteen. Deutsche Bank's 10% stake in Habubank in Vietnam, including a business cooperation arrangement, further demonstrates PBC's confidence in the growth potential of Asia.

Products and Services

PBC offers a similar range of banking products and services throughout Europe and Asia, with some variations among countries that are driven by local market, regulatory and customer requirements.

In offering portfolio/fund management and brokerage services, Deutsche Bank provides investment advice, brokerage services, discretionary portfolio management and securities custody services to its clients.

Deutsche Bank provides loan and deposit services, with the most significant being property financing (including mortgages) and consumer and commercial loans, as well as traditional current accounts, savings accounts and time deposits. The property finance business, which includes mortgages and construction finance, is the most significant lending business. Deutsche Bank provides property finance loans primarily for private purposes, such as home financing. Most of the mortgages have an original fixed interest period of five or ten years. Loan and deposit products also include the home loan and savings business in Germany, offered through the subsidiary Deutsche Bank Bauspar AG.

PBC's payments, account & remaining financial services consist of administration of current accounts in local and foreign currency as well as settlement of domestic and cross-border payments on these accounts. They also include the purchase and sale of payment media and the sale of insurance products, home loan and savings contracts and credit cards. In 2008, Deutsche Bank strengthened its focus on gathering deposits, resulting in a significant increase in assets under management. In Italy, PBC issues credit cards under the BankAmericard brand.

Other products include primarily activities related to asset and liability management.

Distribution Channels and Marketing

To achieve a strong brand position internationally, Deutsche Bank markets its services consistently throughout the European and Asian countries in which PBC is active. In order to make banking products and services more attractive to clients, Deutsche Bank seeks to optimize the accessibility and availability of its services. To accomplish this, Deutsche Bank looks to self-service functions and technological advances to supplement its branch network with an array of access channels to PBC's products and services. These channels consist of the following in-person and remote distribution points:

- Investment and Finance Centers. Investment and Finance Centers offer Deutsche Bank's entire range of products and advice. In 2008, several of its Investment and Finance Centers were refurbished according to innovative concepts which illustrate how Deutsche Bank sees branch banking in the future and, which were introduced and tested in Deutsche Bank's flagship "Branch of the future – Q 110" in Berlin.
- Financial Agents. In most countries, Deutsche Bank markets its retail banking products and services through self-employed financial agents. In 2008, Deutsche Bank continued to invest in its mobile sales force network in Germany, Italy, Spain, Poland and India by hiring additional sales representatives.
- Call Centers. Call centers provide clients with remote services supported by automated systems. Remote services include access to account information, securities brokerage and other basic banking transactions.
- Internet. On its website, Deutsche Bank offers clients brokerage services, account information and product information on proprietary and third-party investment products. These offerings are complemented with services that provide information, analysis tools and content to support the client in making independent investment decisions.
- Self-service Terminals. These terminals support the branch network and allow clients to withdraw and transfer funds, receive custody account statements and make appointments with the financial advisors.

In addition to its branch network and financial agents, Deutsche Bank enters into country-specific distribution arrangements. In Germany, for example, Deutsche Bank has a cooperation agreement with Deutsche Vermögensberatung AG (referred to as DVAG) whereby Deutsche Bank distributes its mutual funds and other banking products through DVAG's independent distribution network. Deutsche Bank also works together with ADAC (Germany's and Europe's largest automobile club with more than 15 million members), with whom Deutsche Bank has an exclusive sales cooperation agreement in place. In order to complement its product range, Deutsche Bank has signed distribution agreements, in which PBC distributes the products of reputable product suppliers. These include an agreement with Zurich Financial Services for insurance products, and a strategic alliance with nine fund companies for the distribution of their investment products.

Corporate Investments Group Division

Corporate Investments (CI) consists of industrial holdings, some own-occupied property and other equity.

The Corporate Investments Group Division manages a portfolio containing certain alternative assets and other debt and equity positions. The portfolio includes the industrial holdings of Deutsche Bank, certain private equity and venture capital investments, private equity fund investments, certain corporate real estate investments, the holding in Atradius N.V., certain credit exposures and certain other non-strategic investments. Historically, its mission has been to provide financial, strategic, operational and managerial capital to enhance the values of the portfolio companies in which the group division has invested.

Deutsche Bank believes that the group division enhances the bank's portfolio management and risk management capability.

Corporate Investments holds interests in a number of manufacturing and financial services corporations (the "Industrial Holdings"). The largest of these Industrial Holdings by market value at December 31, 2008 were interests of 2.7% in Daimler AG and 2.4% in Linde AG. Currently, over 91% of its Industrial Holdings are in German corporations.

In 2008, Deutsche Bank reduced its investment in Daimler AG from 4.4% to 2.7% and its investment in Linde AG from 5.2% to 2.4%. Deutsche Bank sold its remaining stake in Allianz SE and its investment in Arcor AG & Co. KG.

In November 2008, Corporate Investments participated in a liquidity facility for Hypo Real Estate Group acquiring € 12.0 billion of collateralized notes.

In July 2008, Corporate Investments acquired a 7.6% stake in Germany1 Acquisition Ltd., a vehicle established for the purpose of acquiring ownership in companies in Germany, Austria and Switzerland.

In February 2007, Deutsche Bank signed a contract to acquire a 10% stake in Dedalus GmbH & Co. KGaA, economically representing a 0.75% participation in European Aeronautic Defence and Space Company EADS N.V.

In 2007, Deutsche Bank reduced its investment in Linde AG from 7.8% to 5.2% and its investment in Allianz SE from 2.2% to 1.7%.

In 2006, Deutsche Bank reduced its investment in Linde AG from 10.0% to 7.8%, and Deutsche Bank sold its stake in WMF and its remaining stake in DEUTZ AG.

Rather than engaging in proprietary trading, which involves buying and selling securities in the short term, Corporate Investments usually holds the investments in listed securities for several years. The majority of the larger shareholdings in listed companies have been in the portfolio for more than 20 years.

The total market value of these listed holdings was € 1.1 billion as of December 31, 2008.

Corporate Investments also holds certain private equity type investments that have been transacted both on behalf of clients and for its own account, directly and through private equity funds, including venture capital opportunities and leveraged buy-out funds. In 2008, Corporate Investments continued to reduce the private equity on-balance sheet exposure in CI, with holdings declining by approximately € 200 million due to various transactions.

In 2007, Deutsche Bank sold a portfolio of Latin America direct Private Equity investments and its investment in Odontoprev.

In 2006, Deutsche Bank sold the remaining significant assets of the Morgan Grenfell Private Equity funds.

The Corporate Investments' portfolio also covers certain real estate holdings, many of which Deutsche Bank occupies.

In 2007, Deutsche Bank sold and leased back the bank-occupied building 60 Wall Street in New York City. In addition, Deutsche Bank disposed of its interest in the building at 31 West 52nd Street in New York City.

In 2007, Deutsche Bank reduced its stake in HCL Technologies Limited from 2.4% to 1.2% in a partial sale. In 2006, Deutsche Bank had reduced its stake in this company from 3.6% to 2.4%.

In 2006, Deutsche Bank sold its remaining 27.99% stake in EUROHYPO AG to Commerzbank.

The business combination of Atradius N.V., in which Deutsche Bank held a 12.73 % stake at the end of 2007, and Crédito y Caución S.A. was signed in April 2007 and closed in January 2008. The completion of this transaction resulted in a reduction of Deutsche Bank's stake to 9.1 %.

In May 2006, Deutsche Bank closed the sale of 21.16 % of Atradius N.V. to Crédito y Caución and Seguros Catalán Occidente, reducing Deutsche Bank's stake to 12.73 %.

In December 2006, Deutsche Bank sold its 6.75 % stake in Germanischer Lloyd AG to Günter Herz.

Infrastructure and Regional Management

Deutsche Bank's infrastructure group consists of its centralized business support areas and its Corporate Center. These support areas principally comprise control and service functions supporting the CIB and PCAM businesses. The Corporate Center comprises those functions that directly support the Management Board in its management of the Group.

This infrastructure group is organized to reflect the Management Board members' areas of responsibilities into COO functions (e. g., information technology, global sourcing and human resources), CFO functions (e. g., finance, operations, tax, audit and insurance), CRO functions (e. g., risk management, treasury, legal and compliance), and CEO functions (e. g., corporate development and economics).

The Regional Management function covers regional responsibilities worldwide. Country heads and management committees are established in the regions to enhance client-focused product coordination across businesses and to ensure compliance with regulatory and control requirements, both from a local and Group perspective. In addition, in a global context, the Regional Management function represents regional interests at the Group level and enhances cross-regional coordination.

All expenses and revenues incurred within the Infrastructure and Regional Management areas are fully allocated to the Group Divisions CIB, PCAM and CI.

Property and Equipment

As of December 31, 2008, Deutsche Bank operated in 72 countries out of 1,981 branches around the world, of which 50 % were in Germany. Deutsche Bank leases a majority of its offices and branches under long-term agreements.

One of the material properties is Deutsche Bank's head office in Frankfurt am Main, Taunusanlage 12. The following table shows the material properties occupied bei Deutsche Bank:

Premises	Address	Size (sqm)	Use of Property	Ownership
Taunusanlage 12	Taunusanlage 12 Frankfurt	70.305	Office building	owned
Unter den Linden	Unter den Linden 15 Berlin	11.813	Office building/ Branch	owned
60 Wall Street	60 Wall Street New York	151.012	Office building/ Trading room	leased
One Raffles Quay	One Raffles Quay Singapore	25.989	Office building	leased
Winchester House	1 Great Winchester Street London	29.082	Office building/ Trading room	leased

As of December 31, 2008, Deutsche Bank had property and equipment with a total carrying amount of € 3.7 billion. Included in this amount were owner occupied properties with a carrying amount of € 911 million.

Additional information on Deutsche Bank Group's property and equipment and related lease arrangements is set out in Note 19 and Note 20 of the notes to the 2008 consolidated financial statements contained in the section "*Financial Statements*" of this Registration Document.

Intellectual Property Rights, Licences, Domains

The Company has protected or filed applications for protection under trademark law for a large number of service marks in Germany and in some foreign jurisdictions. These include, for example, the trademarks "Deutsche Bank", the blip of the diagonal within the quadrate frame, the so called "logo" as well as the relevant service trade marks. In addition to the Internet domain "deutsche-bank.de", the Company has registered numerous other Internet domains and believes that it has thereby established a sufficient basis for its online banking and its further Internet operations. The Company endeavors to protect its goods and services in their target markets, in particular under trademark law, to the extent economically reasonable. The Company believes that Deutsche Bank's patents, design and utility models play a subordinate role in its business.

Investments

The following table shows the investments by Deutsche Bank in property and equipment, in equity method investments as well as in business combinations for fiscal years 2006, 2007 and 2008, respectively determined based on the information from the consolidated statement of cash flows of the Company for fiscal year 2008:

	Fiscal year as of December 31		
in million €	2008	2007	2006
		(audited)	
Property and equipment	939	675	606
Equity method investments	881	1,265	1,668
Business combinations	135	2,410	1,088

The investments in property and equipment in 2006 predominantly concerned owner occupied properties (€ 249 million) as well as furniture and equipment (€ 202 million); in 2007, these investments primarily concerned the acquisition of furniture and equipment (€ 353 million) as well as leasehold improvements (€ 209 million) and in 2008, these investments in particular concerned construction projects (construction-in-progress) (€ 484 million) as well as to the acquisition of furniture and equipment (€ 253 million).

Investments in companies, which are accounted for using the equity method, relate to the purchase of a multitude of shareholdings and arise as part of the daily business in the Global Markets und Asset Management businesses. Further information on equity method investments is contained in Note 14 to the consolidated financial statements of Deutsche Bank for the fiscal year 2008 which are contained in the section *"Financial Statements"* of this Registration Document.

Business combinations transacted in 2006 were the branch network business of norisbank (part of the DZ Bank Group) for a cash consideration of € 414 million as well as the British asset management company Tilney Group Limited for a cash consideration of € 317 million. In 2007, Deutsche Bank in particular acquired Berliner Bank AG & Co. KG for a cash consideration of € 645 million, MortgageIT Holdings, Inc., a real estate investment trust in the United States for a cash consideration of € 326 million as well as the British insurance company Abbey Life Assurance Company Limited for a cash consideration of € 1,412 million. In 2008, the relevant investments in business combinations were significantly lower than those of the previous years. Thus, in 2008, Deutsche Bank acquired HedgeWorks, LLC, a hedge fund administrator in the United States, for a cash consideration of € 19 million (and another € 16 million payable in the future subject to the exceeding of certain performance targets).

In March 2009, Deutsche Bank acquired 22.9% of Deutsche Postbank AG and bonds of Postbank's parent company for € 3.8 bn, which are mandatory exchangeable in 2012 into further 27.4% of Postbank's shares. The transaction is funded by Deutsche Bank's available cash inflow.

Over the course of 2009 to date, a significant portion of the investments was allotted to the acquisition of a stake in Deutsche Postbank AG (see *"– Recent Developments and Outlook – Acquisition of Shares in Deutsche Postbank AG"*). Thus the most important principal investments that are in progress are currently being made in Germany.

There are currently no proposed material future investments of the Bank on which its management bodies have already made firm commitments.

Litigation

Other than set out herein, Deutsche Bank is not involved, (whether as defendant or otherwise) in, nor does it have knowledge of, any threat of any legal, arbitration, administrative or other proceedings the result of which may have, in the event of an adverse determination, a significant effect on its financial condition. Furthermore there have been no legal, arbitration, administrative or other proceedings within the last twelve months and no such proceedings have been concluded during such period which could have a material affect on the financial position and profitability of the Bank or the Deutsche Bank Group.

General

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

The Group's significant legal proceedings are described below.

IPO Allocation Litigation

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

rities cases, the motions to dismiss the complaints of DBSI and others were denied on February 13, 2003. Plaintiffs' motion to certify six "test" cases as class actions in the securities cases was granted on October 13, 2004. On December 5, 2006 the U.S. Court of Appeals for the Second Circuit vacated the decision and held that the classes in the six cases, as defined, could not be certified. On March 26, 2008, the trial court granted in part and denied in part motions to dismiss plaintiffs' amended complaints. The extent to which the court granted the motions did not affect any cases in which DBSI is a defendant. On October 10, 2008, the trial court signed an order permitting plaintiffs to withdraw without prejudice their motion to certify classes based on the amended complaints. Following a mediation, a settlement in principal has been reached, subject to negotiation of definitive documentation and court approval. Pursuant to a stipulation, defendants' answers to plaintiffs' amended allegations are not due until July 31, 2009. The putative antitrust class action was finally dismissed in 2007.

Tax-Related Products

Deutsche Bank AG, along with certain affiliates, and current and former employees, have collectively been named as defendants in a number of legal proceedings brought by customers in various tax-oriented transactions. Deutsche Bank provided financial products and services to these customers, who were advised by various accounting, legal and financial advisory professionals. The customers claimed tax benefits as a result of these transactions, and the United States Internal Revenue Service has rejected those claims. In these legal proceedings, the customers allege that the professional advisors, together with Deutsche Bank, improperly misled the customers into believing that the claimed tax benefits would be upheld by the Internal Revenue Service. The legal proceedings are pending in numerous state and federal courts and in arbitration, and claims against Deutsche Bank are alleged under both U.S. state and federal law. Many of the claims against Deutsche Bank are asserted by individual customers, while others are asserted on behalf of a putative customer class. No litigation class has been certified as against Deutsche Bank. Approximately 86 legal proceedings have been resolved and dismissed with prejudice as against Deutsche Bank. Approximately eight other legal proceedings remain pending as against Deutsche Bank and are currently at various pretrial stages, including discovery. The Bank has received a number of unfiled claims as well, and has resolved certain of those unfiled claims.

The United States Department of Justice ("DOJ") is also conducting a criminal investigation of tax-oriented transactions that were executed from approximately 1997 through 2001. In connection with that investigation, DOJ has sought various documents and other information from Deutsche Bank and has been investigating the actions of various individuals and entities, including Deutsche Bank, in such transactions. In the latter half of 2005, DOJ brought criminal charges against numerous individuals based on their participation in certain tax-oriented transactions while employed by entities other than Deutsche Bank (the "Individuals"). In the latter half of 2005, DOJ also entered into a Deferred Prosecution Agreement with an accounting firm (the "Accounting Firm"), pursuant to which DOJ agreed to defer prosecution of a criminal charge against the Accounting Firm based on its participation in certain tax-oriented transactions provided that the Accounting Firm satisfied the terms of the Deferred Prosecution Agreement. On February 14, 2006, DOJ announced that it had entered into a Deferred Prosecution Agreement with a financial institution (the "Financial Institution"), pursuant to which DOJ agreed to defer prosecution of a criminal charge against the Financial Institution based on its role in providing financial products and services in connection with certain tax-oriented transactions provided that the Financial Institution satisfied the terms of the Deferred Prosecution Agreement. Deutsche Bank provided similar financial products and services in certain tax-oriented transactions that are the same or similar to the tax oriented transactions that are the subject of the above-referenced criminal charges. Deutsche Bank also provided financial products and services in additional tax-oriented transactions as well. DOJ's criminal investigation is ongoing. In December 2008, following a trial of four of the Individuals, three of the Individuals were convicted of criminal charges. Deutsche Bank is engaged in discussions with DOJ concerning a resolution of the investigation.

Kirch Litigation

In May 2002, Dr. Leo Kirch personally and as an assignee of two entities of the former Kirch Group, i.e., PrintBeteiligungs GmbH and the group holding company TaurusHolding GmbH & Co. KG, initi-

ated legal action against Dr. Rolf-E. Breuer and Deutsche Bank AG alleging that a statement made by Dr. Breuer (then the Spokesman of Deutsche Bank AG's Management Board) in an interview with Bloomberg television on February 4, 2002, regarding the Kirch Group was in breach of laws and resulted in financial damage. On January 24, 2006, the German Federal Supreme Court sustained the action for the declaratory judgment only in respect of the claims assigned by PrintBeteiligungs GmbH. Such action and judgment did not require a proof of any loss caused by the statement made in the interview. PrintBeteiligungs GmbH is the only company of the Kirch Group which was a borrower of Deutsche Bank AG. Claims by Dr. Kirch personally and by TaurusHolding GmbH & Co. KG were dismissed. In May 2007, Dr. Kirch filed an action for payment as assignee of PrintBeteiligungs GmbH against Deutsche Bank AG and Dr. Breuer in the amount of initially approximately € 1.6 billion (the amount depended, among other things, on the development of the price for the shares of Axel Springer AG) plus interest. Meanwhile Dr. Kirch changed the calculation of his alleged damages and claims payment of approximately € 1.3 billion plus interest. In these proceedings he will have to prove that such statement caused financial damages to PrintBeteiligungs GmbH and the amount thereof. In the view of Deutsche Bank, the causality in respect of the basis and scope of the claimed damages has not been sufficiently substantiated.

On December 31, 2005, KGL Pool GmbH filed a lawsuit against Deutsche Bank AG and Dr. Breuer. The lawsuit is based on alleged claims assigned from various subsidiaries of the former Kirch Group. KGL Pool GmbH seeks a declaratory judgment to the effect that Deutsche Bank AG and Dr. Breuer are jointly and severally liable for damages as a result of the interview statement and the behavior of Deutsche Bank AG in respect of several subsidiaries of the Kirch Group. In December 2007, KGL Pool GmbH supplemented this lawsuit by a motion for payment of approximately € 2.0 billion plus interest as compensation for the purported damages which two subsidiaries of the former Kirch Group allegedly suffered as a result of the statement by Dr. Breuer. On March 31, 2009 the court of first instance dismissed the lawsuit in its entirety. The plaintift appealed the decision. In the view of Deutsche Bank, due to the lack of a relevant contractual relationship with any of these subsidiaries there is no basis for such claims, and the causality in respect of the basis and scope of the claimed damages as well as the effective assignment of the alleged claims to KGL Pool GmbH has not been sufficiently substantiated.

Parmalat Litigation

Following the bankruptcy of the Italian company Parmalat, the Special Administrator of Parmalat, Mr. Enrico Bondi, sued Deutsche Bank for damages totaling € 2.2 billion and brought claw-back actions against Deutsche Bank S. p. A. for a total of € 177 million. Deutsche Bank, Deutsche Bank S. p. A., Parmalat and Mr Bondi (on behalf of their respective groups) agreed a settlement of all of these actions in February 2009.

In addition, following the Parmalat insolvency, the prosecutors in Milan conducted a criminal investigation which led to criminal indictments on charges of alleged market manipulation against various banks, including Deutsche Bank and Deutsche Bank S.p.A., and some of their employees. Trial before the Court of Milan (Second Criminal Section) commenced in January 2008 and is ongoing. Prosecutors in Parma have conducted a criminal investigation against various bank employees, including employees of Deutsche Bank, on charges of fraudulent bankruptcy. Committal hearings are underway. One former Deutsche Bank employee has entered into a plea bargain in respect of the charges against him in Milan and Parma (most of which related to the period prior to his employment with the Bank) which have, accordingly, been withdrawn.

Certain retail bondholders and shareholders have alleged civil liability against Deutsche Bank in connection with the above-mentioned criminal proceedings. Deutsche Bank is in the process of finalizing settlement offers with those retail investors who have asserted claims against Deutsche Bank.

Credit-Related Matters

Deutsche Bank has received subpoenas and requests for information from certain regulators and government entities concerning its activities regarding the origination, purchase, and securitization of subprime and non-subprime residential mortgages. Deutsche Bank is cooperating fully in response

to those subpoenas and requests for information. Deutsche Bank has also been named as defendant in various civil litigations (including putative class actions), brought under the Securities Act of 1933 or state common law, related to the residential mortgage business. Included in those litigations are (1) two putative class actions pending in California Superior Court in Los Angeles County regarding the role of Deutsche Bank's subsidiary Deutsche Bank Securities Inc. ("DBSI"), along with other financial institutions, as an underwriter of offerings of certain securities and mortgage pass-through certificates issued by Countrywide Financial Corporation or an affiliate; (2) a putative class action pending in the United States District Court for the Southern District of New York regarding the role of DBSI, along with other financial institutions, as an underwriter of offerings of certain mortgage pass-through certificates issued by affiliates of Novastar Mortgage Funding Corporation; (3) a putative class action pending in California Superior Court in Los Angeles County regarding the role of DBSI, along with other financial institutions, as an underwriter of offerings of certain mortgage pass-through certificates issued by affiliates of Indymac MBS, Inc.; (4) a putative class action pending in the United States District Court for the Southern District of New York regarding the role of DBSI, along with other financial institutions, as an underwriter of offerings of certain mortgage pass-through certificates issued by affiliates of Wells Fargo Asset Securities Corporation; and (5) a putative class action pending in New York Supreme Court in New York County regarding the role of a number of financial institutions, including DBSI, as underwriter, and Deutsche Bank Trust Company Americas ("DBTCA"), a subsidiary of Deutsche Bank, as trustee, to certain mortgage pass-through certificates issued by affiliates of Residential Accredit Loans, Inc. In addition, certain affiliates of Deutsche Bank, including DBSI, have been named in a putative class action pending in the United States District Court for the Eastern District of New York regarding their roles as issuer and underwriter of certain mortgage pass-through securities. Each of the civil litigations is in its early stages.

Auction Rate Securities

Deutsche Bank and DBSI are the subject of a putative class action, filed in the United States District Court for the Southern District of New York, asserting various claims under the federal securities laws on behalf of all persons or entities who purchased and continue to hold Auction Rate Preferred Securities and Auction Rate Securities (together, "ARS") offered for sale by Deutsche Bank and DBSI between March 17, 2003 and February 13, 2008. DBSI and Deutsche Bank Alex. Brown, a division of DBSI, have also been named as defendants in four individual actions asserting various claims under the federal securities laws and state common law by four investors in ARS. The purported class action and three of the individual actions are in their early stages. One of the individual actions has been dismissed. Deutsche Bank is also named as a defendant, along with ten other financial institutions, in two putative class actions, filed in the United States District Court for the Southern District of New York, asserting violations of the antitrust laws. The putative class actions, which are in their early stages, allege that the defendants conspired to artificially support and then, in February 2008, restrain the ARS market.

Deutsche Bank has also received regulatory requests from the Securities and Exchange Commission ("SEC") and state regulatory agencies in connection with investigations relating to the marketing and sale of ARS. In August 2008, Deutsche Bank entered into agreements in principle with the New York Attorney General's Office ("NYAG") and the North American Securities Administration Association ("NASAA"), representing a consortium of other states and U.S. territories, pursuant to which Deutsche Bank and its subsidiaries agreed to purchase from their retail, certain smaller and medium-sized institutional, and charitable clients, ARS that those clients purchased from Deutsche Bank and its subsidiaries prior to February 13, 2008; to work expeditiously to provide liquidity solutions for their larger institutional clients who purchased ARS from Deutsche Bank and its subsidiaries; and to pay an aggregate penalty of U.S.$ 15 million to the NYAG and NASAA. The SEC's investigation is continuing.

ÖBB Litigation

In September 2005, Deutsche Bank AG entered into a Portfolio Credit Default Swap ("PCDS") transaction with ÖBB Infrastruktur Bau AG ("ÖBB"), a subsidiary of Österreichische Bundesbahnen-Holding Aktiengesellschaft. Under the PCDS, ÖBB assumed the credit risk of a € 612 million AAA rated tranche of a diversified portfolio of corporates and asset-backed securities ("ABS"). As a result of the devel-

opments in the ABS market since mid 2007, the market value of the PCDS declined and ÖBB recorded substantial mark-to-market losses on the position and intends to post a provision for the entire notional amount of the PCDS in its financial accounts for the fiscal year 2008. In June of 2008, ÖBB filed a claim against Deutsche Bank AG in the Vienna Trade Court, asking that the Court declare the PCDS null and void. ÖBB argues that the transaction violates Austrian law, and alleges to have been misled about certain features of the PCDS. ÖBB's claim was dismissed by the Trade Court in January 2009. ÖBB has stated that it will appeal the decision.

Recent Developments and Outlook

Deutsche Bank had a profitable start into 2009 with solid client revenues in its money market, foreign exchange and transaction banking businesses. Revenues from investment management activities continued to be impacted by an ongoing lack of investor confidence and uncertainties in the international financial markets. The Bank will finalise the review of its legacy risk positions when preparing the first quarter 2009 financial statements, which are scheduled to be published on April 28, 2009. At date of this Registration Document, however, there have been no material changes to Deutsche Bank's financial and liquidity position compared to December 31, 2008.

Acquisition of Shares in Deutsche Postbank AG

On 12 September 2008, Deutsche Bank announced that it acquired a minority stake of 29.75 % in Deutsche Postbank AG ("Postbank") from Deutsche Post AG ("Deutsche Post"). In addition to the minority stake acquisition, Deutsche Post had granted Deutsche Bank an option to acquire an additional 18.0 % of Postbank for € 55.00 per share. Moreover, Deutsche Post had granted Deutsche Bank a right of first refusal for its remaining Postbank shares. Deutsche Post had been granted a put option to sell its remaining stake of 20.25 % plus one share in Postbank at a price of € 42.80 per share to Deutsche Bank. Furthermore, Deutsche Bank agreed a close cooperation with Postbank in several areas including the distribution of home finance and investment products.

On 14 January 2009, Deutsche Bank announced that it has agreed with Deutsche Post on an improved transaction structure for Deutsche Bank's acquisition of Postbank shares based on the previous purchase price. The cash value of the transaction is € 4.9 billion. The contract now comprises three tranches, enabling Deutsche Bank to complete the acquisition in a more capital-efficient manner. In return, Deutsche Post will receive the proceeds of the whole transaction on the closing day of the first part of the transaction ("Closing") and thus three years earlier than expected. After approval of the antitrust authorities the transaction closed by 25 February 2009.

As a first step, Deutsche Post transferred 50 million Postbank shares (approx. 22.9 % of the share capital of Postbank) to Deutsche Bank as a contribution in kind in a capital increase of Deutsche Bank. The transfer became effective on 6 March 2009 upon the registration of the capital increase in the commercial register. In this context 50 million Deutsche Bank shares were issued to Deutsche Post. After the transfer of the 50 million Postbank shares becoming effective, Deutsche Bank held a stake of 25 % plus one share in Postbank.

Since registration of the capital increase on March 6, 2009 Deutsche Post holds a stake of some 8 % in Deutsche Bank. Deutsche Post can dispose over half of this holding from the end of April 2009, the other half may be disposed of from mid-June 2009. It has been agreed that mechanisms designed to avoid market disturbances will be applied to any such sales. During the interim a certain amount of hedging is permissible, and some measures are planned.

As second part of the transaction, Deutsche Bank has further underwritten mandatory exchangeable bonds issued by Deutsche Post. After three years, these bonds – including interest payments accrued – will be exchanged for 60 million Postbank shares. This currently corresponds to 27.4 % of Postbank's stake.

Put and call options remain in place for the remaining 26.4 million shares (or 12.1 %). Deutsche Bank will pay a cash collateral for the options amounting to the cash value of € 1.1 billion at the time of the closing. The exercise periods are now set between the 36th and 48th month after closing.

Cosmopolitan Resort and Casino

In September 2008 Deutsche Bank foreclosed on the Cosmopolitan Resort and Casino property in Las Vegas and have continued to develop the project. The property is classified as investment property under construction in Premises and equipment, and had a carrying value of € 1.1 billion as of December 31, 2008.

In the first quarter of 2009, there was evidence of a significant deterioration of condominium, hotel and casino market conditions in Las Vegas. In light of this, Deutsche Bank is currently considering various alternatives for the future development and execution of the Cosmopolitan Resort and Casino project. The recoverable value of the asset is dependent on developing market conditions and the course of action taken by Deutsche Bank. As a result it is possible that impairment to the carrying value may be required in 2009 which cannot be reliably quantified at this time.

Outlook

The Global Economy

The global economy is currently experiencing its steepest decline in post-war history and is expected to suffer its first net decline since World War II in the current year, after having expanded by 3.5 % in 2008. The United States economy is the driver of the global contraction. After slipping into recession in early 2008, it should be anticipated that U.S. economic output contracts in the course of the year, notwithstanding an economic stimulus package worth almost U.S.$ 800 billion and despite the Fed's zero-interest-rate policy. Emerging markets have been unable to decouple themselves from the United States economy's strong downturn. Even there a decrease of growth might occur, partly as well as stagnation and recession tendencies.

The eurozone economies have followed the U.S. into recession. It should be anticipated that a noticeable improvement is unlikely before late 2009. Germany, with its pronounced dependence on exports, is hit particularly hard by the slump in global demand. Despite supportive factors including lower oil and commodity prices, the ECB's relaxation of monetary policy and the government's extensive economic stimulus packages, it has to be recognized that Gross Domestic Product in Germany will shrink in 2009.

Driven by oil and commodities prices, inflation reached multi-year highs in industrial countries during 2008. As the recession set in commodities prices declined steeply, substantially alleviating inflation pressures. Inflation may also temporarily turn negative in Germany in 2009.

Additional risks for the global economy could result from a heightening of geopolitical tensions, political instability, potential terrorist activities or regional outbreaks of armed conflict. A further deepening or substantial exacerbation of the financial crisis, particularly when combined with a failure of government intervention to control the impact, could result in significant disruptions in the financial sector, lead to the collapse of financial institutions, and cause the global economy to slide into a long-lasting economic depression.

The Banking Industry and the Deutsche Bank Group

The outlook for the banking industry and the Deutsche Bank Group has been profoundly influenced by the financial crisis which began in 2007, and particularly by the events of the last quarter of 2008. During this quarter, financial markets underwent a period of exceptionally turbulent and difficult conditions. Following the insolvency of a large U.S. investment bank in September, capital markets faced conditions of acute stress, with interbank lending severely reduced, extreme illiquidity in credit and other markets, and exceptional volatility, including sharp falls, in major equity markets. These developments also put pressure on bank balance sheets, and their liquidity and funding arrangements. Central banks and governments intervened on a scale unprecedented in recent years, injecting liquidity in key markets and recapitalizing banks through direct equity stakes.

In 2009, very difficult conditions are likely to persist for the banking industry, although government and central bank interventions continue in an effort to stabilize the markets and restore confidence. The industry will likely face several significant challenges. Balance sheets will continue to face pressure from exposure to legacy problem assets, and from a deterioration of the credit environment as the crisis increasingly impacts the wider economy. Loan books will come under pressure from rising default rates as conditions deteriorate for both corporate and private customers. These and other factors will, in turn, put pressure on capital ratios. Revenues will be adversely impacted by softening demand from clients in some product areas as a result of slower economic activity, restrictions on credit availability, and wariness on the part of both private and institutional investors.

The banking industry will also face political, regulatory and organizational challenges. In 2008, the banking sector witnessed substantial consolidation and merger activity. This will likely result in significant upheavals from post-merger integration, restructurings, or internal reorganizations in the institutions concerned. Strategy, lending policy, profit distributions and executive compensation practices, among other areas, will also likely be influenced by increased government intervention, notably in those banks in which governments have taken direct shareholdings, and by the prospect of tighter regulation.

This environment will create substantial challenges for all Deutsche Bank's businesses, and these are described in detail below. Continuing adverse market conditions may also affect revenues in Deutsche Bank's core businesses, thus creating the need for cost-saving measures in addition to those already implemented. Such cost-saving measures could potentially include headcount reductions, which could in turn create the need for severance or other related costs in the near term.

Deutsche Bank will also be affected by the political, regulatory and organizational challenges described above. In some areas, the impact on Deutsche Bank will be less than on some peers, since Deutsche Bank did not undergo major merger activity, nor did it receive direct government funds. Organizational disruptions from merger integration or restructuring at other banks, or restrictions placed on the activities of other banks which have received direct government aid, may therefore present an opportunity for Deutsche Bank to gain market share in key businesses, or to invest selectively in its business either by attracting new talent or by making bolt-on acquisitions, subject to managing its capital and key ratios in line with market conditions and requirements. Conversely, Deutsche Bank will be impacted by any future regulatory changes, and has already initiated a review of its compensation procedures.

Investment Banking

The investment banking business will face significant challenges in 2009. Capital markets will likely continue to be affected by illiquidity, volatility, and a lack of overall direction, all of which are likely to undermine investor sentiment. Investment banking revenue pools are likely to remain below pre-crisis levels. Certain highly structured, securitized or illiquid trading businesses, which were severely affected by the developments of 2008, are unlikely to return to their previous levels in the near term. By contrast, volumes in liquid, 'flow' trading products, such as foreign exchange or money market trading, have remained robust even in very difficult conditions. Business volumes in leveraged finance are also likely to continue at considerably lower levels than before the crisis began, and the reduced availability of financial leverage will impact M&A and buy-out activity, both in terms of transaction volume and the size of individual transactions. Commercial real estate activity is also likely to be substantially below pre-crisis levels. The level of IPO activity is likely to remain below that of 2006 and early 2007, given uncertain equity markets, although corporate sector's need for recapitalization and restructuring advice is likely to increase.

This environment will present both challenges and opportunities for Deutsche Bank's Corporate Banking and Securities (CB&S) business. In certain structured trading products, including securitizations and structured credit, CB&S's revenues will be negatively impacted by the lower levels of market activity in these areas. CB&S's corporate finance activity will also likely be faced with lower market activity in primary market origination and M&A advisory. New activity in the leveraged finance and commercial real estate businesses will also likely remain significantly below pre-crisis levels.

Transaction Banking

In transaction banking in 2009 the interest rates in the Eurozone and other major economies might continue to see reductions and this will adversely affect the outlook for net interest income. Exchange rate trends may also be unfavorable for transaction banking, while a more general economic slowdown in major markets will likely adversely impact international trade, and thus reduce the scope for growth in trade finance.

The prospects of transaction banking may, however, be positively influenced by the sustained momentum of profitable growth and client acquisition in recent years, together with the division's leading position in major markets.

Investment Management

The outlook for the investment management business will be negatively influenced by several factors in 2009. The decline in equity market valuations during 2008, and lower market activity on the part of both private and institutional clients, will likely reduce revenues from performance fees and commissions, while the very difficult conditions for the hedge fund industry in the second half of 2008, together with declines in the real estate market in major economies around the world, will negatively impact the prospects for alternative investments. Infrastructure investments will likely come under pressure from slower domestic and international trade against the backdrop of a slower global economy. Revenues will likely also come under pressure if investors retreat to the perceived safety of cash or to simpler, lower-margin products. Conversely, the outlook would be positively impacted by any stabilization or rally in equity markets, and by increasing customer interest in defensive investment products. Furthermore, certain fundamental long-term trends will likely continue to support the investment management business: increasing demand for privately-funded retirement savings against a backdrop of rising longevity and ageing populations in mature economies, together with sustained wealth creation, albeit at a lower pace than in recent years, in emerging economies.

In Asset Management, the retail mutual funds business is exposed to weakness in equity markets and to difficulties in money market funds witnessed during 2008. The alternative assets business is exposed to weakness in the hedge fund segment, to continued difficult conditions in real estate markets, and to the above-mentioned pressure on infrastructure investments. In Asset Management measures of productivity and cost efficiency, and reengineering efforts aimed at restoring operating leverage in Asset Management, were initiated in 2008. Private Wealth Management will also likely gain from recent and planned selective investments in its platform, from the net money inflows of 2008 and earlier years, and from the development and introduction of new products and wealth advisory services.

Private and Business Banking

In 2009, the private and business banking environment will likely be adversely impacted by several factors, and Deutsche Bank management has put in place initiatives in response to these factors. Revenues from brokerage and portfolio management will continue to come under pressure, as was the case in the fourth quarter of 2008, from lower valuations in equity markets and from a reduction in customer brokerage activity reflecting the more negative sentiment in equity markets. Cash deposits, and simpler investment products, are likely to remain in demand from private investors. Deposit margins are likely to come under pressure from lower interest rates and from intense competition between banks to attract and retain customers. Provisions for loan losses are likely to rise in a more challenging and, in some cases, recessionary environment. In some markets, including Germany, the retail banking landscape will also likely be impacted by post-merger integration activity following the consolidations which occurred in 2008.

The outlook for Deutsche Bank's Private & Business Clients (PBC) business will be substantially influenced by these factors. Revenues will be negatively impacted by lower levels of activity in brokerage and portfolio management, and by tighter margins on deposits; however, this impact will be counterbalanced by PBC's addition of 800,000 net new clients and € 19 billion of deposits during 2008. Provisions for loan losses, in a more difficult economic climate, are also likely to negatively impact profit-

ability in 2009; on the other hand, this effect may be counterbalanced by risk management measures taken during 2008. The efficiency measures contained in PBC's Growth and Efficiency Program, launched in 2008, which includes both cost savings and selective investments in the platform, are supposed to positively impact the business. PBC will also aim to benefit from its co-operation agreement with Deutsche Postbank, which involves collaboration in IT and sourcing as well as marketing of complementary products.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of Deutsche Bank Group's financial condition and results of operations contains forward-looking statements based on assumptions about Deutsche Bank AG's future business development. Deutsche Bank Group's results could differ materially from the expectations reflected in these forward-looking statements; see "Forward-Looking Statements, Third Party Information". This discussion should be read in conjunction with Deutsche Bank's consolidated financial statements for 2008 and 2007 and the notes thereto.

The consolidated financial statements for 2008, 2007 and 2006 were prepared in accordance with IFRS, have been audited by KPMG and an unqualified auditor's report has been issued in each case. To the extend that figures in respect of the fiscal year 2006 have been derived from the consolidated financial statements for 2007, such figures are as well presented as audited in the respective tables.

The IFRS consolidated financial statements for the years 2008 and 2007 are contained in the section "Financial Satatements". The audited consolidated financial statements of the Company for 2006 in accordance with U.S. GAAP is incorporated by reference into this registration document. For clarifications of the main differences between U.S. GAAP and IFRS as well as the transition of the consolidated income statement and the Group's consolidated accounts for the year 2006 respectively to 31 December 2006 from U.S. GAAP to IFRS are summarized in Note 44 to Deutsche Bank's consolidated statements for the fiscal year 2007 which are included in the section "Financial Statements" of this Registration Document.

Results of Operations

Overview on Results of Operations

In 2008 the banking industry experienced its most serious financial crisis in decades. The near breakdown of the global financial system could only be avoided through massive intervention from governments and central banks. Trust in the stability of the national and international financial system was in particular shaken by the insolvency of a U.S. investment bank in September 2008, which started an accelerated downward spiral in an already extremely volatile financial market environment. The markets late in the year were characterized by unprecedented levels of volatility, correlation across asset classes, and the breakdown of historically observed relationships between asset classes, compounded by extreme illiquidity. Operating in such an exceptionally turbulent market environment throughout 2008, particularly in the fourth quarter, the Deutsche Bank Group recorded a net loss of € 3.9 billion for the full year. Some weaknesses in the Group's business model were exposed while operating in this environment and the Group is repositioning its platforms in some core businesses in consequence. The Group has also taken and will continue in 2009 to take steps to reduce its overall risk positions in CB&S, particularly in areas most impacted by the market conditions, by managing and reducing costs and by reducing its leverage while maintaining a strong Tier 1 capital ratio.

For 2008 a loss before income taxes of € 5.7 billion was recorded by Deutsche Bank, compared with income before income taxes of € 8.7 billion for 2007. Net revenues of € 13.5 billion in 2008 were € 17.3 billion, or 56%, below net revenues in 2007(2007: 30.7 billion €). The pre-tax return on average active equity was negative 18% in 2008 versus positive 29% in 2007. The pre-tax return on average shareholders' equity was negative 16% in 2008 and positive 24% in 2007. The net loss was € 3.9 billion in 2008, compared with net income of € 6.5 billion in 2007. Diluted earnings per share were negative € 7.61 in 2008 and positive € 13.05 in 2007.

CIB's net revenues declined 84%, from € 19.1 billion in 2007 to € 3.1 billion in 2008. Overall Sales & Trading net revenues for 2008 were negative € 506 million compared with positive € 13.0 billion in 2007. This reflects the impact of unprecedented market turmoil, especially late in the year, on some of the trading businesses of the Group, particularly Credit Trading (including proprietary trading activities), Equity Derivatives and Equity Proprietary Trading. Strong client business flows and favorable positioning generated record revenues in the Foreign Exchange and Money Market businesses, which partially offset the weak results in other trading areas. The dislocations in the financial markets

also impacted revenues in the Origination and Advisory businesses, which decreased by € 2.5 billion to € 212 million in 2008, from € 2.7 billion in 2007, due to significant mark-downs of € 1.7 billion, net of recoveries, against leveraged finance loans and loan commitments, and as volumes of business combinations and capital market transactions fell. PCAM's net revenues were € 9.0 billion in 2008, a decrease of € 1.1 billion, largely driven by the negative effect of market conditions on the Group's performance and asset-based fees in the portfolio fund management business and on the brokerage business, as well as certain specific significant items, including mark-downs on seed capital and other investments.

The noninterest expenses were € 18.2 billion in 2008 and € 21.4 billion in 2007, a decline of € 3.2 billion, or 15 %. Compensation and benefits, driven by significantly lower performance-related compensation in line with the lower operating results, was the most important factor in the overall decrease.

In 2008, the provision for credit losses of € 1.1 billion was € 464 million, or 76 %, higher than in 2007. The increase was due largely to provisions on loans reclassified according to amendments to IAS 39 and higher provisions in PBC attributable to the deteriorating credit environment and business growth.

Overall, the global economy developed positively in 2007, posting above-average growth of 4.9 %. While the growth rate in emerging markets was sustained at nearly 8 %, there was a slowdown in the industrial nations and especially the U. S. Real GDP in the U. S. grew by an average of just 2.2 % in 2007 compared with 2.9 % in 2006. By contrast, the euro zone nearly managed to maintain its growth momentum at 2.7 %. In Germany, growth slowed to 2.5 % from 2.9 % in 2006, but remained strong despite the 3 percentage point VAT increase at the beginning of 2007.

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

In 2007, income before income tax expense was € 8.7 billion, a 5 % increase over 2006, and revenues were € 30.7 billion, up 8 %. The Bank reported a pre-tax return on average active equity of 29 % in 2007 and 33 % in 2006. The pre-tax return on average shareholders' equity was 24 % in 2007 and 28 % in 2006. In 2007, net income was € 6.5 billion, up 7 % versus 2006. Diluted earnings per share increased by 14 % to € 13.05.

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

The total non-interest expenses were € 21.4 billion in 2007 compared to € 19.9 billion in 2006. Compensation and benefits expenses were up 5 % due mainly to a 9,442 increase in headcount and the accelerated recognition of share-based compensation expense following a new definition of early

retirement eligibility for the awards granted under the DB Equity Plan in 2007. General and administrative expenses for the year increased by 13 % due largely to the impact of acquired businesses.

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

The following table presents the condensed consolidated statement of income for 2008, 2007 and 2006:

in € m.	2008	2007	2006
		(audited)	
Net interest income	12,453	8,849	7,008
Provision for credit losses	1,076	612	298
Net interest income after provision for credit losses	**11,377**	**8,237**	**6,710**
Commissions and fee income	9,749	12,289	11,195
Net gains (losses) on financial assets/liabilities at fair value through profit or loss	(9,992)	7,175	8,892
Net gains (losses) on financial assets available for sale	666	793	591
Net income (loss) from equity method investments	46	353	419
Other income	568	1,286	389
Total noninterest income	**1,037**	**21,896**	**21,486**
Total income	**12,414**	**30,133**	**28,196**
Compensation and benefits	9,606	13,122	12,498
General and administrative expenses	8,216	7,954	7,069
Policyholder benefits and claims	(252)	193	67
Impairment of intangible assets	585	128	31
Restructuring activities	–	(13)	192
Total noninterest expenses	**18,155**	**21,384**	**19,857**
Income (loss) before income taxes	**(5,741)**	**8,749**	**8,339**
Income tax expense (benefit)	(1,845)	2,239	2,260
Net income (loss)	**(3,896)**	**6,510**	**6,079**
Net income (loss) attributable to minority interest	(61)	36	9
Net income (loss) attributable to Deutsche Bank shareholders	(3,835)	6,474	6,070

Developments within the Group

Comparison of the fiscal years ending December 31, 2008 and 2007 respectively

The following discussion and analysis must be read in conjunction with Deutsche Bank's consolidated financial statements for the fiscal year 2008 which are included in the section "*Financial Statements*" of this Registration Document.

Net Interest Income

The following table sets forth data related to Deutsche Bank's net interest income.

in € m. (unless stated otherwise)	2008	2007	2008 increase (decrease) from 2007 in € m.	2008 increase (decrease) from 2007 in %
	(audited)			
Total interest and similar income	54,549	64,675	(10,126)	(16)
Total interest expenses	42,096	55,826	(13,730)	(25)
Net interest income	**12,453**	**8,849**	**3,604**	**41**
Average interest-earning assets[1]	1,216,666	1,226,191	(9,525)	(1)
Average interest-bearing liabilities[1]	1,179,631	1,150,051	29,580	3
Gross interest yield[2]	4.48%	5.27%	(0.79) ppt	(15)
Gross interest rate paid[3]	3.57%	4.85%	(1.28) ppt	(26)
Net interest spread[4]	0.91%	0.42%	0.49 ppt	117
Net interest margin[5]	1.02%	0.72%	0.30 ppt	42

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

Net interest income in 2008 was € 12.5 billion, an increase of € 3.6 billion, or 41%, from 2007 (€ 8.8 billion). Both total interest income (€ 54.5 million against € 64.7 million in 2007) and total interest expenses (€ 42.1 million against € 55.8 million in 2007) were significantly down versus 2007, mainly reflecting the overall declining interest levels as central banks globally cut rates during 2008 in response to the credit crunch. The decrease in interest expenses was more pronounced than the decrease in interest income. Although its average interest-bearing liabilities volume increased by € 29.6 billion (3%) in 2008, Deutsche Bank's ability to fund at significantly lower rates compared to 2007 was the main reason for the widening of its net interest spread by 49 basis points to 0.91% and of its net interest margin from 0.72% by 30 basis points to 1.02%. Net interest spread is the difference between the average interest rate earned on average interest-earning assets and the average interest rate paid on average interest-bearing liabilities. Net interest margin is net interest income expressed as a percentage of average interest-earning assets.

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

Net Gains (Losses) on Financial Assets/Liabilities at Fair Value through Profit or Loss

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

in € m. (unless stated otherwise)	2008	2007	2008 increase (decrease) from 2007 in € m.	2008 increase (decrease) from 2007 in %
	(audited)			
CIB – Sales & Trading (equity)	(1,513)	3,335	(4,848)	N/M
CIB – Sales & Trading (debt and other products)	(6,647)	3,858	(10,505)	N/M
Other	(1,832)	(18)	(1,814)	N/M
Total net gains (losses) on financial assets/ liabilities at fair value through profit or loss	**(9,992)**	**7,175**	**(17,167)**	**N/M**

N/M – Not meaningful

Net gains (losses) on financial assets/liabilities at fair value through profit or loss from CIB – Sales & Trading (debt and other products) were a loss of € 6.6 billion in 2008, compared to a gain of € 3.9 billion in 2007. This development was mainly driven by mark-downs relating to reserves against monoline insurers, provisions against residential mortgage-backed securities and commercial real estate loans and significant losses in Deutsche Bank's credit trading businesses, including the proprietary trading businesses in the third and fourth quarter of 2008, which are described in more detail in the discussion of the results in CB&S. Net gains (losses) on financial assets/liabilities at fair value through profit or loss from Sales & Trading (equity) were losses of € 1.5 billion, mainly generated in Equity Derivatives and Equity Proprietary Trading, compared to net gains of € 3.3 billion in 2007. After a loss of € 18 million for the fiscal year 2007, the main contributor to the net loss of € 1.8 billion on financial assets/liabilities at fair value through profit or loss from other products were net mark-downs of € 1.7 billion on leveraged finance loans and loan commitments during 2008.

Net Interest Income and Net Gains (Losses) on Financial Assets/Liabilities at Fair Value through Profit or Loss

The trading and risk management businesses include significant activities in interest rate instruments and related derivatives. Under IFRS, interest and similar income earned from trading instruments and financial instruments designated at fair value through profit or loss (e.g. coupon and dividend income), and the costs of funding net trading positions are part of net interest income. The trading activities can periodically shift income between net interest income and net gains (losses) of financial assets/liabilities at fair value through profit or loss depending on a variety of factors, including risk management strategies.

In order to provide a more business-focused commentary, the Bank presents net interest income and net gains (losses) of financial assets/liabilities at fair value through profit or loss by group division and by product within the Corporate and Investment Bank, rather than by type of income generated.

in € m. (unless stated otherwise)	2008	2007	2008 increase (decrease) from 2007 in € m.	in %
	(audited)			
Net interest income	12,453	8,849	3,604	41
Total net gains (losses) on financial assets/liabilities at fair value through profit or loss	(9,992)	7,175	(17,167)	N/M
Total net interest income and net gains (losses) on financial assets/liabilities at fair value through profit or loss	**2,461**	**16,024**	**(13,563)**	**(85)**
Breakdown by Group Division/CIB product[1]:				
Sales & Trading (equity)	(1,895)	3,117	(5,012)	N/M
Sales & Trading (debt and other products)	317	7,483	(7,166)	(96)
Total Sales & Trading	(1,578)	10,600	(12,178)	N/M
Loan products[2]	1,014	499	515	103
Transaction services	1,358	1,297	61	5
Remaining products[3]	(1,821)	(118)	(1,703)	N/M
Total Corporate and Investment Bank	(1,027)	12,278	(13,305)	N/M
Private Clients and Asset Management	3,871	3,529	342	10
Corporate Investments	(172)	157	(329)	N/M
Consolidation & Adjustments	(211)	61	(272)	N/M
Total net interest income and net gains (losses) on financial assets/liabilities at fair value through profit or loss	**2,461**	**16,024**	**(13,563)**	**(85)**

N/M – Not meaningful

1 This breakdown reflects net interest income and net gains (losses) on financial assets/liabilities at fair value through profit or loss only. For a discussion of the group divisions' total revenues by product please refer to "– *Developments within the Group Divisions*".

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

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

Corporate and Investment Bank (CIB). Combined net interest income and net gains (losses) on financial assets/liabilities at fair value through profit or loss from Sales & Trading were negative € 1.6 billion in 2008, compared to positive € 10.6 billion in 2007. The main drivers for the decrease were the aforementioned mark-downs on credit-related exposures, as well as losses in Equity Derivatives and Proprietary Trading. The increase in Loan products from € 499 million by 103 % to € 1.0 billion was driven by interest income on assets transferred from Origination (Debt) to Loan Products as a result of reclassifications in accordance with the amendments to IAS 39 and mark-to-market hedge gains. The decrease of € 1.7 billion from € – 118 million to € – 1.8 billion in Remaining products resulted mainly from mark-downs on leveraged loans and loan commitments.

Private Clients and Asset Management (PCAM). Combined net interest income and net gains (losses) on financial assets/liabilities at fair value through profit or loss were € 3.9 billion in 2008, an increase of € 342 million, or 10 %, compared to 2007 (€ 3.5 billion). The main contributor to the increase was higher net interest income following the consolidation of several money market funds in the first half of 2008, which are described in more detail under "– *Special Purpose Entities*". Higher loan and deposit volumes from growth in PBC also contributed to the increase.

Corporate Investments (CI). Combined net interest income and net gains (losses) on financial assets/liabilities at fair value through profit or loss were negative € 172 million in 2008, compared to positive € 157 million in 2007, primarily reflecting mark-to-market losses from Deutsche Bank's option to increase its share in Hua Xia Bank in China.

Consolidation & Adjustments. Combined net interest income and net gains (losses) on financial assets/liabilities at fair value through profit or loss were negative € 211 million in 2008 compared to

positive € 61 million in 2007. The main reason for the decrease were higher funding expenses as well as lower net interest income related to tax refunds/liabilities.

Provision for Credit Losses

Provision for credit losses was € 1.1 billion in 2008, up 76 %, compared to € 612 million in 2007. This increase reflects net charges of € 408 million in CIB, compared to € 109 million in the prior year, and a 33 % increase in PCAM's provisions from € 501 million to € 668 million, primarily in PBC. The increase in CIB included € 257 million of provisions related to loans reclassified in accordance with amendments to IAS 39 and additional provisions, mainly on European loans, reflecting the deterioration in credit conditions.

Remaining Noninterest Income

The following table sets forth data related to remaining noninterest income.

in € m. (unless stated otherwise)	2008	2007	2008 increase (decrease) from 2007 in € m.	in %
	(audited)			
Commissions and fee income[1]	9,749	12,289	(2,540)	(21)
Net gains (losses) on financial assets available for sale	666	793	(127)	(16)
Net income (loss) from equity method investments	46	353	(307)	(87)
Other income	568	1,286	(718)	(56)
Total remaining noninterest income	**11,029**	**14,721**	**(3,692)**	**(25)**

1 Includes:

	2008	2007	in € m.	in %
	(audited)			
Commissions and fees from fiduciary activities:				
Commissions for administration	384	427	(43)	(10)
Commissions for assets under management	2,815	3,376	(561)	(17)
Commissions for other securities business	215	162	53	33
Total	**3,414**	**3,965**	**(551)**	**(14)**
Commissions, broker's fees, mark-ups on securities underwriting and other securities activities:				
Underwriting and advisory fees	1,341	2,515	(1,175)	(47)
Brokerage fees	2,457	2,982	(525)	(18)
Total	**3,798**	**5,497**	**(1,700)**	**(31)**
Fees for other customer services	2,537	2,827	(289)	(10)
Total commissions and fee income	**9,749**	**12,289**	**(2,540)**	**(21)**

Commissions and fee income. Total 2008 commissions and fee income was € 9.7 billion, a decrease of € 2.5 billion, or 21 %, compared with 2007 (€ 12.3 billion). Commissions and fees from fiduciary activities decreased € 551 million to € 3.4 billion compared to the prior year (€ 3.4 billion), mainly driven by lower performance and asset-based fees in PCAM. Underwriting and advisory fees decreased from € 2.5 billion by € 1.2 billion to € 1.3 billion, or 47 %, and Brokerage fees by € 525 million, or 18 %, from € 3.0 billion to € 2.5 billion mainly driven by CB&S, as business volumes decreased in line with market developments. Fees for other customer services also decreased € 289 million from € 2.8 billion in 2007 to € 2.5 billion.

Net gains (losses) on financial assets available for sale. Total net gains on financial assets available for sale were € 666 million in 2008, down € 127 million, or 16 %, compared to 2007. The 2008 result was driven mainly by net gains of € 1.3 billion from the sale of industrial holdings in CI (mainly related to reductions of Deutsche Bank's holdings in Daimler AG and Linde AG and the sale of Deutsche Bank's remaining holding in Allianz SE), partly offset by impairment charges in CIB's sales and trading areas, including mainly a € 490 million impairment loss on Deutsche Bank's available for

sale position. The 2007 result was primarily attributable to disposal gains of € 626 million related to CI's industrial holdings portfolio, of which the most significant were gains from the reduction of Deutsche Bank's stakes in Allianz SE and Linde AG, and from the disposal of the investment in Fiat S. p. A. Gains in CIB's sales and trading areas were entirely offset by impairment charges.

Net income (loss) from equity method investments. Net income from the equity method investments was € 46 million and € 353 million in 2008 and 2007, respectively. There were no significant individual items included in 2008. The key contributors in 2007 were CI and the RREEF Alternative Investments business in AM. CI's income in 2007 was driven by a gain of € 178 million from the investment in Deutsche Interhotel Holding GmbH & Co. KG (which also triggered an impairment charge of CI's goodwill of € 54 million).

Other income. Total other income was € 568 million in 2008. The decrease of € 718 million compared to 2007 (€ 1.3 billion) reflected specific items in the prior period including the sale and leaseback transaction of the premises at 60 Wall Street in 2007, and lower gains from the disposal of consolidated subsidiaries in 2008. Charges related to certain consolidated money market funds, which were offset in other revenue categories, further contributed to this development. The reduction was partly offset by higher insurance premiums, primarily from the acquisition of Abbey Life Assurance Company Limited in the fourth quarter 2007.

Noninterest Expenses

The following table sets forth information on Deutsche Bank's noninterest expenses.

in € m. (unless stated otherwise)	2008	2007	2008 increase (decrease) from 2007 in € m.	2008 increase (decrease) from 2007 in %
	(audited)			
Compensation and benefits	9,606	13,122	(3,516)	(27)
General and administrative expenses[1]	8,216	7,954	262	3
Policyholder benefits and claims	(252)	193	(445)	N/M
Impairment of intangible assets	585	128	457	N/M
Restructuring activities	–	(13)	13	N/M
Total noninterest expenses	**18,155**	**21,384**	**(3,229)**	**(15)**

N/M – Not meaningful

1 Includes:

	2008	2007	in € m.	in %
	(audited)			
IT costs	1,820	1,867	(47)	(3)
Occupancy, furniture and equipment expenses	1,434	1,347	87	6
Professional service fees	1,164	1,257	(93)	(7)
Communication and data services	700	680	20	3
Travel and representation expenses	492	539	(47)	(9)
Payment, clearing and custodian services	418	437	(19)	(4)
Marketing expenses	373	411	(38)	(9)
Other expenses	1,815	1,416	399	28
Total general and administrative expenses	**8,216**	**7,954**	**262**	**3**

Compensation and benefits. The decrease of € 3.5 billion to € 9.6 billion, or 27 %, in 2008 compared to 2007 (€ 13.1 billion) reflected significantly lower performance-related compensation, in line with lower operating results. This was partly offset by higher severance charges in CB&S and PBC, in connection with employee reductions resulting from repositioning and efficiency programs.

General and administrative expenses. The increase of € 262 million, or 3 %, to € 8.2 billion in 2008 compared to € 8.0 billion in 2007 was due mainly to additional litigation-related charges in the current year after net releases of provisions in the prior year, and higher expenses related to consolidated investments in AM, both reflected in Other expenses. In addition, the increase of € 399 million from € 1.4 billion to € 1.8 billion in Other expenses includes a provision of € 98 million related to the

obligation to repurchase Auction Rate Preferred (ARP) securities / Auction Rate Securities (ARS) at par from retail clients following a settlement in the U.S.

Policyholder benefits and claims. The credit of € – 252 million in the current year, compared to a charge of € 193 million in 2007, resulted primarily from the aforementioned acquisition of Abbey Life Assurance Company Limited. These insurance-related credits are mainly offset by related net losses on financial assets/liabilities at fair value through profit or loss.

Impairment of intangible assets. The impairment of intangible assets was € 585 million in 2008 against € 128 million in the preceding year. 2008 included impairments of € 310 million on DWS Scudder intangible assets and a goodwill impairment of € 270 million in a consolidated investment, both in AM. An impairment charge of € 74 million on unamortized intangible assets in AM and a goodwill impairment charge of € 54 million in CI were recorded in 2007.

Restructuring activities. There were no restructuring charges in 2008. In 2007, the Business Realignment Program was completed and remaining provisions of € 13 million were released.

Income Tax Expense

A tax benefit of € 1.8 billion was recorded in 2008, compared to income tax expense of € 2.2 billion in 2007. The net benefit in 2008 was favorably driven by the geographic mix of income/loss, successful resolution of outstanding tax matters and a € 79 million policyholder tax credit related to the Abbey Life business. These beneficial impacts were partly offset by an increase in Deutsche Bank's unrecognized deferred tax assets through losses incurred by certain U.S. entities since the third quarter and a tax charge related to share based compensation as a result of the decline in the share price. The actual effective tax rates were 32.1 % in 2008 and 25.6 % in 2007.

Comparison of the fiscal years ending December 31, 2007 and 2006 respectively

The following discussion and analysis must be read in conjunction with Deutsche Bank's consolidated financial statements for the fiscal year 2007 which are included in the section "*Financial Statements"* of this Registration Document.

Net Interest Income

The following table contains information regarding net interest income.

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

ppt – Percentage points

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

Net interest income in 2007 was € 8.8 billion, an increase of € 1.8 billion, or 26%, from 2006. Average interest-bearing volumes of assets and liabilities increased from € 1,071.6 billon by € 154.6 billion to € 1,226.2 billion and from € 1,005.1 billion by € 144.9 billion to € 1,150.1 billion respectively. The overall net interest spread widened by 6 basis points to 0.40% and the net interest margin rose by 7 basis points to 0.72%. Net interest spread is the difference between the average interest rate earned on average interest-earning assets and the average interest rate paid on average interest-bearing liabilities. Net interest margin is net interest income expressed as a percentage of average interest-earning assets. Much of the increase in net interest income from € 7.0 billion by € 1.8 billion to € 8.8 billion was related to Sales & Trading (debt) activity and was largely offset by decreased net gains (losses) on financial assets/liabilities at fair value through profit or loss from related activity. Interest income from loans increased year-on-year from € 9.3 billion by € 1.6 billion to € 10.9 billion along with higher rates and volumes of Deutsche Bank's average loans outstanding, partly resulting from the acquisition of the Berliner Bank and the norisbank.

Net Gains (Losses) on Financial Assets/Liabilities at Fair Value through Profit or Loss

The following table contains information regarding net gains (losses) on financial assets/liabilities at fair value through profit or loss.

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

N/M – Not meaningful

Net gains (losses) on financial assets/liabilities at fair value through profit or loss from CIB – Sales & Trading (debt and other products) were € 7.2 billion opposite to € 8.9 billion in the preceding year. Due mainly to weaker performance in the credit trading businesses in the exceptionally challenging markets of the second half of 2007, the net gains (losses) on financial assets/liabilities at fair value through profit or loss from CIB – Sales & Trading (debt and other products) decreased from € 5.9 billion by € 2.1 billion to € 3.9 billion, or 35%. Significant improvements across the customer-driven businesses drove an increase in net gains (losses) on financial assets/liabilities at fair value through profit or loss from Sales & Trading (equity) from € 2.4 billion by 0.9 billion to € 3.3 billion. The main contributors to the decrease in Other net gains (losses) on financial assets/liabilities at fair value through profit or loss in the other areas from € 531 million by € 549 million to € – 18 million were mark-to-market losses (net of fees and gains on sales) on leveraged loans and loan commitments in 2007 as a consequence of the difficulties in the leveraged finance markets.

Net Interest Income and Net Gains (Losses) on Financial Assets/Liabilities at Fair Value through Profit or Loss

In the fiscal year 2007 net interest income and net gains (losses) on financial assets/liabilities at fair value through profit or loss amounted to € 16.0 billion nearly unchanged compared to € 15.9 billion in the preceding year.

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

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

N/M – Not meaningful

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

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

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

Corporate and Investment Bank (CIB). Combined net interest income and net gains (losses) on financial assets/liabilities at fair value through profit or loss from sales and trading products were € 10.6 billion in 2007, a decrease of € 144 million, or 1%, from 2006 (€ 10.7 billion). This result reflected the negative impact of the aforementioned difficult market situation for the credit trading businesses in Sales & Trading (debt and other products) with a decrease from € 8.1 billion to € 7.5 billion, improvements across customer-driven businesses in Sales & Trading (equity) from € 2.6 billion in the preceding year to € 3.1 billion, an increase of € 223 million, or 21%, to € 1.3 billion in Transaction services, and a decrease resulting from mark-to-market losses on leveraged loans and loan commitments (included in Remaining products) from € 435 million in the preceding year to € – 118 million in 2007. The increase in Transaction services was due to higher customer balances, a growth in payment volumes from Cash Management and new client mandates in domestic custody products.

Private Clients and Asset Management (PCAM). Combined net interest income and net gains (losses) on financial assets/liabilities at fair value through profit or loss were € 3.5 billion in 2007, an increase of € 457 million, or 15%, over 2006, due mainly to the impact of the acquired Berliner Bank and the norisbank together with higher volumes from organic business expansion.

Corporate Investments (CI). Combined net interest income and net gains (losses) on financial assets/liabilities at fair value through profit or loss increased from € 3 million by € 154 million to € 157 million, primarily reflecting mark-to-market gains from the option to increase the shareholding in Hua Xia Bank in China.

Provision for Credit Losses

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

Remaining Noninterest Income

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

N/M – Not meaningful

1 Includes:

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

Commissions and fee income. Total 2007 commissions and fee income was € 12.3 billion, an increase of € 1.1 billion, or 10%, compared with 2006. Underwriting and advisory fees increased from € 2.2 billion by € 295 million to € 2.5 billion, mainly attributable to CIB's Advisory products. Brokerage fees were up € 493 million from € 2.5 billion to € 3.0 billion with CIB's Sales & Trading (equity) products having a significant impact, mainly driven by increased volumes and market activity in Asia. Fees for other customer services increased € 252 million from € 2.6 billion to € 2.8 billion, driven by increases in Sales & Trading (equity) in CIB and in PBC Germany.

Net gains (losses) on financial assets available for sale. Total net gains on financial assets available for sale were € 793 million in 2007, up € 202 million (preceding year: € 591 million), or 34%, primarily due to gains of € 626 million related to CI's industrial holdings portfolio, with the most significant gains resulting from the reduction of the stakes in Allianz SE and Linde AG, and the disposal of the investment in Fiat S.p.A. Gains in CIB's sales and trading areas were offset by impairment charges. The 2006 result reflected gains in CIB's Sales & Trading areas and net gains in CI, of which the most significant was a gain of € 92 million related to the partial sale of the stake in Linde AG.

Net income (loss) from equity method investments. Net income from the equity method investments was € 353 million and € 419 million in 2007 and 2006, respectively. The key contributors in 2007 were in CI and the RREEF Alternative Investments business in AM. CI's income in 2007 was driven by a gain of € 178 million from the investment in Deutsche Interhotel Holding GmbH & Co. KG (which also triggered an impairment review of CI's goodwill, resulting in an impairment charge of € 54 million).

A gain of € 131 million from the sale of the remaining holding in EUROHYPO AG contributed significantly to CI's 2006 equity method income.

Other income. Total other income was € 1.3 billion in 2007, an increase of € 897 million compared to 2006 (€ 389 million), mainly from the sale and leaseback transaction of Deutsche Bank's premises at 60 Wall Street, higher revenues from consolidated investments and higher insurance premiums as a result of the Abbey Life Assurance Company Limited acquisition.

Noninterest Expenses

The following table sets forth information on the noninterest expenses.

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

N/M – Not meaningful

1 Includes:

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

Compensation and benefits. The increase of € 624 million from € 12.5 billion in 2006 to € 13.1 billion in 2007, or 5 %, was mainly driven by higher salary expenses, partly resulting from a rise in staff of 9,442 (on a full-time equivalent basis), and accelerated recognition of share-based compensation expense following a new definition of early retirement eligibility for the awards granted under the DB Equity Plan in 2007. Also contributing to the increase were higher severance payments, which were up € 72 million in 2007.

General and administrative expenses. General and administrative expenses in 2007 (€ 8.0 billion) were € 885 million, or 13 %, higher than in 2006 (€ 7.1 billion) due mainly to business growth, primarily reflected in IT costs and occupancy expenses. The increase of € 266 million to € 1.4 billion in Other expenses was largely attributable to a provision release related to grundbesitz-invest, the German open-ended real estate fund, in 2006.

Policyholder benefits and claims. The increase of € 126 million from € 67 million in 2006 to € 193 million in 2007, is due mainly to Deutsche Bank's acquisition of Abbey Life Assurance Company Limited in the fourth quarter 2007, and was largely offset by net gains (losses) on financial assets/liabilities at fair value through profit or loss and by insurance premium revenues.

Impairment of intangible assets. The impairment of intangible assets was € 128 million in the fiscal year 2007 adverse to € 31 million in the preceding year. Charges in 2007 included an impairment of € 74 million on non-amortizing intangible assets in AM and a goodwill impairment charge of € 54 million in CI. In 2006, CI incurred a goodwill impairment charge of € 31 million.

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

Income Tax Expense

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

Developments within the Group Divisions

Developments of the results within Deutsche Bank's group divisions is described below.

Comparison of the fiscal years ending December 31, 2008 and 2007 respectively

The following table presents the results of the group divisions for the fiscal years 2008 and 2007 based on Deutsche Bank's management systems. Further information on segmentation is contained in Note 2 to the consolidated financial statements for the fiscal year 2008 of Deutsche Bank which are included in the section "*Financial Statements*" of the Registration Document.

2008 *(audited)* in € m. (unless stated otherwise)	Corporate and Investment Bank	Private Clients and Asset Management	Corporate Investments	Total Management Reporting	Consolidation & Adjustments	Total Consolidated
Net revenues	**3,078**	**9,041**	**1,290**	**13,408**	**82**	**13,490**[1]
Provision for credit losses	**408**	**668**	**(1)**	**1,075**	**1**	**1,076**
Total noninterest expenses	**10,090**	**7,972**	**95**	**18,156**	**(0)**	**18,155**
therein:						
Policyholder benefits and claims	(273)	18	–	(256)	4	(252)
Impairment of intangible assets	5	580	–	585	–	585
Restructuring activities	–	–	–	–	–	–
Minority interest	**(48)**	**(20)**	**2**	**(66)**	**66**	**–**
Income (loss) before income taxes	**(7,371)**	**420**	**1,194**	**(5,756)**	**15**	**(5,741)**
Cost/income ratio in %	N/M	88 %	7 %	135 %	N/M	135 %
Assets[2]	2,047,181	188,785	18,297	2,189,313	13,110	2,202,423
Average active equity[3]	20,262	8,315	403	28,979	3,100	32,079
Pre-tax return on average active equity[4]	(36) %	5 %	N/M	(20) %	N/M	(18) %

N/M – Not meaningful

1 Includes gains from the sale of industrial holdings (Daimler AG, Allianz SE and Linde AG) of € 1,228 million and a gain from the sale of the investment in Arcor AG & Co. KG of € 97million, which are excluded from Deutsche Bank's target definition.

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

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

4 For the calculation of pre-tax return on average active equity please refer to Note 2 to Deutsche Bank's consolidated financial statements for the fiscal year 2008. For "Total consolidated", pre-tax return on average shareholders' equity is (16) %.

2007 *(audited)* in € m. (unless stated otherwise)	Corporate and Investment Bank	Private Clients and Asset Management	Corporate Investments	Total Management Reporting	Consolidation & Adjustments	Total Consolidated
Net revenues	**19,092**	**10,129**	**1,517**	**30,738**	**7**	**30,745**[1]
Provision for credit losses	**109**	**501**	**3**	**613**	**(1)**	**612**
Total noninterest expenses	**13,802**	**7,560**	**220**	**21,583**	**(199)**	**21,384**
therein:						
Policyholder benefits and claims	116	73	–	188	5	193
Impairment of intangible assets	–	74	54	128	–	128
Restructuring activities	(4)	(9)	(0)	(13)	(0)	(13)
Minority interest	**34**	**8**	**(5)**	**37**	**(37)**	**–**
Income (loss) before income taxes	**5,147**	**2,059**	**1,299**	**8,505**	**243**	**8,749**
Cost/income ratio in %	72%	75%	15%	70%	N/M	70%
Assets[2]	1,800,027	156,767	13,005	1,916,304	8,699	1,925,003
Average active equity[3]	20,714	8,539	473	29,725	368	30,093
Pre-tax return on average active equity[4]	25%	24%	N/M	29%	N/M	29%

N/M – Not meaningful

1 Includes gains from the sale of industrial holdings (Fiat S.p.A., Linde AG and Allianz SE) of € 514 million, income from equity method investments (Deutsche Interhotel Holding GmbH & Co. KG) of € 178 million, net of goodwill impairment charge of € 54 million and a gain from the sale of premises (sale/leaseback transaction of 60 Wall Street) of € 317 million, which are excluded from Deutsche Bank's target definition.

2 The information has been sourced from the consolidated financial statements for the fiscal year 2008 of Deutsche Bank and has been restated as of December 31, 2008. See Note 1 to the consolidated financial statements for the fiscal year 2008 for information on restatements. The sum of corporate divisions does not necessarily equal the total of the corresponding group division because of consolidation items between corporate divisions, which are to be eliminated on group division level. The same approach holds true for the sum of group divisions compared to "Total Consolidated".

3 The information has been sourced from the consolidated financial statements for the fiscal year 2008 of Deutsche Bank and has been adjusted to the information shown as of December 31, 2008. For management reporting purposes goodwill and other intangible assets with indefinite lives are explicitly assigned to the respective divisions. Average active equity is first allocated to divisions according to goodwill and intangible assets; remaining average active equity is allocated to divisions in proportion to the economic capital calculated for them.

4 For the calculation of pre-tax return on average active equity please refer to Note 2 to Deutsche Bank's consolidated financial statements for the fiscal year 2008. For "Total consolidated", pre-tax return on average shareholders' equity is 24%.

Corporate and Investment Bank Group Division

The following table shows the annual result of the Corporate and Investment Bank Group Division for the fiscal years 2008 and 2007 on the basis of the management reporting systems.

in € m. (unless stated otherwise)	2008	2007
	(audited)	
Net revenues:		
Sales & Trading (equity)	(630)	4,613
Sales & Trading (debt and other products)	124	8,407
Origination (equity)	336	861
Origination (debt)	(713)	714
Advisory	589	1,089
Loan products	1,260	974
Transaction services	2,774	2,585
Other products	(661)	(151)
Total net revenues	**3,078**	**19,092**
therein:		
Net interest income and net gains (losses) on financial assets/ liabilities at fair value through profit or loss	(1,027)	12,278
Provision for credit losses	**408**	**109**
Total noninterest expenses	**10,090**	**13,802**
therein:		
Policyholder benefits and claims	(273)	116
Impairment of intangible assets	5	–
Restructuring activities	–	(4)
Minority interest	**(48)**	**34**
Income (loss) before income taxes	**(7,371)**	**5,147**
Cost/income ratio in %	N/M	72 %
Assets	2,047,181	1,800,027[2]
Average active equity[1]	20,262	20,714
Pre-tax return on average active equity	(36) %	25 %

1 See Note 2 to Deutsche Bank's consolidated financial statements for the fiscal year 2008 for a description of how average active equity is allocated to the divisions.
2 The information has been sourced from the consolidated financial statements for the fiscal year 2008 of Deutsche Bank and has been adjusted to the information shown as of December 31, 2008.

Corporate Banking & Securities Corporate Division

The following table shows the results of the Corporate Banking & Securities Corporate Division for the fiscal years 2008 and 2007 on the basis of the management reporting systems.

in € m. (unless stated otherwise)	2008	2007
		(audited)
Net revenues:		
Sales & Trading (equity)	(630)	4,613
Sales & Trading (debt and other products)	124	8,407
Origination (equity)	336	861
Origination (debt)	(713)	714
Advisory	589	1,089
Loan products	1,260	974
Other products	(661)	(151)
Total net revenues	**304**	**16,507**
Provision for credit losses	**402**	**102**
Total noninterest expenses	**8,427**	**12,169**
therein:		
Policyholder benefits and claims	(273)	116
Impairment of intangible assets	5	–
Restructuring activities	–	(4)
Minority interest	**(48)**	**34**
Income (loss) before income taxes	**(8,476)**	**4,202**
Cost/income ratio in %	N/M	74 %
Assets	2,012,427	1,785,876[2]
Average active equity[1]	19,181	19,619
Pre-tax return on average active equity	(44) %	21 %

N/M – Not meaningful

1 See Note 2 to Deutsche Bank's consolidated financial statements for the fiscal year 2008 for a description of how average active equity is allocated to the divisions.

2 The information has been sourced from the consolidated financial statements for the fiscal year 2008 of Deutsche Bank and has been adjusted to the information shown as of December 31, 2008.

Net revenues. Net revenues in 2008 were € 304 million, compared to € 16.5 billion in 2007. This development reflected mark-downs on credit market related assets of € 7.5 billion, compared to € 2.3 billion in the prior year, significant losses in key Sales & Trading businesses, particularly in the fourth quarter of 2008, and lower levels of Origination and Advisory revenues. The Corporate Banking & Securities Corporate Division recorded a loss before income taxes of € 8.5 billion in 2008, compared to income before income taxes of € 4.2 billion in 2007.

These losses reflect the impact on Deutsche Bank's business model of unprecedented levels of market volatility and correlation across asset classes during 2008 and particularly following the financial collapse of an U. S. investment bank in September. In response CB&S reduced its trading exposures in Equity and Credit Proprietary Trading. The Credit Proprietary Trading business has now been closed and legacy positions moved under different internal management. Deutsche Bank continues to be exposed to further deterioration in prices for the remaining positions. The aforementioned losses more than offset significant year-on-year revenue growth in the customer-oriented money market and foreign exchange flow businesses.

Sales & Trading (debt and other products) revenues for the year were € 124 million, compared to € 8.4 billion in 2007. Key drivers of the decline were mark-downs of € 5.8 billion, relating to additional reserves against monoline insurers (€ 2.2 billion), further mark-downs on residential mortgage-backed securities (€ 2.1 billion) and commercial real estate loans (€ 1.1 billion), and impairment losses on available for sale positions (€ 490 million), compared to a total of € 1.6 billion in 2007. If reclassifications in accordance with the amendments to IAS 39 had not been made, the income statement for

the year would have included additional negative fair value adjustments of € 2.3 billion in Sales & Trading (debt and other products).

In Credit Trading, Deutsche Bank incurred further losses of € 3.2 billion, predominantly in the fourth quarter, of which € 1.7 billion related to Credit Proprietary Trading. The losses in the Credit Proprietary Trading business were mainly driven by losses on long positions in the U. S. automotive sector and by falling corporate and convertible bond prices, as well as basis widening on significant other debt trading inventory versus the credit default swaps (CDS) established to hedge them. The remaining losses in the Credit Trading business were incurred across many sectors, as bonds were sold off and basis spreads widened, driven by significant market de-leveraging and low levels of liquidity. These losses were partially offset by record results in Foreign Exchange, Money Markets and Commodities, where customer activity remained strong.

Sales & Trading (equity) revenues were negative € 630 million in 2008, compared to positive € 4.6 billion in 2007. The decrease was mainly driven by losses in the Equity Derivatives and Equity Proprietary Trading businesses. In an environment characterized by severely dislocated equity markets, with unprecedented levels of volatility and very low levels of liquidity, Equity Derivatives incurred losses of € 1.4 billion, mainly in the fourth quarter. Significant increases in the levels of equity market volatility and in correlations between both individual equity securities and indices combined with the rapid downward repricing of dividend expectations negatively impacted the overall value of the structural positions Deutsche Bank held from its significant client related trading activities in the European and other equity derivatives markets. Equity Proprietary Trading losses of € 742 million were driven by market-wide de-leveraging, which drove down convertible values and widened basis risk. However, the prime brokerage business continued to attract net new securities balances and generated revenues that were marginally lower than in 2007.

Revenues of € 212 million from Origination and Advisory were € 2.5 billion below 2007 (€ 2.7 billion). The revenue decrease was caused primarily by mark-downs of € 1.7 billion, net of recoveries, against leveraged finance loans and loan commitments, compared to € 759 million in 2007. In addition, revenues were affected by the turbulent conditions in the financial markets which led to lower issuances and new business volume compared to 2007. If reclassifications in accordance with the amendments to IAS 39 had not been made, the income statement for the year would have included additional negative fair value adjustments from Origination and Advisory of € 1.1 billion.

Loan products revenues were € 1.3 billion, an increase of € 287 million, or 29 %, compared to 2007 (€ 974 million). The increase was largely driven by mark-to-market hedge gains and interest income on assets transferred from Origination (Debt) to Loan Products as a result of reclassifications in accordance with the amendments to IAS 39.

Other products revenues were negative € 661 million, a decrease of € 510 million compared to 2007. The decrease primarily resulted from mark-to-market losses on investments held to back insurance policyholder claims in Abbey Life, which was acquired in the fourth quarter 2007. This effect is offset in noninterest expenses and has no impact on net income.

The provision for credit losses. The provision for credit losses was a net charge of € 402 million in 2008, compared to a net charge of € 102 million in 2007. The increase was driven by provision for credit losses of € 257 million related to assets which had been reclassified in accordance with the amendments to IAS 39, together with additional provisions, mainly on European loans, reflecting the deterioration in credit conditions.

Noninterest expenses. Noninterest expenses decreased € 3.7 billion, or 31 %, from € 12.2 billion to € 8.4 billion in 2008. This decrease was primarily due to lower performance-related compensation in line with business results, as well as the aforementioned effects from Abbey Life which resulted in cost decreases of € 389 million. Savings from cost containment measures and lower staff levels were offset by higher severance charges.

Amendments to IAS 39 and IFRS 7, "Reclassification of Financial Assets"

The results for 2008 were significantly positively impacted by the application of the amendments to IAS 39 and IFRS 7, "Reclassification of Financial Assets" which were approved by the IASB and endorsed by the EU in October 2008. Under these amendments it is permissible to reclassify certain financial assets out of financial assets as at fair value through profit or loss and the AFS classifications into the loans classification. For assets to be reclassified there must be a clear change in management intent with respect to the assets since initial recognition and the financial asset must meet the definition of a loan at the reclassification date. Additionally, there must be an intent and ability to hold the asset for the foreseeable future at the reclassification date.

In the third and fourth quarter, Deutsche Bank identified assets, eligible under the amendments, for which Deutsche Bank had a clear change of intent to hold for the foreseeable future. These assets were reclassified with effect from July 1, 2008 at fair value as of that date. In the fourth quarter 2008, Deutsche Bank made additional reclassifications, at fair value at the date of reclassification. Where the decision to reclassify was made by November 1, 2008, the reclassifications were made with effect from October 1, 2008, at fair value on that date. Reclassifications made after November 1, 2008 were made on a prospective basis at fair value on the date of reclassification. All reclassifications were to loans.

In these instances, management believed the intrinsic values of the assets exceeded their estimated fair value, which has been significantly adversely impacted by the reduced liquidity in the financial markets, and returns on these assets would be optimized by holding them for the foreseeable future. Where this clear change of intent existed and was supported by an ability to hold and fund the underlying positions, Deutsche Bank concluded that the reclassifications aligned more closely the accounting with the business intent.

The impacts of these reclassifications for CB&S are shown in the following table, and their consequential effect on credit market risk disclosures is provided in "– *Key Credit Market Exposures*".

	Dec 31, 2008	Dec 31, 2008	Period ended Dec 31, 2008	
	(audited)			
	Carrying value in € bn.	Fair value in € bn.	Impact on income before income taxes in € m.	Impact on net gains (losses) not recognized in the income statement in € m.
Sales & Trading – Debt				
Trading assets reclassified to loans	16.2	14.3	2,073	–
Financial assets available for sale reclassified to loans	10.5	8.5	121	1,712
Origination and Advisory				
Trading assets reclassified to loans	7.4	6.4	1,101	
Loan products				
Financial assets available for sale reclassified to loans	0.3	0.1	–	114
Total	**34.4**	**29.3**	**3,295**[1]	**1,826**

1 In addition to the impact in CB&S, income before income taxes increased by € 32 million in PBC.

The assets reclassified included funded leveraged finance loans with a fair value on the date of reclassification of € 7.5 billion which were entered into as part of an "originate to distribute" strategy. Assets with a fair value on the date of reclassification of € 9.4 billion were contained within consolidated asset backed commercial paper conduits at reclassification date. Commercial real estate loans were reclassified with a fair value on the date of reclassification of € 9.1 billion. These loans were intended for securitization at their origination or purchase date. The remaining reclassified assets, which comprised other assets principally acquired or originated for the purpose of securitization, had a fair value of € 9.0 billion on the reclassification date.

Key Credit Market Exposures

The following is an update on the development of certain key credit positions exposed to fair value movements through the profit and loss account ("P&L") (including protection purchased from monoline insurers) of those CB&S businesses that have been impacted throughout the global credit crisis and on which Deutsche Bank has previously provided additional risk disclosures.

Assets reclassified from trading or available for sale to loans and receivables under the amendments to IAS 39 have been excluded from the 2008 figures as they no longer create fair value movements through P&L.

CDO Trading and Origination Businesses: The following table outlines the overall U.S. subprime residential mortgage-related exposures in Deutsche Bank's CDO trading businesses as of December 31, 2008 and December 31, 2007.

CDO subprime exposure – Trading
in € m.

	Dec 31, 2008			Dec 31, 2007		
	Subprime ABS CDO gross exposure	**Hedges and other protection purchased**	**Subprime ABS CDO net exposure**	**Subprime ABS CDO gross exposure**	**Hedges and other protection purchased**	**Subprime ABS CDO net exposure**
Super Senior tranches	640	(182)	458	1,778	(938)	840
Mezzanine tranches	228	(195)	33	1,086	(922)	164
Total Super Senior and Mezzanine tranches	**868**	**(377)**	**491**	**2,864**	**(1,860)**	**1,004**
Other net subprime-related exposure held by CDO businesses			(6)			186
Total net subprime exposure in CDO businesses			**485**			**1,190**

In the above table, exposure represents Deutsche Bank's potential loss in the event of a 100% default of subprime securities and subprime-related ABS CDO, assuming zero recovery. It is not an indication of net delta adjusted trading risk (the net delta adjusted trading risk measure is used to ensure comparability between different ABS CDO and other subprime exposures; for each subprime position the delta represents the change of the position in the related security which would have the same sensitivity to a given change in the market).

The various gross components of the overall net exposure shown above represent different vintages, locations, credit ratings and other market-sensitive factors. Therefore, while the overall numbers above provide a view of the absolute levels of Deutsche Bank's exposure to an extreme market movement, actual future profit and losses will depend on actual market movements, basis movements between different components of Deutsche Bank's positions, and Deutsche Bank's ability to adjust hedges in these circumstances. As of December 31, 2008, the Super Senior and Mezzanine gross exposures and hedges consisted of approximately 1% 2007, 30% 2006, 35% 2005 and 34% 2004 and earlier vintages.

ABS CDO valuations are driven by parameters which can be separated into primary and secondary. Primary parameters are quantitative inputs into the pricing model. Secondary parameters can be qualitative (geographical concentration) or quantitative (historical default rates), and are used to determine the appropriate values for the primary parameters. Secondary parameters are used as guidelines to support the reasonable estimates for primary parameters. Key primary parameters driving valuation for CDO assets include forward rates, credit spreads, prepayment speeds, and correlation, default and recovery rates.

Deutsche Bank's assumptions are benchmarked against market transactions to the extent possible. Deutsche Bank has also classified ABS CDO as subprime if 50% or more of the underlying collateral are home equity loans.

In addition to subprime-related CDO exposure, Deutsche Bank also has exposure to ABS CDO positions backed by U.S. Alt-A mortgage collateral. The table below summarizes Deutsche Bank's exposure for these positions on an equivalent basis to the above.

CDO Alt-A exposure – Trading	**Exposure**	
in € m.	**Dec 31, 2008**	**Dec 31, 2007**
Total gross Alt-A exposure	201	603
Hedges and other protection purchased	(147)	(442)
Total net Alt-A exposure in CDO businesses	**54**	**161**

Deutsche Bank's CDO businesses also has exposure to CDOs backed by other asset classes, including commercial mortgages, trust preferred securities and collateralized loan obligations. These exposures are typically hedged through transactions arranged with other market participants or through other related market instruments. Actual future profits and losses will depend on actual market movements, basis movements between different components of Deutsche Bank's positions, and Deutsche Bank's ability to adjust hedges in these circumstances.

In addition to the exposure classified as "trading", the table below summarizes Deutsche Bank's exposure to U.S. subprime ABS CDOs classified as "Available for Sale". These exposures arise from activities with Group sponsored consolidated asset-backed commercial paper conduits. While changes in the fair value of available for sale securities generally are recorded in equity, certain reductions in fair value are reflected in profit or loss. In the 2008 results, Deutsche Bank recorded charges in profit or loss of € 448 million against these available for sale positions which have been previously recorded in equity. As of December 31, 2008, the remaining amount recorded in equity against these positions was € 15 million.

CDO subprime exposure – Available for sale and short positions on trading book	**Exposure**	
in € m.	**Dec 31, 2008**	**Dec 31, 2007**
Available for sale	86	499
Short positions on trading book	–	(446)
Total net CDO subprime exposure	**86**	**53**

Residential Mortgage Trading Businesses: Deutsche Bank also has ongoing exposure to the U.S. residential mortgage market through Deutsche Bank's trading, origination and securitization business in residential mortgages. The credit sensitive exposures are summarized below. Deutsche Bank's analysis excludes both agency mortgage backed securities and agency eligible loans, which Deutsche Bank does not consider to be credit sensitive products. Agency mortgage backed securities are not considered to be credit sensitive products as the timely payment of principal and interest on the underlying loans is guaranteed by government sponsored entities ("GSEs"). Agency eligible loans are not considered to be credit sensitive products as they are underwritten to meet agency guidelines, which allow them to be sold to GSEs.

Deutsche Bank's analysis also excludes interest-only and inverse interest-only positions which are negatively correlated to deteriorating markets.

Other U.S. residential mortgage business exposure	**Exposure**	
in € m.	**Dec 31, 2008**	**Dec 31, 2007**
Alt-A	3,406	7,848
Subprime	84	214
Other	1,359	1,666
Total other U.S. residential mortgage gross assets	**4,849**	**9,729**
Hedges and other protection purchased	(3,993)	(6,921)
Other trading-related net positions	403	803
Total net other U.S. residential mortgage business exposure	**1,259**	**3,611**

In the above table, exposure represents Deutsche Bank's potential loss in the event of a 100% default of RMBS bonds, loans and associated hedges, assuming a zero recovery. It is not an indication of net

delta adjusted trading risk (the net delta adjusted trading risk measure is used to ensure comparability between different residential mortgage-backed securities and other exposures; for each synthetic position the delta represents the position in the related security which would have the same sensitivity to a given change in the market).

The various gross components of the overall net exposure shown above represent different vintages, locations, credit ratings and other market-sensitive factors. Therefore, while the overall numbers above provide a view of the absolute levels of Deutsche Bank's exposure to an extreme market movement, actual future profits and losses will depend on actual market movements, basis movements between different components of Deutsche Bank's positions and Deutsche Bank's ability to adjust hedges in these circumstances. On December 31, 2008, the Alt-A and subprime gross assets, and hedges and other protection purchased, consisted of approximately 89% 2007, 9% 2006 and 2% 2005 and earlier vintages. The credit ratings on the total Alt-A and subprime gross assets, and hedges and other protection purchased, were approximately 90% AAA.

Hedges consist of a number of different market instruments, including protection provided by monoline insurers, single-name CDS contracts with market counterparties and index-based contracts.

During 2008 Deutsche Bank recorded losses of € 1.8 billion, excluding impacts of monoline provisions which are included in the monoline disclosure, in Deutsche Bank's U.S. residential mortgage business, primarily relating to the Alt-A exposures that are disclosed in the table above.

CB&S's European "originate to distribute" mortgage business has remaining exposures to residential mortgages in trading assets which are summarized in the table below. During 2008, Deutsche Bank incurred losses of € 277 million on mark-downs of these trading assets.

European residential mortgage business exposure (fair value basis)	**Exposure**	
in € m.	**Dec 31, 2008**	**Dec 31, 2007**
United Kingdom	188	1,545
Italy	56	423
Germany	13	148
Spain	–	83
Total European residential mortgage business exposure	**257**	**2,200**

In the above table, Deutsche Bank's exposure excludes assets that were reclassified from trading to loans and receivables under the provisions of the amended IAS 39, "Reclassification of Financial Assets", with an effective transfer date of July 1, 2008 or later. The impact of the transfer was to reduce Deutsche Bank's P&L exposure to fair value movements as of December 31, 2008 by € 1.1 billion (thereof UK € 699 million, Italy € 198 million, Germany € 146 million and Spain € 65 million).

Exposure to Monoline Insurers: The deterioration of the U.S. subprime mortgage and related markets has generated large exposures to financial guarantors, such as monoline insurers, that have insured or guaranteed the value of pools of collateral referenced by CDOs and other market-traded securities. Actual claims against monoline insurers will only become due if actual defaults occur in the underlying assets (or collateral). There is ongoing uncertainty as to whether some monoline insurers will be able to meet all their liabilities to banks and other buyers of protection. Under certain conditions (e.g. liquidation) Deutsche Bank can accelerate claims regardless of actual losses on the underlying assets.

The following table summarizes the fair value of Deutsche Bank's counterparty exposures to monoline insurers with respect to U.S. residential mortgage-related activity, on the basis of the fair value of the assets compared with the notional value guaranteed or underwritten by monoline insurers. The table shows the associated credit valuation adjustments ("CVA") that Deutsche Bank has recorded against the exposures.

The credit valuation adjustments are assessed name-by-name based on internally determined credit ratings and, in the case of those deemed unlikely to be able to meet their liabilities in full, an in-depth analysis of the facts and circumstances by Deutsche Bank's Credit Risk Management function.

Monoline exposure related to U.S. residential mortgages
in € m.

	Dec 31, 2008				Dec 31, 2007			
	Notional amount	Fair value prior to CVA[1]	CVA[1]	Fair value after CVA[1]	Notional amount	Fair value prior to CVA[1]	CVA[1]	Fair value after CVA[1]
AA/AAA Monolines:								
Super Senior ABS CDO	–	–	–	–	1,087	615	(25)	590
Other subprime	76	40	–	39	461	44	–	44
Alt-A	5,063	1,573	(37)	1,536	6,318	229	–	229
Total AA/AAA Monolines[2]	**5,139**	**1,613**	**(37)**	**1,576**	**7,866**	**888**	**(25)**	**863**
Non AA/AAA Investment Grade Monolines:								
Super Senior ABS CDO	–	–	–	–	–	–	–	–
Other subprime	–	–	–	–	–	–	–	–
Alt-A	–	–	–	–	–	–	–	–
Total Non AA/AAA Investment Grade Monolines	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Non Investment Grade Monolines:								
Super Senior ABS CDO	1,110	1,031	(918)	113	69	57	(57)	–
Other subprime	258	80	(24)	56	–	–	–	–
Alt-A	1,293	336	(346)	(10)	–	–	–	–
Total Non Investment Grade Monolines	**2,660**	**1,447**	**(1,288)**	**159**	**69**	**57**	**(57)**	**–**
Total	**7,799**	**3,060**	**(1,325)**	**1,735**	**7,935**	**945**	**(82)**	**863**

1 Credit valuation adjustment
2 Fair value prior to CVA 2008: 100% rated "AA"; 2007: 72% rated "AAA" and 28% "AA"

The ratings in the table above are based on external ratings. Deutsche Bank has applied the lower of Standard & Poor's and Moody's credit ratings as of December 31, 2008 and December 31, 2007.

The table above excludes counterparty exposure to monoline insurers that relates to wrapped bonds. A wrapped bond is one that is insured or guaranteed by a third party. As of December 31, 2008 and December 31, 2007, the exposure on wrapped bonds related to U.S. residential mortgages was € 58 million and € 159 million, respectively, which represents an estimate of the potential mark-downs of wrapped assets in the event of monoline defaults.

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

In addition to the residential mortgage-related activities shown in the table above, Deutsche Bank has other exposures to monoline insurers, based on the mark-to-market value of other protected assets. These arise from a range of client and trading activity, including collateralized loan obligations, commercial mortgage-backed securities, trust preferred securities, student loans and public sector or municipal debt. The following table summarizes the fair value of Deutsche Bank's other counterparty exposures to monoline insurers, on the basis of the fair value of the assets compared with the notional value guaranteed or underwritten by monoline insurers.

The table shows the associated credit valuation adjustments that Deutsche Bank has recorded against the exposures which are assessed and calculated on the basis set out above.

Other Monoline exposure in € m.	**Dec 31, 2008**				**Dec 31, 2007**			
	Notional amount	**Fair value prior to CVA[1]**	**CVA[1]**	**Fair value after CVA[1]**	**Notional amount**	**Fair value prior to CVA[1]**	**CVA[1]**	**Fair value after CVA[1]**
AA/AAA Monolines:								
TPS-CLO	3,019	1,241	(29)	1,213	3,606	192	–	192
CMBS	1,018	117	(3)	115	7,798	122	–	122
Corporate single name/Corporate CDO	6,273	222	(2)	219	13,133	45	–	45
Student loan	277	105	(2)	103	1,687	135	–	135
Other	587	288	(5)	283	2,607	136	–	136
Public sector / Municipal	–	–	–	–	1,027	2	–	2
Total AA/AAA Monolines[2]	**11,174**	**1,974**	**(41)**	**1,933**	**29,858**	**632**	**–**	**632**
Non AA/AAA Investment Grade Monolines:								
TPS-CLO	416	215	(59)	156	–	–	–	–
CMBS	5,537	882	(111)	771	–	–	–	–
Corporate single name/Corporate CDO	5,525	272	(38)	234	–	–	–	–
Student loan	53	20	(3)	17	–	–	–	–
Other	498	94	(16)	78	–	–	–	–
Public sector/Municipal	–	–	–	–	–	–	–	–
Total Non AA/AAA Investment Grade Monolines	**12,029**	**1,484**	**(228)**	**1,256**	**–**	**–**	**–**	**–**
Non Investment Grade Monolines:								
TPS-CLO	831	244	(74)	169	–	–	–	–
CMBS	672	125	(56)	69	–	–	–	–
Corporate single name/Corporate CDO	787	9	(2)	6	–	–	–	–
Student loan	1,185	906	(227)	680	–	–	–	–
Other	1,244	504	(229)	275	–	–	–	–
Public sector/Municipal	–	–	–	–	–	–	–	–
Total Non Investment Grade Monolines	**4,719**	**1,787**	**(588)**	**1,199**	–	–	–	–
Total	**27,922**	**5,245**	**(857)**	**4,388**	**29,858**	**632**	**–**	**632**

1 Credit valuation adjustment
2 Fair value prior to CVA 2008: 100% rated "AA"; 2007: 96% rated "AAA" and 4% "AA"

The ratings in the table above are based on external ratings. Deutsche Bank has applied the lower of Standard & Poor's and Moody's credit ratings as of December 31, 2008 and December 31, 2007.

The table above excludes counterparty exposure to monoline insurers that relates to wrapped bonds. As of December 31, 2008 and December 31, 2007, the exposure on wrapped bonds other than those related to U.S. residential mortgages was € 136 million and € 612 million, respectively, which represents an estimate of the potential mark-downs of wrapped assets in the event of monoline defaults.

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

As of December 31, 2008, Deutsche Bank's total CVA for monoline exposures was € 2.2 billion (thereof U.S. residential mortgage-related € 1.3 billion, other exposures € 857 million), compared to € 82 million (all U.S. residential mortgage-related) as of December 31, 2007.

Commercial Real Estate Business: Deutsche Bank's Commercial Real Estate business takes positions in commercial mortgage whole loans which are originated and either held with the intent to sell, syndicate, securitize or otherwise distribute to third party investors, or held on an amortized cost basis.

The following is a summary of Deutsche Bank's exposure to commercial mortgage whole loans which are held on a fair value basis as of December 31, 2008 and December 31, 2007. This excludes Deutsche

Bank's portfolio of secondary market commercial mortgage-backed securities which are actively traded and priced.

Commercial Real Estate traded whole loan exposure (fair value basis) in € m.	**Gross exposure**	
	Dec 31, 2008	**Dec 31, 2007[1]**
Funded positions	4,600	16,044
Unfunded commitments	–	1,218
Total gross traded whole loan exposure (A)	**4,600**	**17,262**
Net risk reduction[2] (B)	(1,367)	(1,215)
Total net traded whole loan exposure	**3,233**	**16,047**
Gross exposure by region:		
Germany	1,347	6,873
North America	2,609	8,366
Other Europe	593	1,926
Asia/Pacific[1]	51	97
Gross exposure by loan type:		
Office	1,554	4,086
Hotel	1,079	4,717
Retail	1,076	3,199
Multi-Family	214	2,899
Leisure	415	1,000
Mixed Use	31	800
Other	231	561

Mark-to-market losses against loans and loan commitments in € m.	**2008**	**2007**
Net mark-downs excluding hedges	(857)	(386)
Gain (loss) on specific hedges	(270)	171
Net mark-downs including specific hedges	**(1,127)**	**(215)**

	Dec 31, 2008	**Dec 31, 2007**
Life-to-date gross mark-downs excluding fees and specific hedges on remaining exposure (C)	(628)	(558)
Fees on remaining exposure	95	172
Life-to-date net mark-downs excluding specific hedges on remaining exposure	**(533)**	**(386)**
Carrying value of loans and loan commitments held on a fair value basis, gross of risk reduction (A-C)	**3,972**	**16,704**
Carrying value of loans and loan commitments held on a fair value basis, net of risk reduction (A-B-C)	**2,605**	**15,489**

1 Gross exposure as of December 31, 2007 has been restated by € 97 million to include traded whole loans in Asia/Pacific.

2 Risk reduction trades represent a series of derivative or other transactions entered into in order to mitigate risk on specific whole loans.

In the above table, Deutsche Bank's exposure excludes assets that were reclassified from trading to loans and receivables under the provisions of the amended IAS 39, "Reclassification of Financial Assets", with an effective transfer date of July 1, 2008 or later. The impact of the transfer was to reduce Deutsche Bank's trading loans subject to fair value movements through the P&L as of December 31, 2008 by € 6.9 billion and to increase Deutsche Bank's loans accounted for on an amortized cost basis by a corresponding amount.

The above table also excludes Deutsche Bank's previous loan exposure to The Cosmopolitan Resort and Casino. In September 2008, Deutsche Bank foreclosed on the property. The fair value of the loan at the date of transfer was € 799 million. The property is now carried as an investment property under

construction and is included in Property and equipment, with a carrying value as of December 31, 2008 of € 1.1 billion.

Leveraged Finance Business: The following is a summary of Deutsche Bank's exposures to leveraged loan and other financing commitments arising from the activities of Deutsche Bank's Leveraged Finance business as of December 31, 2008 and December 31, 2007. These activities include private equity transactions and other buyout arrangements. Also shown are the mark-downs taken against these loans and loan commitments as of December 31, 2008 and December 31, 2007.

Leveraged Finance exposure (fair value basis)	**Gross exposure**	
in € m.	**Dec 31, 2008**	**Dec 31, 2007**
Funded positions	851	14,492
Unfunded commitments	–	20,415
Total Leveraged Finance exposure (A)	**851**	**34,908**
Gross exposure by region:		
North America	812	25,766
Europe	39	8,667
Asia/Pacific	–	475
Gross exposure by industry sector:		
Telecommunications	74	7,486
Chemicals	–	5,403
Pharmaceuticals	–	4,554
Media	481	2,797
Hospitality & Gaming	106	4,192
Leasing	–	1,386
Services	109	2,319
Healthcare	19	328
Retail	–	2,455
Technology	16	1,345
Utilities	47	1,498
Other	–	1,145

Mark-to-market losses against loans and loan commitments		
in € m.	**2008**	**2007**
Net mark-downs excluding hedges	(1,683)	(759)

	Dec 31, 2008	**Dec 31, 2007**
Life-to-date gross mark-downs excluding fees and hedges on remaining exposure (B)	(326)	(1,351)
Fees on remaining exposure	17	642
Life-to-date net mark-downs excluding hedges on remaining exposure	**(309)**	**(709)**
Exposure to loans and loan commitments (fair value basis) (A-B)	**525**	**33,558**

The table above excludes both new exposures entered into in 2008, which were transacted at market rates and have a fair value of € 558 million as of December 31, 2008, and loans, entered into after January 1, 2007, accounted for on an amortized cost basis of € 9.9 billion, compared to € 1.3 billion as of December 31, 2007. Included in the loans accounted for on an amortized cost basis are assets that were reclassified from trading to loans and receivables under the provisions of the amended IAS 39, "Reclassification of Financial Assets", with an effective transfer date of July 1, 2008 or later. The impact of the transfers was to reduce Deutsche Bank's trading loans subject to fair value movements through the P&L as of December 31, 2008 by € 8.5 billion and to increase Deutsche Bank's loans accounted for on an amortized cost basis by a corresponding amount.

During 2008, Deutsche Bank entered into transactions with four special purpose entities to derecognize certain loans, predominantly U.S. leveraged loans and commercial real estate loans that were held at fair value through profit or loss. See "– *Special Purpose Entities*" for more information.

Global Transaction Banking Corporate Division

The following table shows the results of Global Transaction Banking Corporate Division (GTB) for the fiscal years 2008 and 2007 on the basis of the management reporting systems.

in € m. (unless stated otherwise)	2008	2007
	(audited)	
Net revenues:		
Transaction services	2,774	2,585
Other products	–	–
Total net revenues	**2,774**	**2,585**
Provision for credit losses	**5**	**7**
Total noninterest expenses	**1,663**	**1,633**
therein:		
Restructuring activities	–	(1)
Minority interest	**–**	**–**
Income (loss) before income taxes	**1,106**	**945**
Cost/income ratio in %	60 %	63 %
Assets	49,487	32,117[2]
Average active equity[1]	1,081	1,095
Pre-tax return on average active equity	102 %	86 %

1 See Note 2 to Deutsche Bank's consolidated financial statements for the fiscal year 2008 for a description of how average active equity is allocated to the divisions.
2 The information has been sourced from the consolidated financial statements for the fiscal year 2008 of Deutsche Bank and has been adjusted to the information shown as of December 31, 2008.

Income before income taxes increased by € 160 million, or 17 %, from € 945 million to € 1.1 billion for the year ended December 31, 2008. This development reflected record revenues combined with sustained cost discipline.

Net revenues. Net revenues increased from € 2.6 billion by 7 % to € 2.8 billion in 2008. The increase of € 189 million compared to 2007 was mainly driven by an improved business flow in documentary credit services and export finance solutions for clients' cross-border trade transactions in the Trade Finance business. Cash Management also generated higher revenues as a result of significantly increased transaction volumes in both the Euro and U. S. dollar clearing business. Despite the market turmoil in 2008, there was a solid growth in deposit balances of 8 % as compared to December 31, 2007.

The provision for credit losses. The provision for credit losses was a net charge of € 5 million, compared to a net charge of € 7 million in 2007.

Noninterest expenses. Noninterest expenses of € 1.7 billion remained stable compared to 2007. Expenses related to investments, including the acquisitions of HedgeWorks LLC in the U. S. and the operating platform of Pago eTransaction Services GmbH, were mostly offset by cost containment measures, efficiency improvements and lower performance-related compensation.

Private Clients and Asset Management Group Division

The following table shows the results of the Private Clients and Asset Management Group Division for the fiscal years 2008 and 2007 on the basis of the management reporting system.

in € m. (unless stated otherwise)	2008	2007
	(audited)	
Net revenues:		
Portfolio/fund management	2,457	3,017
Brokerage	1,891	2,172
Loan/deposit	3,251	3,145
Payments, account & remaining financial services	1,066	1,039
Other products	376	756
Total net revenues	**9,041**	**10,129**
therein:		
Net interest income and net gains (losses) on financial assets/liabilities at fair value through profit or loss	3,871	3,529
Provision for credit losses	**668**	**501**
Total noninterest expenses	**7,972**	**7,560**
therein:		
Policyholder benefits and claims	18	73
Impairment of intangible assets	580	74
Restructuring activities	–	(9)
Minority interest	**(20)**	**8**
Income (loss) before income taxes	**420**	**2,059**
Cost/income ratio in %	88%	75%
Assets	188,785	156,767[2]
Average active equity[1]	8,315	8,539
Pre-tax return on average active equity	5%	24%
Invested assets (in € bn.)[3]	816	952

1 See Note 2 to Deutsche Bank's consolidated financial statements for the fiscal year 2008 for a description of how average active equity is allocated to the divisions.

2 The information has been sourced from the consolidated financial statements for the fiscal year 2008 of Deutsche Bank and has been adjusted to the information shown as of December 31, 2008.

3 Deutsche Bank defines invested assets as (a) assets Deutsche Bank holds on behalf of customers for investment purposes and/or (b) client assets that are managed by Deutsche Bank. Deutsche Bank manages invested assets on a discretionary or advisory basis, or these assets are deposited with Deutsche Bank.

Asset and Wealth Management Corporate Division

The following table shows the results of the Asset and Wealth Management Corporate Division for the fiscal years 2008 and 2007 on the basis of the management reporting system.

in € m. (unless stated otherwise)	2008	2007
	(audited)	
Net revenues:		
Portfolio/fund management (AM)	**1,840**	**2,351**
Portfolio/fund management (PWM)	361	414
Total portfolio/fund management	**2,201**	**2,765**
Brokerage	908	964
Loan/deposit	266	223
Payments, account & remaining financial services	26	22
Other products	(137)	401
Total net revenues	**3,264**	**4,374**
Provision for credit losses	**15**	**1**
Total noninterest expenses	**3,794**	**3,453**
therein:		
Policyholder benefits and claims	18	73
Impairment of intangible assets	580	74
Restructuring activities	–	(8)
Minority interest	**(20)**	**7**
Income (loss) before income taxes	**(525)**	**913**
Cost/income ratio in %	116%	79%
Assets	50,473	39,180[2]
Average active equity[1]	4,870	5,109
Pre-tax return on average active equity	(11)%	18%
Invested assets (in € bn.)[3]	628	749

1 See Note 2 to Deutsche Bank's consolidated financial statements for the fiscal year 2008 for a description of how average active equity is allocated to the divisions.
2 The information has been sourced from the consolidated financial statements for the fiscal year 2008 of Deutsche Bank and has been adjusted to the information shown as of December 31, 2008.
3 Deutsche Bank defines invested assets as (a) assets Deutsche Bank holds on behalf of customers for investment purposes and/or (b) client assets that are managed by Deutsche Bank. Deutsche Bank manages invested assets on a discretionary or advisory basis, or these assets are deposited with Deutsche Bank.

Net revenues. For the year 2008, AWM reported net revenues of € 3.3 billion, a decrease of € 1.1 billion, or 25%, compared to 2007 (€ 4.4 billion). Portfolio/fund management revenues in Asset Management (AM) decreased by € 510 million, or 22%, to € 1.8 billion and in Private Wealth Management (PWM) by € 53 million, or 13%, from € 414 million in 2007 to € 361 million. Both business divisions were significantly and negatively impacted by market developments in 2008, especially in the fourth quarter, as well as from the strong Euro. The deterioration of performance and asset-based fees reflected the sharp decline of asset valuations and the related development of assets under management, especially with regard to equity products. Brokerage revenues decreased by € 56 million to € 908 million, or 6%, compared to 2007 (€ 964 million), reflecting limited client activity in the challenging market environment and the impact of the stronger Euro. Loan/deposit revenues were up € 43 million, or 20%, from € 223 million to € 266 million due to a significant growth of loan and deposit volumes. Revenues from Other products were negative € 137 million for 2008 compared to positive revenues of € 401 million last year. The negative revenues for the current year were composed of a number of significant specific items due to the market dislocations, including mark-downs on seed capital and other investments of approximately € 230 million and injections of € 150 million into certain consolidated money market funds.

Noninterest expenses. Noninterest expenses in 2008 were € 3.8 billion, an increase of € 341 million, or 10%, compared to 2007 (€ 3.5 billion). The increase was primarily due to an impairment of € 310 million related to DWS Scudder intangible assets (compared to € 74 million in 2007) and a goodwill

impairment of € 270 million in a consolidated investment, both in AM. In PWM, a provision of € 98 million was taken related to the obligation to repurchase Auction Rate Preferred (ARP) securities/Auction Rate Securities (ARS) at par from retail clients following a settlement in the U.S.

AWM's full year 2008 resulted in a loss before income taxes of € 525 million, compared to an income before income taxes of € 913 million in 2007.

Invested assets. Invested assets in AWM were € 628 billion at December 31, 2008, a decrease of € 121 billion compared to December 31, 2007. Of this decrease, asset value declines accounted for € 109 billion. For the full year 2008, AM recorded net outflows of € 22 billion while PWM attracted net new assets of € 10 billion.

Private & Business Clients Corporate Division

The following table shows the results of the Private & Business Clients Corporate Division for the fiscal years 2008 and 2007 on the basis of the management reporting system.

in € m. (unless stated otherwise)	2008	2007
	(audited)	
Net revenues:		
Portfolio/fund management	256	253
Brokerage	983	1,207
Loan/deposit	2,985	2,923
Payments, account & remaining financial services	1,040	1,017
Other products	513	355
Total net revenues	**5,777**	**5,755**
Provision for credit losses	**653**	**501**
Total noninterest expenses	**4,178**	**4,108**
therein:		
Restructuring activities	–	(1)
Minority interest	**0**	**0**
Income (loss) before income taxes	**945**	**1,146**
Cost/income ratio in %	72%	71%
Assets	138,350	117,809[2]
Average active equity[1]	3,445	3,430
Pre-tax return on average active equity	27%	33%
Invested assets (in € bn.)[3]	189	203
Loan volume (in € bn.)	91	87
Deposit volume (in € bn.)	118	96

1 See Note 2 to Deutsche Bank's consolidated financial statements for the fiscal year 2008 for a description of how average active equity is allocated to the divisions.
2 The information has been sourced from the consolidated financial statements for the fiscal year 2008 of Deutsche Bank and has been adjusted to the information shown as of December 31, 2008.
3 Deutsche Bank defines invested assets as (a) assets Deutsche Bank holds on behalf of customers for investment purposes and/or (b) client assets that are managed by Deutsche Bank. Deutsche Bank manages invested assets on a discretionary or advisory basis, or these assets are deposited with Deutsche Bank.

Net revenues. Net revenues of € 5.8 billion were essentially unchanged compared with 2007. Portfolio/fund management revenues increased by € 3 million, or 1%, driven by a successful portfolio management product campaign in the third quarter of 2008. Brokerage revenues decreased by € 224 million, or 19%, to € 983 million mainly reflecting low client activity in a difficult market environment. Loan/deposit revenues increased by € 62 million, or 2%, to € 2.9 billion mainly driven by growth in both loan and deposit volumes, partly offset by lower margins, especially in deposit products. Payment, account & remaining financial services revenues increased by € 23 million, or 2%, to € 1.0 billion mainly driven by higher revenues from the credit card business. Revenues from Other products of € 513 million in 2008 increased by € 158 million, or 44%, mainly driven by PBC's asset and liability

management function, dividend income from a cooperation partner after an IPO and subsequent gains related to a business sale closed in a prior period.

Provision for credit losses. Provision for credit losses increased by € 152 million, or 30 %, from € 501 million to € 653 million mainly reflecting the deteriorating credit conditions in Spain, higher delinquencies in Germany and Italy, as well as organic growth in Poland.

Noninterest expenses. Noninterest expenses of € 4.2 billion were € 70 million, or 2 %, higher than in 2007. Higher severance and staffing costs were offset by lower performance-related compensation and tight cost management.

Invested assets. Invested assets of € 189 billion at the end of 2008 decreased by € 15 billion. Market depreciation of € 30 billion was partly offset by net new assets inflows of € 15 billion.

The number of clients in PBC reached 14.6 million at year end 2008, an increase of approximately 800,000 net new clients, mainly in Germany, Italy and Poland.

Corporate Investments Group Division

The following table shows the results of the Corporate Investments Group Division for the fiscal years 2008 and 2007 on the basis of Deutsche Bank's management reporting system.

in € m. (unless stated otherwise)	2008	2007
	(audited)	
Net revenues	**1,290**	**1,517**
therein:		
Net interest income and net gains (losses) on financial assets/liabilities at fair value through profit or loss	(172)	157
Provision for credit losses	**(1)**	**3**
Total noninterest expenses	**95**	**220**
therein:		
Impairment of intangible assets	–	54
Restructuring activities	–	(0)
Minority interest	**2**	**(5)**
Income (loss) before income taxes	**1,194**	**1,299**
Cost/income ratio in %	7 %	15 %
Assets	18,297	13,005[2]
Average active equity[1]	403	473
Pre-tax return on average active equity	N/M	N/M

N/M – Not meaningful

1 See Note 2 to Deutsche Bank's consolidated financial statements for the fiscal year 2008 for a description of how average active equity is allocated to the divisions.

2 The information has been sourced from the consolidated financial statements for the fiscal year 2008 of Deutsche Bank and has been adjusted to the information shown as of December 31, 2008.

In 2008 CI's income before income taxes was € 1.2 billion compared to € 1.3 billion in 2007.

Net revenues. Net revenues were € 1.3 billion, a decrease of € 227 million compared to 2007 (€ 1.5 billion). Net revenues in 2008 included net gains of € 1.3 billion from the sale of industrial holdings (mainly related to Daimler AG, Allianz SE and Linde AG), a gain of € 96 million from the disposal of the investment in Arcor AG & Co. KG, dividend income of € 114 million, as well as mark-downs, including the impact from the option to increase Deutsche Bank's share in Hua Xia Bank Co. Ltd.

Net revenues in 2007 included net gains of € 626 million from selling some of Deutsche Bank's industrial holdings (mainly Allianz SE, Linde AG and Fiat S. p. A.), a gain of € 178 million from the equity method investment in Deutsche Interhotel Holding GmbH & Co. KG (which also triggered an impairment charge of € 54 million of CI's goodwill), dividend income of € 141 million and mark-ups from the

option to increase the share in Hua Xia Bank Co. Ltd. In addition, net revenues included a gain of € 313 million from the sale and leaseback transaction of the premises at 60 Wall Street.

Total noninterest expenses. Total noninterest expenses were € 95 million, a decrease of € 126 million compared to the previous year. This decrease was mainly the result of lower costs from consolidated investments in 2008 and the aforementioned goodwill impairment charge in 2007.

At year end 2008, the alternative assets portfolio of CI had a carrying value of € 434 million (down 31 % compared to 2007), of which 72 % was real estate investments, 23 % was private equity direct investments and 5 % was private equity indirect and other investments. This compares to a carrying value of € 631 million at year end 2007.

Comparison of the fiscal years ending December 31, 2007 and 2006 respectively

The following discussion is based on the composition of Deutsche Bank's segments valid at year end 2007. All figures have been sourced from the consolidated financial statements 2007 and are not adjusted to those disclosed in the consolidated financial statements 2008. Changes in the composition of segments can arise from either changes in management responsibility or from acquisitions and divestitures. For further information referring to the composition of the segments see Note 2 to the consolidated financial statements 2008 and 2007 which are included in the "*Financial Statements*" section of this Registration Document.

The following tables show the results of the group division for the fiscal years 2007 and 2006 on the basis of Deutsche Bank's management reporting system.

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

N/M – Not meaningful

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

2 The information has been sourced from the consolidated financial statements of Deutsche Bank for the fiscal year 2007 and has not been adjusted to the information shown as of December 31, 2008. The sum of corporate divisions does not necessarily equal the total of the corresponding group division because of consolidation items between corporate divisions, which are to be eliminated on group division level. The same approach holds true for the sum of group divisions compared to "Total Consolidated".

3 The information has been sourced from the consolidated financial statements of Deutsche Bank for the fiscal year 2007 and has not been adjusted to the information shown as of December 31, 2008. For management reporting purposes goodwill and other intangible assets with indefinite lives are explicitly assigned to the respective divisions. Average active equity is first allocated to divisions according to goodwill and intangible assets; remaining average active equity is allocated to divisions in proportion to the economic capital calculated for them.

4 For the calculation of pre-tax return on average equity please refer to Note 2 to Deutsche Bank's consolidated financial statements for the fiscal year 2007. For "Total consolidated", pre-tax return on average shareholders' equity is 24 %.

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

N/M – Not meaningful

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

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

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

4 For the calculation of pre-tax return on average equity please refer to Note 2 to Deutsche Bank's consolidated financial statements for the fiscal year 2007. For "Total consolidated" pre-tax return on average total shareholders' equity is 28 %.

Corporate and Investment Bank Group Division

The following table shows the results of the Corporate and Investment Bank Group Division for the fiscal years 2007 and 2006 on the basis of the management reporting system.

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

1 See Note 2 to Deutsche Bank's consolidated financial statements for the fiscal year 2007 for a description of how average active equity is allocated to the divisions.
2 The information has been sourced from the consolidated financial statements of Deutsche Bank for the fiscal year 2007 and has not been adjusted to the information shown as of December 31, 2008.

Corporate Banking and Securities Corporate Division

The following table shows the results of the Corporate Banking and Securities Corporate Division for the fiscal years 2007 and 2006 on the basis of the management reporting system.

in € m. (except percentages)	2007	2006
	(audited)	
Net revenues:		
Sales & Trading (equity)	4,613	4,039
Sales & Trading (debt and other products)	8,407	9,016
Origination (equity)	861	760
Origination (debt)	714	1,331
Advisory	1,089	800
Loan products	974	946
Other products	(151)	(318)
Total net revenues	**16,507**	**16,574**
Provision for credit losses	**102**	**(65)**
Total noninterest expenses	**12,169**	**11,236**
therein:		
Policyholder benefits and claims	116	–
Impairment of intangible assets	–	–
Restructuring activities	(4)	77
Minority interest	**34**	**23**
Income (loss) before income tax expense	**4,201**	**5,379**
Cost/income ratio	74 %	68 %
Assets	1,881,638[2]	1,459,190
Average active equity[1]	19,619	16,041
Pre-tax return on average active equity	21 %	34 %

1 See Note 2 to Deutsche Bank's consolidated financial statements for the fiscal year 2007 to the consolidated financial statements for a description of how average active equity is allocated to the divisions.
2 The information has been sourced from the consolidated financial statements of Deutsche Bank for the fiscal year 2007 and has not been adjusted to the information shown as of December 31, 2008.

Net revenues. The net revenues of € 16.5 billion in 2007 were marginally lower than in 2006 (€ 16.6 billion). Write-downs and mark-to-market losses in some Sales & Trading areas and in Leveraged Finance on loans and loan commitments offset higher revenues from the more mature flow businesses. Income before income taxes for the year ended December 31, 2007 decreased from € 5.4 billion by € 1.2 billion, or 22 %, to € 4.2 billion. The overall reduction in CB&S was mainly attributable to an increase in noninterest expenses resulting from higher staff levels and an increase in provision for credit losses.

Sales & Trading (debt and other products) revenues were € 8.4 billion in 2007, a decrease of € 609 million, or 7 %, compared to 2006. Sales & Trading (equity) revenues were a record € 4.6 billion, € 574 million, or 14 %, higher than in 2006. Sales and Trading results for the entire year were comparable to those of 2006 despite the exceptionally challenging markets of the second half of 2007.

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

Elsewhere, CB&S benefited from the scale and diversity of its Global Markets platform, particularly its leadership in products such as foreign exchange, interest rates and money markets and its strong position in emerging markets, which helped to offset a weaker performance in the credit trading businesses. Designated proprietary trading gains were lower compared to 2006, in both absolute terms and as a percentage of net revenues, having been negatively affected by the difficult market environment during the second half of 2007.

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

Revenues from Loan products were with € 974 million marginal above those of 2006 (€ 946 million), and contain gains on sales of equity from restructured loans, which were partly offset by the application of the fair value option to an increased level of new lending activity.

Revenues from Other products were a loss of € 151 million, an improvement of € 167 million versus 2006 (€ -318 million), primarily driven by higher revenues following the acquisition of Abbey Life Assurance Company Limited in the fourth quarter of 2007, though these were offset in policyholder benefits and claims in noninterest expenses.

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

Noninterest expenses. Noninterest expenses in 2007 were € 12.2 billion, an increase of € 933 million, or 8%, versus 2006 (€ 11.2 billion), largely due to increased staff levels, accelerated recognition of share-based compensation expense, the impact of acquisitions and higher business volumes.

Global Transaction Banking Corporate Division

The following table shows the results of the Global Transaction Banking Corporate Division for the fiscal years 2007 and 2006 on the basis of the management reporting system.

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

1 See Note 2 to Deutsche Bank's consolidated financial statements for the fiscal year 2007 to the consolidated financial statements for a description of how average active equity is allocated to the divisions.
2 The information has been sourced from the consolidated financial statements of Deutsche Bank for the fiscal year 2007 and has not been adjusted to the information shown as of December 31, 2008.

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

Net revenues. Net revenues rose in all regions and across all products, with an overall increase of 16% from € 2.2 billion in 2006 to € 2.6 billion in 2007. Cash Management grew substantially due to increased customer balances and a strong increase in payment volumes, reflecting the continued tendency of banks and corporates to consolidate to fewer banking counterparties, as well as the Single Euro Payments Area (SEPA) initiative and new Cash Management capabilities in emerging markets, such as Brazil, Russia and Turkey. Revenue growth in Trade Finance products was predominantly driven by strong business activity in the EMEA region. Trust & Securities Services grew in Asia/Pacific and EMEA, particularly due to increased asset inflows and significant new client mandates in domestic custody.

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

Noninterest expenses. Noninterest expenses of € 1.6 billion were slightly over the previous year's level. The increase by 5%, or € 80 million, from 2006, mainly reflects higher staff levels, performance-related compensation, and transaction-related costs in support of increased business volumes.

Income before income tax expense. Income before income tax expense increased by 34%, or € 241 million, to a record € 945 million for the year ended December 31, 2007 (2006: € 705 million). This development was based on double-digit profit growth in all geographic regions.

Private Clients and Asset Management Group Division

The following table shows the results of the Private Clients and Asset Management Group Division for the fiscal years 2007 and 2006 on the basis of the management reporting system.

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

1 See Note 2 to Deutsche Bank's consolidated financial statements for the fiscal year 2007 to the consolidated financial statements for a description of how average active equity is allocated to the divisions.
2 The information has been sourced from the consolidated financial statements of Deutsche Bank for the fiscal year 2007 and has not been adjusted to the information shown as of December 31, 2008.
3 Deutsche Bank defines invested assets as (a) assets Deutsche Bank holds on behalf of customers for investment purposes and/or (b) client assets that are managed by Deutsche Bank. Deutsche Bank manages invested assets on a discretionary or advisory basis, or these assets are deposited with Deutsche Bank.

Asset and Wealth Management Corporate Division

The following table shows the results of the Asset and Wealth Management Corporate Division for the fiscal years 2007 and 2006 on the basis of the management reporting system.

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

1 See Note 2 to Deutsche Bank's consolidated financial statements for the fiscal year 2007 to the consolidated financial statements for a description of how average active equity is allocated to the divisions.
2 The information has been sourced from the consolidated financial statements of Deutsche Bank for the fiscal year 2007 and has not been adjusted to the information shown as of December 31, 2008.
3 Deutsche Bank defines invested assets as (a) assets Deutsche Bank holds on behalf of customers for investment purposes and/or (b) client assets that are managed by Deutsche Bank. Deutsche Bank manages invested assets on a discretionary or advisory basis, or these assets are deposited with Deutsche Bank.

Net revenues. Net revenues were € 4.4 billion in 2007, an increase of € 208 million compared to the preceding year, or 5%, compared to 2006. A decline from € 2.5 billion in the preceding year to € 2.4 billion in AM's Portfolio/fund management revenues in 2007, driven by lower levels of performance fees in the Alternative Investments business, was partly offset by increases in performance fees in the Retail and Institutional businesses and increases in management fees in the Alternative Investments and the Retail business. In PWM, portfolio/fund management revenues increased by € 81 million from € 332 million in 2006 to € 414 million in 2007, or 24%, due to a higher invested asset base after the acquisition of Tilney Group Limited and the additions of new client advisors since the beginning of 2006. Brokerage revenues of € 964 million were up € 154 million, or 19%, from € 811 million in 2006 to € 964 in 2007 due to higher client activity, especially on demand from clients for alternative investment and other innovative products. Revenues related to loans/deposits were up by € 31 million, or 16%, from € 191 million in 2006 to € 223 million in 2007 due to higher volumes and margins in both the loan and deposit business. Revenues from Other products were € 401 million, € 57 million, or 16%, higher than in 2006 (€ 345 million), due largely to the consolidation of an infrastructure investment intended for a RREEF fund during 2007 in AM.

Noninterest expenses. Noninterest expenses were € 3.5 billion in 2007, an increase of € 169 million, or 5%, from 2006 (€ 3.3 billion) due mainly to an impairment charge of € 74 million related to intangible assets in AM and the effect of PWM's acquisition and growth strategy, partly offset by a decrease in charges for restructuring activities.

Income before income tax expense. Income before income tax expense in AWM was € 913 million in 2007, just above 2006 (€ 894 million).

Invested assets. AWM's Invested assets (assets holded on behalf of customers for investment purposes and/or managed as client assets). increased from € 732 billion by € 17 billion to € 749 billion in 2007. Invested assets in AM were up € 12 billion from € 543 billion, to € 555 billion, and were up in PWM by € 5 billion from € 189 billion, to € 194 billion. Net new assets of € 27 billion in AM and € 13 billion in PWM were partly offset by the impact of a strong Euro on the value of dollar-based balances.

Private & Business Clients Corporate Division

The following table shows the results of the Private & Business Clients Corporate Division for the fiscal years 2007 and 2006 on the basis of the management reporting system.

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

1 See Note 2 to Deutsche Bank's consolidated financial statements for the fiscal year 2007 to the consolidated financial statements for a description of how average active equity is allocated to the divisions.
2 The information has been sourced from the consolidated financial statements of Deutsche Bank for the fiscal year 2007 and has not been adjusted to the information shown as of December 31, 2008.
3 Deutsche Bank defines invested assets as (a) assets Deutsche Bank holds on behalf of customers for investment purposes and/or (b) client assets that are managed by Deutsche Bank. Deutsche Bank manages invested assets on a discretionary or advisory basis, or these assets are deposited with Deutsche Bank.

Net revenues. Net revenues increased by € 606 million, or 12 %, from € 5.1 billion in 2006 to 5.8 billion in 2007. The increase in all products was partly driven by the acquisitions of norisbank (consolidated since November 2006) and Berliner Bank (consolidated since January 2007). Portfolio/fund management revenues and brokerage revenues increased by € 14 million from € 239 million in 2006 to € 253 million in 2007 and by € 123 million from € 1.1 billion in 2006 to € 1.2 billion in 2007, respectively, reflecting the successful placements of investment products and higher transaction-based flow revenues. Loan/deposit revenues (2007: about € 3 billion) were the key drivers of the growth in 2007 with increases of € 300 million, or 11 %, owing to the aforementioned acquisitions. Payments, account and remaining financial services revenues increased by € 128 million, or 14 %, from € 890 million to € 1.0 billion due to the acquisitions and also from increased insurance brokerage revenues

on higher sales of pension-related products. Revenues from Other products increased by € 42 million, or 13 %, from € 313 million to € 355 million.

Provision for credit losses. Provision for credit losses increased by € 109 million, or 28 %, from € 391 in 2006 to 501 million in 2007, primarily driven by the aforementioned acquisitions.

Noninterest expenses. Noninterest expenses of € 4.1 billion were € 391 million, or 11 %, higher than in 2006 (€ 3.7 billion), mainly due to the acquisitions. Also contributing to the increase were integration-related expenses, investments in business growth in emerging markets, including the branch banking and credit card offerings in India and China, and the extension of the branch network and consumer finance offerings in Poland.

Income before income tax expense. Income before income tax expense was € 1.1 billion in 2007, which was € 106 million, or 10 %, higher than in 2006 (€ 1.0 billion). In 2006, income before income tax expense of € 1.0 billion included charges of € 49 million for restructuring activities.

Invested assets. Invested assets (assets holded on behalf of customers for investment purposes and/or managed as client assets) were € 203 billion at the end of 2007, a € 28 billion, or 16 %, increase over 2006 (€ 176 billion), due mainly to € 19 billion in net new money, with the remainder generated by performance and acquisitions.

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

Corporate Investments Group Division

The following table shows the results of the Corporate Investments Group Division for the fiscal years 2007 and 2006 on the basis of the management reporting system.

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

N/M – Not meaningful

1 See Note 2 to Deutsche Bank's consolidated financial statements for the fiscal year 2007 to the consolidated financial statements for a description of how average active equity is allocated to the divisions.

2 The information has been sourced from the consolidated financial statements of Deutsche Bank for the fiscal year 2007 and has not been adjusted to the information shown as of December 31, 2008.

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

Net revenues. Net revenues were € 1.5 billion in 2007, an increase of € 943 million compared to the previous year (2006: € 574 million). Net revenues in 2007 included net gains of € 626 million from

selling some of the industrial holdings (mainly related to Allianz SE, Linde AG and Fiat S. p. A.), a gain of € 178 million from the equity method investment in Deutsche Interhotel Holding GmbH & Co. KG (net of an impairment charge of € 54 million), dividend income of € 141 million and mark-to-market gains from the option to increase the share in Hua Xia Bank Co. Ltd. The net revenues also included a gain of € 313 million related to the sale and leaseback transaction of the premises at 60 Wall Street. Net revenues in 2006 primarily included gains of € 131 million from the sale of the remaining holding in EUROHYPO AG and € 92 million related to the partial sale of the stake in Linde AG, as well as dividend income of € 122 million.

Noninterest expenses. Total Noninterest expenses in 2007 (€ 220 million) were up slightly over 2006 (€ 214 million) as higher goodwill impairment charges offset reductions in other expense categories.

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

Liquidity and Capital Management

For information on Deutsche Bank's liquidity risk and capital management see section "*Risk Management – Liquidity Risk*" as well as Note 36 and Note 37 to the consolidated financial statements of Deutsche Bank for the fiscal year 2008 which are included in the section "*Financial Statements*" of this Registration Document.

Significant Accounting Policies and Critical Accounting Estimates

The Bank's significant accounting policies, as described in Note 1 to the consolidated financial statements for the fiscal year 2008 which are included in the section "*Financial Statements*" of this Registration Document, are essential to understanding Deutsche Bank's reported results of operations and financial condition. Certain of these accounting policies require critical accounting estimates that involve complex and subjective judgments and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change. Such critical accounting estimates could change from period to period and have a material impact on the financial condition, changes in financial condition or results of operations. Critical accounting estimates could also involve estimates where management could have reasonably used another estimate in the current accounting period. Actual results may differ from these estimates if conditions or underlying circumstances were to change.

The Deutsche Bank Group has identified the following significant accounting policies that involve critical accounting estimates.

Fair Value Estimates

Certain financial instruments are carried at fair value with changes in fair value recognized in the consolidated statement of income. This includes trading assets and liabilities and financial assets and liabilities designated at fair value through profit or loss. In addition, financial assets that are classified as available for sale are carried at fair value with the changes in fair value reported in a component of shareholders' equity. Derivatives held for non-trading purposes are carried at fair value with changes in value recognized through the consolidated income statement, except where they are in cash flow hedge accounting relationships when changes in fair value of the effective portion of the hedge are reflected directly in a component of shareholders' equity.

Trading assets include debt and equity securities, derivatives held for trading purposes and trading loans. Trading liabilities consist primarily of derivative liabilities and short positions. Financial assets and liabilities which are designated at fair value through profit or loss, under the fair value option, include repurchase and reverse repurchase agreements, certain loans and loan commitments, debt and equity securities and structured note liabilities. Private equity investments in which the Group

does not have a controlling financial interest or significant influence, are also carried at fair value either as trading instruments, designated as at fair value through profit or loss or as available for sale instruments.

Fair value is defined as the price at which an asset or liability could be exchanged in a current transaction between knowledgeable, willing parties, other than in a forced or liquidation sale.

In reaching estimates of fair value management judgment needs to be exercised. The areas requiring significant management judgment are identified, documented and reported to senior management as part of the valuation control framework and the standard monthly reporting cycle. The specialist model validation and valuation groups focus attention on the areas of subjectivity and judgment.

The level of management judgment required in establishing fair value of financial instruments for which there is a quoted price in an active market is minimal. Similarly there is little subjectivity or judgment required for instruments valued using valuation models that are standard across the industry and where all parameter inputs are quoted in active markets.

The level of subjectivity and degree of management judgment required is more significant for those instruments valued using specialized and sophisticated models and where some or all of the parameter inputs are not observable. Management judgment is required in the selection and application of appropriate parameters, assumptions and modeling techniques. In particular, where data are obtained from infrequent market transactions extrapolation and interpolation techniques must be applied. In addition, where no market data are available parameter inputs are determined by assessing other relevant sources of information such as historical data, fundamental analysis of the economics of the transaction and proxy information from similar transactions and making appropriate adjustments to reflect the terms of the actual instrument being valued and current market conditions. Where different valuation techniques indicate a range of possible fair values for an instrument, management has to establish what point within the range of estimates best represents fair value. Further, some valuation adjustments may require the exercise of management judgment to achieve fair value.

Methods of Determining Fair Value

A substantial percentage of the Deutsche Bank's financial assets and liabilities carried at fair value are based on, or derived from, observable prices or inputs. The availability of observable prices or inputs varies by product and market, and may change over time. For example, observable prices or inputs are usually available for: liquid securities; exchange traded derivatives; over the counter (OTC) derivatives transacted in liquid trading markets such as interest rate swaps, foreign exchange forward and option contracts in G7 currencies; and equity swap and option contracts on listed securities or indices. If observable prices or inputs are available, they are utilized in the determination of fair value and, as such, fair value can be determined without significant judgment. This includes instruments for which the fair value is derived from a valuation model that is standard across the industry and the inputs are directly observable. This is the case for many generic swap and option contracts.

In other markets or for certain instruments, observable prices or inputs are not available, and fair value is determined using valuation techniques appropriate for the particular instrument. For example, instruments subject to valuation techniques include: trading loans and other loans or loan commitments designated at fair value through profit or loss, under the fair value option; new, complex and long-dated OTC derivatives; transactions in immature or limited markets; distressed debt securities and loans; private equity securities and retained interests in securitizations of financial assets. The application of valuation techniques to determine fair value involves estimation and management judgment, the extent of which will vary with the degree of complexity and liquidity in the market. Valuation techniques include industry standard models based on discounted cash flow analysis, which are dependent upon estimated future cash flows and the discount rate used. For more complex products, the valuation models include more complex modeling techniques, parameters and assumptions, such as volatility, correlation, prepayment speeds, default rates and loss severity. Management judgment is required in the selection and application of the appropriate parameters, assumptions and modeling techniques. Because the objective of using a valuation technique is to establish the price at which market participants would currently transact, the valuation techniques

incorporate all factors that Group believes market participants would consider in setting a transaction price.

Valuation adjustments are an integral part of the fair value process that requires the exercise of judgment. In making appropriate valuation adjustments, the Group follows methodologies that consider factors such as bid-offer spread valuation adjustments, liquidity, and credit risk (both counterparty credit risk in relation to financial assets and its own credit risk in relation to financial liabilities).

The fair value of the Bank's financial liabilities (e. g., OTC derivative liabilities and structured note liabilities designated at fair value through profit or loss) incorporates the change in its own credit risk of the financial liability. For derivative liabilities the Group considers its own creditworthiness by assessing all counterparties' potential future exposure to itself, taking into account any collateral held, the effect of any master netting agreements, expected loss given default and its own credit risk based on historic default levels of entities of the same credit quality. The change in its own credit risk for structured note liabilities is calculated by discounting the contractual cash flows of the instrument using the rate at which similar instruments would be issued at the measurement date. The resulting fair value is an estimate of the price at which the specific liability would be exchanged at the measurement date with another market participant.

If there are significant unobservable inputs used in the valuation technique, the financial instrument is recognized at the transaction price and any trade date profit is deferred. The deferred amount is determined by using systematic methods over the period between trade date and the date when the market is expected to become observable, or over the life of the trade (whichever is shorter). The Deutsche Bank Group uses such a methodology because it reflects the changing economic and risk profiles of the instruments as the market develops or as the instruments themselves progress to maturity. Any remaining deferred profit is recognized through the income statement when the transaction becomes observable and/or the Bank enters into a transaction that will substantially eliminate the instrument's risk. In the rare circumstances that a trade date loss arises, it would be recognized at inception of the transaction to the extent that it is probable that a loss has been incurred and a reliable estimate of the loss amount can be made. The decision regarding the subsequent recognition of the deferred amount is made after careful assessment of the then current facts and circumstances supporting observability of parameters and/or risk mitigation.

Deutsche Bank has established internal control procedures over the valuation process to provide assurance over the appropriateness of the fair values applied. If fair value is determined by valuation models, the assumptions and techniques within the models are independently validated by a specialist group. Price and parameter inputs, assumptions and valuation adjustments are subject to verification and review processes. If the price and parameter inputs are observable, they are verified against independent sources.

If prices and parameter inputs or assumptions are not observable, the appropriateness of fair value is subject to additional procedures to assess its reasonableness. Such procedures include performing revaluations using independently generated models, assessing the valuations against appropriate proxy instruments, performing sensitivity analysis and extrapolation techniques, and considering other benchmarks. Assessment is made as to whether the valuation techniques yield fair value estimates that are reflective of the way the market operates by calibrating the results of the valuation models against market transactions. These procedures require the application of management judgment.

Under IFRS, the financial assets and liabilities carried at fair value are required to be disclosed according to the valuation method used to determine their fair value. Specifically, segmentation is required between those valued using quoted market prices in an active market, valuation techniques based on observable parameters and valuation techniques using significant unobservable parameters. This disclosure is provided in Note 11 to the consolidated financial statements of the Bank for the fiscal year 2008 which are included in the section "*Financial Statements*" of this Registration Document. The financial assets held at fair value for which Deutsche Bank determines fair value using valuation techniques where observable prices or inputs were not available were € 88.7 billion at December 31, 2008, compared to € 87.8 billion at December 31, 2007. The financial liabilities held at fair value for which Deutsche Bank determines fair value using valuation techniques where observable prices or

inputs were not available were € 34.4 billion at December 31, 2008 and € 23.1 billion at December 31, 2007. Management judgment is required in determining the category to which certain instruments should be allocated. This specifically arises when the valuation is determined by a number of parameters, some of which are observable and others are not. Further, the classification of an instrument can change over time to reflect changes in market liquidity and therefore price transparency.

Other valuation controls include review and analysis of daily profit and loss, validation of valuation through close out profit and loss and Value-at-Risk back-testing. For further discussion on the Value-at-Risk Analysis, see "*Risk Management – Market Risk – Value-at-Risk Analysis*."

Reclassification of Financial Assets

The Group classifies its financial assets into the following categories: financial assets at fair value through profit or loss, financial assets available for sale ("AFS") or loans. The appropriate classification of financial assets is determined at the time of initial recognition. In addition, under the amendments to IAS 39 and IFRS 7, "Reclassification of Financial Assets" which were approved by the IASB and endorsed by the EU in October 2008, it is permissible to reclassify certain financial assets out of financial assets at fair value through profit or loss and the available for sale classifications into the loans classification. For assets to be reclassified there must be a clear change in management intent with respect to the assets since initial recognition and the financial asset must meet the definition of a loan at the reclassification date. Additionally, there must be an intent and ability to hold the asset for the foreseeable future at the reclassification date. There is no ability for subsequent reclassification back to the trading or available for sale classifications.

In the third and fourth quarter 2008, Deutsche Bank identified assets, eligible under the amendments, for which it had a clear change of intent to hold for the foreseeable future. These assets were reclassified with effect from July 1, 2008 at fair value as of that date. In the fourth quarter 2008, Deutsche Bank made additional reclassifications, at fair value at the date of reclassification. Where the decision to reclassify was made by November 1, 2008, the reclassifications were made with effect from October 1, 2008, at fair value on that date. Reclassifications made after November 1, 2008 were made on a prospective basis at fair value on the date of reclassification. All reclassifications were to loans. In these instances, management believed the intrinsic values of the assets exceeded their estimated fair values, which have been significantly adversely impacted by the reduced liquidity in the financial markets, and returns on these assets would be optimized by holding them for the foreseeable future. Where this clear change of intent existed and was supported by an ability to hold and fund the underlying positions, Deutsche Bank concluded that the reclassifications aligned more closely the accounting with the business intent.

Significant management judgment and assumptions are required to identify assets eligible under the amendments for which intrinsic value exceeds estimated fair value. Significant management judgment and assumptions are also required to estimate the fair value of the assets identified (as described in "Fair Value Estimates") at the date of reclassification, which becomes the amortized cost base under the loan classification. The task facing management in both these matters was particularly challenging in the highly volatile and uncertain economic and financial market conditions that characterized the third and fourth quarters of 2008. The change of intent to hold for the foreseeable future is another matter requiring significant management judgment. The change in intent is not simply determined because of an absence of attractive prices nor is foreseeable future defined as the period until the return of attractive prices.

Deutsche Bank has established a minimum guideline for what constitutes a change of intent to hold for the foreseeable future. At the time of reclassification, there must be:

- no intent to dispose of the asset through sale or securitization within one year and no internal or external requirement that would restrict the ability to hold or require sale; and
- the business plan going forward should not be to profit from short-term movements in price.

Qualifying financial assets proposed for reclassification which meet the minimum guideline are considered based on the facts and circumstances of each individual asset. A positive management determination is required after taking into account the ability and plausibility to execute the strategy to

hold. At the time of reclassification and subsequently, the reclassified assets, which are now accounted for as loans, are tested for impairment as described under "Impairment of Financial Assets".

To the extent that assets categorized as loans are repaid, restructured or eventually sold and the amount received is less than the carrying value at that time, then a loss would be recognized

Impairment of Financial Assets

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

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

The volume of Deutsche Bank's financial assets that are subject to testing for impairment has increased due to the reclassification of financial assets in the second half of 2008. In assessing assets for impairment, significant management judgment is required, particularly in circumstances of great economic and financial uncertainty, such as those of the current financial crisis, when developments and changes to expected cash flows can occur both with greater rapidity and less predictability.

Impairment of Loans and Provision for Off-balance Sheet Positions

At each balance sheet date Deutsche Bank assesses whether objective evidence of impairment exists individually for loans that are individually significant. Then those loans that are not individually significant and loans which are significant but for which there is no objective evidence of impairment under the individual assessment at the balance sheet date are assessed collectively. Additionally, all impaired loans are reviewed to determine if there has been a change in the impairment.

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

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

The collective assessment of impairment is principally to establish an allowance amount relating to loans that are either individually significant but for which there is no objective evidence of impairment, or are not individually significant but for which there is, on a portfolio basis, a loss amount that is probable of having occurred and is reasonably estimable. The loss amount for collectively assessed loans has three components. The first component is an amount for transfer and currency convertibility risks for loan exposures with counterparties domiciled in countries where there are serious doubts about the ability of the counterparty to comply with the repayment terms due to the economic or political situation prevailing in that country. This amount is calculated using ratings for country risk and transfer risk which are established and regularly reviewed for each country in which Deutsche Bank does business. The second component is an allowance amount representing the incurred losses on the portfolio of smaller-balance homogeneous loans, which are loans to individuals and small

business customers of the private banking and retail business. The loans are grouped according to similar credit risk characteristics and the allowance for each group is determined using statistical models based on historical experience. The third component represents an estimate of incurred losses inherent in the group of loans that have not yet been individually identified or measured as part of the smaller-balance homogenized loans. Loans that were found not to be impaired when evaluated on an individual basis are included in the scope of this component of the allowance.

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

The accounting estimate related to the impairment of loans and provision for off-balance sheet positions is a critical accounting estimate for the Corporate Banking & Securities and Private & Business Clients Corporate Divisions because the underlying assumptions used for both the individually and collectively assessed impairment can change from period to period. Such changes may materially affect the Bank's results of operations.

As of 31 December 2008, the provision for credit losses totaled € 1,076 million (2007: € 612 million, 2006: € 298 million).

For further information on provision for credit losses, see *"Risk Management – Credit Risk – Credit Loss Experience and Provisions for Credit Losses"* and Notes 15 and 16 to the consolidated financial statements for the fiscal year 2008 which are included in the section "*Financial Statements*" of this Registration Document.

Impairment of Other Financial Assets

Equity method investments, and financial assets classified as available for sale are evaluated for impairment on a quarterly basis, or more frequently if events or changes in circumstances indicate that these assets are impaired. In the case of equity investments classified as available for sale, objective evidence of impairment would include a significant or prolonged decline in fair value of the investment below cost. It could also include specific conditions in an industry or geographical area or specific information regarding the financial condition of the company, such as a downgrade in credit rating. In the case of debt securities classified as available for sale, impairment is assessed based on the same criteria as for loans. If information becomes available after Deutsche Bank made its evaluation, it may be required to recognize further impairment in the future. Because the estimate for impairment could change from period to period based upon future events that may or may not occur, Deutsche Bank considers this to be a critical accounting estimate. The impairment reviews for equity method investments and financial assets available for sale resulted in impairment charges of € 970 million in 2008 (2007: € 286 million, 2006: € 27 million). For additional information on financial assets classified as available for sale, see Note 13 to the consolidated financial statements and for equity method investments, see Note 14 to the consolidated financial statements for the fiscal year 2008 which are included in the section "*Financial Statements*" of this Registration Document.

Impairment of Non-financial Assets

Certain non-financial assets, including goodwill and other intangible assets, are subject to impairment review. The Bank records impairment charges on assets in this category when it believes that their carrying value may not be recoverable.

Goodwill and other intangible assets are tested for impairment on an annual basis, or more frequently if events or changes in circumstances, such as an adverse change in business climate, indicate that these assets may be impaired. The determination of the recoverable amount in the course of the impairment assessment requires estimates based on quoted market prices, prices of comparable businesses, present value or other valuation techniques, or a combination thereof, necessitating management to make subjective judgments and assumptions. Because these estimates and

assumptions could result in significant differences to the amounts reported if underlying circumstances were to change, Deutsche Bank considers this estimate to be critical. As of December 31, 2008 and 2007, goodwill had a carrying amount of € 7.5 billion and € 7.2 billion, respectively, and other intangible assets had a carrying amount of € 2.3 billion and € 2.2 billion, respectively. Evaluation of impairment of these assets is a significant estimate for multiple divisions.

In 2008, goodwill and other intangible asset impairments of € 586 million were recorded of which € 580 million related to investments in Asset and Wealth Management. In 2007, goodwill and other intangible asset impairments were € 133 million of which € 77 million was recognized in Asset and Wealth Management and € 54 million in Corporate Investments. In 2006, goodwill and other intangible asset impairments of € 31 million were recorded in Corporate Investments. For further discussion on goodwill and other intangible assets, see Note 21 to the consolidated financial statements which are included in the section "*Financial Statements*" of this Registration Document.

Unrecognized Deferred Tax Assets

Deutsche Bank recognizes deferred tax assets and liabilities for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, unused tax losses and unused tax credits. Deferred tax assets are recognized only to the extent that it is probable that sufficient taxable profit will be available against which those unused tax losses, unused tax credits or deductible temporary differences can be utilized. This assessment requires significant management judgments and assumptions. In determining unrecognized deferred tax assets, Deutsche Bank uses historical tax capacity and profitability information and, if relevant, forecasted operating results, based upon approved business plans, including a review of the eligible carry-forward periods, available tax planning opportunities and other relevant considerations. Each quarter, Deutsche Bank re-evaluates its estimate related to unrecognized deferred tax assets, including its assumptions about future profitability. At December 31, 2008 and December 31, 2007 the value of unrecognized deferred tax assets was € 1.7 billion and € 872 million, respectively.

The Deutsche Bank believes that the accounting estimate related to the deferred tax assets is a critical accounting estimate because the underlying assumptions can change from period to period. For example, tax law changes or variances in future projected operating performance could result in a change of the deferred tax asset.

If the Bank was not able to realize all or part of its net deferred tax assets in the future, an adjustment to the deferred tax assets would be charged to income tax expense or directly to equity in the period such determination was made. If the Bank was to recognize previously unrecognized deferred tax assets in the future, an adjustment to the deferred tax asset would be credited to income tax expense or directly to equity in the period such determination was made.

For further information on the deferred taxes see Note 33 to the consolidated financial statements for the fiscal year 2008 which are included in the section "*Financial Statements*" of this Registration Document.

Legal and Regulatory Contingencies and Tax Risks

The Deutsche Bank conducts its business in many different legal, regulatory and tax environments, and, accordingly, legal claims, regulatory proceedings and income tax provisions for uncertain tax positions may arise.

The use of estimates is important in determining provisions for potential losses that may arise from litigation, regulatory proceedings and uncertain income tax positions. The Bank estimates and provides for potential losses that may arise out of litigation, regulatory proceedings and uncertain income tax positions to the extent that such losses are probable and can be estimated, in accordance with IAS 37, "Provisions, Contingent Liabilities and Contingent Assets" and IAS 12, "Income Taxes". Significant judgment is required in making these estimates and the final liabilities may ultimately be materially different.

Contingencies in respect of legal matters are subject to many uncertainties and the outcome of individual matters is not predictable with assurance. Significant judgment is required in assessing probability and making estimates in respect of contingencies, and the final liability may ultimately be materially different. The total liability in respect of litigation, arbitration and regulatory proceedings is determined on a case-by-case basis and represents an estimate of probable losses after considering, among other factors, the progress of each case, the Bank's experience and the experience of others in similar cases, and the opinions and views of legal counsel. Predicting the outcome of Deutsche Bank's litigation matters is inherently difficult, particularly in cases in which claimants seek substantial or indeterminate damages. For information on the judicial, regulatory and arbitration proceedings see *"Business – Litigation"* and Note 25 to the consolidated financial statements for the fiscal year 2008 which are included in the section "*Financial Statements*" of this Registration Document.

Recently Adopted Accounting Pronouncements and New Accounting Pronouncements

See Note 1 to the consolidated financial statements for the fiscal year 2008 which are included in the section "*Financial Statements*" of this Registration Document for information on the recently adopted and new accounting pronouncements.

Special Purpose Entities

Deutsche Bank engages in various business activities with certain entities, referred to as special purpose entities (SPEs), which are designed to achieve a specific business purpose. The principal uses of SPEs are to provide clients with access to specific portfolios of assets and risk and to provide market liquidity for clients through securitizing financial assets. SPEs may be established as corporations, trusts or partnerships.

Deutsche Bank may or may not consolidate SPEs that Deutsche Bank has set up or sponsored or with which Deutsche Bank has a contractual relationship. Deutsche Bank will consolidate an SPE when Deutsche Bank has the power to govern its financial and operating policies, generally accompanying a shareholding, either directly or indirectly, of more than one half of the voting rights. When the activities are narrowly defined or it is not evident who controls the financial and operating policies of the SPE, a range of other factors are considered. These factors include whether (a) the activities of the SPE are being conducted on Deutsche Bank's behalf according to Deutsche Bank's specific business needs so that Deutsche Bank obtains the benefits from the SPE's operations, (b) Deutsche Bank has decision-making powers to obtain the majority of the benefits, (c) Deutsche Bank will obtain the majority of the benefits of the activities of the SPE, and (d) Deutsche Bank retains the majority of the residual ownership risks related to the assets in order to obtain the benefits from its activities. Deutsche Bank consolidates an SPE if an assessment of the relevant factors indicates that Deutsche Bank controls it.

Deutsche Bank reassesses its treatment of SPEs for consolidation when there is a change in the SPE's arrangements or the substance of the relationship between Deutsche Bank and an SPE changes. For further detail on Deutsche Bank's accounting policies regarding consolidation and reassessment of consolidation of SPEs please refer to Note 1 to the consolidated financial statements which are included in the section "*Financial Statements*" of this Registration Document.

In limited situations Deutsche Bank consolidates some SPEs for both financial reporting and German regulatory purposes. However, in all other cases Deutsche Bank holds regulatory capital, as appropriate, against all SPE-related transactions and related exposures, such as derivative transactions and lending-related commitments and guarantees. To date, Deutsche Bank's exposures to non-consolidated SPEs have not had a material impact on its debt covenants, capital ratios, credit ratings or dividends.

Total Assets in Consolidated SPEs

Dec 31, 2008						Asset type
in € m.	Financial assets at fair value through profit or loss[1]	Financial assets available for sale	Loans[2]	Cash and cash equivalents	Other assets	Total assets
Category:						
Group sponsored ABCP conduits[2]	–	30	24,523	6	132	24,691
Group sponsored securitizations						
U.S.	6,792	–	–	–	277	7,069
non-U.S.	1,655	–	1,324	41	30	3,050
Third party sponsored securitizations						
U.S.	546	–	–	–	125	671
non-U.S.	–	–	533	1	23	557
Repackaging and investment products	9,012	1,847	101	935	2,224	14,119
Mutual funds	7,005	–	–	3,328	45	10,378
Structured transactions	3,327	202	5,066	22	416	9,033
Operating entities[2]	1,810	3,497	1,986	600	1,472	9,365
Other	415	307	926	485	839	2,972
Total	**30,562**	**5,883**	**34,459**	**5,418**	**5,583**	**81,905**

1 Fair value of derivative positions is € 391 million.

2 Certain positions have been reclassified from trading and available for sale into loans in accordance with IAS 39, Reclassification of Financial Assets which became effective on July 1, 2008. For an explanation of the impact of the reclassification please see Note 10 to the consolidated financial statements of Deutsche Bank for the fiscal year 2008 which are included in the section "*Financial Statements*" of this Registration Document and "*Results of Operations – Developments within the Group Divisions – Comparison of the fiscal years ending December 31, 2008 and 2007 respectively – Corporate Banking & Securities Corporate Division*", *Amendments to IAS 39 and IFRS 7*, "*Reclassification of Financial Assets*".

Dec 31, 2007						Asset type
in € m.	Financial assets at fair value through profit or loss[1]	Financial assets available for sale	Loans	Cash and cash equivalents	Other assets	Total assets
Category:						
Group sponsored ABCP conduits	5	10,558	16,897	3	139	27,602
Group sponsored securitizations						
U.S.	24,720	–	–	–	569	25,289
non-U.S.	2,957	–	383	33	4	3,377
Third party sponsored securitizations						
U.S.	13,781	–	–	–	24	13,805
non-U.S.	–	–	–	–	–	–
Repackaging and investment products	12,543	1,825	–	1,012	1,453	16,833
Mutual funds	256	–	–	424	1	681
Structured transactions	4,449	4,672	2,664	604	314	12,703
Operating entities	2,576	3,458	216	17	337	6,604
Other	616	302	583	306	472	2,279
Total	**61,903**	**20,815**	**20,743**	**2,399**	**3,313**	**109,173**

1 Fair value of derivative positions is € 489 million.

These tables provide detail about the assets (after consolidation eliminations) in Deutsche Bank's consolidated SPEs. Further details follow regarding the purpose of the SPEs, the nature of Deutsche Bank's relationship with the SPEs and the associated risks. These tables should be read in conjunction with the section "*– Results of Operations Developments within the Group Divisions – Comparison of the fiscal years ending December 31, 2008 and 2007 respectively – Corporate Banking & Securities Corporate Division – Key Credit Market Exposures*".

Group Sponsored ABCP Conduits

Deutsche Bank sets up, sponsors and administers its own asset-backed commercial paper (ABCP) programs. These programs provide its customers with access to liquidity in the commercial paper market and create investment products for Deutsche Bank's clients. As an administrative agent for the commercial paper programs, Deutsche Bank facilitates the purchase of non-Deutsche Bank Group loans, securities and other receivables by the commercial paper conduit (conduit), which then issues to the market high-grade, short-term commercial paper, collateralized by the underlying assets, to fund the purchase. The conduits require sufficient collateral, credit enhancements and liquidity support to maintain an investment grade rating for the commercial paper. Deutsche Bank is the liquidity provider to these conduits and therefore exposed to changes in the carrying value of their assets.

The liquidity exposure to these conduits is to the entire commercial paper issued of € 25.2 billion and € 26.6 billion as of December 31, 2008 and December 31, 2007, of which Deutsche bank held € 5.1 billion and € 8.8 billion, respectively.

The collateral in the conduits includes a range of asset-backed loans and securities, including aircraft leasing, student loans, trust preferred securities and residential- and commercial-mortgage-backed securities. The collateral in the conduits decreased € 2.9 billion from December 31, 2007 to December 31, 2008 as a result of the maturity of € 1.3 billion liquidity facilities, € 0.7 billion general decline in the fair value of financial assets available for sale which were then reclassified to loans in the third quarter of 2008 and the transfer of € 0.9 billion assets from the conduits to another consolidated entity to facilitate collateral management.

Deutsche Bank consolidates the majority of its sponsored conduit programs because Deutsche Bank has the controlling interest.

Group Sponsored Securitizations

Deutsche Bank sponsors SPEs for which Deutsche Bank originates or purchases assets. These assets are predominantly commercial and residential whole loans or mortgage-backed securities. The SPEs fund these purchases by issuing multiple tranches of securities, the repayment of which is linked to the performance of the assets in the SPE. When Deutsche Bank retains a subordinated interest in the assets that have been securitized, an assessment of the relevant factors is performed and, if SPEs are controlled by Deutsche Bank, they are consolidated. The fair value of Deutsche Bank's retained exposure in these securitizations as of December 31, 2008 and December 31, 2007 was € 4.4 billion and € 8.6 billion, respectively. During 2008 Deutsche Bank sold the subordinated interests in these SPEs, which resulted in the deconsolidation of some of the SPEs and a reduction in Deutsche Bank's consolidated assets.

Third Party Sponsored Securitizations

In connection with its securities trading and underwriting activities, Deutsche Bank acquires securities issued by third party securitization vehicles that purchase diversified pools of commercial and residential whole loans or mortgage-backed securities. The vehicles fund these purchases by issuing multiple tranches of securities, the repayment of which is linked to the performance of the assets in the vehicles. When Deutsche Bank holds a subordinated interest in the SPE, an assessment of the relevant factors is performed and if SPEs are controlled by Deutsche Bank, they are consolidated. As of December 31, 2008 and December 31, 2007 the fair value of Deutsche Bank's retained exposure in these securitizations was € 0.8 billion and € 1.1 billion, respectively. During 2008 Deutsche Bank sold the subordinated interests in these SPEs, which resulted in the deconsolidation of some of the SPEs and a reduction in the consolidated assets.

Repackaging and Investment Products

Repackaging is a similar concept to securitization. The primary difference is that the components of the repackaging SPE are generally securities and derivatives, rather than non-security financial assets, which are then "repackaged" into a different product to meet specific individual investor

needs. Deutsche Bank consolidates these SPEs when Deutsche Bank has the majority of risks and rewards. As Deutsche Bank is the swap counterparty to notes issued by the SPEs and held by Deutsche Bank, Deutsche Bank is exposed to changes in market values of collateral held against these notes, the fair value of which was € 1.9 billion as of December 31, 2008 and € 2.6 billion as of December 31, 2007. As of December 31, 2008 and December 31, 2007 the total assets held in these SPEs were € 2.3 billion and € 2.8 billion, respectively.

Investment products offer clients the ability to become exposed to specific portfolios of assets and risks through purchasing the structured notes. Deutsche Bank hedges this exposure by purchasing interests in SPEs that match the return specified in the notes. Deutsche Bank consolidates the SPEs when Deutsche Bank holds the controlling interest or have the majority of risks and rewards. Assets in the consolidated SPEs as of December 31, 2008 and December 31, 2007 totaled € 9.8 billion and € 13.5 billion, respectively. The reduction in consolidated assets was generally a result of a decrease in the fair value of the assets, € 2.1 billion, and € 1.6 billion from the redemption of notes, deconsolidation and the liquidation of assets held in the SPEs. These assets typically include bonds, equities and real estate assets, of which a significant portion of the risk is transferred to the note holders. In addition, Deutsche Bank also consolidates RREEF funds with real estate and infrastructure assets totaling € 2.0 billion and € 0.5 billion as of December 31, 2008 and December 31, 2007, respectively. The increase in consolidated RREEF funds is due to the consolidation of funds holding Deutsche Bank's investments in Maher Terminals LLC and Maher Terminals of Canada Corp. with assets totaling € 1.4 billion at December 31, 2008. As Deutsche Bank owns all issued interests in these funds, Deutsche Bank is exposed to the entire performance of these assets.

Mutual Funds

Deutsche Bank offers clients mutual fund and mutual fund-related products which pay returns linked to the performance of the assets held in the funds. Deutsche Bank provides a guarantee feature to certain funds in which Deutsche Bank guarantees certain levels of the net asset value to be returned to investors at certain dates. The risk for Deutsche Bank as guarantor is that Deutsche Bank has to compensate the investors if the market values of such products at their respective guarantee dates are lower than the guaranteed levels. For Deutsche Bank's investment management service in relation to such products, Deutsche Bank earns management fees and, on occasion, performance-based fees.

For all funds Deutsche Bank determines a projected yield based on current money market rates. However, no guarantee or assurance is given that these yields will actually be achieved. Though Deutsche Bank is not contractually obliged to support these funds, Deutsche Bank made a decision, in a number of cases in which actual yields were lower than originally projected (although still above any guaranteed thresholds), to support the funds' target yields by injecting cash of € 49 million in 2007 and € 207 million in 2008. This action was on a discretionary basis, and was taken to protect Deutsche Bank's market position. Initially such support was seen as temporary action. However, when Deutsche Bank continued to make cash injections through the second quarter of 2008, Deutsche Bank concluded that Deutsche Bank could not preclude future discretionary cash injections being made to support the yield and reassessed the consolidation requirement. Deutsche Bank concluded that the majority of the risk lies with Deutsche Bank and that it was appropriate to consolidate eight funds effective June 30, 2008.

During 2008, one of these funds (provided with a guarantee) was liquidated; there was no additional income statement impact to Deutsche Bank other than the cash injected at liquidation, which is included in the amount detailed above. The consolidated funds held assets of € 10.4 billion as of December 31, 2008.

Structured Transactions

Deutsche Bank enters into certain structures which offer clients funding opportunities at favorable rates. The funding is predominantly provided on a collateralized basis. These structures are individually tailored to the needs of the clients. Deutsche Bank consolidates these SPEs when Deutsche Bank hold the controlling interest or Deutsche Bank has the majority of the risks and rewards through a

residual interest holding and/or a related liquidity facility. The composition of the SPEs that Deutsche Bank consolidates is influenced by the execution of new transactions and the maturing, restructuring and exercise of early termination options with respect to existing transactions.

Operating Entities

Deutsche Bank establishes SPEs to conduct some of its operating business when Deutsche Bank benefits from the use of an SPE. These include direct holdings in certain proprietary investments and the issuance of credit default swaps where the exposure has been limited to the investment in the SPE. Deutsche Bank consolidates these entities when Deutsche Bank hold the controlling interest or is exposed to the majority of risks and rewards of the SPE. Included within "Other" assets of the exposure detailed in the table is U.S. real estate taken upon the foreclosure of a loan in the third quarter of 2008. As of December 31, 2008, the carrying value of the property was € 1.1 billion. Generally, the remaining increase in value of these assets is as a result of Deutsche Bank's increased investments in U.S. municipal bonds.

Exposure to Non-consolidated SPEs

Maximum unfunded exposure remaining in € bn.	**Dec 31, 2008**	**Dec 31, 2007[1]**
Category:		
Group sponsored ABCP conduits	3.3	5.3
Third party ABCP conduits		
U.S.	2.1	3.2
non-U.S.	0.0	7.3
Third party sponsored securitizations		
U.S.	5.3	10.4
non-U.S.	4.0	4.6
Guaranteed mutual funds	10.9	23.0
Real estate leasing funds	0.8	0.8

1 Prior year amounts have been adjusted to conform to current year presentation.

This table details the maximum unfunded exposure remaining to certain non-consolidated SPEs. Further detail on the Group's significant exposure to non-consolidated SPEs follows, including the purpose of the SPEs, the nature of the relationship with the SPEs, the associated risks and any associated positions. This table should be read in conjunction with the section *"– Results of Operations – Developments within the Group Divisions – Comparison of the fiscal years ending December 31, 2008 and 2007 respectively – Corporate Banking & Securities Corporate Divison – Key Credit Markt Exposures".*

Group Sponsored ABCP Conduits

Deutsche Bank sponsors and administers five ABCP conduits, established in Australia, which are not consolidated because Deutsche Bank does not hold the majority of risks and rewards. These conduits provide clients of Deutsche Bank with access to liquidity in the commercial paper market in Australia. As of December 31, 2008 and December 31, 2007 they had assets totaling € 2.8 billion and € 4.8 billion respectively, consisting of securities backed by non-U.S. residential mortgages issued by warehouse SPEs set up by the clients to facilitate the purchase of the assets by the conduits. The minimum credit rating for these securities is AA-. The credit enhancement necessary to achieve the required credit ratings is ordinarily provided by mortgage insurance extended by third-party insurers to the SPEs.

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

No material difficulties were experienced by these conduits during 2008 although a general widening in credit spreads was experienced on the conduits' issued commercial paper, the cost of which was passed on to the original asset sellers. The exposure of Deutsche Bank to these entities is limited to the committed liquidity facilities entered into by Deutsche Bank to provide funding to the conduits in the event of market disruption. The committed liquidity facilities to these conduits totaled € 3.3 billion as of December 31, 2008 and € 5.3 billion as of December 31, 2007. Deutsche Bank reduced the lines of credit available to the clients in 2008, which resulted in a decline in commercial paper issued by the conduits and the amount of assets held. None of these liquidity facilities have been drawn. Advances against the liquidity facilities are collateralized by the underlying assets held in the conduits, and thus a drawn facility will be exposed to volatility in the value of the underlying assets. Should the assets decline sufficiently in value, there may not be sufficient funds to repay the advance.

As of December 31, 2008, Deutsche Bank held € 0.6 billion of commercial paper issued by these nonconsolidated entities. Deutsche Bank purchased the paper voluntarily as a dealer in commercial paper on standard commercial terms. In addition, Deutsche Bank held € 0.3 billion in term notes issued by one SPE whose notes were ordinarily purchased by the conduits and € 0.2 billion in commercial paper issued by a conduit. As this represents 100 % of the SPE's issued debt, this caused Deutsche Bank to consolidate the SPE and conduit respectively.

As of December 31, 2007, Deutsche Bank held € 1.4 billion of the commercial paper issued by these nonconsolidated entities. Deutsche Bank purchased the paper voluntarily as a dealer in the commercial paper on standard commercial terms. In addition, Deutsche Bank purchased € 0.5 billion in asset-backed securities from one conduit representing 100 % of its asset holdings, which has caused Deutsche Bank to consolidate that entity.

Third Party ABCP Conduits

In addition to sponsoring the commercial paper programs, Deutsche Bank also assists third parties with the formation and ongoing risk management of their commercial paper programs. Deutsche Bank does not consolidate any third party ABCP conduits as Deutsche Bank does not control them.

Deutsche Bank's assistance to third party conduits is primarily financing-related in the form of unfunded committed liquidity facilities and unfunded committed repurchase agreements in the event of disruption in the commercial paper market. The liquidity facilities and committed repurchase agreements are recorded off-balance sheet unless a contingent payment is deemed probable and estimable, in which case a liability is recorded. The notional amount of undrawn facilities provided by Deutsche Bank is € 2.1 billion. These facilities are collateralized by the assets in the SPEs and therefore the movement in the fair value of these assets will affect the recoverability of the amount drawn.

Deutsche Bank is a swap counterparty to certain Canadian asset-backed commercial paper conduits that experienced liquidity problems in August 2007. The assets and liabilities of these conduits were restructured pursuant to a plan of compromise and arrangement under the Companies' Creditors Arrangement Act (Canada), which was completed on January 21, 2009. In accordance with the terms of the restructuring, the conduits were merged into three newly formed SPEs. Deutsche Bank is purchasing leveraged CDS protection from two of the SPEs. Additional collateral was provided to these two SPEs through senior note purchase facilities of € 2 billion in the aggregate and margin facilities of € 8.3 billion in the aggregate. The senior note purchase facilities will be provided primarily by the Government of Canada and three provincial governments for an interim period of 19 months from the closing of the restructuring. The margin facilities will be provided over the life of the two SPEs concerned by a consortium of financial institutions; Deutsche Bank will provide € 0.8 billion of these margin facilities. In addition to the increase in collateral in the SPEs, the collateral triggers were amended to be linked to spread/loss matrices based on credit indices rather than mark-to-market determinations, thereby making the possibility of collateral calls more remote. A moratorium on collateral calls was imposed with respect to the 18 months immediately following the closing of the restructuring. The terms of the restructuring will not have an impact on the consolidated financial statements.

Third Party Sponsored Securitizations

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

The notional amount of liquidity facilities with an undrawn component provided by Deutsche Bank as of December 31, 2008 and December 31, 2007 was € 20.1 billion and € 28.8 billion, respectively, of which € 10.8 billion and € 13.8 billion had been drawn and € 9.3 billion and € 15.0 billion were still available to be drawn as detailed in the table. All facilities are available to be drawn if the assets meet certain eligibility criteria and performance triggers are not reached. These facilities are collateralized by the assets in the SPEs and therefore the movement in the fair value of these assets affects the recoverability of the amount drawn.

Mutual Funds

Deutsche Bank provides guarantees to funds whereby Deutsche Bank guarantees certain levels of the net asset value to be returned to investors at certain dates. These guarantees do not result in Deutsche Bank consolidating the funds; they are recorded on-balance sheet as derivatives at fair value with changes in fair value recorded in the consolidated statement of income. The fair value of the guarantees was € 13.2 million as of December 31, 2008 and € 4.7 million as of December 31, 2007. As of December 31, 2008, these non-consolidated funds had € 11.8 billion assets under management and provided guarantees of € 10.9 billion. As of December 31, 2007, assets of € 23.6 billion and guarantees of € 23.0 billion were reported. The significant decrease in 2008 was mainly driven by the consolidation of four funds as discussed previously.

Real Estate Leasing Funds

Deutsche Bank provides guarantees to SPEs that hold real estate assets (commercial and residential land and buildings and infrastructure assets located in Germany) that are financed by third parties and leased to Deutsche Bank's clients. These guarantees are only drawn upon in the event the asset is destroyed and the insurance company does not pay for the loss. If the guarantee is drawn Deutsche Bank hold a claim against the insurance company. To date no guarantee has been drawn. The notional amount of guarantees provided by Deutsche Bank was € 535 million and € 547 million as of December 31, 2008 and December 31, 2007, respectively. They have an immaterial fair value. Deutsche Bank does not consolidate these SPEs as Deutsche Bank does not hold the majority of their risks and rewards.

Deutsche Bank also writes put options to closed-end real estate funds set up by Deutsche Bank, which purchase commercial or infrastructure assets located in Germany and which are then leased to third parties. The put options allow the shareholders to put the real estate asset or their shares to Deutsche Bank at the end of the lease term for a fixed price in the event that the lessee does not exercise its option to purchase the asset. As the lessees hold a bargain purchase option, Deutsche Bank believes those options will generally be exercised by the lessees. The notional value of the written puts was € 222 million and € 300 million as of December 31, 2008 and December 31, 2007, respectively. They have an immaterial fair value. Deutsche Bank does not consolidate these SPEs as Deutsche Bank does not hold the majority of their risks and rewards.

Contractual Relationships with Other Non-consolidated SPEs

Group Sponsored Securitizations

During 2008 Deutsche Bank entered into transactions with SPEs to derecognize € 10.4 billion of U. S. leveraged loans and commercial real estate loans that were held at fair value through profit or loss.

Deutsche Bank continues to recognize € 0.7 billion of these loans, as the derecognition criteria were not met with respect to them. The SPEs issued tranched notes, and the junior (equity) notes are substantially held by third parties. Deutsche Bank holds all the debt notes issued by the SPEs, which are reported as loan assets measured at amortized cost and assessed for impairment periodically. Deutsche Bank does not consolidate the SPEs as Deutsche Bank does not control them.

These SPEs were structured with event of default triggers which provide additional protection to the debt note holders if the market value of the loans is less than, or the actual losses are greater than, a specified threshold. If an event of default is triggered and not rectified within an agreed period, Deutsche Bank will need to reassess consolidation status of the SPE. In two SPEs, market value default events were triggered in the fourth quarter 2008. This resulted in the third party equity holders consenting to invest additional equity of € 0.7 billion to rectify the default. As of December 31, 2008, € 0.5 billion of the additional equity was contributed to one SPE. The equity contribution payable to the other SPE is still outstanding pending further review. Subsequently, Deutsche Bank's contractual arrangements with these SPEs were amended so that default events would be based on the actual defaults of the underlying assets for the next twelve months and then revert to being based on the market value of these assets. Deutsche Bank believes the carrying value of the loans in the SPE will be fully recovered if held to maturity.

Overview of Contractual Obligations

The table below shows the cash payment requirements from contractual obligations outstanding as of December 31, 2008.

	Payment due by period				
Contractual obligations in € m.	Total	Less than 1 year	1–3 years	3–5 years	More than 5 years
Long-term debt obligations	133,856	22,225	37,132	33,487	41,012
Trust preferred securities	9,729	983	1,711	2,378	4,657
Long-term financial liabilities designated at fair value through profit or loss[1]	19,270	1,748	4,995	4,110	8,417
Finance lease obligations	352	32	61	57	202
Operating lease obligations	5,749	765	1,242	945	2,797
Purchase obligations	2,457	496	1,225	492	244
Long-term deposits	35,255	–	12,322	8,601	14,332
Other long-term liabilities	2,852	4	–	–	2,848
Total	**209,520**	**26,253**	**58,688**	**50,070**	**74,509**

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

Figures above do not include the benefit of noncancelable sublease rentals of € 245 million on operating leases. Purchase obligations for goods and services include future payments for, among other things, processing, information technology and custodian services. Some figures above for purchase obligations represent minimum contractual payments and actual future payments may be higher. Long-term deposits exclude contracts with a remaining maturity of less than one year. Under certain conditions future payments for some long-term financial liabilities designated at fair value through profit or loss may occur earlier.

Balance Sheet Development

Comparison of the fiscal years ending December 31, 2008 and 2007 respectively

The table below shows information on the balance sheet development based on Deutsche Bank's consolidated financial statements.

in € m.	Dec 31, 2008	Dec 31, 2007[1] (adjusted)	Dec 31, 2007[2]
		(audited)	
Total assets	2,202,423	1,925,003	2,020,349
Central bank funds sold and securities purchased under the resale agreements	9,267	13,597	13,597
Securities borrowed	35,022	55,961	55,961
Financial assets at fair value through profit or loss.	1,623,811	1,378,011	1,474,103
therein: Positive market values from derivative financial instruments	1,224,493	506,967	N/M
Financial assets available for sale	24,835	42,294	42,294
Loans	269,281	198,892	198,892
Total liabilities	2,170,509	1,885,688	1,981,883
Deposits	395,553	457,946	457,946
Central bank funds purchased and securities sold under repurchase agreements	87,117	178,741	178,471
Financial liabilities at fair value through profit or loss	1,333,765	870,085	966,177
therein: Negative market values from derivative financial instruments	1,181,617	512,435	N/M
Long-term debt	133,856	126,703	126,703
Total equity	31,914	39,315	38,466
Tier 1 capital[3]	31,094	28,320	28,320
Tier 2 capital[3]	6,302	9,729	9,729

N/M – Not meaningful.

1 The information is based on the consolidated financial statements for the fiscal year 2008 of Deutsche Bank and has been adjusted to the information shown as of December 31, 2008. A description of adjustments made is included in Note 1 to the consolidated financial statements of Deutsche Bank for the fiscal year 2008.

2 These figures have been sourced from the consolidated financial statements of Deutsche Bank for the fiscal year 2007 and have not been adjusted to the information shown as of December 31, 2008.

3 2007 based on "Basel I"; 2008 based on "Basel II".

Assets and Liabilities

The total assets as of December 31, 2008 were € 2,202 billion, an increase of € 277 billion, or 14%, versus December 31, 2007 (€ 1,925 billion). Total liabilities were € 2,171 billion as of December 31, 2008, € 285 billion, or 15%, higher than on December 31, 2007 (€ 1,886 billion). Total assets and liabilities as of December 31, 2007 have been revised to be consistent with current presentation.

The development of both assets and liabilities during 2008 was significantly impacted by the shift in foreign exchange rates between the U.S. dollar and the Euro. In the first half of 2008 the strengthening of the Euro led to lower Euro equivalents for the U.S. dollar denominated assets and liabilities. The weakening of the Euro since the third quarter of 2008 largely inverted this development, so that the balance sheet development in the full year 2008 was only slightly affected by foreign exchange movements.

The primary drivers for the increase in both total assets and total liabilities compared to December 31, 2007 were positive and negative market values from derivatives, which increased € 718 billion and € 669 billion, respectively. This growth was attributable to the credit trading, FX and rates businesses, driven by significant market volatility and interest rate movements. Additionally, loans increased by € 70 billion to € 269 billion as of December 31, 2008, primarily in CIB with the majority

related to reclassifications in accordance with amendments to IAS 39, "Reclassification of Financial Assets".

The aforementioned increases were partly counterbalanced by decreases in most other balance sheet categories. These reflected primarily the activities started in the second quarter 2008 to reduce the size of the balance sheet and impacted mainly Financial assets and liabilities at fair value through profit or loss excluding positive and negative market values from derivative financial instruments.

Equity

As of December 31, 2008, total equity was € 31.9 billion, a decrease of € 7.4 billion, or 19%, compared to December 31, 2007 (€ 39.3 billion). The main factors contributing to this decline were a reduction of unrealized net gains (losses) on financial assets available for sale of € 4.5 billion (of which € 0.7 billion are related to net realized gains from both equity and debt securities with no impact on total equity), the net loss attributable to Deutsche Bank shareholders of € 3.8 billion, the May 2008 dividend payment for the financial year 2007 of € 2.3 billion, the realized net loss of € 1.2 billion on treasury shares sold and negative effects from exchange rate changes of € 1.1 billion (especially in the U.S. dollar and the British pound). These factors were partly offset by the capital increase of € 2.2 billion from the issuance of shares in September 2008, a positive impact of € 1.9 billion from the reduction of common shares in treasury and a net positive effect of € 0.9 billion resulting from the amendment of the settlement method for existing forward purchase contracts on Deutsche Bank shares.

The majority of the € 4.5 billion decline in unrealized net gains (losses) from financial assets available for sale related to equity securities (€ 3.9 billion, reflecting both realized gains from the reduction of industrial holdings and unrealized losses due to decreased market values). The remaining decline of € 0.6 billion was attributable to realized and unrealized losses from debt securities. The majority of the latter reflected a general decline in the fair value of debt securities in Group sponsored asset-backed commercial paper ("ABCP") conduits in the first half of 2008. Following the amendments to IAS 39, "Reclassification of Financial Assets", the majority of these assets was reclassified out of financial assets available for sale to the loans category as of July 1, 2008. The associated unrealized losses which occurred prior to the reclassification date are amortized through profit or loss until maturity of the assets based on the effective interest rate method. They determine the negative balance of € 882 million in total equity as of December 31, 2008, which is recorded in the component "Unrealized net gains (losses) from financial assets available for sale".

Total regulatory capital (Tier 1 and 2 capital) reported under Basel II, was € 37.4 billion at the end of 2008 compared to € 38.0 billion reported under Basel I at the end of 2007. While Tier 1 capital increased by € 2.8 billion, Tier 2 capital declined by € 3.4 billion. Both Tier 1 and Tier 2 capital reduced by € 1.5 billion each as a result of the inclusion of new Basel-II-related deduction items. In September 2008, Tier 1 capital increased by € 2.2 billion with the issuance of 40 million new shares. On the other hand, Tier 1 capital was negatively impacted by the net loss attributable to Deutsche Bank shareholders of € 3.8 billion, which was counterbalanced by several measures, including the conversion of contingent capital, revisions to pension plan accounting and reduction of shares in treasury. The remaining decline in Tier 2 was largely the result of the decline of € 1.5 billion in unrealized gains on listed securities and the conversion of € 0.5 billion Tier 2 capital into Hybrid Tier 1 capital.

Comparison of the fiscal years ending December 31, 2007 and 2006 respectively

The table below shows information on the balance sheet development based on the consolidated financial statements for the fiscal year 2007.

in € m.	Dec 31, 2007	Dec 31, 2006
	(audited)	
Total assets	2,020,349	1,584,493
Central Bank funds sold and securities purchased under resale agreements	13,597	14,265
Securities borrowed	55,961	62,943
Financial assets at fair value through profit or loss	1,474,103	1,104,650
Financial assets available for sale	42,294	38,037
Loans, net	198,892	178,524
Total liabilities	1,981,883	1,551,018
Deposits	457,946	411,916
Financial liabilities at fair value through profit or loss	966,177	694,619
Central bank funds purchased and securities sold under repurchase agreement	178,741	102,200
Long-term debt	126,703	111,363
Total equity	38,466	33,475
Core capital (Tier 1)	28,320	23,539
Supplementary capital (Tier 2)	9,729	10,770

The following discussion of the development of Deutsche Bank's balance sheet in 2007 in based on financial information drawn from Deutsche Bank's consolidated financial statements for fiscal year 2007. When comparing the following discussion and the description of the balance sheet development in 2008, it should be considered that in the 2008 consolidated financial statements of Deutsche Bank the presentation of assets and liabilities as of December 31, 2007 has been revised to be consistent with the presentation of such information as of December 31, 2008 (see Note 1 to Deutsche Bank's consolidated financial statements for 2008 shown in the "*Financial Statements*" section).

Assets and Liabilities

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

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

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

Equity

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

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

Statement of Cash Flows

Fiscal Years 2008 and 2007

The following table shows selected data from the audited consolidated statement of cash flows of Deutsche Bank for the fiscal year 2008.

in € m.	2008	2007
Net cash provided by operating activities	37,117	16,790
Net cash used in investing activities	(769)	(4,388)
Net cash provided by (used in) financing activities	3,220	(3,369)
Cash and cash equivalents at beginning of period	26,098	17,354
Cash and cash equivalents at end of period	65,264	26,098

For purposes of the consolidated statement of cash flows, the Group's cash and cash equivalents include highly liquid investments that are readily convertible into cash and which are subject to an insignificant risk of change in value. Such investments include cash and balances at central banks and demand deposits with banks. The Group's cash and cash equivalents increased from € 26.1 bn at the end of 2007 to € 65.3 bn at the end of 2008, mainly from demand deposits with banks.

The Group's assignment of cash flows to the operating, investing or financing category depends on the business model ("management approach"). For the Group the primary operating activity is to manage financial assets and financial liabilities. Therefore, the issuance and management of long-term borrowings is a core operating activity which is different than for a non-financial company, where borrowing is not a principal revenue producing activity and thus is part of the financing category.

The Group views the issuance of senior long-term debt as an operating activity. Senior long-term debt comprises structured notes and asset backed securities, which are designed and executed by CIB business lines and which are revenue generating activities and the other component is debt issued by Treasury, which is considered inter¬changeable with other funding sources; all of the funding costs are allocated to business activities to establish their profitability.

Net cash from operating activities increased from € 16.8 bn in 2007 to € 37.1 bn in 2008, despite a net loss in 2008. This increase in cash flows from operating activities reflects Deutsche Bank's activities started in the second quarter of 2008 to reduce the size of Deutsche Bank's balance sheet.

Net cash from investing activities mainly consists of the proceeds from and the purchase of financials assets available for sale. Cash flows from investing activities were € (769) mn in 2008 compared to € (4.4) bn in 2007. While in 2008 purchases of financial assets available for sale were materially offset by sales and maturities, in 2007 purchases were higher than sales and maturities.

Cash flows related to subordinated long-term debt and trust preferred securities are viewed differently than those related to senior-long term debt because they are managed as an integral part of the Group's capital, primarily to meet regulatory capital requirements. As a result they are not interchangeable with other operating liabilities, but can only be interchanged with equity and thus are considered part of the financing category.

The positive net cash flow from financing activities in 2008 primarily resulted from the issuance of trust preferred securities of € 3.4 bn and the capital increase of € 2,2 bn in September 2008.

Fiscal Years 2007 and 2006

The following table shows selected data from the audited consolidated statement of cash flows of Deutsche Bank for the fiscal year 2007.

in € m.	2007	2006
Net cash provided by operating activities	16,790	11,164
Net cash used in investing activities	(4,388)	(3,470)
Net cash used in financing activities	(3,369)	(3,252)
Cash and cash equivalents at beginning of period	17,354	13,422
Cash and cash equivalents at end of period	26,098	17,354

The Group's cash and cash equivalents increased from € 17.4 bn at the end of 2006 to € 26.1 bn at the end of 2007, mainly from demand deposits with banks.

Net cash from operating activities increased from € 11.2 bn in 2006 to € 16.8 bn in 2007. This development resulted from higher volumes of operating liabilities, mainly central bank funds purchased, securities sold under repurchase agreements and securities loaned.

Net cash from investing activities was € (3.5) bn in 2006 and € (4.4) bn in 2007. This increase reflects primarily purchases of financials assets available for sale.

Net cash flow from financing activities was virtually unchanged in 2006 and 2007. The negative cash flows of € (3.3) bn and € (3.4) bn resulted primarily from repayments of subordinated long term debt and the purchase of common shares in treasury.

Additional Information from the Audited Annual Financial Statements of Deutsche Bank AG for the Fiscal Year 2008

In the business year 2008 the net loss of Deutsche Bank AG under German GAAP (HGB) on a non-consolidated basis amounted to € 2,185 million. The fiscal year 2007 had resulted in a net income of € 2,757 million. The distributable profit calculated on a non-consolidated basis under HGB amounted to € 310 million in 2008, compared to € 2,387 million in 2007.

Pursuant to the resolution adopted by the general shareholders' meeting on May 29, 2008, Deutsche Bank AG paid a dividend for the fiscal year 2007 in an aggregate amount of € 2,274 million. At its meeting on March 17, 2009, the Supervisory Board of Deutsche Bank AG approved and thereby established Deutsche Bank's Annual Financial Statements for 2008. The Supervisory Board and Management Board propose that the shareholders resolve the payment of a dividend of € 0.50 per share at the Annual General Meeting on May 26, 2009. Under German stock corporation law, a dividend and its distribution may only be resolved based on a distributable profit stated in the Bank's non-consolidated financial statements.

For further information on the payment of dividends and the dividend policy see "*Dividend Policy and Earnings per Common Share – Dividend Policy*".

The non-consolidated audited annual financial statements of Deutsche Bank AG as of December 31, 2008 prepared in accordance with German GAAP (HGB) have been included in the section "*Financial Statements*".

RISK MANAGEMENT

Overview

The wide variety of the Deutsche Bank's businesses requires to identify, measure, aggregate and manage the risks effectively, and to allocate the capital among the businesses appropriately. Deutsche Bank manages its risk and capital through a framework of principles, organizational structures as well as measurement and monitoring processes that are closely aligned with the activities of its group divisions. The importance of a strong focus on risk management and the continuous need to refine risk management practice has become particularly evident during the financial market crisis that began in 2007 and continues through the date of this report. While the risk and capital management continuously evolves and improves there can be no assurance that all market developments, in particular those of extreme nature, can be fully anticipated at all times.

Risk and Capital Management Principles

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

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

Organisation

The Chief Risk Officer, who is a member of the Management Board, is responsible for the credit, market, liquidity, operational, business, legal and reputational risk management as well as capital management activities within the consolidated Group and heads the integrated legal, risk & capital function.

Two functional committees are central to the legal, risk & capital function. The Capital and Risk Committee is chaired by the Chief Risk Officer, with the Chief Financial Officer being Vice-Chairman. The responsibilities of the Capital and Risk Committee include risk profile and capital planning, capital capacity monitoring and optimization of funding. In addition, the Chief Risk Officer chairs the Risk Executive Committee, which is responsible for management and control of the aforementioned risks across the consolidated Group. The Deputy Chief Risk Officer reports directly to the Chief Risk Officer and is among the voting members of the Risk Executive Committee.

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

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

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

The finance and audit departments support the legal, risk & capital function. They operate independently of both the group divisions and of the legal, risk & capital function. The role of the finance department is to help quantify and verify the risk that Deutsche Bank assumes and ensures the quality and integrity of the risk-related data. The audit department performs risk-oriented reviews of the design and operating effectiveness of internal control procedures of Deutsche Bank and provides independent assessments to the Management Board and the Audit Committee of the Supervisory Board.

Risk Categories

The most important risks Deutsche Bank assumes are specific banking risks and reputational risks, as well as risks arising from the general business environment.

Specific Banking Risks

The Bank's risk management processes distinguish among four kinds of specific banking risks: credit risk, market risk, liquidity risk and operational risk.

- **Credit risk** arises from all transactions that give rise to actual, contingent or potential claims against any counterparty, borrower or obligor (which Deutsche Bank refers to collectively as "counterparties"). Deutsche Bank distinguishes among three kinds of credit risk:
  - ***Default risk*** is the risk that counterparties fail to meet contractual payment obligations.
  - ***Country risk*** is the risk that the Group may suffer a loss, in any given country, due to any of the following reasons: a possible deterioration of economic conditions, political and social upheaval, nationalization and expropriation of assets, government repudiation of indebtedness, exchange controls and disruptive currency depreciation or devaluation. Country risk includes transfer risk which arises when debtors are unable to meet their obligations owing to an inability to transfer assets to nonresidents due to direct sovereign intervention.
  - ***Settlement risk*** is the risk that the settlement or clearance of transactions will fail. It arises whenever the exchange of cash, securities and/or other assets is not simultaneous.
- **Market risk** arises from the uncertainty concerning changes in market prices and rates (including interest rates, equity prices, foreign exchange rates and commodity prices), the correlations among them and their levels of volatility.
- **Liquidity risk** is the risk arising from the Bank's potential inability to meet all payment obligations when they come due or only being able to meet these obligations at excessive costs.
- **Operational risk** is the potential for incurring losses in relation to employees, contractual specifications and documentation, technology, infrastructure failure and disasters, projects, external influences and customer relationships. This definition includes legal and regulatory risk, but excludes business and reputational risk.

Reputational Risk

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

Business Risk

Business risk describes the risk that arises due to potential changes in general business conditions, such as the market environment, client behavior and technological progress. This can affect the Bank's results if Deutsche Bank fails to adjust quickly to these changing conditions.

Insurance Specific Risk

The exposure to insurance risk increased upon the 2007 acquisition of Abbey Life Assurance Company Limited and the 2006 acquisition of a stake in Paternoster Limited, a regulated insurance company. The Deutsche Bank is primarily exposed to the following insurance-related risks:

- **Mortality and morbidity risks** – the risk of a higher or lower than expected number of death claims on assurance products and of an occurrence of one or more large claims, and the risk of a higher or lower than expected number of disability claims, respectively. The Bank aims to mitigate these risks by the use of reinsurance and the application of discretionary charges. It investigates rates of mortality and morbidity annually.
- **Longevity risk** – is the risk of faster or slower than expected improvements in life expectancy on immediate and deferred annuity products. The Bank monitors this risk carefully against the latest external industry data and emerging trends.
- **Expenses risk** – is the risk that policies cost more or less to administer than expected. Deutsche Bank monitors these expenses by an analysis of the actual expenses relative to Deutsche Bank's budget. It investigates reasons for any significant divergence from expectations and takes remedial action. It reduces the expense risk by having in place (until 2010 with the option of renewal for two more years) an outsourcing agreement which covers the administration of the policies.
- **Persistency risk** – is the risk of a higher or lower than expected percentage of lapsed policies. The Bank assesses the persistency rates annually by reference to appropriate risk factors.

Risk Management Tools

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

Economic capital. Economic capital measures the amount of capital that requited to absorb very severe unexpected losses arising from Deutsche Bank's exposures. "Very severe" in this context means that economic capital is set at a level to cover with a probability of 99.98% the aggregated unexpected losses within one year. The Bank calculates economic capital for the default risk, transfer risk and settlement risk elements of credit risk, for market risk, for operational risk and for general business risk. In 2008, the Bank refined its economic capital modeling in particular by completing a Group-wide roll-out of Deutsche Bank's multi-state model for credit risk, which is intended to comprehensively capture the effects of rating migration. The Bank further modified its economic capital framework to capture comprehensively profit and loss effects due to fair value accounting. As part of this model adjustment, the Bank now reports economic capital for traded default risk and all assets which are fair valued through profit and loss within market risk rather than credit risk. This enables the Bank to also measure the price volatility of these assets within its economic capital. The Bank uses economic capital to show an aggregated view of risk position of the Bank from individual business lines up to the consolidated Group level. It also uses economic capital (as well as goodwill and other nonamortizing intangibles) in order to allocate the book capital among the businesses. This enables the Bank to assess each business unit's risk-adjusted profitability, which is a key metric in managing its financial resources. In addition Deutsche Bank considers economic capital, in particular for credit risk, when it measures the risk-adjusted profitability of its client relationships. See "*Overall Risk Position*" below for a quantitative summary of the economic capital usage.

Expected loss. Deutsche Bank uses expected loss as a measure of its credit and operational risk. Expected loss is a measurement of the loss that can be expected within a one-year period from these risks as of the respective reporting date, based on the historical loss experience. When calculating expected loss for credit risk, the Bank takes into account credit risk ratings, collateral, maturities and statistical averaging procedures to reflect the risk characteristics of its different types of exposures and facilities. All parameter assumptions are based on statistical averages of the Bank's internal default and loss history as well as external benchmarks. The Bank uses expected loss as a tool of the risk management process and as part of the management reporting systems. Also the applicable results of the expected loss calculations are considered as a component of the collectively assessed allowance for credit losses included in the financial statements of the Bank. For operational risk the Bank determines the expected loss from statistical averages of its internal loss history, recent risk trends as well as forward looking expert estimates.

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

Stress testing. The Bank supplements the analysis of credit, market, liquidity and operational risk with stress testing. For market risk management purposes, it performs stress tests because value-at-risk calculations are based on relatively recent historical data, only purport to estimate risk up to a defined confidence level and assume good asset liquidity. Therefore, they only reflect possible losses under relatively normal market conditions. Stress tests help Deutsche Bank to determine the effects of potentially extreme market developments on the value of its market risk sensitive exposures, both on its highly liquid and less liquid trading positions as well as its investments. By way of stress testing the amount of economic capital is determined which is required to compensate market risk exposure under extreme market conditions selected by Deutsche Bank for its simulations. The Bank's 2008 experience in relation to these stress tests is discussed further below. For credit risk management purposes, the Bank performs stress tests to assess the impact of changes in general economic conditions on its credit exposures or parts thereof as well as the impact on the creditworthiness of its portfolio. For liquidity risk management purposes, the Bank performs stress tests and scenario analysis to evaluate the impact of sudden stress events on its liquidity position. For operational risk management purposes, the Bank performs stress tests on its economic capital model to assess its sensitivity to changes in key model components, which include external losses. Among other things, the results of these stress tests enable the Bank to assess the impact of significant changes in the frequency and/or severity of operational risk events on its operational risk economic capital.

Regulatory risk assessment. German banking regulators assess the Bank's capacity to assume risk in several ways, which are described in more detail in Note 36 of the consolidated financial statements of Deutsche Bank for the fiscal year 2008 which are included in the section "*Financial Statements*" of this Registration Document.

Credit Risk

Deutsche Bank measures and manages its credit risk following the below principles:

- In all group divisions consistent standards are applied in the respective credit decision processes.
- The approval of credit limits for counterparties and the management of individual credit exposures must fit within Deutsche Bank's portfolio guidelines and credit strategies.
- Every extension of credit or material change to a credit facility (such as its tenor, collateral structure or major covenants) to any counterparty requires credit approval at the appropriate authority level.

- Credit approval authorities are assigned to individuals according to their qualifications, experience and training, and Deutsche Bank reviews these periodically.
- The Bank measures and consolidates all its credit exposures to each obligor on a global consolidated basis that applies across the consolidated Group. The Bank defines an "obligor" as a group of individual borrowers that are linked to one another by any of a number of criteria the Bank has established, including capital ownership, voting rights, demonstrable control, other indication of group affiliation; or are jointly and severally liable for all or significant portions of the credit the Bank has extended.

Credit Risk Ratings

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

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

Credit Limits

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

Monitoring Default Risk

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

Monitoring Traded Default Risk

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

Loan Exposure Management Group

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

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

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

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

The notional amount of LEMG's risk reduction activities increased by 21 % from € 47.0 billion as of December 31, 2007, to € 56.7 billion as of December 31, 2008.

As of year-end 2008, LEMG held credit derivatives with an underlying notional amount of € 36.5 billion. The position totaled € 31.6 billion as of December 31, 2007.

The credit derivatives used for Deutsche Bank's portfolio management activities are accounted for at fair value.

LEMG also mitigated the credit risk of € 20.1 billion of loans and lending-related commitments as of December 31, 2008, by synthetic collateralized loan obligations supported predominantly by financial guarantees and, to a lesser extent, credit derivatives for which the first loss piece has been sold. This position totaled € 15.3 billion as of December 31, 2007. LEMG further mitigated the credit risk of € 70 million of loans and lending-related commitments as of December 31, 2008 by way of credit-linked notes. This position totaled € 74 million as of December 31, 2007. Credit risk mitigation by way of credit-linked notes or synthetic collateralized loan obligations supported by financial guarantees addresses the credit risk of the less liquid underlying positions.

LEMG has elected to use the fair value option under IAS 39 to report loans and commitments at fair value, provided the criteria for this option are met. The notional amount of loans and commitments reported at fair value increased during the year to € 50.5 billion as of December 31, 2008, from € 44.7 billion as of December 31, 2007, as new loans were originated and those that qualified were designated to be reported at fair value. By reporting loans and commitments at fair value, LEMG has significantly reduced profit and loss volatility that resulted from the accounting mismatch that existed when all loans and commitments were reported at historical cost while derivative hedges were reported at fair value.

Credit Exposure

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

- "Loans" are net loans as reported on the balance sheet at amortized cost but before deduction of the allowance for loan losses.

- "Irrevocable lending commitments" consist of the undrawn portion of irrevocable lending-related commitments.
- "Contingent liabilities" consist of financial and performance guarantees, standby letters of credit and indemnity agreements.
- "OTC derivatives" are the Bank's credit exposures from over-the-counter derivative transactions that the Bank has entered into, after netting and cash collateral received. On the balance sheet, these are included in trading assets or, for derivatives qualifying for hedge accounting, in other assets, in either case, before netting and cash collateral received.

Although Deutsche Bank considers them in monitoring its credit exposures, the following are not included in the tables below: cash and due from banks, interest-earning deposits with banks, and accrued interest receivables, amounting to € 79.2 billion at December 31, 2008 and € 37.8 billion at December 31, 2007, forward committed repurchase and reverse repurchase agreements of € 38.4 billion at December 31, 2008 and € 56.3 billion at December 31, 2007, "tradable assets", which include bonds, loans and other fixed-income products that are in the trading assets and in securities available for sale, of € 210.2 billion at December 31, 2008 and € 457.7 billion at December 31, 2007 as well as loans designated at fair value, of € 18.7 billion at December 31, 2008 and € 21.5 billion at December 31, 2007.

The following table breaks down several of the Bank's main credit exposure categories by geographical region. For this table, Deutsche Bank has allocated exposures to regions based on the country of domicile of the counterparties, irrespective of any affiliations the counterparties may have with corporate groups domiciled elsewhere. The increases in the below credit exposure were primarily in derivatives and loans and for both within Western Europe and North America. The derivative increase was driven by large interest rate moves and to a lesser extent by volatile markets, while the loan increase was partly due to € 34.4 billion assets being reclassified under IAS 39.

Credit risk profile by region	Loans[1]		Irrevocable lending commitments[2]		Contingent liabilities		OTC derivatives[3]		Total	
in € m.	Dec 31, 2008	Dec 31, 2007	Dec 31, 2008	Dec 31, 2007	Dec 31, 2008	Dec 31, 2007	Dec 31, 2008	Dec 31, 2007	Dec 31, 2008	Dec 31, 2007
Eastern Europe	7,672	4,334	1,654	1,694	2,086	1,479	2,033	972	13,445	8,479
Western Europe	185,577	141,572	38,698	47,948	25,289	29,021	48,677	30,982	298,241	249,523
Africa	1,076	747	333	224	566	801	297	552	2,272	2,324
Asia/Pacific	16,887	15,006	6,156	9,688	6,223	5,672	13,225	8,371	42,491	38,737
North America	56,129	37,087	56,812	68,495	13,943	12,407	57,177	29,517	184,061	147,506
Central and South America	3,530	1,754	196	375	660	480	1,552	965	5,938	3,574
Other[4]	348	97	228	87	48	46	629	643	1,253	873
Total	**271,219**	**200,597**	**104,077**	**128,511**	**48,815**	**49,905**	**123,590**	**72,002**	**547,701**	**451,015**

1 Includes impaired loans amounting to € 3.7 billion as of December 31, 2008 and € 2.6 billion as of December 31, 2007.
2 Includes irrevocable lending commitments related to consumer credit exposure of € 2.8 billion as of December 31, 2008 and € 2.7 billion as December 31, 2007.
3 Includes the effect of master agreement netting and cash collateral received where applicable.
4 Includes supranational organizations and other exposures that Deutsche Bank has not allocated to a single region.

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

Credit risk profile by industry sector	Loans[1]		Irrevocable lending commitments[2]		Contingent liabilities		OTC derivatives[3]		Total	
in € m.	Dec 31, 2008	Dec 31, 2007	Dec 31, 2008	Dec 31, 2007	Dec 31, 2008	Dec 31, 2007	Dec 31, 2008	Dec 31, 2007	Dec 31, 2008	Dec 31, 2007
Banks and insurance	26,998	12,850	24,970	28,286	11,568	11,005	68,641	36,048	132,177	88,189
Manufacturing	19,043	16,067	24,889	24,271	13,669	11,508	4,550	3,537	62,151	55,383
Households	83,376	70,863	3,862	3,784	1,768	1,724	791	1,497	89,797	77,867
Public sector	9,972	5,086	819	1,023	628	888	7,125	5,493	18,544	12,490
Wholesale and retail trade	11,761	8,916	6,377	5,840	3,423	3,496	1,264	839	22,825	19,090
Commercial real estate activities	27,083	16,476	2,239	3,144	2,403	1,902	3,213	455	34,938	21,977
Other[4, 5]	92,986	70,339	40,921	62,162	15,356	19,383	38,006	24,134	187,269	176,018
Total	**271,219**	**200,597**	**104,077**	**128,511**	**48,815**	**49,905**	**123,590**	**72,002**	**547,701**	**451,015**

1 Includes impaired loans amounting to € 3.7 billion as of December 31, 2008 and € 2.6 billion as of December 31, 2007.
2 Includes irrevocable lending commitments related to consumer credit exposure of € 2.8 billion as of December 31, 2008 and € 2.7 billion as of December 31, 2007.
3 Includes the effect of master agreement netting and cash collateral received where applicable.
4 Loan exposures for Other include lease financing.
5 Included in the category "Other" is investment counseling and administration exposure of to € 67.9 billion and € 54.8 billion as of December 31, 2008 and December 21, 2007, respectively.

Deutsche Bank's loans, irrevocable lending commitments, contingent liabilities and OTC derivatives-related credit exposure to its ten largest counterparties accounts for 7% of its aggregated total credit exposure in these categories as of December 31, 2008. The top ten counterparty exposures are typically with well-rated counterparties or relate to structured trades which show high levels of collateralization.

The Bank also classifies its credit exposure under two broad headings: corporate credit exposure and consumer credit exposure.

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

Corporate Credit Exposure

The following table breaks down several of the Bank's main corporate credit exposure categories according to the creditworthiness categories of its counterparties.

This table reflects an increase in the corporate loan book, of which € 34.4 billion was due to assets reclassified to loans according to IAS 39, as well as a continued good quality of the lending-related credit exposures. The portion of the corporate loan book carrying an investment-grade rating decreased from 70% at December 31, 2007 to 66% at December 31, 2008, reflecting the general credit deterioration in light of the market turbulence throughout 2008. However, as discussed above, the loan exposure shown in the table below does not take into account any collateral, other credit enhancement or credit risk mitigating transactions. After consideration of such credit mitigants, the Bank believes that there is no undue concentration risk and its loan book is well-diversified. The increase in its OTC derivatives exposure was substantially driven by interest and foreign exchange products, reflecting a substantial fall in yield curves, especially in the second half of 2008, and took place mainly within the investment-grade rating band. OTC derivatives exposure as shown below does not include credit risk mitigants (other than master agreement netting) or collateral (other than

cash). Taking these mitigants into account, the remaining current credit exposure is significantly lower and is well-diversified and geared towards investment grade counterparties.

Corporate credit exposure credit risk profile by creditworthiness category	Loans[1]		Irrevocable lending commitments[2]		Contingent liabilities		OTC derivatives[3]		Total	
in € m.	Dec 31, 2008	Dec 31, 2007	Dec 31, 2008	Dec 31, 2007	Dec 31, 2008	Dec 31, 2007	Dec 31, 2008	Dec 31, 2007	Dec 31, 2008	Dec 31, 2007
AAA-AA	40,749	22,765	20,373	28,969	5,926	7,467	65,598	39,168	132,646	98,370
A	29,752	30,064	30,338	31,087	11,976	15,052	22,231	13,230	94,297	89,432
BBB	53,360	30,839	26,510	35,051	15,375	13,380	15,762	8,008	111,007	87,277
BB	44,132	26,590	19,657	25,316	10,239	9,146	13,009	7,945	87,037	68,996
B	10,458	6,628	5,276	7,431	4,412	4,252	3,898	2,370	24,044	20,681
CCC and below	8,268	3,342	1,923	657	887	609	3,092	1,281	14,170	5,889
Total	**186,719**	**120,228**	**104,077**	**128,511**	**48,815**	**49,905**	**123,590**	**72,002**	**463,201**	**370,646**

1 Includes impaired loans mainly in category CCC and below amounting to € 2.3 billion as of December 31, 2008 and € 1.5 billion as of December 31, 2007.
2 Includes irrevocable lending commitments related to consumer credit exposure of € 2.8 billion as of December 31, 2008 and € 2.7 billion as of December 31, 2007.
3 Includes the effect of master agreement netting and cash collateral received where applicable.

Consumer Credit Exposure

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

	Total exposure (in € m.)		90 days or more past due as a % of total exposure		Net credit costs as a % of total exposure	
	Dec 31, 2008	Dec 31, 2007	Dec 31, 2008	Dec 31, 2007	Dec 31, 2008	Dec 31, 2007
Consumer credit exposure Germany:	57,139	56,504	1.54 %	1.68 %	0.65 %	0.64 %
Consumer and small business financing	15,047	14,489	1.98 %	1.96 %	1.98 %	1.76 %
Mortgage lending	42,092	42,015	1.39 %	1.58 %	0.18 %	0.26 %
Consumer credit exposure outside Germany	27,361	23,864	1.92 %	1.24 %	0.94 %	0.55 %
Total consumer credit exposure[1]	**84,500**	**80,368**	**1.67 %**	**1.55 %**	**0.74 %**	**0.62 %**

1 Includes impaired loans amounting to € 1.4 billion as of December 31, 2008 and € 1.1 billion as of December 31, 2007.

The volume of its consumer credit exposure rose by € 4.1 billion, or 5 %, from 2007 to 2008, driven both by the volume growth of its portfolio outside Germany (up € 3.5 billion) with strong growth in Italy (up € 1.5 billion), Poland (up € 1.0 billion) and Spain (up € 611 million) as well as in Germany (up € 635 million). Total net credit costs as a percentage of total exposure increased overall compared to 2007 reflecting its strategy to invest in higher margin consumer finance business as well as the deteriorating credit conditions in Spain. In Germany the increase in net credit costs was driven by the consumer finance business and only partially offset by a reduction in mortgage lending. Outside Germany the increase in net credit costs was mainly driven by the exacerbating economic crisis in Spain which adversely affected all the Bank's loan portfolios there and by its consumer finance business in Italy and Poland. The higher percentage of delinquent loans outside Germany was predominantly driven by its mortgage business in Spain.

Credit Exposure from Derivatives

To reduce its derivatives-related credit risk, the Deutsche Bank regularly seeks the execution of master agreements (such as the International Swaps and Derivatives Association's master agreements

for derivatives) with its clients. A master agreement allows the netting of obligations arising under all of the derivatives transactions that the agreement covers upon the counterparty's default, resulting in a single net claim against the counterparty (called "close-out netting"). For parts of its derivatives business the Bank also enters into payment netting agreements under which it sets off amounts payable on the same day in the same currency and in respect to all transactions covered by these agreements, reducing the principal risk.

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

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

Treatment of Default Situations under Derivatives

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

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

The following table shows the notional amounts and gross market values of OTC and exchange-traded derivative contracts Deutsche Bank held for trading and nontrading purposes as of December 31, 2008.

Dec 31, 2008	Notional amount maturity distribution				Positive	Negative	Net
in € m.	Within one year	> 1 and ≤ 5 years	After five years	Total	market value	market value	market value
Interest-rate-related transactions:							
OTC products:							
FRAs	4,246,883	240,762	2,327	4,489,972	11,195	(10,395)	799
Interest rate swaps (single currency)	11,420,341	11,453,935	9,251,828	32,126,104	570,204	(550,811)	19,393
Purchased interest rate options	396,285	567,857	280,663	1,244,806	71,120	–	71,120
Written interest rate options	459,646	601,245	297,014	1,357,905	–	(76,643)	(76,643)
Other interest rate trades							
Exchange-traded products:							
Interest rate futures	217,707	126,822	685	345,214	–	–	–
Purchased interest rate options	104,754	16,737	–	121,491	357	–	357
Written interest rate options	77,180	9,783	–	86,964	–	(216)	(216)
Sub-total	**16,922,796**	**13,017,141**	**9,832,517**	**39,772,456**	**652,876**	**(638,065)**	**14,810**
Currency-related transactions:							
OTC products:							
Forward exchange trades	561,840	67,213	5,292	634,346	25,148	(25,329)	(181)
Cross currency swaps	1,676,218	716,206	414,971	2,807,395	128,593	(127,225)	1,368
Purchased foreign currency options	324,102	110,820	34,698	469,621	28,083	–	28,083
Written foreign currency options	315,905	118,776	25,661	460,342	–	(25,506)	(25,506)
Exchange-traded products:							
Foreign currency futures	8,309	749	36	9,095	–	–	–
Purchased foreign currency options	2,106	191	–	2,297	212	–	212
Written foreign currency options	2,674	18	–	2,692	–	(198)	(198)
Sub-total	**2,891,154**	**1,013,973**	**480,658**	**4,385,788**	**182,036**	**(178,258)**	**3,778**
Equity/index-related transactions:							
OTC products:							
Equity forward	938	1	489	1,427	200	(158)	42
Equity/index swaps	75,665	58,993	24,783	159,441	18,722	(14,780)	3,942
Purchased equity/index options	128,377	129,524	36,314	294,214	44,993	–	44,993
Written equity/index options	139,590	167,387	49,325	356,301	–	(53,933)	(53,933
Exchange-traded products:							
Equity/index futures	20,023	48	28	20,099	–	–	–
Equity/index purchased options	197,250	66,611	11,132	274,993	4,869	–	4,869
Equity/index written options	176,887	69,712	16,319	262,919	–	(6,005)	(6,005)
Sub-total	**738,730**	**492,276**	**138,390**	**1,369,394**	**68,784**	**(74,876)**	**(6,092)**
Credit derivatives	**315,693**	**3,088,619**	**1,045,121**	**4,449,432**	**295,383**	**(260,849)**	**34,534**
Other transactions:							
OTC products:							
Precious metal trades	43,932	32,077	4,526	80,536	4,522	(4,234)	288
Other trades	82,195	169,726	5,855	257,776	24,805	(24,394)	411
Exchange-traded products:							
Futures	32,728	16,062	564	49,354	302	(254)	49
Purchased options	20,483	13,774	422	34,679	5,318	–	5,318
Written options	19,435	12,309	1,044	32,788	–	(5,403)	(5,403)
Sub-total	**198,773**	**243,948**	**12,411**	**455,133**	**34,947**	**(34,285)**	**663**
Total OTC business	**20,187,610**	**17,523,140**	**11,478,867**	**49,189,619**	**1,222,967**	**(1,174,257)**	**48,710**
Total exchange-traded business	**879,536**	**332,817**	**30,230**	**1,242,584**	**11,059**	**(12,076)**	**(1,017)**
Total	**21,067,146**	**17,855,957**	**11,509,097**	**50,432,203**	**1,234,026**	**(1,186,333)**	**47,693**
Positive market values including the effect of netting and cash collateral received					**130,375**		

Distribution Risk

Deutsche Bank frequently underwrites large commitments with the intention to sell down or distribute most of the risk to third parties. These commitments include the undertaking to fund bank loans and to provide bridge loans for the issuance of public bonds. The sell down or distribution is, under normal market conditions, typically accomplished within 90 days after the closing date. However, due to the continued market dislocation in 2008 Deutsche Bank experienced further delays in distribution of its loan and bond commitments in the respective businesses. Its largest distribution risk

during 2008 related to the businesses of Leveraged Finance and Real Estate (specifically, commercial mortgages).

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

Country Risk

Deutsche Bank manages country risk through a number of risk measures and limits, the most important being:

- Total counterparty exposure. All credit extended and OTC derivatives exposure to counterparties domiciled in a given country that the Bank views as being at risk due to economic or political events ("country risk event"). It includes nonguaranteed subsidiaries of foreign entities and offshore subsidiaries of local clients.
- Transfer risk exposure. Credit risk arising where an otherwise solvent and willing debtor is unable to meet its obligations due to the imposition of governmental or regulatory controls restricting its ability either to obtain foreign exchange or to transfer assets to non-residents (a "transfer risk event"). It includes all of the credit extended and OTC derivatives exposure from one of Deutsche Bank's offices in one country to a counterparty in a different country.
- Highly-stressed event risk scenarios. The Bank uses stress testing to measure potential risks on its trading positions and view these as market risk.

Country Risk Ratings

Deutsche Bank's country risk ratings represent a key tool in its management of country risk. They are established by an independent country risk research function within the Credit Risk Management function and include:

- Sovereign rating. A measure of the probability of the sovereign defaulting on its foreign or local currency obligations.
- Transfer risk rating. A measure of the probability of a "transfer risk event."
- Event risk rating. A measure of the probability of major disruptions in the market risk factors relating to a country.

All sovereign and transfer risk ratings are reviewed, at least annually, by the Group Credit Policy Committee, a sub-committee of the Risk Executive Committee. The country risk research group of the Bank also reviews, at least quarterly, its ratings for the major Emerging Markets countries. Ratings for countries that the Bank views as particularly volatile, as well as all event risk ratings, are subject to continuous review.

The Bank also regularly compares its internal risk ratings with the ratings of the major international rating agencies.

Country Risk Limits

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

Monitoring Country Risk

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

Country Risk Exposure

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

Emerging Markets net counterparty exposure	**Dec 31, 2008**	**Dec 31, 2007**
in € m.		
Total net counterparty exposure	26,214	22,000
Total net counterparty exposure (excluding OTC derivatives)	17,697	16,580

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

Emerging Markets net transfer risk exposure	**Dec 31, 2008**	**Dec 31, 2007**
in € m.		
Africa	914	508
Asia (excluding Japan)	5,472	3,277
Eastern Europe	3,364	1,856
Latin America	1,647	658
Middle East	3,402	2,931
Total emerging markets net transfer risk exposure	**14,799**	**9,230**

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

As of December 31, 2008, the Bank's net transfer risk exposure to Emerging Markets (excluding irrevocable commitments and exposures to non-Emerging Markets bank branches) amounted to € 14.8 billion, an increase of 60 %, or € 5.6 billion, from December 31, 2007. This development was largely a result of increased OTC derivatives exposure.

Impaired Loans

Under IFRS, Deutsche Bank considers loans to be impaired when Deutsche Bank recognizes objective evidence that an impairment loss has been incurred. While Deutsche Bank assesses the impairment for the corporate credit exposure individually Deutsche Bank considers the smaller-balance standardized homogeneous loans to be impaired once the credit contract with the customer has been terminated.

As of December 31, 2008, the impaired loans totaled € 3.7 billion, representing a 39 % increase compared to December 31, 2007. The total € 2.1 billion net increase of impaired loans was only partly offset by € 990 million of gross charge-offs and a € 36 million decrease as a result of exchange rate movements. The increase in impaired loans is mainly attributable to the individually assessed impaired loans with net increases of € 1.2 billion, partly offset by gross charge-offs of € 364 million and a € 36 million decrease as a result of exchange rate movements. This development includes € 753 million of loans reclassified according to IAS 39, which during 2008 showed a net increase of € 944 million, partly offset by € 138 million of gross charge-offs and a € 53 million decrease as a result of exchange rate movements. The collectively assessed impaired loans increased by € 271 million, as net increases of € 896 million were offset by charge-offs of € 625 million.

Problem Loans

In keeping with SEC industry guidance, Deutsche Bank continues to monitor and report problem loans.

The problem loans consist of the impaired loans and, additionally, € 873 million nonimpaired problem loans as of December 31, 2008, where no impairment loss is expected but where known information about possible credit problems of borrowers causes management to have serious doubts as to the ability of such borrowers to comply with the present loan repayment terms or that are 90 days or more past due but for which the accrual of interest has not been discontinued.

The following table presents the components of the December 31, 2008 and December 31, 2007 problem loans and impaired loans.

	Dec 31, 2008			Dec 31, 2007		
in € m.	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total
Nonaccrual loans	2,810	1,400	4,210	1,702	1,129	2,831
Loans 90 days or more past due and still accruing	13	188	201	30	191	220
Troubled debt restructurings	144	0	144	93	–	93
Total problem loans	**2,967**	**1,588**	**4,555**	**1,824**	**1,320**	**3,144**
thereof: IFRS impaired loans	2,282	1,400	3,682	1,516	1,129	2,645

The € 1.4 billion, or 45%, increase in total problem loans in 2008 was due to a € 2.4 billion net increase of problem loans partly offset by € 990 million of gross charge-offs and a € 17 million decrease as a result of exchange rate movements. The increase in problem loans is mainly attributable to the individually assessed loans, with net increases of € 1.5 billion, partly offset by gross charge-offs of € 364 million and a € 17 million decrease as a result of exchange rate movements. These problems loans include € 840 million of new problem loans among the loans reclassified to the banking book as permitted by the amendments to IAS 39, comprising net new problem loans of € 1.0 billion partly offset by € 138 million of gross charge-offs and a € 65 million decrease as a result of exchange rate movements. For collectively assessed problem loans, net increases of € 893 million were partly offset by gross charge-offs of € 625 million. Included in the € 1.6 billion of collectively assessed problem loans as of December 31, 2008 are € 1.4 billion of loans that are 90 days or more past due as well as € 143 million of loans that are less than 90 days past due but for which, in the judgment of management, the accrual of interest should be ceased.

Deutsche Bank's commitments to lend additional funds to debtors with problem loans amounted to € 71 million as of December 31, 2008, a decrease of € 58 million or 45% compared to December 31, 2007. Of these commitments, € 6 million had been committed to debtors whose loan terms have been modified in a troubled debt restructuring, an increase of € 5 million compared to December 31, 2007.

In addition, as of December 31, 2008, Deutsche Bank had € 4 million of lease financing transactions that were nonperforming. This amount is not included in the total problem loans.

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

in € m.	Dec 31, 2008	Dec 31, 2007
Nonaccrual loans:		
German	1,738	1,913
Non-German	2,472	918
Total nonaccrual loans	**4,210**	**2,831**
Loans 90 days or more past due and still accruing:		
German	183	199
Non-German	18	21
Total loans 90 days or more past due and still accruing	**201**	**220**
Troubled debt restructurings:		
German	122	49
Non-German	22	44
Total troubled debt restructurings	**144**	**93**

Nonaccrual Loans

Deutsche Bank places a loan on nonaccrual status if:

- the loan has been in default as to payment of principal or interest for 90 days or more and the loan is neither well secured nor in the process of collection, or
- the accrual of interest should be ceased according to management's judgment as to collectibility of contractual cash flows.

When a loan is placed on nonaccrual status, the accrual of interest in accordance with the contractual terms of the loan is discontinued. However, the accretion of the net present value of the written down amount of the loan due to the passage of time is recognized as interest income based on the original effective interest rate of the loan. Cash receipts of interest on nonaccrual loans are recorded as a reduction of principal.

As of December 31, 2008, Deutsche Bank's nonaccrual loans totaled € 4.2 billion, an increase of € 1.4 billion, or 49 %, from 2007. The increase in nonaccrual loans took place substantially in the individually assessed loans, driven by net increases, mainly by € 1.0 billion of loans reclassified according to IAS 39, more than offsetting charge-offs and a decrease as a result of exchange rate movements.

Loans Ninety Days or More Past Due and Still Accruing

These are loans in which contractual interest or principal payments are 90 days or more past due but on which Deutsche Bank continues to accrue interest. These loans are well secured and in the process of collection and are not impaired.

In 2008, the 90 days or more past due and still accruing loans decreased by € 20 million, or 9 %, to € 201 million as of December 31, 2008.

Troubled Debt Restructurings

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

If a borrower performs satisfactorily for one year under a restructured loan, Deutsche Bank no longer considers that borrower's loan to be a troubled debt restructuring, unless at the time of restructuring the new interest rate was lower than the market rate for similar credit risks. Impairment for Troubled Debt Restructurings is measured using the original effective interest rate before modification of terms.

In 2008, the volume of the troubled debt restructurings increased by € 51 million, or 55 %, to € 144 million as of December 31, 2008.

Credit Loss Experience and Allowance for Loan Losses

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

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

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

Individually Assessed Loss Allowance

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

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

Deutsche Bank regularly re-evaluates all credit exposures that have already been individually provided for, as well as all credit exposures that appear on the watchlist.

Collectively Assessed Loss Allowance

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

- The first component is an amount for country risk and for transfer and currency convertibility risks for loan exposures in countries where there are serious doubts about the ability of counterparties to comply with the repayment terms due to the economic or political situation prevailing in the respective country of domicile. This amount is calculated using ratings for country risk and transfer risk which are established and regularly reviewed for each country in which Deutsche Bank conducts business.

- The second component is an allowance amount representing the incurred losses on the portfolio of smaller-balance homogeneous loans. The loans are grouped according to similar credit risk characteristics and the allowance for each group is determined using statistical models based on historical experiences.
- The third component represents an estimate of incurred losses inherent in the group of loans that have not yet been identified as individually impaired or measured as part of the smaller-balance homogeneous loans.

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

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

Charge-off Policy

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

Allowance for Loan Losses

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

in € m. (unless stated otherwise)	Dec 31, 2008		Dec 31, 2007	
German:				
Individually assessed loan loss allowance:				
Banks and insurance	1	5%	–	–
Manufacturing	165	3%	176	4%
Households (excluding mortgages)	21	5%	24	6%
Households – mortgages	5	13%	5	17%
Public sector	–	2%	–	2%
Wholesale and retail trade	81	1%	88	2%
Commercial real estate activities	60	5%	127	5%
Other[1]	146	5%	189	6%
Individually assessed loan loss allowance German total	479		609	
Collectively assessed loan loss allowance	464		481	
German total	**943**	**39%**	**1,090**	**42%**
Non-German:				
Individually assessed loan loss allowance	499		321	
Collectively assessed loan loss allowance	496		294	
Non-German total	**995**	**61%**	**615**	**58%**
Total allowance for loan losses	**1,938**	**100%**	**1,705**	**100%**
Total individually assessed loan loss allowance	977		930	
Total collectively assessed loan loss allowance	961		775	
Total allowance for loan losses	**1,938**		**1,705**	

Movements in the Allowance for Loan Losses

Deutsche Bank records increases to the allowance for loan losses as an increase of the provision for loan losses in the income statement. Charge-offs reduce the allowance while recoveries, if any, are credited to the allowance account. If Deutsche Bank determines that Deutsche Bank no longer requires allowances which Deutsche Bank has previously established, Deutsche Bank decreases its allowance and record the amount as a reduction of the provision for loan losses in its income statement.

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

	2008			2007		
in € m.	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total
Balance, beginning of year	**930**	**775**	**1,705**	**985**	**684**	**1,670**
Provision for loan losses	382	702	1,084	146	505	651
Net charge-offs	(301)	(477)	(778)	(149)	(378)	(527)
Charge-offs	(364)	(626)	(990)	(244)	(508)	(752)
Recoveries	63	149	212	95	130	225
Changes in the group of consolidated companies	–	–	–	–	–	–
Exchange rate changes/other	(34)	(39)	(74)	(52)	(36)	(88)
Balance, end of year	**977**	**961**	**1,938**	**930**	**775**	**1,705**

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

in € m. (unless stated otherwise)	2008	2007
Balance, beginning of year	**1,705**	**1,670**
Charge-offs:		
German:		
Banks and insurance	(2)	(1)
Manufacturing	(53)	(58)
Households (excluding mortgages)	(330)	(287)
Households – mortgages	(32)	(26)
Public sector	–	–
Wholesale and retail trade	(41)	(28)
Commercial real estate activities	(19)	(41)
Lease financing	–	–
Other	(127)	(76)
German total	(604)	(518)
Non-German:		
Excluding lease financing	(386)	(232)
Lease financing only	–	(2)
Non-German total	(386)	(234)
Total charge-offs	**(990)**	**(752)**
Recoveries:		
German:		
Banks and insurance	1	1
Manufacturing	14	21
Households (excluding mortgages)	81	63
Households – mortgages	3	–
Public sector	–	–
Wholesale and retail trade	8	10
Commercial real estate activities	9	9
Lease financing	–	–
Other	41	49
German total	157	153
Non-German:		
Excluding lease financing	55	71
Lease financing only	–	1
Non-German total	55	72
Total recoveries	**212**	**225**
Net charge-offs	**(778)**	**(527)**
Provision for loan losses	1,084	651
Other changes (e.g. exchange rate changes, changes in the group of consolidated companies)	(74)	(88)
Balance, end of year	**1,938**	**1,705**
Percentage of total net charge-offs to average loans for the year	0.33%	0.28%

Deutsche Bank's allowance for loan losses as of December 31, 2008 was € 1.9 billion, a 14% increase from the € 1.7 billion reported for the end of 2007. The increase in the allowance was principally due to provisions exceeding the charge-offs.

Deutsche Bank's gross charge-offs amounted to € 990 million in 2008. Of the charge-offs for 2008, € 626 million were related to the consumer credit exposure and € 364 million were related to the corporate credit exposure, mainly driven by the German and U.S. portfolios.

Deutsche Bank's provision for loan losses in 2008 was € 1.1 billion, up € 433 million or 67%, principally driven by the consumer credit exposure, as a result of the deteriorating credit conditions in Spain, higher delinquencies in Germany and Italy, as well as organic growth in Poland. For the corporate exposures, new provisions of € 257 million were established in the second half of 2008 relating to assets which had been reclassified in accordance with IAS 39. Additional loan loss provisions

within this portfolio were required, mainly on European loans, reflecting the deterioration in credit conditions.

The individually assessed loan loss allowance was € 977 million as of December 31, 2008. The € 47 million increase in 2008 is comprised of net provisions of € 382 million (including the aforementioned impact from IAS 39 reclassifications), net charge-offs of € 301 million and a € 34 million decrease from currency translation and unwinding effects.

The collectively assessed loan loss allowance totaled € 961 million as of December 31, 2008, representing an increase of € 186 million against the level at the end of 2007 (€ 775 million). Movements in this component include € 702 million provision being offset by € 477 million net charge-offs, and a € 39 million net reduction due to exchange rate movements and unwinding effects. Given this increase, Deutsche Bank's collectively assessed loan loss allowance is almost at the same level as the individually assessed loan loss allowance.

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

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

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

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

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

Non-German Component of the Allowance for Loan Losses

The following table presents an analysis of the changes in the non-German component of the allowance for loan losses. As of December 31, 2008, 51% of the total allowance was attributable to international clients.

in € m.	2008	2007
Balance, beginning of year	**615**	**504**
Provision for loan losses	752	316
Net charge-offs	(330)	(162)
Charge-offs	(385)	(234)
Recoveries	55	72
Other changes (e.g. exchange rate changes, changes in the group of consolidated companies)	(42)	(43)
Balance, end of year	**995**	**615**

Allowance for Off-balance Sheet Positions

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

	2008			2007		
in € m.	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total
Balance, beginning of year	**101**	**118**	**219**	**127**	**129**	**256**
Provision for off-balance sheet positions	(2)	(6)	(8)	(32)	(6)	(38)
Changes in the group of consolidated companies	–	–	–	7	3	10
Exchange rate changes	(1)	–	(1)	(1)	(8)	(8)
Balance, end of year	**98**	**112**	**210**	**101**	**118**	**219**

Settlement Risk

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

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

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

Market Risk

Substantially all of Deutsche Bank's businesses are subject to the risk that market prices and rates will move and result in profits or losses for it. Deutsche Bank distinguishes among four types of market risk:

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

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

Deutsche Bank assumes market risk in both the trading and the nontrading activities. Deutsche Bank assumes risk by making markets and taking positions in debt, equity, foreign exchange, other securities and commodities as well as in equivalent derivatives.

Specifics of Market Risk Reporting under German Banking Regulations

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

- Consolidation. For German bank-regulatory purposes Deutsche Bank consolidates all subsidiaries in the meaning of the German Banking Act that are classified as banks, financial services institutions, investment management companies, financial enterprises or ancillary services enterprises. Deutsche Bank does not consolidate insurance companies or companies outside the finance sector.
- Overall market risk position. Deutsche Bank does not include in the market risk disclosure the foreign exchange risk arising from currency positions that German banking regulations permit Deutsche Bank to exclude from market risk reporting. These are currency positions which are fully deducted from, or covered by, equity capital recognized for regulatory reporting as well as participating interests, including shares in affiliated companies that Deutsche Bank records in foreign currency and value at historical cost (structural currency positions). The largest structural currency positions arise from the investments in entities located in the United States.
- Definition of trading assets and nontrading assets. The regulatory definition of trading book and banking book assets generally parallels the definition of trading and nontrading assets under IFRS. However, due to specific differences between the regulatory and accounting framework, certain assets are classified as trading book for market risk reporting purposes even though they are nontrading assets under IFRS. Conversely, Deutsche Bank also has assets that are assigned to the banking book even though they are trading assets under IFRS.

Market Risk Management Framework

Deutsche Bank uses a combination of risk sensitivities, value-at-risk, stress testing and economic capital metrics to manage market risks and establish limits.

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

In addition to the main market risk value-at-risk limits, Deutsche Bank also operates stress testing, economic capital and sensitivity limits. Deutsche Bank governs the default risk of single corporate issuers in the trading book through a specific limit structure managed by the Traded Credit Products unit. Deutsche Bank also uses market value and default exposure position limits for selected business units.

The value-at-risk disclosure for the trading businesses is based on Deutsche Bank's own internal value-at-risk model. In October 1998, the German Banking Supervisory Authority (now the BaFin) approved the internal value-at-risk model for calculating the regulatory market risk capital for general and specific market risks. Since then, the model has been periodically refined and approval has been maintained. Deutsche Bank continuously analyzes potential weaknesses of the value-at-risk model using statistical techniques such as back-testing but also relies on risk management expert opinion. Improvements are implemented to those parts of the value-at-risk model that relate to the areas where losses have been experienced in the recent past.

The value-at-risk disclosure is intended to ensure consistency of market risk reporting for internal risk management, for external disclosure and for regulatory purposes. The overall value-at-risk limit for the Corporate and Investment Bank Group Division started 2008 at € 105 million and was amended on several occasions throughout the year to € 155 million at the end of 2008 (with a 99 % confidence level, as described below, and a one-day holding period). For the consolidated Group trading positions the overall value-at-risk limit was € 110 million at the start of 2008 and was amended on several occasions throughout the year to € 160 million at the end of 2008 (with a 99 % confidence level and a

one-day holding period). The increase in limits was needed to accommodate the impact of the observed market data on the value-at-risk calculation.

Value-at-Risk Analysis

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

Deutsche Bank calculates value-at-risk for both internal and regulatory reporting using a 99% confidence level. For internal reporting, Deutsche Bank uses a holding period of one day. For regulatory reporting, the holding period is ten days.

The value-at-risk model is designed to take into account the following risk factors: interest rates (including credit spreads), equity prices, foreign exchange rates and commodity prices, as well as their implied volatilities. The model incorporates both linear and, especially for derivatives, non-linear effects of the risk factors on the portfolio value. The statistical parameters required for the value-at-risk calculation are based on a 261 trading day history (corresponding to at least one calendar year of trading days) with equal weighting being given to each observation. Deutsche Bank calculates value-at-risk using the Monte Carlo simulation technique and assuming that changes in risk factors follow a normal or logarithmic normal distribution.

To determine the aggregated value-at-risk, Deutsche Bank uses historically observed correlations between the different general market risk factors. However, when aggregating general and specific market risks, Deutsche Bank assumes that there is a correlation close to zero between these two categories. Within the general market risk category, Deutsche Bank uses historically observed correlations. Within the specific risk category, zero or historically observed correlations are used for selected risks.

Back-Testing

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

A committee chaired by Market Risk Management and with participation from Market Risk Operations and Finance meets on a quarterly basis to discuss back-testing results of the Group as a whole and of individual businesses. The committee analyzes performance fluctuations and assesses the predictive power of the value-at-risk model, which in turn allows Deutsche Bank to improve the risk estimation process. While updating volatilities and correlations will potentially reduce the number of back-testing exceptions going forward, the updating in itself will not change the basic distribution assumptions and their tail properties.

Stress Testing and Economic Capital

While value-at-risk, calculated on a daily basis, supplies forecasts for potential large losses under normal market conditions, it is not adequate to measure the tail risks of the portfolios. Deutsche Bank therefore also performs regular stress tests in which Deutsche Bank values the trading portfolios under severe market scenarios not covered by the confidence interval of the value-at-risk model.

These stress tests form the basis of the assessment of the economic capital that Deutsche Bank estimates is needed to cover the market risk in the positions. The development of the economic capital methodology is governed by the Regulatory Capital Steering Committee, which is chaired by the Chief Risk Officer.

The quantification of economic capital, performed weekly, involves stressing underlying risk factors applicable to the different products across the portfolios under severe stress and liquidity assumptions, according to pre-defined scenarios. The resulting losses from these stress scenarios are then aggregated using correlations that are meant to reflect stressed market conditions (rather than the normal market correlations used in the value-at-risk model).

Deutsche Bank derives the scenarios from historically observed severe shocks in those risk factors, augmented by subjective assessments where only limited historical data are available, or where market developments are viewed to make historical data a poor indicator of possible future market scenarios. During the course of 2008 these shocks were calibrated to reflect the market events experienced during 2007 and early 2008. Despite this recalibration, in several cases the scenarios used in the Economic Capital still underestimated the extreme market moves observed in the latter part of 2008 (for example the sharp moves in implied volatility observed in equity, interest rates and FX markets). Moreover, the liquidity assumption used did not adequately predict the rapid market developments of that period that severely impacted the ability to reduce risk by unwinding positions in the market or to dynamically hedge the derivative portfolios (for example severe illiquidity observed in convertible bond, loan and credit derivative markets).

As a result, the recalibration process is currently being repeated to capture the most recent market moves observed in late 2008.

The economic capital usage for market risk arising from the trading units totaled € 5.5 billion at year-end 2008 compared with € 3.2 billion at year-end 2007. The increase reflects not only the recalibration of the economic capital shocks carried out during 2008 which contributed € 1.1 billion to the increase, but also the inclusion of default risk of traded corporate credit assets of € 908 million (previously covered in the credit risk economic capital) and the inclusion of banking book assets subjected to fair value accounting (€ 958 million). The contribution from banking book assets was calculated for year-end 2008 for the first time.

Limitations of Deutsche Bank's Proprietary Risk Models

Deutsche Bank is committed to the ongoing development of the proprietary risk models and will make further significant enhancements with the goal to better reflect risk issues highlighted during the 2008 crisis. Deutsche Bank allocates substantial resources to reviewing and improving them.

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

The value-at-risk analyses should also be viewed in the context of the limitations of the methodology Deutsche Bank uses and are therefore not maximum amounts that Deutsche Bank can lose on the market risk positions. In particular, many of these limitations manifested themselves in 2008 which resulted in the high number of outliers discussed below. The limitations of the value-at-risk methodology include the following:

- The use of historical data as a proxy for estimating future events may not capture all potential events, particularly those that are extreme in nature.
- The assumption that changes in risk factors follow a normal or logarithmic normal distribution. This may not be the case in reality and may lead to an underestimation of the probability of extreme market movements.
- The correlation assumptions used may not hold true, particularly during market events that are extreme in nature.
- The use of a holding period of one day (or ten days for regulatory value-at-risk calculations) assumes that all positions can be liquidated or hedged in that period of time. This assumption

does not fully capture the market risk arising during periods of illiquidity, when liquidation or hedging of positions in that period of time may not be possible. This is particularly the case for the use of a one-day holding period.

- The use of a 99% confidence level does not take account of, nor make any statement about, any losses that might occur beyond this level of confidence.
- Deutsche Bank calculates value-at-risk at the close of business on each trading day. Deutsche Bank does not subject intra-day exposures to intra-day value-at-risk calculations.
- Value-at-risk does not capture all of the complex effects of the risk factors on the value of positions and portfolios and could, therefore, underestimate potential losses. For example, the way sensitivities are represented in the value-at-risk model may only be exact for small changes in market parameters.

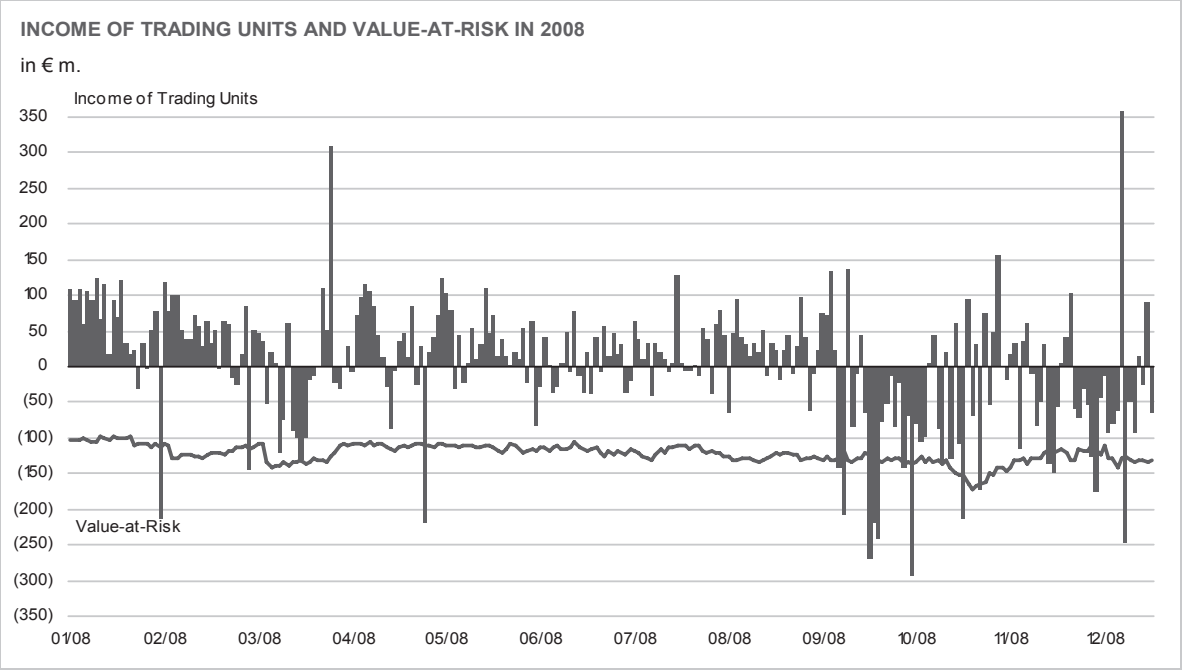
Deutsche Bank acknowledges the limitations in the value-at-risk methodology by supplementing the value-at-risk limits with other position and sensitivity limit structures, as well as with stress testing, both on individual portfolios and on a consolidated basis.

Value-at-Risk of the Trading Units of Deutsche Bank's Corporate and Investment Bank Group Division

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

Value-at-risk of trading units	Total		Diversification effect		Interest rate risk		Equity price risk		Foreign exchange risk		Commodity price risk	
in € m.	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Average	122.0	85.6	(74.7)	(57.7)	105.4	61.5	60.7	55.6	18.4	15.3	12.2	11.0
Maximum	172.9	118.8	(104.1)	(76.8)	143.3	95.9	93.8	90.5	42.4	28.9	21.1	18.0
Minimum	97.5	66.5	(48.4)	(40.4)	83.1	42.7	31.0	43.5	8.5	5.9	7.6	5.7
Year-end	131.4	100.6	(84.5)	(59.7)	129.9	90.8	34.5	49.5	38.0	11.3	13.5	8.7

The following graph shows the daily aggregate value-at-risk of the trading units in 2008, including diversification effects, and actual income of the trading units throughout the year.



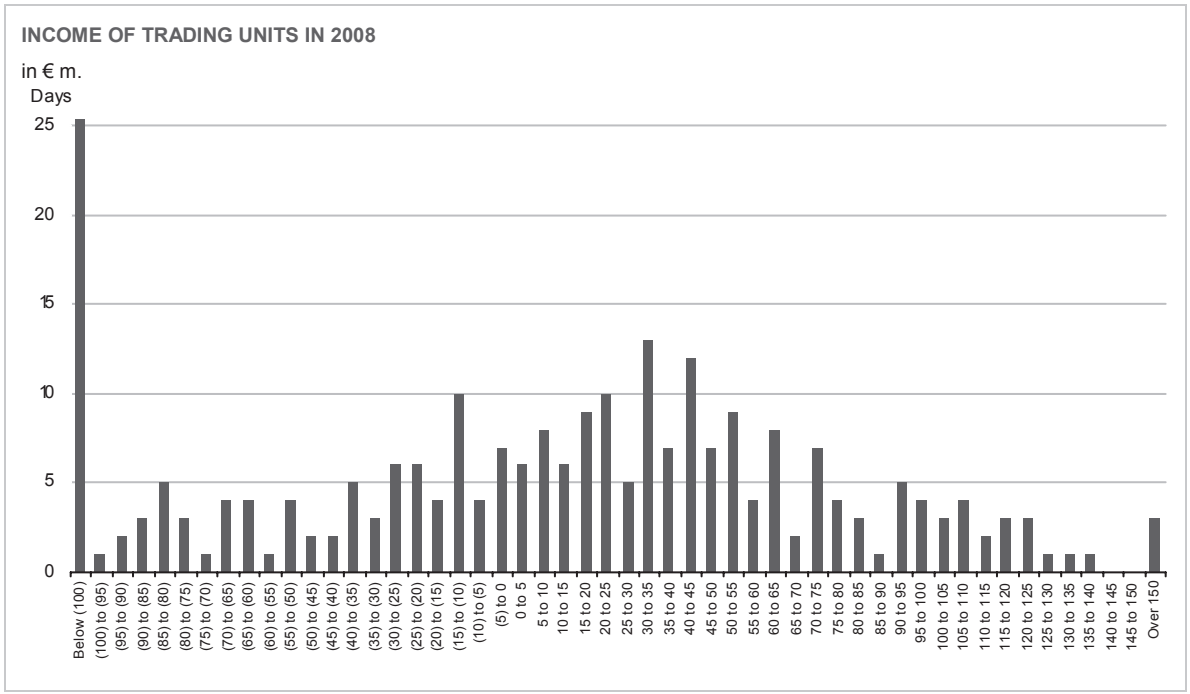
The value-at-risk for the trading units remained within a band between € 97 million and € 173 million. The average value-at-risk in 2008 was € 122 million, which is 42 % above the 2007 average of € 86 million.

The increase in the value-at-risk observed in 2008 was mainly driven by an increase in the market volatility and by refinements to the value-at-risk measurement in 2008.

The trading units achieved a positive actual income for over 57 % of the trading days in 2008 (over 87 % in 2007).

In the regulatory back-testing in 2008, Deutsche Bank observed 35 outliers (as compared to 12 in 2007), which are hypothetical buy-and-hold losses that exceeded the value-at-risk estimate for the trading units as a whole. While Deutsche Bank believes that the majority of these outliers were related to extreme market events, Deutsche Bank is also re-evaluating the modeling assumptions and parameters for potential improvements. Deutsche Bank is also working on the improvement of the granularity of the risk measurement tools to better reflect some of the idiosyncratic nature of the exposures. Deutsche Bank would expect a 99 percentile value-at-risk calculation to give rise to two to three outliers in any one year and, taking into account these extreme events, Deutsche Bank continues to believe that the value-at-risk model will remain an appropriate measure for the trading market risk under normal market conditions.

The following histogram illustrates the distribution of actual daily income of the trading units in 2008. The histogram displays the number of trading days on which Deutsche Bank reached each level of trading income shown on the horizontal axis in millions of euro. The histogram confirms the effect on income of some of the extreme market events experienced over the month of March and during autumn of 2008.



Market Risk Management Framework for Nontrading Activities

There is nontrading market risk held and managed in the Deutsche Bank Group. Deutsche Bank's nontrading market risk arises primarily from fund activities and principal investments, including private equity investments.

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

The Investment & Asset Risk Management team was restructured during the course of 2008 and is now called the Principal Investments team. It was integrated into the Credit Risk Management function, is specialized in risk-related aspects of the nontrading alternative asset activities and performs monthly reviews of the risk profile of the nontrading alternative asset portfolios, including carrying values, economic capital estimates, limit usages, performance and pipeline activity.

During 2008, Deutsche Bank formed a dedicated Asset Management Risk unit, combining existing teams and professionals. This allowed Deutsche Bank to leverage upon already existing knowledge and resulted in a higher degree of specialization and insight into the risks related to the asset and fund management business. Noteworthy risks in this area arise, for example, from performance and/or principal guarantees and reputational risk related to managing client funds.

Assessment of Market Risk in Deutsche Bank's Nontrading Portfolios

Due to the nature of these positions as well as the lack of transparency of some of the pricing Deutsche Bank does not use value-at-risk to assess the market risk in the nontrading portfolios. Rather Deutsche Bank assesses the risk through the use of stress testing procedures that are particular to each risk class and which consider, among other factors, large historically-observed market moves as well as the liquidity of each asset class. This assessment forms the basis of the economic capital estimates which enables Deutsche Bank to actively monitor and manage the nontrading market risk.

Nontrading Market Risk by Risk Class

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

Carrying Value and Economic Capital Usage for Deutsche Bank's Nontrading Portfolios

The table below shows the carrying values and economic capital usages separately for the nontrading portfolios.

Major Industrial Holdings, Other Corporate Investments and Alternative Assets	**Carrying value**		**Economic capital usage**	
in € bn.	**Dec 31, 2008**	**Dec 31, 2007**	**Dec 31, 2008**	**Dec 31, 2007**
Major industrial holdings	1.1	5.1	0.4	0.1
Other corporate investments and Asset Management	2.1	3.3	1.5	0.7
Alternative assets:	3.2	3.9	1.3	0.9
Principal investments	1.6	1.6	0.7	0.5
Real estate	1.3	2.0	0.6	0.3
Hedge funds[1]	0.2	0.3	–	–
Total	**6.3**	**12.3**	**3.2**	**1.7**

1 There is a small economic capital usage of € 42 million as of December 31, 2008 and € 46 million as of December 31, 2007.

The economic capital usage for these nontrading asset portfolios totaled € 3.2 billion at year-end 2008, which is € 1.5 billion, or 89 %, above the economic capital usage at year-end 2007. This development reflects a significant decrease in the capital buffer as a result of a reduction in market value across all portfolios. Since year-end 2008, the existing economic capital process has been expanded to incorporate commitments made to Deutsche Asset Management fund investors, which contributed a total of € 400 million in additional economic capital reported under other corporate investments.

- Major industrial holdings. The economic capital usage was € 439 million at December 31, 2008.
- Other corporate investments. The economic capital usage of € 1.5 billion for the other corporate investments at year-end 2008 was mainly driven by an increase of economic capital allocated to a strategic investment in the PBC business division, the mutual fund investments and the new economic capital treatment for investor commitments referred to above.
- Alternative assets. The alternative assets include principal investments, real estate investments (including mezzanine debt) and small investments in hedge funds. Principal investments are composed of direct investments in private equity, mezzanine debt, short-term investments in financial sponsor leveraged buy-out funds, bridge capital to leveraged buy-out funds and private equity led transactions. The increase in the economic capital usage was largely due to the Asset Management business division's interest in an infrastructure asset and the larger size of the private equity portfolio in the Global Markets business division. The alternative assets portfolio has some concentration in infrastructure and real estate assets. Recent market conditions have limited the opportunities to sell down the portfolio. The intention remains to do so provided suitable conditions allow it.

The total economic capital figures do not currently take into account diversification benefits between the asset categories.

Major Industrial Holdings

The following table shows the percentage share of capital and the market values of the direct and/or indirect stakes in major industrial holdings which were directly and/or indirectly attributable to Deutsche Bank at year-end 2008, and the corresponding holdings at year-end 2007. The Corporate Investments Group Division currently plans to continue selling most of its publicly listed holdings over the next few years, subject to the legal environment and market conditions.

Major Industrial Holdings and Other Investments		Share of capital (in %)		Market value (in € m.)	
Name	Country of domicile	Dec 31, 2008	Dec 31, 2007	Dec 31, 2008	Dec 31, 2007
Daimler AG	Germany	2.7	4.4	692	2,967
Allianz SE	Germany	––	1.7	––	1,154
Linde AG	Germany	2.4	5.2	250	789
EADS N.V.	Netherlands	0.8	0.8	74	133
Other	N/M	N/A	N/A	56	37
Total				**1,071**	**5,081**

N/M – Not meaningful

Liquidity Risk

Liquidity risk management safeguards the ability of the bank to meet all payment obligations when they come due. The liquidity risk management framework has been an important factor in maintaining adequate liquidity and in managing the funding profile during 2008.

Liquidity Risk Management Framework

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

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

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

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

Short-term Liquidity

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

Unsecured Funding

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

Asset Liquidity

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

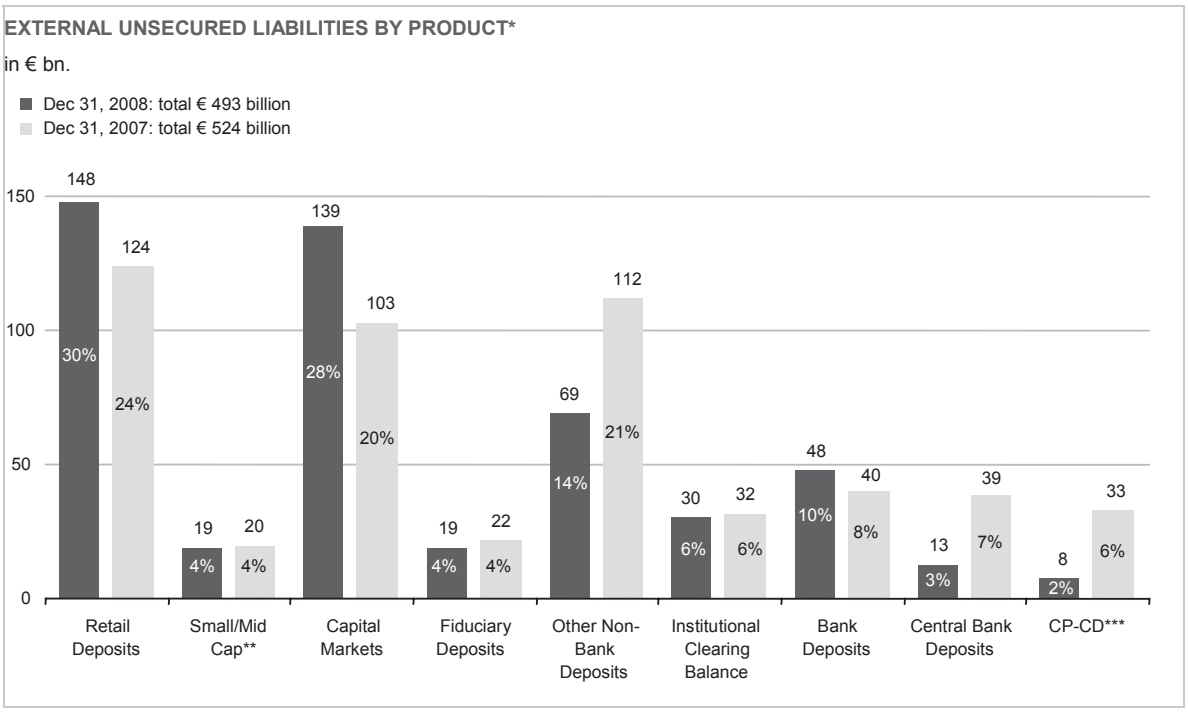
The liquidity of these assets is an important element in protecting Deutsche Bank against short-term liquidity squeezes. In addition, Deutsche Bank continues to keep liquidity reserves containing highly liquid securities in major currencies around the world to support the liquidity profile in case of potential deteriorating market conditions. The liquidity reserves have been increased by € 48.0 billion during 2008 and amount to € 57.6 billion as of December 31, 2008. This reserve does not include collateral the bank needs to support its clearing activities in euro, U. S. dollars and other currencies which are held in separate portfolios around the globe.

Funding Diversification

Diversification of the funding profile in terms of investor types, regions, products and instruments is an important element of Deutsche Bank's liquidity risk management framework. The core funding resources are retail deposits and long-term capital markets issues and, to a lesser extent, small-mid-cap and fiduciary deposits. Other customer deposits, funds from institutional investors and borrowing from other banks are additional sources of funding. Deutsche Bank uses interbank deposits primarily to fund liquid assets.

In 2008 Deutsche Bank continued its focus on increasing the stable core funding components and reducing the short-term wholesale funds.

The following chart shows the composition of the external unsecured liabilities that contribute to the liquidity risk position (which excludes, for example, structured arrangements which are self-funding) as of December 31, 2008 and December 31, 2007, both in euro billion and as a percentage of the total external unsecured liabilities.



* In 2008, Deutsche Bank has refined its allocation of liabilities to funding sources to better reflect its funding profile. For comparison purposes, Deutsche Bank has adjusted its 2007 figures accordingly.
** Refers to deposits by small and medium-sized German corporates.
*** Commercial Paper/Certificates of Deposit with a maturity of one year or less.

Funding Matrix

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

The Funding Matrix identifies the excess or shortfall of assets over liabilities in each time bucket, facilitating management of open liquidity exposures. The Funding Matrix is a key input parameter for

the annual capital market issuance plan, which upon approval by the Capital and Risk Committee establishes issuing targets for securities by tenor, volume and instrument.

In 2008, Treasury issued capital market instruments with a total value of approximately € 53.5 billion, € 15.5 billion more than the original issuance plan. This increase was one of a series of precautionary measures taken in response to the continuing difficulties in the financial markets.

For information regarding the maturity profile of the long-term debt, please refer to Note 27 to the consolidated financial statements for the fiscal year 2008 which are included in the section *"Financial Statements"* of this Registration Document.

Stress Testing and Scenario Analysis

Deutsche Bank uses stress testing and scenario analysis to evaluate the impact of sudden stress events on its liquidity position. The scenarios have been based on historic events, such as the 1987 stock market crash, the 1990 U. S. liquidity crunch and the September 2001 terrorist attacks, liquidity crisis case studies and hypothetical events. Also incorporated are new liquidity risk drivers revealed by the financial markets crisis: prolonged term money-market freeze, collateral repudiation, nonfungibility of currencies and stranded syndications. The hypothetical events encompass internal shocks, such as operational risk events and ratings downgrades, as well as external shocks, such as systemic market risk events, emerging market crises and event shocks. Under each of these scenarios Deutsche Bank assumes that all maturing loans to customers will need to be rolled over and require funding whereas rollover of liabilities will be partially impaired resulting in a funding gap. Deutsche Bank then models the steps Deutsche Bank would take to counterbalance the resulting net shortfall in funding. Action steps would include switching from unsecured to secured funding, selling assets and adjusting the price Deutsche Bank would pay on liabilities (gap closure).

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

The existing stress testing analysis assesses the ability to generate sufficient liquidity under critical conditions and has been a valuable input when defining the target liquidity risk position. The analysis is performed monthly. The following table shows these existing stress testing results as of December 31, 2008. For each scenario, the table shows what the cumulative funding gap would be over an eight-week horizon after occurrence of the triggering event and how much counterbalancing liquidity the could generate.

Scenario	Funding gap[1]	Gap closure[2]	Liquidity impact[3]
	(in € bn.)	(in € bn.)	
Market risk	3	97	Improves over time
Emerging markets	13	110	Improves over time
Systemic shock	12	92	Temporary disruption
Operational risk	7	100	Temporary disruption
1 notch downgrade	16	119	Improves over time
3 notch downgrade	65	119	Improves and stabilizes

1 Funding gap caused by impaired rollover of liabilities and other expected outflows.
2 Based on liquidity generation through counterbalancing and asset liquidity opportunities.
3 Deutsche Bank analyzes whether the risk to its liquidity would be temporary or longer-term in nature.

Based on observations made during the financial crisis, Deutsche Bank has reviewed the stress testing framework and amended it in various aspects: The market risk scenario has been redefined and now reflects the systemic knock-on effects seen since the fall of 2007. Across all scenarios, Deutsche Bank has added liquidity risk drivers (e. g. FX-fungibility and secured funding) to cover sources of liquidity risk not accounted for by the previous methodology but which became apparent during the market disruptions. The downgrade scenarios have also been recalibrated to the most recent credit

ratings of the Bank. The following table is illustrative of the stress testing results as of December 31, 2008 based on the new methodology, which will be reported going forward.

Scenario	Funding gap[1]	Gap closure[2]	Liquidity impact[3]
	(in € bn.)	(in € bn.)	
Systemic market risk	57	115	Improves over time
Emerging markets	19	115	Improves over time
Event shock	26	99	Temporary disruption
Operational risk (DB specific)	20	120	Temporary disruption
1 notch downgrade (DB specific)	45	119	Permanent
Downgrade to A-2/P-2 (DB specific)	129	132	Permanent

1 Funding gap caused by impaired rollover of liabilities and other expected outflows.
2 Based on liquidity generation through counterbalancing and asset liquidity opportunities.
3 Deutsche Bank analyzes whether the risk to its liquidity would be temporary or longer-term in nature.

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

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

Capital Management

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

Treasury implements the capital strategy, which itself is developed by the Capital and Risk Committee and approved by the Management Board, including the issuance and repurchase of shares. Deutsche Bank is committed to maintaining its sound capitalization. Overall capital demand and supply are constantly monitored and adjusted, if necessary, to meet the need for capital from various perspectives. These include book equity based on IFRS accounting standards, regulatory capital and economic capital. In October 2008, Deutsche Bank revised its target for the Tier 1 capital ratio upwards to approximately 10 % from an 8–9 % target range at the beginning of the year.

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

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

The 2007 Annual General Meeting granted the management the authority to repurchase up to 52.6 million shares from the market before October 31, 2008. Based on this authorization, the share buy back program 2007/08 was launched in May 2007 and completed in May 2008 when a new authority was granted.

During this period, 7.2 million shares were repurchased (6.33 million in 2007 and 0.82 million in 2008), thereof 4.1 million shares, or 57 %, were repurchased until end of June 2007. With the start of the crisis in July 2007, the share buy-back volume was significantly reduced and only 3.1 million shares were repurchased between July 2007 and May 2008.

The 2008 Annual General Meeting granted the management the authority to buy back up to 53.1 million shares before the end of October 2009. As of year-end 2008, no shares have been repurchased under this authorization.

In September 2008, Deutsche Bank issued 40 million new registered shares without par value to institutional investors in an offering conducted as an accelerated book-build. The placement price was € 55 per share. The aggregate gross proceeds amounted to € 2.2 billion. The purpose of the capital increase was to generate the Tier 1 capital requirement for the acquisition of a minority stake in Deutsche Postbank AG from Deutsche Post AG.

Capital management sold 16.3 million of the Treasury shares (approximately 2.9 % of the share capital) in open-market transactions from October to November 2008.

Deutsche Bank issued U.S. $ 2.0 billion of hybrid Tier 1 capital and U.S. $ 800 million and € 200 million of contingent capital for the year ended December 31, 2007. In 2008, Deutsche Bank issued € 1.0 billion and U.S. $ 3.2 billion of contingent capital. These contingent capital instruments issued in 2008 are Upper Tier 2 subordinated notes that can be converted into hybrid Tier 1 capital at its sole discretion. In 2008, Deutsche Bank converted € 1.0 billion and U.S. $ 4.0 billion of contingent capital into hybrid Tier 1 capital leaving only the € 200 million issued in 2007 in its original form. Total outstanding hybrid Tier 1 capital (all noncumulative trust preferred securities) as of December 31, 2008, amounted to € 9.6 billion compared to € 5.6 billion as of December 31, 2007.

Operational Risk

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

Organizational Set-up

Operational Risk Management is an independent risk management function within Deutsche Bank. The Global Head of Operational Risk Management is a member of the Risk Executive Committee and reports to the Chief Risk Officer. The Operational Risk Management Committee is a permanent subcommittee of the Risk Executive Committee and is composed of representatives from Operational Risk Management, Operational Risk Officers from the Business Divisions and the infrastructure functions. The Operational Risk Management Committee is the main decision-making committee for all operational risk management matters and approves the Group standards for identification, assessment, tracking, acceptance, reporting and monitoring of operational risk.

Operational Risk Management is responsible for defining the operational risk framework, related policies and the management of cross divisional and cross regional operational risk while the responsibility for implementing the framework as well as the day-to-day operational risk management lies with the business divisions and infrastructure functions. Based on this business partnership model Deutsche Bank ensures close monitoring and high awareness of operational risk. Operational Risk Management is structured into global relationship teams and a central methodology team. The global relationship teams, which are aligned with the divisional and regional structure, oversee and support the implementation of the operational risk framework within the Bank in an effort to ensure consistent management of operational risks across the business divisions, infrastructure functions and regions. This also includes the management of cross divisional and cross regional operational risk, value-added analysis, group reporting and establishing loss thresholds. The central methodology team develops, validates and implements the operational risk management and reporting toolset,

including the Advanced Measurement Approach **("**AMA"**)** methodology and is responsible for the monitoring of regulatory requirements.

Managing the Operational Risk

Deutsche Bank manages operational risk based on a Group-wide consistent framework that enables Deutsche Bank to determine the operational risk profile in comparison to the risk appetite and to define risk mitigating measures and priorities.

Deutsche Bank applies a number of techniques to efficiently manage the operational risk in the business, for example:

- Deutsche Bank performs bottom-up "self-assessments" resulting in a specific operational risk profile for the business lines highlighting the areas with high risk potential.
- Deutsche Bank collects losses arising from operational risk events in the "db-Incident Reporting System" database.
- Deutsche Bank captures and monitors key operational risk indicators in the tool "db-Score".
- Deutsche Bank captures action points resulting from risk analysis, lessons learned, self-assessments, risk workshops or risk indicators in "db-Track". Within "db-Track" Deutsche Bank monitors the progress of the operational risk action points on an on-going basis.
- Deutsche Bank documents the residual operational risk after mitigation in "Risk Acceptances".
- Deutsche Bank creates additional loss scenarios and utilize external event data to supplement the operational risk profile utilized in the capital calculation and in the day-to-day management of operational risk.

During 2008 Deutsche Bank has maintained approval by the BaFin to use the Advanced Measurement Approach (AMA).

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

Overall Risk Position

The table below shows the overall risk position at year-end 2008 and 2007 as measured by the economic capital calculated for credit, market, business and operational risk; it does not include liquidity risk.

To determine the overall (nonregulatory) risk position, Deutsche Bank generally considers diversification benefits across risk types except for business risk, which Deutsche Bank aggregates by simple addition.

Economic capital usage in € m.	Dec 31, 2008	Dec 31, 2007
Credit risk[1]	8,986	7,043
Market risk[1]	8,794	4,944
Trading market risk	5,547	3,227
Nontrading market risk	3,247	1,718
Operational risk	4,147	3,974
Diversification benefit across credit, market and operational risk	(3,134)	(2,651)
Sub-total credit, market and operational risk	18,793	13,310
Business risk	513	301
Total economic capital usage	**19,306**	**13,611**

1 Traded default risk is reported under trading market risk beginning in 2008. It was reported previously under credit risk. Amounts above for 2007 have been restated.

As of December 31, 2008, the economic capital usage totaled € 19.3 billion, which is € 5.7 billion, or 42 %, above the € 13.6 billion economic capital usage as of December 31, 2007. However, this increase in economic capital principally reflects the effects of various refinements made to the economic capital calculations during the year, including the effects of higher market volatility, in particular, the completion of a Group-wide roll-out of the multi-state model for credit risk, which increased economic capital by € 1.4 billion, the introduction of trading market risk economic capital calculations for banking book assets subject to fair value accounting, adding € 958 million economic capital, the recalibration of stress test shocks used for calculating trading market risk economic capital, which increased economic capital by € 1.1 billion, and higher market volatility resulting in increased internal exposure measures for derivatives, which contributed € 1.0 billion to the increase.

These refinements are also the key drivers for economic capital changes in most of the individual risk categories as discussed below.

The € 1.9 billion increase in credit risk economic capital usage principally reflects higher market volatility resulting in increased internal exposure measures for derivatives, which contributed € 1.0 billion to the increase as well as the completion of the roll-out of the multi-state model for credit risk, which increased economic capital by € 1.4 billion. The aforementioned increases were partly off-set as economic capital of € 908 million for banking book assets subject to fair value accounting were reclassified from credit risk to market risk. As of December 31, 2008, the economic capital usage for market risk totaled € 8.8 billion, an increase of € 3.8 billion from December 31, 2007.

Within trading market risk, € 1.1 billion of the € 2.3 billion increase resulted from a recalibration of stress test shocks to take into account the unfavorable market developments of 2007 and early 2008, while the additional economic capital on banking book assets subject to fair value accounting of € 908 million (from the above reclassification) and € 958 million (from the newly introduced calculation discussed above) was partially offset through lower economic capital as a result of asset dispositions and hedging, among other factors.

Nontrading market risk economic capital increased by € 1.5 billion, primarily due to higher economic capital in major industrial holdings and other corporate investments of € 364 million and € 820 million respectively while economic capital on the alternative asset portfolio also rose by € 344 million.

The economic capital usage for operational risk increased by € 173 million, or 4 %, to € 4.1 billion as of December 31, 2008. The increase in operational risk economic capital is driven by an increased number of loss events external to Deutsche Bank.

The diversification effect of the economic capital usage across credit, market and operational risk increased by € 483 million, or 18 %, to € 3.1 billion as of December 31, 2008. This increase was driven by and is fully in line with the in-creased economic capital usages of the aforementioned risk types.

The table below shows the economic capital usage of the business segments as of December 31, 2008.

Dec 31, 2008	Corporate and Investment Bank			Private Clients and Asset Management				
in € m.	Corporate Banking & Securities[1]	Global Transaction Banking	Total	Asset and Wealth Management	Private & Business Clients	Total	Corporate Investments	Total DB Group[2]
Total economic capital usage	14,361	590	14,951	1,456	2,341	3,797	550	19,306

1 Central Areas & Support items allocated to CB&S.
2 Including € 8 million of Consolidation & Adjustments.

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

MANAGEMENT AND EMPLOYEES

Overview

The corporate bodies of the Company are the Management Board *(Vorstand)*, the Supervisory Board *(Aufsichtsrat)* and the General Meeting *(Hauptversammlung)*. The powers vested in these bodies are governed by the German Stock Corporation Act *(Aktiengesetz)*, the Articles of Association *(Satzung)* and respective rules of procedure *(Geschäftsordnung)* of the Management Board and Supervisory Board.

The Management Board is responsible for managing the Company in accordance with the applicable laws, the provisions of the Articles of Association and the rules of procedure of the Management Board while taking into account the resolutions adopted by the General Meeting. The Management Board represents the Company *vis-à-vis* third parties. It is required to ensure the establishment and operation by the Company of an appropriate risk management and internal monitoring system to identify timely any developments that might place the continued existence of the Company at risk. See "*Risk Management – Organisation.*" The Management Board is required to report to the Supervisory Board. In particular, the Management Board is obliged to inform the Supervisory Board on a regular, timely and comprehensive basis about all issues of relevance to the Company with respect to planning, the development of business, risks, risk management and with respect to compliance. In this regard, the Management Board is also required to describe and explain ways in which the development of business has deviated from such plans and targets as have been set forth. In addition, the chairman of the Supervisory Board is to be advised of any other important developments. Furthermore, the Supervisory Board may request a report concerning the affairs of the Company at any time. Members of the Management Board are appointed and removed by the Supervisory Board. Under the provisions of the German Co-Determination Act of 1976 *(Mitbestimmungsgesetz)*, a majority comprising at least two thirds of the votes held by Supervisory Board members is required in such cases.

The Supervisory Board is required to supervise the Management Board in its management of the Company. Generally, a member of the Company's Supervisory Board cannot simultaneously also serve as a member of its Management Board. For a limited period of time set in advance and not exceeding one year in total, the Supervisory Board can appoint from among its members individuals to act in place of members of the Management Board who are absent or incapacitated. While serving in place of Management Board members, a Supervisory Board member is not permitted to perform any function as a Supervisory Board member of the Company. Management tasks may not be transferred to the Supervisory Board. Under the Articles of Association of the Company, certain types of transaction and other actions engaged in require the consent of the Supervisory Board. In such cases, the Management Board is obliged to obtain the prior consent of the Supervisory Board (see "*– Supervisory Board – General*").

The members of the Management Board and of the Supervisory Board owe a duty of care and loyalty to the Company. A broad spectrum of interests, especially those of the Bank, its shareholders, employees, creditors, and of the public is to be taken into account in following these duties. The Management Board must take particular account of the rights of shareholders with respect to equal treatment and equal information.

Under German stock corporation law, individual shareholders, like any other persons, are prohibited from using their influence on the Company to cause a member of the Management Board or Supervisory Board to act in a manner that would be detrimental to the Company. Any person who uses his influence to cause a Management Board or Supervisory Board member, a holder of a general commercial power of attorney *(Prokurist)* or a person bearing power of attorney *(Handlungsbevollmächtigte)* to act in a manner causing damage to the Company or its shareholders is obliged to compensate the Company for any resulting damage. In addition, Management Board and Supervisory Board members are jointly and severally liable *vis-à-vis* the Company for breach of their duties if, as a result, the Company suffers damages.

Generally, a shareholder has no recourse to courts of law in relation to members of the Management Board or of the Supervisory Board when such shareholder believes that the members have breached

their duties and that the Bank has suffered damages as a result. In general, only the Company is able to bring claims for compensatory damages against members of the Management Board or of the Supervisory Board, with the Company represented by the Management Board in the case of claims against members of the Supervisory Board and by the Supervisory Board in the case of claims against members of the Management Board. The Supervisory Board is obliged to pursue enforceable claims for compensatory damages against the Management Board unless significant reasons speak against pursuing such a claim for the good of the Company and these reasons outweigh or are at least comparable with the reasons favoring the pursuit of a claim. If the respective body vested with the power of representation decides not to pursue a claim, claims on the part of the Company for compensatory damages in relation to members of the Management Board or the Supervisory Board must nonetheless be brought should the General Meeting so resolve by a simple majority. The General Meeting may resolve to appoint a special representative for the purpose of asserting the claims. Shareholders whose combined shareholding corresponds to 10% of the share capital or a proportionate total of the share capital of € 1 million, may also request a court-ordered appointment of a special representative to assert the claims for damages, who shall, upon appointment, be responsible for the matter in place of the the Bank's management bodies. Should facts warrant a strong suspicion that harm has been caused to the Company as a result of dishonesty or gross breach of a fiduciary duty, shareholders whose combined shareholdings amount to 1% or the proportionate amount of € 100,000 of the share capital furthermore have the possibility to apply, under certain circumstances, to the competent court of law to be allowed, in their own name and on behalf of the Company, to assert damage claims of the Bank against members of the Management Board and Supervisory Board.

The Company may only waive or reach a settlement with respect to compensatory damages claims against Management Board or Supervisory Board members if three years have elapsed since the vesting of such claim, and after the shareholders have adopted a resolution to such effect by a simple majority at the General Meeting, provided that no shareholder minority whose combined shareholdings amount to at least 10% of the share capital has recorded an objection to be included in the notary's minutes of the meeting. Shareholders and shareholder associations may use the shareholder forum in the electronic version of the Federal Gazette *(elektronische Bundesanzeiger)*, which is also accessible via the Internet website of the Company Register *(Unternehmensregister)* (http://www.unternehmensregister.de), to call upon other shareholders to jointly or by proxy file an application for a special examination or demanding the convening of a General Meeting or to exercise the voting rights in a General Meeting.

Management Board

General

According to the Articles of Association, the Management Board of the Company is comprised of at least three members. The number of Management Board members is determined by the Supervisory Board. At present, the Management Board has eight members. The Supervisory Board appoints and dismisses members of the Management Board. It may designate a chairman of the Management Board. Substitute Management Board members may be appointed. Management Board members are appointed for a maximum term of five years. Re-appointment or an extension for additional five-year terms of office is permissible. The Supervisory Board may revoke the appointment of a member of the Management Board prior to the expiration of his term of office for good cause, as in the case of a gross violation of duties or if the General Meeting adopts a no-confidence resolution in relation to the board member. The legal corporate relationship in respect of a board membership established by the appointment of a member of the Management Board is to be distinguished from the relationship under which the Management Board member is employed by the Company. A maximum term of five years also applies in the latter case. A service contract may be extended automatically in the event of a re-appointment. The provisions of the German Civil Code *(Bürgerliches Gesetzbuch)* applicable to service relationships and their termination apply to the service relationship in all other respects.

The Management Board decides on all matters for which laws, Articles of Association or rules of procedure for the Management Board provide for the passing of resolutions by the Management Board.

The Management Board only achieves a quorum if at least three of its members participate in the passing of the resolution. The Management Board represents the Company *vis-à-vis* third parties. The Company is thereby represented by two Management Board members or by one Management Board member acting jointly with a holder of a general commercial power of attorney *(Prokurist)*.

The current composition of the Management Board

The following details information on the current members of the Management Board, including their year of birth, the year in which they were appointed and the year in which their term expires, their current positions and areas of responsibility as well as their other memberships in administrative, management or supervisory bodies in corporations and companies or as partners outside Deutsche Bank during the last five years. The members of the Management Board have undertaken not to assume chairmanships of supervisory boards outside the Deutsche Bank Group.

Dr. Josef Ackermann

Born in 1948

First appointed: 1996

Term expires: 2010

Dr. Josef Ackermann joined Deutsche Bank as a member of the Management Board in 1996, where he was responsible for the investment banking division. On May 22, 2002, Dr. Ackermann was appointed Spokesman of the Management Board. On February 1, 2006, he was appointed Chairman of the Management Board by the Supervisory Board.

After studying Economics and Social Sciences at the University of St. Gallen, he worked at the University's Institute of Economics as research assistant and received a doctorate in Economics. Dr. Ackermann started his professional career in 1977 at Schweizerische Kreditanstalt (SKA) where he held a variety of positions in Corporate Banking, Foreign Exchange/Money Markets and Treasury, Investment Banking and Multinational Services. He worked in London and New York, as well as at several locations in Switzerland. Between 1993 and 1996, he served as President of SKA's Executive Board, following his appointment to that board in 1990.

Dr. Ackermann is a member of the supervisory board of Siemens AG (Second Deputy Chairman), Vice President of the board of administration of Belenos Clean Power Holding Ltd. and a member of the board of directors of Royal Dutch Shell Plc. Until April 2007 Dr. Ackermann was a member of the supervisory board of Bayer AG. Until June 2006 Dr. Ackermann was a member of the supervisory board of Deutsche Lufthansa AG and a member of the supervisory board of Linde AG.

Dr. Hugo Bänziger

Born in 1956

First appointed: 2006

Term expires: 2014

Dr. Hugo Bänziger became a member of the Management Board of Deutsche Bank AG on May 4, 2006. He is the Chief Risk Officer of Deutsche Bank. He joined Deutsche Bank in London in 1996 as Head of Global Markets Credit. He was appointed Chief Credit Officer in 2000 and became Chief Risk Officer for Credit and Operational Risk in 2004.

Dr. Bänziger began his career in 1983 at the Swiss Federal Banking Commission in Berne. From 1985 to 1996, he worked at Schweizerische Kreditanstalt (SKA) in Zurich and London, first in Retail Banking and subsequently as Relationship Manager in Corporate Finance. In 1990 he was appointed Global Head of Credit for CS Financial Products.

He studied Modern History, Law and Economics at the University of Berne, where he subsequently earned a doctorate in Economic History.

Besides his responsibilities at Deutsche Bank Dr. Bänziger is a member of the supervisory board of EUREX Clearing AG, EUREX Frankfurt AG and a member of the board of administration of EUREX Zürich AG. Until March 2006 Dr. Bänziger was a member of the supervisory board of Eurohypo AG.

Michael Cohrs

Born in 1956

First Appointed: 2009

Term expires: 2012

On March 17, 2009, the Supervisory Board appointed Michael Cohrs as member of the Management Board effective April 1, 2009 for three years. Mr. Cohrs joined Deutsche Bank in 1995 and has been member of the Group Executive Committee since 2002. As member of the Management Board, he will continue to have responsibility for Global Banking, the division he presently heads.

Mr. Cohrs studied Economics at Harvard College and graduated in 1979 with a Bachelor's Degree and studied Business Administration at Harvard Business School and graduated in 1981 with an MBA.

Until December 2004 Mr. Cohrs was a member of the board of directors of Cairn Holdings.

Jürgen Fitschen

Born in 1948

Appointed: 2009

Term expires: 2012

On March 17, 2009, the Supervisory Board appointed Jürgen Fitschen as member of the Management Board effective April 1, 2009 for three years.

Mr. Fitschen has been with Deutsche Bank since 1987, was already member of the Management Board from 2001 to the beginning of 2002 and has been member of the Group Executive Committee since 2002 and head of Regional Management since 2005. As member of the Management Board, he will continue to be responsible for Regional Management.

Besides his responsibilities at Deutsche Bank Mr. Fitschen is a member of the board of administration and member of the economic committee of the board of administration of the Kühne + Nagel International AG, member of the supervisory board of METRO AG, member of the supervisory board of Schott AG and member of the advisory board of Fuchs Petrolub AG. Until March 2004 Mr. Fitschen was the chairman of the supervisory board of AKA Ausfuhrkredit-Gesellschaft m.b.H. Until September 2004 Mr. Fitschen was a member of the supervisory board of Eurohypo AG. Until January 2006 Mr. Fitschen was director of Nissay Deutsche Asset Management Europe Ltd.

Anshuman Jain

Born in 1963

First Appointed: 2009

Term expires: 2012

On March 17, 2009, the Supervisory Board appointed Anshuman Jain as member of the Management Board effective April 1, 2009 for three years. Mr. Jain joined Deutsche Bank in 1995 and became head of Global Markets in 2001 as well as member of the Group Executive Committee in 2002. He will continue to be responsible for Global Markets as member of the Management Board.

Besides his responsibilities for Deutsche Bank Mr. Jain is a non-executive director of Sasol Ltd.

Stefan Krause

Born in 1962

First appointed: 2008

Term expires: 2013

Stefan Krause became a member of the Management Board of Deutsche Bank AG on April 1, 2008. Upon the retirement of Anthony Di Iorio, Mr. Krause became the Bank's Chief Financial Officer (CFO), effective October 1, 2008.

Previously, Mr. Krause spent over 20 years in the automotive industry, holding various senior management positions with a strong focus on Finance and Financial Services. Starting in 1987 at BMW's Controlling department in Munich, he transferred to the USA in 1993, building up and ultimately heading BMW's Financial Services Division in the Americas. Relocating to Munich in 2001, he became Head of Sales Western Europe (excluding Germany). He was appointed member of the Management Board of BMW Group in May 2002, serving as Chief Financial Officer until September 2007 and subsequently as Chief of Sales and Marketing.

Mr. Krause studied Business Administration in Würzburg and graduated in 1986 with a master's degree in Business Administration.

Besides his responsibilities within Deutsche Bank Mr. Krause was a member of the supervisory board of Allianz Deutschland AG until April 2008. From October 2004 to January 2005 Mr. Krause was temporarily head of management of Rolls-Royce Motor Cars Ltd. in Goodwood/UK.

Hermann-Josef Lamberti

Born in 1956

First appointed: 1999

Term expires: 2014

Hermann-Josef Lamberti was appointed a member of the Management Board of Deutsche Bank AG in 1999. He is currently Chief Operating Officer of Deutsche Bank. He joined Deutsche Bank in 1998 as an Executive Vice President, based in Frankfurt.

Mr. Lamberti began his professional career in 1982 with Touche Ross in Toronto and subsequently joined Chemical Bank in Frankfurt. From 1985 to 1998 he worked for IBM, initially in Germany in the areas of Controlling, Internal Application Development and Sales Banks/Insurance Companies. In 1993, he was appointed General Manager of the Personal Software Division for Europe, the Middle East and Africa at IBM Europe in Paris. In 1995, he moved to IBM in the USA, where he was Vice President for Marketing and Brand Management. He returned to Germany in 1997 to take up the position of Chairman of the Management of IBM Germany in Stuttgart.

Mr. Lamberti studied Business Administration at the Universities of Cologne and Dublin and graduated in 1982 with a master's degree in Business Administration.

Mr. Lamberti engages in the following principal business activities outside the Bank: He is a member of the supervisory board or similar bodies of BVV Versicherungsverein des Bankgewerbes a. G., BVV Versorgungskasse des Bankgewerbes e.V., BVV Pensionsfonds des Bankgewerbes AG, Deutsche Börse AG, European Aeronautic Defence and Space Company EADS N.V. and Carl Zeiss AG. Mr. Lamberti was chairman of the supervisory board of e-Millenium 1 GmbH & Co. KG until May 2005, until September 2005 he was a member of the board of directors of Euroclear Plc and Euroclear S.A./N.V., until March 2006 he was a member of the supervisory board of Schering AG and until July 2007 he was a member of the supervisory board of FIAT S. p. A.

Rainer Neske
Born in 1964
First Appointed: 2009
Term expires: 2012

On March 17, 2009, the Supervisory Board appointed Rainer Neske as member of the Management Board effective April 1, 2009 for three years.

Mr. Neske joined Deutsche Bank in 1990 and in 2000 was appointed member of the Management Board of Deutsche Bank Privat- und Geschäftskunden AG. Since 2003 he has been member of the Group Executive Committee and Spokesman of the Management Board of Deutsche Bank Privat- und Geschäftskunden AG. On the Management Board of Deutsche Bank AG, he will be responsible for the Private and Business Clients Division.

Besides his responsibilities at Deutsche Bank Mr. Neske is a member of the supervisory board of Zürich Beteiligungs-Aktiengesellschaft (Deutschland) and a member of the advisory board of Deutsche Vermögensberatung Aktiengesellschaft. Until April 2005 Mr. Neske was a member of the supervisory board of Deutsche Herold Lebensversicherung Aktiengesellschaft. Until June 2004 Mr. Neske was a member of the supervisory board of GFT Technologies AG.

Compensation, Shareholding, Loans, Other Legal Relationships and Conflicts of Interest

Principles of the Compensation System

The Supervisory Board in plenum resolves the compensation system, including the main contract elements, for the members of the Management Board on the recommendation of the Chairman's Committee of the Supervisory Board and reviews the compensation system including the main contract elements regularly. The Chairman's Committee determines the details and size of the compensation for the members of the Management Board.

In the event of a utilization of stabilization measures according to the Financial Market Stabilization Act *(Finanzmarktstabilisierungsgesetz)* as of October 17, 2008, the Bank could be subject to conditions for the determination of the compensation of its members of representative bodies.

For the 2008 financial year, the members of Deutsche Bank AG's Management Board received compensation for their service on the Management Board in a total amount of € 4,476,684. This aggregate compensation consisted of the following components:

in €	2008
Non-performance-related components:	
Salary	3,950,000
Other benefits	526,684
Performance-related components:	
without long-term incentives	–
with long-term incentives	–
Total compensation	**4,476,684**

Figures relate to Management Board members active in fiscal year 2008.

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

Non-Performance-Related Components. The non-performance-related components comprise the salary and other benefits. The members of the Management Board receive a salary which is determined on the basis of an analysis of salaries paid to executive directors at a selected group of comparable international companies. The salary is disbursed in monthly instalments.

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

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

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

For further information on the terms of the DB Global Partnership Plan, pursuant to which these equity rights (DB Equity Units) are issued, see Note 31 of the notes to the consolidated financial statements of Deutsche Bank for the fiscal year 2008 contained in the "*Financial Statements*" section of this Registration Document.

Compensation for Fiscal Year 2008

The Management Board members, active in 2008, have irrevocably waived any entitlements to payment of variable compensation (bonus and MTI) for the 2008 financial year. They received the following compensation components for their service on the Management Board for the year 2008:

	In €				
	Non-performance-related components		**Performance-related components**		**Total Compensation**
Members of the Management Board	**Salary**	**Other benefits**	**without long-term incentives**	**with long-term incentives[1]**	
Dr. Josef Ackermann.	1,150,000	239,586	–	–	1,389,586
Dr. Hugo Bänziger.	800,000	62,160	–	–	862,160
Anthony Di Iorio[2].	600,000	24,739	–	–	624,739
Stefan Krause[3].	600,000	107,306	–	–	707,306
Hermann-Josef Lamberti . .	800,000	92,893	–	–	892,893

1 The number of DB Equity Units granted in 2008 for the year 2007 to each member was determined by dividing such euro amounts by € 76.47, the average Xetra closing price of the Deutsche Bank share during the last 10 trading days prior to February 5, 2008. As a result, the number of DB Equity Units granted to each member was as follows: Dr. Ackermann: 59,255, Dr. Bänziger: 26,562, Mr. Di Iorio: 26,562, and Mr. Lamberti: 26,562.
2 Member of the Management Board from May 4, 2006 to September 30, 2008.
3 Member of the Management Board since April 1, 2008.

Management Board members, active in 2008, did not receive any compensation for mandates on boards of Deutsche Bank Group's own companies.

The members of the Management Board, active in 2008, are entitled to a contribution-oriented pension plan which in its structure corresponds to the general pension plan for the Bank's employees. Under this contribution-oriented pension plan, a personal pension account has been set up for each member of the Management Board. A contribution is made into this pension account annually. This annual contribution is calculated using an individual contribution rate on the basis of each member's base salary and bonus up to a defined ceiling and accrues advance interest, determined by means of

an age-related factor, at an average rate of 6% up to the age of 60. From the age of 61 on, the pension account is credited with an annual interest payment of 6% up to the date of retirement. The annual payments, taken together, form the pension amount which is available to pay the future pension benefit. The pension may fall due for payment after a member has left the Management Board, but before a pension event (age limit, disability or death) has occurred. The pension right is vested from the start.

In 2008, service cost for the aforementioned pensions was € 317,893 for Dr. Ackermann, € 429,167 for Dr. Bänziger, € 239,973 for Mr. Di Iorio, € 100,691 for Mr. Krause and € 273,192 for Mr. Lamberti.

As of December 31, 2008, the pension accounts of the current Management Board members, active in 2008, had the following balances: € 4,098,838 for Dr. Ackermann, € 1,379,668 for Dr. Bänziger, € 216,000 for Mr. Krause and € 4,166,174 for Mr. Lamberti. The different sizes of the balances are due to the different lengths of service on the Management Board, the respective age-related factors, the different contribution rates and the individual pensionable compensation amounts. Dr. Ackermann and Mr. Lamberti are also entitled, in principle, after they have left the Management Board, to a monthly pension payment of € 29,400 each under a discharged prior pension entitlement.

If a current Management Board member, whose appointment was in effect at the beginning of 2008, leaves office, he is entitled, for a period of six months, to a transition payment. Exceptions to this arrangement exist where, for instance, the Management Board member gives cause for summary dismissal. The transition payment a Management Board member would have received over this six months period, if he had left on December 31, 2008 was for Dr. Ackermann € 2,825,000 and for each of Dr. Bänziger, and Mr. Lamberti € 1,150,000.

If a current Management Board member, whose appointment was in effect at the beginning of 2006, leaves office, after reaching the age of 60, he is subsequently entitled, in principle, directly after the end of the six-month transition period, to payment of first 75% and then 50% of the sum of his salary and last target bonus, each for a period of 24 months. This payment ends no later than six months after the end of the Annual General Meeting in the year in which the Management Board member reaches his 65th birthday.

Pursuant to the service agreements concluded with each of the Management Board members, who have been active in 2008, they are entitled to receive a severance payment upon a premature termination of their appointment at the Bank's initiative, without the Bank having been entitled to revoke the appointment or give notice under the service agreement for cause. The severance payment will be fixed by the Chairman's Committee according to its reasonable discretion and, as a rule, will not exceed the lesser of two annual compensation amounts and the claims to compensation for the remaining term of the contract (compensation calculated on the basis of the annual compensation (salary, bonus and MTI) for the previous financial year).

If a Management Board member's departure is in connection with a change of control, he is entitled to a severance payment. The severance payment will be fixed by the Chairman's Committee according to its reasonable discretion and, as a rule, will not exceed the lesser of three annual compensation amounts and the claims to compensation for the remaining term of the contract (compensation calculated on the basis of the annual compensation (salary, bonus and MTI) for the previous financial year).

For further information on payments to former members of the Management Board of the Company or their surviving dependents as well as provisions with respect to pension commitments *vis-à-vis* former members of the Management Board and their surviving dependents see Note 42 of the consolidated financial statements of Deutsche Bank for the fiscal year 2008 contained in the "*Financial Statements*" section of this Registration Document.

Furthermore, no service agreements exist between the Company or its subsidiaries on the one hand and one or more members of the Management Board, who have been active in 2008, on the other hand, which provide for benefits in the event that the service agreement is terminated. No agreements exist with major shareholders, customers or other persons, according to which a member of the Management Board, who has been active in 2008, was appointed to the Management Board.

Shareholding

As of April 1, 2009 the current members of the Management Board held the following numbers of shares and number of DB Equity Units.

Members of the Management Board	Number of shares	Number of DB Equity Units[1]
Dr. Josef Ackermann	334,577	133,789
Dr. Hugo Bänziger	24,103	77,441
Michael Cohrs	284,364	460,797
Jürgen Fitschen	66,136	112,026
Anshuman Jain	151,372	613,018
Stefan Krause	–	–
Hermann-Josef Lamberti	88,373	59,973
Rainer Neske	18,879	83,796
Total	**967,804**	**1,540,840**

1 Including the Restricted Equity Units Dr. Bänziger, Mr. Cohrs, Mr. Fitschen, Mr. Jain and Mr. Neske each received in connection with their employment by the Bank prior to the appointment as member of the Management Board. The DB Equity Units and Restricted Equity Units listed in the table have different vesting and allocation dates. As a result, the last equity rights will mature and be allocated on February 1, 2012.

The current members of the Management Board held an aggregate of 967,804 shares on April 1, 2009, amounting to approximately 0.16 % of the Company's shares issued on that date.

For more information on DB Equity Units, which are granted under the DB Global Partnership Plan, see Note 31 of the notes to the consolidated financial statements of Deutsche Bank for the fiscal year 2008 contained in the "*Financial Statements*" section of this Registration Document.

Loans, Other Legal Relationships and Conflicts of Interest

The Company has concluded a directors' and officers' liability insurance policy (D&O Insurance) without a deductible for the members of the Management Board.

As of December 31, 2008, loans and advances granted and contingent liabilities assumed for members of the Management Board, who were board members as of this date, amounted to € 2,641,142.

Besides their functions as members of the Management Board, the current members of the Management Board have not entered into any other material legal relationship with Deutsche Bank AG and have no potential conflicts of interest with regard to their commitments *vis-à-vis* Deutsche Bank AG on the one hand and their private interests or other commitments on the other hand.

Supervisory Board

General

The Supervisory Board appoints, supervises and advises the Management Board and is directly involved in decisions of fundamental importance to the Bank. The Management Board regularly informs the Supervisory Board about all relevant issues regarding planning, business development, situation of risk, risk management, and compliance as well as about deviations of the development of the Bank's business compared to plans and objectives. On the basis of recommendations by the Chairman's Committee, the Supervisory Board adopts resolutions on and reviews the structure of the Management Board's compensation system including the material contractual components. The Chairman of the Supervisory Board coordinates work within the Supervisory Board. He maintains regular contact with the Management Board, especially with the Chairman of the Management Board, and consults with him on strategy, the development of business and risk management. The Supervisory Board Chairman is informed by the Chairman of the Management Board without delay of important events of substantial significance for the situation and development as well as for the management of Deutsche Bank Group. The types of business that require the approval of the Super-

visory Board to be transacted are specified in the Bank's Articles of Association. The Supervisory Board meets if required without the Management Board. For the performance of its duties, the Supervisory Board may, at its professional discretion, use the services of auditors, legal advisors and other internal and external consultants. The duties, procedures and committees of the Supervisory Board are specified in its Rules of Procedure.

Pursuant to the Articles of Association, the Company's Supervisory Board has twenty members. Ten members representing the shareholders are elected by the General Meeting in accordance with the provisions of the German Stock Corporation Act. A further ten members representing employees are elected in accordance with the provisions of the German Co-Determination Act of 1976. Of these ten Supervisory Board members, seven must be employees of the Company including a senior salaried employee. The remaining Supervisory Board members must be representatives of the unions represented within the enterprise. Members of the Supervisory Board are appointed for a term of office that ends with the conclusion of the General Meeting at which a resolution is adopted that discharges the Supervisory Board for the fourth fiscal year following the commencement of the term of office. The fiscal year in which the term of office commences is not included. The General Meeting may resolve in the election of shareholders' representatives that the terms in office of up to five members may commence or end at different times. Members of the Supervisory Board who were elected by the General Meeting without formal advance nomination as a candidate for election may be removed from office by the General Meeting prior to the end of their term in office. The resolution requires a majority of at least three quarters of the votes cast. Employee representatives may be removed by a three quarters majority of the votes cast by the employee group that elected the respective representative. In accordance with the provisions of the Articles of Association, every member of the Supervisory Board may tender his resignation, adhering to a one-month's notice period, by furnishing an appropriate declaration *vis-à-vis* the Management Board even without a good cause.

A quorum for resolutions of the Supervisory Board is established if the members have been invited to attend in writing or by electronic means to their last known address and at least half of its total number of members participates in voting on a resolution either in person or by casting their vote in writing. The chairman of the Supervisory Board or his deputy shall chair the meeting. The type of voting is set forth by the chairman of the meeting. Resolutions may be adopted without the holding of a meeting by mail, telegraph, telephone or electronic voting should the chairman of the Supervisory Board or his deputy so determine. Supervisory Board resolutions are adopted by a simple majority of votes cast, unless provided otherwise by law. In the event of a tied vote, the vote of the chairman of the Supervisory Board shall be decisive.

The Articles of Association require consent of the Supervisory Board to be obtained for the following transactions and actions on the part of the Company:

- the granting of general powers of attorney;
- the acquisition and disposal of real estate, provided the value involved exceeds 1 % of the regulatory banking capital of the Company in accordance with the German Banking Act *(Kreditwesengesetz)*;
- the granting of loans, including the acquisition of shareholdings in other companies, which require approval of the Supervisory Board of a credit institution in accordance with the German Banking Act;
- the acquisition and disposal of other shareholdings, provided the value involved exceeds 2 % of the regulatory banking capital of the Company in accordance with the German Banking Act. The Supervisory Board must be informed without delay of any acquisition and disposal of such shareholdings in excess of 1 % of the regulatory banking capital.

Consent of the Supervisory Board is also required when the acquisition and disposal of real estate or of other shareholdings is conducted in a dependent company. The Supervisory Board may also determine other transactions requiring its consent. The Management Board may demand that the General Meeting resolve the issue of consent should the Supervisory Board withhold its consent. A resolution of the General Meeting granting consent requires a majority of at least three quarters of the votes cast.

Current Supervisory Board Members

The members of the Supervisory Board representing the shareholders were elected at the Annual General Meeting on May 29, 2008 except for Dr. Siegert, who was elected at the General Meeting 2007 until the end of the Annual General Meeting in 2012. The employee representatives were elected on May 8, 2008. The following table contains more details regarding the current members of the Supervisory Board. The information includes the members' ages as of December 31, 2008, the years in which they were first elected or appointed, the years when their terms expire, in addition to their principal occupation and their memberships during the past five years on administrative, management or supervisory bodies or as partners outside the Bank. Unless indicated otherwise, each of the memberships is current.

Member	Principal occupation	Supervisory board memberships and other directorships
Wolfgang Böhr* Age: 45 First elected: 2008 Term expires: 2013	Chairman of the Combined Staff Council Dusseldorf of Deutsche Bank	
Dr. Clemens Börsig Age: 60 Appointed by the court: 2006 Term expires: 2013	Member of the Management Board of Deutsche Bank AG, Frankfurt (until May 2006); Chairman of the Supervisory Board of Deutsche Bank AG, Frankfurt	Linde AG (since June 2006); Bayer AG (since April 2007); Daimler AG (since April 2007); Emerson Electric Company (since February 2009); Deutsche Lufthansa AG (July 2006 until April 2008); Eurohypo AG (until May 2005); Foreign & Colonial Eurotrust Plc (until December 2007); Frankfurter Versicherungs-AG (until January 2006); Heidelberger Druckmaschinen AG (until March 2007)
Dr. Karl-Gerhard Eick Age: 54 Appointed by the court: 2004 Term expires: 2013	Deputy Chairman of the Management Board of Deutsche Telekom AG, Bonn (until February 2009); Chairman of the Management Board of Arcandor AG, Essen since March 2009	DeTe Immobilien Deutsche Telekom Immobilien und Service GmbH (until September 2008); T-Mobile International AG (until March 2009); T-Systems Enterprise Services GmbH (until March 2009); T-Systems Business Services GmbH (until March 2009); FC Bayern München AG; CORPUS SIREO Holding GmbH & Co. KG (since September 2007); STRABAG Property and Facility Services GmbH (since October 2008); Hellenic Telecommunications Organization S.A. (OTE S.A.) (June 2008 until March 2009); Thomas Cook Group Plc (since December 2008, Chairman since March 2009); T-Online International AG (until June 2006); Sireo Real Estate Asset Management GmbH (until December 2007); GMG Generalmietgesellschaft mbH (until March 2006); T-Systems International GmbH (until December 2005)

Member	Principal occupation	Supervisory board memberships and other directorships
Heidrun Förster* Age: 61 First elected: 1993 Term expires: 2013	Deputy Chairperson of the Supervisory Board of Deutsche Bank AG until May 29, 2008; Chairperson of the Combined Staff Council Berlin of Deutsche Bank	Deutsche Bank Privat- und Geschäftskunden AG (since May 2008), Betriebskrankenkasse der Deutschen Bank
Alfred Herling* Age: 56 First elected: 2008 Term expires: 2013	Chairman of the Combined Staff Council Wuppertal/Sauerland of Deutsche Bank; Deputy Chairman of the General Staff Council; Chairman of the European Staff Council	
Gerd Herzberg* Age: 58 Appointed by the court: 2006 Term expires: 2013	Deputy Chairman of ver.di Vereinte Dienstleistungsgewerkschaft, Berlin	Franz Haniel & Cie GmbH (Deputy Chairman); DBV Winterthur Lebensversicherung AG; BGAG – Beteiligungsgesellschaft der Gewerkschaften AG; DAWAG – Deutsche Angestellten Wohnungsbau AG (Chairman); Vattenfall Europe AG
Sir Peter Job Age: 67 Appointed by the court: 2001 Term expires: 2011		Schroders Plc; Tibco Software Inc.; Royal Dutch Shell Plc.; Mathon Systems (Advisory Board); Bertelsmann AG (until May 2005); GlaxoSmithKline Plc (until December 2004); Instinet Inc. (until December 2005); Shell Transport and Trading Plc (until July 2005)
Prof. Dr. Henning Kagermann Age: 61 First elected: 2000 Term expires: 2013	CEO of SAP AG, Walldorf	Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft; Nokia Corporation; Deutsche Post AG (since February 2009); DaimlerChrysler Services AG (until July 2006)
Martina Klee* Age: 46 First elected: 2008 Term expires: 2013	Chairperson of the Staff Council GTO Deutsche Bank Frankfurt/Eschborn; member of the General Staff Council of Deutsche Bank	Sterbekasse für die Angestellten der Deutschen Bank a. G.
Suzanne Labarge Age: 62 First elected: 2008 Term expires: 2013	Chief Risk Officer, Royal Bank of Canada (until September 2004)	Bank of China (March 2005 until 2007); Coca-Cola Enterprises Inc. (since December 2007); Novelis Inc. (January 2005 until May 2007)
Maurice Lévy Age: 66 First elected: 2006 Term expires: 2012	Chairman and CEO, Publicis Groupe S.A., Paris	Publicis Conseil S.A.; Medias et Régies Europe S.A.; MMS USA Holdings, Inc.; Fallon Group, Inc.; Zenith Optimedia Group Ltd.; Honeyshed LLC; Publicis USA Holdings, Inc. (until December 2007)

Member	Principal occupation	Supervisory board memberships and other directorships
Henriette Mark* Age: 51 First elected: 2003 Term expires: 2013	Chairperson of the Combined Staff Council Munich and Southern Bavaria of Deutsche Bank	
Gabriele Platscher* Age: 51 First elected: 2003 Term expires: 2013	Chairperson of the Combined Staff Council Braunschweig/ Hildesheim of Deutsche Bank	Deutsche Bank Privat- und Geschäftskunden AG (until May 2008); BVV Versicherungsverein des Bankgewerbes a. G.; BVV Versorgungskasse des Bankgewerbes e.V. BVV Pensionsfonds des Bankgewerbes AG
Karin Ruck* Age: 43 First elected: 2003 Term expires: 2013	Deputy Chairperson of the Supervisory Board of Deutsche Bank AG since May 29, 2008; Deputy Chairperson of the Combined Staff Council Frankfurt branch of Deutsche Bank	Deutsche Bank Privat- und Geschäftskunden AG; BVV Versicherungsverein des Bankgewerbes a. G.; BVV Versorgungskasse des Bankgewerbes e.V. BVV Pensionsfonds des Bankgewerbes AG
Dr. Theo Siegert Age: 61 First elected: 2006 Term expires: 2012	Chairman of the Management Board of Franz Haniel & Cie. GmbH, Duisburg (until December 2005); Managing Partner of de Haen-Carstanjen & Söhne, Düsseldorf	E.ON AG; ERGO AG; Merck KGaA; E. Merck OHG (member of the Shareholders' Committee); DKSH Holding Ltd. (member of the Board of Administration); Celesio AG (until April 2006); Metro AG (until February 2006); Takkt AG (until May 2006)
Dr. Johannes Teyssen Age: 49 First elected: 2008 Term expires: 2013	Chairman of the Management Board of E.ON Energie AG, Munich (until 2007); Chief Operating Officer and Deputy Chairman of the Management Board of E.ON AG, Düsseldorf	E.ON Energie AG; E.ON Ruhrgas AG; E.ON Energy Trading AG; Salzgitter AG (since November 2005); E.ON Nordic AB; E.ON Sverige AB; E.ON Italia Holding s.r.l.
Marlehn Thieme* Age: 51 First elected: 2008 Term expires: 2013	Divisional Head of Corporate Social Responsibility Deutsche Bank AG, Frankfurt	
Tilman Todenhöfer Age: 65 Appointed by the court: 2001 Term expires: 2013	Managing Partner of Robert Bosch Industrietreuhand KG, Stuttgart	Robert Bosch GmbH; Robert Bosch Int. Beteiligungen AG (President of the Board of Administration); HOCHTIEF AG (since September 2008); Carl Zeiss AG (Chairman, July 2004 until September 2008); Schott AG (Chairman, July 2004 until July 2008)

Member	Principal occupation	Supervisory board memberships and other directorships
Werner Wenning Age: 62 First elected: 2008 Term expires: 2013	Chairman of the Management Board of Bayer AG, Leverkusen	E.ON AG (since April 2008); Henkel AG & Co. KGaA (member of the Supervisory Board until April 14, 2008; member of the Shareholders' Committee since April 14, 2008); Evonik Industries AG (until September 2008); Bayer Schering Pharma AG (Chairman); Gerling Konzern Versicherungs-Beteiligungs AG (until April 2006)
Leo Wunderlich* Age: 59 First elected: 2003 Term expires: 2013	Chairman of the Group and General Staff Councils of Deutsche Bank	

* Employee representatives of the Supervisory Board.

Dr. Clemens Börsig was a member of the Management Board of Deutsche Bank AG until May 3, 2006. Dr. Börsig has declared that he would abstain from voting in his function as member of the Supervisory Board and its committees on all questions that relate to his former membership of the Management Board and could create a conflict of interest.

Committees

The Supervisory Board may form committees in addition to the mediation committee required under the provisions of the German Co-Determination Act of 1976. They act in the name and on behalf of the entire Supervisory Board in discharging the tasks assigned to them under the Supervisory Board rules of procedure and by special resolutions adopted by the Supervisory Board. The Supervisory Board has currently formed five standing committees: the Chairman's Committee, the Nomination Committee, the Audit Committee, the Risk Committee and the Mediation Committee. The Supervisory Board may form further committees.

Chairman's Committee: The Chairman's Committee is responsible for all Management Board and Supervisory Board matters. It prepares the decisions for the Supervisory Board on the appointment and dismissal of members of the Management Board, including long-term succession planning. It also submits a proposal to the Supervisory Board on the compensation for the Management Board including the main contract elements and is responsible for entering into, amending and terminating the service contracts and other agreements with the Management Board members. It provides its approval for ancillary activities of Management Board members pursuant to Section 112 of the German Stock Corporation Act and for certain contracts with Supervisory Board members pursuant to Section 114 of the German Stock Corporation Act. Furthermore, it prepares the decisions of the Supervisory Board in the field of corporate governance. The Chairman's Committee held five meetings in 2008.

The current members of the Chairman's Committee are Dr. Clemens Börsig (Chairman), Heidrun Förster, Karin Ruck and Tilman Todenhöfer.

Nomination Committee: The Nomination Committee prepares the Supervisory Board's proposals for the election or appointment of new shareholder representatives to the Supervisory Board. The Nomination Committee held one meeting in 2008.

The current members of the Nomination Committee are Dr. Clemens Börsig (Chairman), Tilman Todenhöfer and Werner Wenning.

Audit Committee: The Audit Committee reviews the documentation relating to the annual and consolidated financial statements and discusses the audit reports with the auditor. It prepares the decisions of the Supervisory Board on the annual financial statements and the approval of the consolidated financial statements and discusses important changes to the audit and accounting methods. The Audit Committee also discusses the quarterly financial statements and the report on the limited review of the quarterly financial statements with the Management Board and the auditor prior to their publication. In addition, the Audit Committee issues the audit mandate to the auditor elected by the General Meeting. It resolves on the compensation paid to the auditor and monitors the auditor's independence, qualifications and efficiency. The Head of Internal Audit regularly reports to the Audit Committee on the work done by internal audit. The Audit Committee is informed about special audits, substantial complaints and other exceptional measures on the part of bank regulatory authorities. It has functional responsibility for taking receipt of and dealing with complaints concerning accounting, internal accounting controls and issues relating to the audit. At its meetings, reports are regularly presented on issues of compliance. Subject to its review, the Audit Committee grants its approval for mandates engaging the auditor for non-audit-related services. The Audit Committee held six meetings in 2008.

The current members of the Audit Committee are Dr. Karl-Gerhard Eick (Chairman), Dr. Clemens Börsig, Sir Peter Job, Henriette Mark, Karin Ruck and Marlehn Thieme.

Risk Committee: The Risk Committee handles loans which require a resolution by the Supervisory Board pursuant to law or the Articles of Association of Deutsche Bank. Subject to its review, it grants its approval for the acquisition of shareholdings in other companies that amount to between 2% and 3% of the Bank's regulatory banking capital if it is likely that the shareholding will not remain in the Bank's full or partial possession for more than twelve months. At the meetings of the Risk Committee, the Management Board reports on credit, market, liquidity, operational, litigation and reputational risks. The Management Board also reports on risk strategy, credit portfolios, credits that, pursuant to statutory law or the Articles of Association, require a resolution of the Supervisory Board, questions of capital resources and matters of special importance due to the risks they entail. The Risk Committee held six meetings in 2008.

The current members of the Risk Committee are Dr. Clemens Börsig (Chairman), Professor Dr. Henning Kagermann and Sir Peter Job. Suzanne Labarge and Dr. Theo Siegert are substitute members of the Risk Committee and are invited to all meetings and regularly attend them.

Mediation Committee: The Mediation Committee, which is required by German law, makes proposals to the Supervisory Board on the appointment or dismissal of members of the Management Board in those cases where the Supervisory Board is unable to reach a two-thirds majority decision with respect to the appointment or dismissal. The Mediation Committee only meets if necessary and did not hold any meetings in 2008.

The current members of the Mediation Committee are Dr. Clemens Börsig (Chairman), Wolfgang Böhr, Karin Ruck, and Tilman Todenhöfer.

Compensation, Shareholding, Loans, Other Legal Relationships and Conflicts of Interest

Principles of the Compensation System

The principles of the compensation of the Supervisory Board members are set forth in the Articles of Association which may be amended by the Annual General Meeting.

Currently, the following provisions apply: compensation for each member of the Supervisory Board consists of a fixed compensation of € 60,000 per year and a dividend-based bonus of € 100 per year for every full or fractional € 0.01 increment by which the dividend the Bank distributes to its shareholders exceeds € 1.00 per share. The members of the Supervisory Board also receive annual remuneration linked to the long-term profit in the amount of € 100 each for each € 0.01 by which the average earnings per share (diluted), reported in the Bank's Financial Report in accordance with the accounting principles to be applied in each case on the basis of the net income figures for the three previous financial years, exceed the amount of € 4.00.

These amounts increase by 100 % for each membership in a committee of the Supervisory Board. For the chairperson of a committee the rate of increment is 200 %. These provisions do not apply to the Mediation Committee formed pursuant to Section 27 (3) of the Co-determination Act. The Supervisory Board Chairman receives four times the total compensation of a regular member, without any such increment for committee work, and the deputy one and a half times the total compensation of a regular member. In addition, the members of the Supervisory Board receive a meeting fee of € 1,000 for each Supervisory Board and committee meeting which they attend.

The members of the Supervisory Board are furthermore reimbursed for all cash expenses and any value added tax (*Umsatzsteuer* at present 19 %) they incur in connection with their roles as members of the Supervisory Board. Employee representatives of the Supervisory Board also continue to receive their employee benefits. For Supervisory Board members who served on the board for only part of the year, the Bank pays a part of their total compensation based on the number of months they served, rounding up to whole months.

The members of the Nomination Committee, which was newly formed after the Annual General Meeting 2008, waived all remuneration, including the meeting fee, for such Nomination Committee work for 2008 and the following years, as in the previous year.

Compensation for Fiscal Year 2008

Supervisory Board members receive their compensation after the end of each fiscal year. In January 2009, each Supervisory Board member was paid the fixed portion of their remuneration for their services in 2008 and their meeting fees. In addition, each Supervisory Board member would normally receive a remuneration for its services performed in 2008 linked to the long-term performance of the Bank as well as a dividend-based bonus. Due to the crisis in the financial markets, the Supervisory Board on October 29, 2008 unanimously resolved to forgo any variable compensation for the financial year 2008. This waiver affects all current members of the Supervisory Board and includes the variable compensation as well as any additional variable remuneration for the Chairman of the Supervisory Board, the deputy chairperson of the Supervisory Board and all members of the committees as redefined in Section 14 of the Articles of Association. This waiver was also adopted by all former members of the Supervisory Board, who, with effect from the Annual General Meeting of May 29, 2008, terminated their service on the Supervisory Board, and therefore still have a claim to remuneration for the first five months of the 2008 financial year.

Accordingly, total remuneration of the Supervisory Board in 2008 amounted to € 2,478,500. Individual members of the Supervisory Board received the following compensation for the 2008 financial year (excluding statutory value added tax):

	Compensation for fiscal year 2008 in €			
Member of the Supervisory Board	**Fixed**	**Variable**	**Meeting Fee**	**Total**
Dr. Clemens Börsig	240,000	–	24,000	264,000
Wolfgang Böhr[2]	40,000	–	4,000	44,000
Dr. Karl-Gerhard Eick	180,000	–	10,000	190,000
Heidrun Förster	157,500	–	15,000	172,500
Ulrich Hartmann[1]	50,000	–	6,000	56,000
Alfred Herling[2]	40,000	–	4,000	44,000
Gerd Herzberg	60,000	–	6,000	66,000
Sabine Horn[1]	50,000	–	6,000	56,000
Rolf Hunck[1]	50,000	–	6,000	56,000
Sir Peter Job	180,000	–	15,000	195,000
Prof. Dr. Henning Kagermann	120,000	–	13,000	133,000
Ulrich Kaufmann[1]	50,000	–	6,000	56,000
Peter Kazmierczak[1]	25,000	–	3,000	28,000
Martina Klee[2]	40,000	–	4,000	44,000
Suzanne Labarge[2]	80,000	–	8,000	88,000
Maurice Lévy	60,000	–	6,000	66,000
Henriette Mark	100,000	–	10,000	110,000
Prof. Dr. jur. Dr.-Ing. E. h. Heinrich von Pierer[1]	50,000	–	5,000	55,000
Gabriele Platscher	60,000	–	7,000	67,000
Karin Ruck	160,000	–	12,000	172,000
Dr. Theo Siegert	100,000	–	11,000	111,000
Dr. Johannes Teyssen[2]	40,000	–	4,000	44,000
Marlehn Thieme[2]	80,000	–	7,000	87,000
Tilman Todenhöfer	125,000	–	11,000	136,000
Dipl.-Ing. Dr.-Ing. E. h. Jürgen Weber[1]	25,000	–	3,000	28,000
Werner Wenning[2]	40,000	–	3,000	43,000
Leo Wunderlich	60,000	–	7,000	67,000
Total	**2,262,500**	**–**	**216,000**	**2,478,500**

1 Member until May 29, 2008.
2 New member since May 29, 2008.

Furthermore, no service agreements exist between the Company or its subsidiaries on the one hand and one or more members of the Supervisory Board on the other hand, which provide for benefits in the event that the service agreement is terminated. No agreements exist with major shareholders, customers or other persons, according to which a member of the Supervisory Board was appointed to the Supervisory Board.

Shareholding

As of April 1, 2009, the current members of the Supervisory Board held the following numbers of the Bank's shares, share grants under the employee share plans and options on the Bank's shares:

Members of the Supervisory Board	Number of shares	Number of share grants	Number of options
Wolfgang Böhr	10	10	100
Dr. Clemens Börsig[1]	120,000	23,156	–
Dr. Karl-Gerhard Eick	–	–	–
Heidrun Förster	895	10	–
Alfred Herling	767	10	–
Gerd Herzberg	–	–	–
Sir Peter Job	4,000	–	–
Prof. Dr. Henning Kagermann	–	–	–
Martina Klee	618	10	–
Suzanne Labarge	–	–	–
Maurice Lévy	–	–	–
Henriette Mark	378	10	–
Gabriele Platscher	739	10	–
Karin Ruck	102	8	–
Dr. Theo Siegert	–	–	–
Dr. Johannes Teyssen	–	–	–
Marlehn Thieme	102	6	–
Tilman Todenhöfer	300	–	–
Werner Wenning	–	–	–
Leo Wunderlich	712	10	100
Total	**128,623**	**23,240**	**200**

1 Excluding 150 Deutsche Bank shares, pooled in a family held partnership, in which Dr. Clemens Börsig has an interest of 25 %.

As of April 1, 2009, the members of the Supervisory Board held 128,623 shares, amounting to less than 0.02 % of the Bank's shares issued on that date.

Some of the Supervisory Board members who are or were formerly employees received grants under the employee share plans of Deutsche Bank entitling them to receive shares at specified future dates or granting them options to acquire shares at future dates. For a description of the employee share plans, please refer to Note 31 of the consolidated financial statements of Deutsche Bank for the fiscal year 2008 contained in the "*Financial Statements*" section of this Registration Document. Shares that have been delivered to such employees as a result of grants under the plans (including following the exercise of options granted thereunder), and that have not been disposed by them, are shown in the "Number of Shares" column in the table above, as are shares otherwise acquired by them. Shares granted under the plans that have not yet been delivered to such employees are shown in the "Number of Share Grants" column.

As listed in the "Number of Share Grants" column in the table, Dr. Börsig holds 23,156 DB Equity Units granted under the DB Global Partnership Plan in connection with his prior service as a member of the Bank's Management Board, which are scheduled to be delivered to him in installments through August 2010. The other grants reflected in the table were made to employee representatives on the Supervisory Board under the DB Global Share Plan 2008, and are scheduled to be delivered on November 1, 2009.

The options reflected in the table were acquired via the voluntary participation of employee representatives on the Supervisory Board in the DB Global Share Plan. The options issued in 2003 generally have a strike price of € 75.24, have been exercisable since January 2, 2006, and have an expiration date of December 11, 2009. The options are with respect to ordinary shares of the Company.

Loans, Other Legal Relationships and Conflicts of Interest

The Company has concluded a directors' and officers' liability insurance policy (D&O Insurance) without a deductible for the members of the Supervisory Board.

As of December 31, 2008, loans and advances granted and contingent liabilities assumed for members of the Supervisory Board amounted to € 1,396,955. Besides their functions as members of the Supervisory Board, the members of the Supervisory Board have not entered into any other material legal relationship with Deutsche Bank. Potential conflicts of interest may arise if members of the Supervisory Board are also members of the boards of other companies. This is the case if the Risk Committee has to decide on a loan to be granted to a company and a member of the Bank's Supervisory Board is also a member of the board of the borrower. If such a potential conflict of interest arises, the relevant member of the Supervisory Board does not participate in the discussion and voting of the Supervisory Board or the relevant committee. Except for the above, the members of the Supervisory Board have no potential conflicts of interest with regard to their commitments *vis-à-vis* Deutsche Bank AG on the one hand and their private interests or other commitments on the other hand.

Additional Information on Members of the Management Board and Supervisory Board

In the last five years, no member of the Management Board or the Supervisory Board of the Company has been found guilty of any fraudulent offences. In February 2003, the Düsseldorf Prosecutor filed charges against Dr. Ackermann and other former members of the supervisory board, members of the management board and one manager of Mannesmann AG at the Düsseldorf District Court *(Landgericht Düsseldorf)*. The complaint alleged a breach of trust in connection with payments to former members of the management board and other managers of Mannesmann AG following the takeover of Mannesmann by Vodafone in spring 2000. On 22 July 2004 the Düsseldorf District Court acquitted every defendant of such charges. The Düsseldorf Prosecutor filed a notice of appeal to the Federal Supreme Court *(Bundesgerichtshof)*. On 21 December 2005 the Federal Supreme Court ordered a retrial at the Düsseldorf District Court. On 29 November 2006 the Düsseldorf District Court agreed to discontinue the court proceedings and ordered the defendants to make non-penal payments. No findings of guilt result from this decision.

Excepting above, in the last five years, there have been no public incriminations and/or sanctions with respect to the members of the Management Board or the Supervisory Board from statutory or regulatory authorities (including designated professional bodies). In the last five years, no member of the Management Board or Supervisory Board, within the scope of his or her position in administrative, management or supervisory bodies or as an issuer, was subject to insolvency, receivership or liquidation. No member of the Management Board or Supervisory Board has been disqualified by a court in the last five years from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer. There is no kinship between the members of the Management Board and Supervisory Board, neither among themselves nor to members of the respective other corporate body.

Members of the Management Board and the Supervisory Board can be contacted at the business address of the Company, Theodor-Heuss-Allee 70, 60486 Frankfurt am Main (tel: +49-69-910-00).

Corporate Governance Code

The "Government Commission for the German Corporate Governance Code" *(Regierungskommission Deutscher Corporate Governance Kodex)*, appointed by the Federal Minister of Justice in September 2001, adopted the German Corporate Governance Code (the "Code") on February 26, 2002 and resolved various amendments to the Code, most recently on June 6, 2008. The Code contains recommendations and suggestions relating to the management and supervision of German listed companies. It follows internationally and nationally recognized standards for good and responsible corporate governance. The Code aims at making the German corporate governance system transparent and understandable. The Code contains corporate governance recommendations (so called "shall" provisions) and suggestions (so called "should" or "can" provisions) with respect to shareholders and the general shareholders' meeting, the management board and supervisory board, transparency, accounting policies and audits.

There is no duty to comply with the recommendations or suggestions of the Code. The German stock corporation law only obliges the management boards and supervisory boards of listed companies to issue an annual declaration stating either that the Code recommendations have been complied with and are being complied with, or to declare which recommendations have not been applied or are not being applied. The declaration has to be made accessible to shareholders at all times. Non-compliance with suggestions contained in the Code need not be disclosed.

The Management Board and Supervisory Board of the Company on October 29, 2008 issued a declaration of compliance regarding the Code in accordance with Section 161 of the German Stock Corporation Act *(Aktiengesetz)*:

Since the last Declaration of Conformity dated October 30, 2007, the Deutsche Bank AG has complied with the recommendations of the "Government Commission's German Corporate Governance Code" with the following exception:

- *For the members of the Management Board and Supervisory Board, there was a directors' and officers' (D&O) liability insurance policy without a deductible (Code No. 3.8). This is actually a group insurance policy for a large number of staff members in Germany and abroad. Internationally, a deductible is unusual; a differentiation between board members and staff members does not appear to be appropriate.*

Deutsche Bank AG will act in conformity with the recommendations of the "Government Commission's German Corporate Governance Code" in the Code version dated June 6, 2008, published in the electronic Bundesanzeiger on August 8, 2008 with the following exception:

- *For the members of the Management Board and Supervisory Board, there is a directors' and officers' liability insurance policy without a deductible (Code No. 3.8). This is actually a group insurance policy for a large number of staff members in Germany and abroad. Internationally, a deductible is unusual; a differentiation between board members and staff members thus does not appear to be appropriate.*

Contrary to the suggestion in the Code (No. 5.1.2), Stefan Krause was appointed member of the Management Board for a period of five full years because he had to terminate an ongoing management board contract at BMW to join Deutsche Bank. However, when Management Board members are appointed for the first time Deutsche Bank AG intends to agree shorter terms of office as a rule, in line with the procedure to date.

Apart from that Deutsche Bank AG voluntarily complies with the suggestions of the Code in the version dated June 6, 2008, with the following exceptions:

- The representatives appointed by the Bank to exercise shareholders' voting rights can be reached by those attending the General Meeting until just before voting commences. The representatives are reachable by those not attending until 12 noon on the day of the General Meeting using the instruction tool in the Internet (Code No. 2.3.3). In this manner, the risk of any technical disruptions directly before voting takes place can basically be excluded. The broadcast through the Internet also ends at the latest at this time, which means information useful for non-participants in forming an opinion can no longer be expected thereafter.
- The broadcast of the General Meeting through the Internet (Code No. 2.3.4) covers the opening of the General Meeting by the chairman and the report of the Management Board. The shareholders are thus free to hold their discussions with management unencumbered by a public broadcast to a wide audience.

General Shareholders' Meeting

According to the Articles of Association, the General Meeting of the Company is held in Frankfurt am Main, Düsseldorf or in another major German city with a population of more than 500,000. It is called by the Management Board or by the Supervisory Board. Each no-par value share confers one vote at the General Meeting.

In particular, the General Meeting resolves on the following:

- Appointment of shareholder representatives to the Supervisory Board
- Allocation of the balance sheet profit *(Bilanzgewinn)*
- Formal approval *(Entlastung)* of the acts of the Management Board and the Supervisory Board
- Appointment of auditors
- Capital increases and capital reductions
- Any amendments to the Articles of Association

Resolutions of the Company's General Meeting are adopted by a simple majority of the votes cast and, should a majority of the share capital be required, a simple majority of the share capital present at the adoption of the resolution, absent mandatory laws or Articles of Association to the contrary. Under German stock corporation law, certain resolutions of fundamental importance require a majority of at least three quarters of the share capital present at the adoption of a resolution in addition to a majority of the votes cast. Such resolutions include the following in particular:

- Amendments changing the business objectives
- Capital increases that exclude subscription rights
- Capital reductions
- Creation of authorized or conditional capital
- Dissolution of the Company
- Actions involving legal conversion such as mergers, spin-offs and changes in legal form
- Transfer of all assets of the Company
- Integration of another company
- Intercompany agreements (in particular, controlling and profit-transfer agreements)

A General Meeting is usually called once a year (Annual General Meeting). The Annual General Meeting is held within the first eight months of each fiscal year. In addition, the Management Board or Supervisory Board can call an extraordinary General Meeting if such is required in the interest of the Company. Shareholders who have combined shareholdings of at least 5 % of the share capital can request the Management Board to call a General Meeting. Such request must be made in writing and provide details of the purpose and reasons for calling such meeting.

Shareholders who are registered with the Company's share register and have registered for the General Meeting in due time are entitled to participate in the respective General Meeting and exercise their voting rights. Shareholders are required to register with the Management Board at the registered office of the Company or at any such other place as may be indicated in the notice calling the meeting in writing, by telex or telefax, or by electronic means no later than the third working day preceding the meeting day.

The General Meeting must be convened at least 30 days before the end of the day on which the shareholders are required to register unless the law provides for a shorter notice period. The notice period does not include the day on which the meeting convenes nor the final day of the registration period.

Employees

As of December 31, 2008, Deutsche Bank Group employed a total of 80,456 staff members as compared to 78,291 as of December 31, 2007 and 68,849 as of December 31, 2006. The Bank and its subsidiaries calculate the employee figures on a full-time equivalent basis, meaning proportionate numbers of part-time employees are included.

The following table shows the numbers of full-time equivalent employees of Deutsche Bank Group as of December 31, 2008, 2007 and 2006.

Employees[1]	**Dec. 31, 2008**	**Dec. 31, 2007**	**Dec. 31, 2006**
Germany	27,942	27,779	26,401
Europe (outside Germany), Middle East and Africa	23,067	21,989	20,025
Asia/Pacific	17,126	15,080	10,723
North America[2]	11,947	13,088	11,369
South America	374	355	331
Total employees	**80,456**	**78,291**	**68,849**

1 Full-time equivalent employees.
2 Primarily the United States.

As of the date of this Registration Document no material changes in the number of employees of Deutsche Bank Group have occurred.

The number of employees increased in 2008 by 2,165 or 2.8% to 80,456 employees. This development was driven by an addition of 1,114 staff members in the Private Clients and Asset Management Group division, most notably in Poland and India, while the number of Corporate and Investment Bank Group Division staff was reduced by 1,476, mainly in those business areas in the UK and United States, whose near-term recovery cannot be currently foreseen. In Infrastructure, the establishment of larger Operations Centers was a major contributor to the increase of 2,535 employees, mainly in Asia.

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

The Bank and its subsidiaries offer a number of post-employment benefit plans. Further information hereto is contained in Note 32 of the consolidated financial statements 2008 contained in the "*Financial Statements*" section of this Registration Document.

Information on the employee share programs of Deutsche Bank is contained in Note 31 of the consolidated financial statements of Deutsche Bank for the fiscal year 2008 contained in the "*Financial Statements*" section of this Registration Document.

RELATIONSHIPS WITH RELATED PARTIES

Parties are considered to be related pursuant to IFRS if one party has the ability to directly or indirectly control the other party or exercise significant influence over the other party in making financial or operational decisions.

Deutsche Bank Group's related parties include:

- key management personnel, close family members of key management personnel and entities which are controlled, significantly influenced by, or for which significant voting power is held by key management personnel or their close family members,
- subsidiaries, joint ventures, and
- post-employment benefit plans for the benefit of Deutsche Bank employees.

Deutsche Bank Group has several business relationships with related parties. Transactions with such parties are made in the ordinary course of business and on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other parties.

For further quantitative information on Deutsche Bank's related party transactions as of December 31, 2008, see Note 38 to Deutsche Bank's consolidated financial statements for the fiscal year 2008. As of the date of this Registration Document, there are no other material relationships between Deutsche Bank and related third parties. For further information on the business relationships with related third parties in the fiscal years 2007 and 2006, see Note 38 to Deutsche Bank's consolidated financial statements for the fiscal year 2007. The consolidated financial statements of Deutsche Bank for 2008 and 2007 are included in the section "*Financial Statements*" of this Registration Document.

MATERIAL CONTRACTS

In the ordinary course of business, companies of Deutsche Bank Group enter into numerous contracts with other companies. In the two years immediately preceding the date of this Registration Document, Deutsche Bank Group has not entered into any contracts outside the ordinary course of business, which are material to the group.

REGULATION AND SUPERVISION

Overview

Deutsche Bank's operations throughout the world are regulated and supervised by the relevant authorities in each of the jurisdictions where Deutsche Bank conducts business. Such regulation relates to licensing, capital adequacy, liquidity, risk concentration, conduct of business as well as organizational and reporting requirements. It affects the type and scope of the business Deutsche Bank Group conducts in a country and how it structures specific operations. Currently and in reaction to the crisis in the financial markets, significant changes in the regulatory environment are under preliminary consideration in the jurisdictions in which Deutsche Bank operates. While the extent and nature of these changes cannot be predicted now, they may result in an increase in regulatory oversight in ways that may have a material effect on the businesses of Deutsche Bank Group and the services and products that it will be able to offer.

The following sections present a description of the supervision of the business of Deutsche Bank by the authorities in Germany, Deutsche Bank's home market, the European Economic Area member states, and in the United States, which Deutsche Bank views as the most significant for it. Beyond these countries, local country regulations generally have limited impact on Deutsche Bank's operations that are unconnected with these countries.

Regulation and Supervision in Germany

Basic Principles

Deutsche Bank AG is authorized to conduct banking business and to provide financial services under, and subject to the requirements set forth in, the German Banking Act *(Kreditwesengesetz)*.

Deutsche Bank AG is subject to comprehensive regulation and supervision by the German Federal Financial Supervisory Authority *(Bundesanstalt für Finanzdienstleistungsaufsicht,* referred to as *BaFin)* and the Deutsche Bundesbank (referred to as *Bundesbank*, the German central bank).

The BaFin is a federal regulatory authority and reports to the German Federal Ministry of Finance. It supervises the operations of German banks to ensure that they are in compliance with the Banking Act and other applicable German laws and regulations. It places particular emphasis on compliance with capital adequacy and liquidity requirements, large exposure limits and restrictions on certain activities imposed by the Banking Act and related regulations.

The Bundesbank supports the BaFin and closely cooperates with it. The cooperation includes the ongoing review and evaluation of reports submitted by Deutsche Bank and of its audit reports as well as assessments of the adequacy of Deutsche Bank's capital base and risk management systems. In this supervisory role the Bundesbank follows the guidelines issued by the BaFin acting in conjunction with the Bundesbank. The Bundesbank is also responsible for the collection and analysis of statistics and reports from German banks.

Nevertheless, these two institutions have distinct functions. While the BaFin has the sole authority to issue administrative orders *(Verwaltungsakte)* binding on German banks, it is required to consult with the Bundesbank before it issues general regulations *(Verordnungen)*. In addition, the BaFin must obtain the Bundesbank's consent before it issues any general regulations or guidelines that would affect the Bundesbank's operations, such as rules on solvency, liquidity or large exposures of banks.

Generally, supervision by the BaFin and the Bundesbank applies on an unconsolidated basis (company only) and on a consolidated basis (the company and the entities consolidated with it for German regulatory purposes). Parent banks of a consolidated group may waive the application of capital adequacy requirements, large exposure limits and certain organizational requirements on an unconsolidated basis if certain conditions are met. Deutsche Bank AG meets these conditions and has waived application of these rules since January 1, 2007.

Deutsche Bank is materially in compliance with the German laws that are applicable to its business.

The Banking Act

The Banking Act contains the principal rules for German banks, including the requirements for a banking license, and regulates the business activities of German banks. In particular it requires that an enterprise that engages in one or more of the activities defined in the Banking Act as "banking business" or "financial services" in Germany must be licensed as a "credit institution" *(Kreditinstitut)* or "financial services institution" *(Finanzdienstleistungsinstitut)*, as the case may be. Deutsche Bank AG is licensed as a credit institution.

The Banking Act and the rules and regulations adopted thereunder implement certain recommendations of the Basel Committee on Banking Supervision (referred to as the Basel Committee), the secretariat of which is provided by the Bank for International Settlements, as well as certain European Union directives relating to banks. These directives address issues such as accounting standards, regulatory capital, risk-based capital adequacy, consolidated supervision and the monitoring and control of large exposures.

International capital adequacy standards, recommended by the Basel Committee in June 2004 and widely referred to as the Basel II capital framework, align capital requirements closely with the underlying risks. In 2006, the European Union enacted the Capital Requirements Directive, which adopts the Basel II capital framework. Germany transposed the Capital Requirements Directive effective as of January 1, 2007, subject to certain transition periods. Following the application of transitional rules in 2007 and approval by the BaFin of Deutsche Bank's internal rating models for measuring credit risk and operational risk, Deutsche Bank has applied the revised capital framework on the basis of its approved internal models since January 1, 2008. As a result of the increased risk sensitivity of the Basel II framework, capital requirements will be more cyclical and may also increase compared to levels before application of the Basel II framework in times of economic downturn.

The German Securities Trading Act

Under the German Securities Trading Act *(Wertpapierhandelsgesetz)* referred to as Securities Trading Act, the BaFin regulates and supervises securities trading in Germany. The Securities Trading Act prohibits, among other things, insider trading with respect to securities admitted to trading on, or included in the regulated market or the over-the-counter market at a German exchange, or admitted to trading on an organized market in another country that is a member state of the European Union or another contracting state of the Agreement on the European Economic Area.

The Securities Trading Act also contains rules of conduct. These rules of conduct apply to all businesses that provide securities services. Securities services include, in particular, the purchase and sale of securities or derivatives for others and the intermediation of transactions in securities or derivatives. The BaFin has broad powers to investigate businesses providing securities services to monitor their compliance with the rules of conduct and the reporting requirements. In addition, the Securities Trading Act requires an independent auditor to perform an annual audit of the securities services provider's compliance with its obligations under the Securities Trading Act. The Directive on Markets in Financial Instruments of 2004 (commonly referred to as the MiFID) aims to further integrate the securities markets and improve competition within the European Union and the European Economic Area by harmonizing rules of conduct. It was transposed into German law as of November 1, 2007.

Capital Adequacy Requirements

The Banking Act and the Regulation on Solvency of Institutions, Groups of Institutions and Financial Holding Groups *(Solvabilitätsverordnung* or "Solvency Regulation") reflect the capital adequacy rules of Basel II and require German banks to maintain an adequate level of capital in relation to their risk positions. Risk positions comprise counterparty risks *(Adressenausfallrisiken)*, operational risks *(operationelle Risken)* (comprising, among other things, risks related to certain external factors, as well as to technical errors and errors of employees) and market risks *(Marktrisiken)*. Counterparty risks and operational risks must be covered with Tier 1 capital *(Kernkapital* or "core capital") and Tier

2 capital *(Ergänzungskapital* or "supplementary capital") (together, *haftendes Eigenkapital* or "regulatory banking capital"). Market risk must be covered with regulatory banking capital (to the extent not required to cover counterparty and operational risk) and Tier 3 capital *(Drittrangmittel* and, together with regulatory banking capital, "own funds").

Counterparty Risk, Operational Risk and Modified Available Regulatory Banking Capital

Counterparty risk is measured pursuant to the standard credit risk approach and operational risk is measured pursuant to the base indicator approach or the standard approach, as applicable, each as set forth in the Solvency Regulation. Banks may instead use an internal ratings based approach (IRBA) to measure counterparty risk and an advanced measurement approach (AMA) based on internal models to measure operational risk, if the BaFin approves the respective internal models. The BaFin approved Deutsche Bank's most significant rating systems for IRBA covering more than 90 % of Deutsche Bank's credit exposure. The BaFin also approved Deutsche Bank's internal model for measuring operational risk as an AMA.

Under the Solvency Regulation, at the close of each business day, the sum of the total amount calculated for counterparty risks and the total amount calculated for operational risks of a bank must not exceed its regulatory banking capital, subject to certain modifications described below.

Regulatory banking capital is comprised of Tier 1 and Tier 2 capital. Tier 1 capital mainly consists of paid-in subscribed capital (excluding capital with respect to preferred shares with cumulative dividend rights), capital reserves and other retained earnings and certain hybrid capital instruments. Own shares held by the bank, losses and certain intangible assets are deducted from the amount of Tier 1 capital. Tier 2 capital is limited to the amount of Tier 1 capital and mainly consists of paid-in subscribed capital with respect to preferred shares *(Vorzugsaktien)* with cumulative dividend rights, profit-participation rights *(Genussrechte)*, subordinated debt with an original term of five years or more (up to 50 % of the amount of Tier 1 capital) and certain unrealized reserves of real estate and securities.

Deductions from Tier 1 and Tier 2 Capital

Capital components that meet the above criteria and that a bank has provided to another bank, financial services institution or financial enterprise which is not consolidated with the bank for regulatory purposes are subtracted in equal portions from the bank's Tier 1 and Tier 2 capital, respectively, subject to certain de minimis exemptions. The same deduction applies for capital components that meet requirements similar to the foregoing under German insurance law and that a bank has provided to an insurance, reinsurance or insurance holding company, if the bank holds a direct or indirect participation in such other company, or holds (directly or indirectly) 20 % or more of the capital or voting rights of such other company. No such deduction is required if the bank and the relevant company form part of a financial conglomerate *(Finanzkonglomerat)*.

For capital adequacy purposes, regulatory banking capital is subject to certain modifications ("modified available regulatory banking capital"). In particular, the following amounts are deducted in equal portions from the bank's Tier 1 and Tier 2 capital:

- If the bank is using an IRBA (like Deutsche Bank AG), the amount by which the expected loss for exposures to central governments, institutions and corporate and retail exposures as measured under the bank's IRBA model exceeds the amount of value adjustments and provisions for such exposures. If the amount of the expected loss is less than the amount of such fair value adjustments and provisions, the difference is added to the bank's Tier 2 capital.
- If the bank is using an IRBA, the expected losses for certain equity exposures.
- Securitization positions to which the Solvency Regulation assigns a risk-classification multiplier of 1,250 % and which have not been taken into account when calculating the risk-weighted position for securitizations.
- Claims for delivery or payment of securities which have not been settled within five business days and which relate to transactions allocated to the bank's trading book.

Market Risk and Available Tier 3 Capital

Market price positions are measured pursuant to standard methods for each category as set forth in the Solvency Regulation. Banks may instead use an internal risk model, if the BaFin approves the respective model. Deutsche Bank uses an internal model to measure market risk.

Under the Solvency Regulation, at the close of each business day, a bank's total net risk-weighted market price risk positions must not exceed the sum of:

- the bank's modified available regulatory banking capital reduced by the amounts used to cover capital requirements for counterparty risk and operational risk; and
- the bank's available Tier 3 capital.

Tier 3 capital consists of (i) net profits which would result from closing all trading book positions at the end of a given day minus all foreseeable expenses and distributions and minus losses resulting from the banking book which would likely arise upon a liquidation of the bank, unless such losses must be deducted from the bank's regulatory banking capital pursuant to an order of the BaFin, (ii) subordinated debt with a minimum term of two years and the right of the bank to suspend payment of interest and principal if such payment were to result in a breach of the own funds requirements applicable to the bank, and (iii) positions not included in the bank's Tier 2 capital because the amount of Tier 2 capital would otherwise exceed the bank's Tier 1 capital, or the total amount of long-term subordinated debt would otherwise exceed 50 % of the bank's Tier 1 capital.

These items generally qualify as Tier 3 capital only up to an amount which, together with the Tier 2 capital not required to cover counterparty risks and operational risks, does not exceed 250 % of the core capital not required to cover risks arising from the banking book and operational risks.

Limitations on Large Exposures

The Banking Act and the Large Exposure Regulation *(Großkredit- und Millionenkreditverordnung)* limit a bank's concentration of credit risks through restrictions on large exposures *(Großkredite)*. All exposures to a single customer (and customers connected with it) are aggregated for these purposes.

An exposure incurred in the banking book that equals or exceeds 10 % of the bank's regulatory banking capital constitutes a banking book large exposure. A banking book and trading book exposure taken together that equals or exceeds 10 % of the bank's own funds constitutes an aggregate book large exposure. No large exposure may exceed 25 % of the bank's regulatory banking capital or own funds, as applicable. Where the exposure is to affiliates of the bank that are not consolidated for regulatory purposes the limit is 20 %.

In addition, the total of all banking book large exposures must not exceed eight times the bank's regulatory banking capital, and the total of all aggregate book large exposures must not exceed in the aggregate eight times the bank's own funds.

A bank may exceed these ceilings only with the approval of the BaFin and subject to increased capital requirements for the amount of the large exposure that exceeds the ceiling.

Furthermore, total trading book exposures to a single customer (and customers affiliated with it) must not exceed five times the bank's own funds that are not required to meet the capital adequacy requirements with respect to the banking book. Total trading book exposures to a single customer (and customers affiliated with it) in excess of the aforementioned limit are not permitted.

Consolidated Regulation and Supervision

The Banking Act's provisions on consolidated supervision require that each group of institutions *(Institutsgruppe)* taken as a whole complies with the requirements on capital adequacy and the limitations on large exposures described above. A group of institutions generally consists of a domestic bank or financial services institution, as the parent company, and all other banks, financial services

institutions, financial enterprises and bank service enterprises in which the parent company holds more than 50 % of the capital or voting rights or on which the parent company can otherwise exert a controlling influence. Special rules apply to joint venture arrangements that result in the joint management of another bank, financial services institution, financial enterprise or bank service enterprise by a bank and one or more third parties.

Financial groups which offer services and products in various financial sectors (banking and securities business, insurance and reinsurance business) are subject to supplementary supervision as a financial conglomerate *(Finanzkonglomerat)* once certain thresholds have been exceeded. The supervision on the level of the conglomerate is exercised by the BaFin. It comprises requirements regarding own funds, risk concentration, risk management, transactions within the group and organizational matters.

Following the acquisition of Abbey Life Assurance Company Limited, the amount of assets held by Deutsche Bank Group and attributed to the insurance sector exceeds € 6 billion. In November 2007, the BaFin therefore determined that Deutsche Bank is a financial conglomerate. The main effect of this determination is that Deutsche Bank must report to the BaFin and the Bundesbank capital adequacy requirements and risk concentrations also on a conglomerate level. In addition, Deutsche Bank is required to report significant conglomerate internal transactions. After determination of the applicable calculation method by the BaFin, the first capital adequacy calculation for the financial conglomerate was performed in 2008.

Liquidity Requirements

The Banking Act requires German banks and certain financial services institutions to invest their funds so as to maintain adequate liquidity at all times. The Liquidity Regulation *(Liquiditätsverordnung)* issued by the BaFin with effect from January 1, 2007 is based on a comparison of the remaining terms of certain assets and liabilities. It requires maintenance of a ratio *(Liquiditätskennzahl* or "liquidity ratio") of liquid assets to liquidity reductions expected during the month following the date on which the ratio is determined of at least one. The Liquidity Regulation also allows banks and financial services institutions subject to it to use their own methodology and procedures to measure and manage liquidity risk if the BaFin has approved such methodology and procedures. The liquidity ratio and estimated liquidity ratios for the next eleven months must be reported to the BaFin on a monthly basis. The liquidity requirements do not apply on a consolidated basis.

Financial Statements and Audits

As required by the German Commercial Code *(Handelsgesetzbuch)*, Deutsche Bank AG prepares its non-consolidated financial statements in accordance with German GAAP and its consolidated financial statements in accordance with International Financial Reporting Standards, or IFRS. Until December 31, 2006 Deutsche Bank AG prepared its consolidated financial statements in accordance with U. S. GAAP as then permitted by the German Commercial Code.

Since Deutsche Bank AG has waived the application of capital adequacy requirements and large exposure limits on an unconsolidated basis beginning January 1, 2007, the Bank's compliance with such requirements is determined solely on a consolidated basis pursuant to consolidated financial statements prepared in accordance with IFRS.

Under German law, Deutsche Bank AG and Deutsche Bank Group are required to be audited annually by a certified public accountant *(Wirtschaftsprüfer)*. The accountant is appointed at the general meeting. However, the supervisory board mandates the accountant and supervises the audit. The BaFin must be informed of and may reject the accountant's appointment.

The Banking Act requires that a bank's auditor informs the BaFin of any facts that come to the accountant's attention which would lead it to refuse to certify or to limit its certification of the bank's annual financial statements or which would adversely affect the financial position of the bank. The auditor is also required to notify the BaFin in the event of a material breach by management of the articles of association or of any other applicable law.

The auditor is required to prepare a detailed and comprehensive annual audit report *(Prüfungsbericht)* for submission to the bank's supervisory board, the BaFin and the Bundesbank.

Reporting Requirements

The BaFin and the Bundesbank require German banks to file comprehensive information in order to monitor compliance with the Banking Act and other applicable legal requirements and to obtain information on the financial condition of banks.

Internal Audit

The Banking Act requires each German bank to have an effective and independent internal audit function. Internal audits are risk-based, conducted regularly and designed to provide independent reasonable assurance regarding the adequacy of the systems of internal controls of the activities and processes of the bank.

Banks are also required to have a written plan of organization that sets forth the responsibilities of the employees and operating procedures. The bank's internal audit department is required to monitor compliance with the plan.

Enforcement of Banking Regulations; Investigative Powers

Investigations and Official Audits

The BaFin conducts audits of banks on a random basis, as well as for cause. The BaFin is also responsible for auditing internal risk models used by a bank for regulatory purposes. It may require a bank to furnish information and documents in order to ensure that the bank is complying with the Banking Act and applicable regulations. The BaFin may conduct investigations without having to state a reason therefor.

The BaFin may also conduct investigations at a foreign entity that is part of a bank's group for regulatory purposes. Investigations of foreign entities are limited to the extent that the law of the jurisdiction where the entity is located restricts such investigations.

The BaFin may attend meetings of a bank's supervisory board and general meetings. It also has the authority to require that such meetings be convened.

Enforcement Powers

The BaFin has a wide range of enforcement powers in the event it discovers any irregularities. It may remove the bank's managers from office, transfer their responsibilities in whole or in part to a special commissioner or prohibit them from exercising their current managerial capacities. If a bank's own funds are inadequate or if a bank does not meet the liquidity requirements and the bank fails to remedy the deficiency within a certain period, then the BaFin may prohibit or restrict the bank from distributing profits or extending credit. This prohibition also applies to the parent bank of a group of institutions in the event that the own funds of the group are inadequate on a consolidated basis. If a bank fails to meet the liquidity requirements, the BaFin may also prohibit the bank from making further investments in illiquid assets. The BaFin may also order a bank to adopt measures to contain risks if such risks result from particular types of transactions or systems used by the bank.

If a bank is in danger of defaulting on its obligations to creditors, the BaFin may take emergency measures to avert default. These emergency measures may include:

- issuing instructions relating to the management of the bank;
- prohibiting the acceptance of deposits and the extension of credit;
- ordering that certain measures to reduce risks are taken;
- prohibiting or restricting the bank's managers from carrying on their functions; and

- appointing supervisors.

If these measures are inadequate, the BaFin may revoke the bank's license and, if appropriate, order the closure of the bank.

To avoid the insolvency of a bank, the BaFin may prohibit payments and disposals of assets, close the bank's customer services, and prohibit the bank from accepting any payments other than payments of debts owed to the bank. Only the BaFin may file an application for the initiation of insolvency proceedings against a bank.

Violations of the Banking Act may result in criminal and administrative penalties.

In response to the current crisis on the financial markets, proposals are discussed to enhance the BaFin's enforcement powers. One proposal is to empower the BaFin to instruct a bank that is in danger of defaulting on its obligations to increase its capital by issuing common stock to the newly created Financial-Market Stabilization Fund *(Sonderfonds Finanzmarktstabilisierung)* notwithstanding any shareholder resolutions to the contrary.

Deposit Protection in Germany

The Deposit Guarantee Act

The Law on Deposit Insurance and Investor Compensation *(Einlagensicherungs- und Anlegerentschädigungsgesetz,* the Deposit Guarantee Act) provides for a mandatory deposit insurance system in Germany. It requires that each German bank participate in one of the licensed government-controlled investor compensation institutions *(Entschädigungseinrichtungen).* The investor compensation institutions are supervised by the BaFin. *Entschädigungseinrichtung deutscher Banken GmbH* acts as the investor compensation institution for private sector banks such as Deutsche Bank AG.

The investor compensation institutions collect and administer the contributions of the member banks and settle the compensation claims of investors in accordance with the Deposit Guarantee Act. In the event a bank's financial condition leaves the bank permanently unable to repay deposits or perform its obligations under securities transactions, and the BaFin has published its determination to that effect, the Deposit Guarantee Act authorizes creditors of the bank to make claims against the bank's investor compensation institution. Certain entities, such as banks, financial institutions *(Finanzinstitute)*, insurance companies, investment funds, the Federal Republic of Germany, the German federal states, municipalities and medium-sized and large corporations, are not eligible to make such claims.

Investor compensation institutions are liable only for obligations resulting from deposits and securities transactions that are denominated in euro or the currency of a contracting state to the Agreement on the European Economic Area. Investor compensation institutions are not liable for obligations represented by instruments in bearer form or negotiable by endorsement. Investor compensation institutions' liabilities for failed banks are limited to 90 % of the aggregate value of each creditor's deposits with the bank and to 90 % of the aggregate value of obligations arising from securities transactions. The maximum liability of an investor compensation institution to any one creditor is limited to € 20,000. In February 2009, the Federal government introduced a bill to amend the Deposit Guarantee Act by raising the limit to € 50,000 from June 30, 2009 onwards and to € 100,000 from December 31, 2010, onwards and to provide for 100 % coverage within these limits. This amendment will transpose a European directive expected to be passed this spring.

Banks are obliged to make annual contributions to the investor compensation institution in which they participate. An investor compensation institution must levy special contributions on the banks participating therein or take up loans, whenever it is necessary to settle compensation claims by such institution in accordance with the Deposit Guarantee Act. There is no absolute limit on such special contributions. The investor compensation institution may exempt a bank from special contributions in whole or in part if full payments of such contributions are likely to render such bank unable to repay its deposits or perform its obligations under securities transactions. The amount of such contribution will then be added proportionately to the special contributions levied on the other participating banks.

Voluntary Deposit Protection System

Liabilities to creditors that are not covered under the Deposit Guarantee Act may be covered by one of the various protection funds set up by the banking industry on a voluntary basis. Deutsche Bank AG takes part in the Deposit Protection Fund of the Association of German Banks *(Einlagensicherungsfonds des Bundesverbandes deutscher Banken e.V.)*. The Deposit Protection Fund covers liabilities to customers up to an amount equal to 30 % of the bank's core capital and supplementary capital (to the extent that supplementary capital does not exceed 25 % of core capital). Liabilities to other banks and other specified institutions, obligations of banks represented by instruments in bearer form and covered bonds in registered form *(Namenspfandbriefe)* are not covered. To the extent the Deposit Protection Fund makes payments to customers of a bank, it will be subrogated to their claims against the bank.

Banks that participate in the Deposit Protection Fund make regular contributions to the fund based on their liabilities to customers, and may be required to make special contributions up to the amount of their regular contributions to the extent requested by the Deposit Protection Fund to enable it to fulfill its purpose. If one or more German banks are in financial difficulties, Deutsche Bank may therefore participate in their restructuring even where Deutsche Bank has no business relationship or strategic interest, in order to avoid making special contributions to the Deposit Protection Fund in case of an insolvency of such bank or banks, or Deutsche Bank may be required to make such special contributions.

Regulation and Supervision in the European Economic Area

Since 1989 the European Union enacted a number of Directives to create a single European Union-wide market with almost no internal barriers on banking and financial services. The Agreement on the European Economic Area extends this single market to Iceland, Liechtenstein and Norway. Within this market Deutsche Bank AG's branches generally operate under the so-called "European Passport." Under the European Passport, Deutsche Bank AG's branches are subject to regulation and supervision primarily by the BaFin. The authorities of the host country are responsible for the regulation and supervision of the liquidity requirements and the financial markets of the host country. They also retain responsibility for the provision of securities services within the territory of the host country.

Regulation and Supervision in the United States

The operations of Deutsche Bank are subject to extensive federal and state banking and securities regulation and supervision in the United States. Deutsche Bank engages in U.S. banking activities directly through its New York branch. The Company also controls U.S. banking subsidiaries, including Deutsche Bank Trust Company Americas ("DBTCA"), and U.S. broker-dealers, such as Deutsche Bank Securities Inc., U.S. nondepositary trust companies and nonbanking subsidiaries.

Regulatory Authorities

Deutsche Bank AG and Taunus Corporation, its wholly owned subsidiary, are bank holding companies under the U.S. Bank Holding Company Act of 1956, as amended (the Bank Holding Company Act), by virtue of, among other things, their ownership of DBTCA. As a result, Deutsche Bank and its U.S. operations are subject to regulation, supervision and examination by the Federal Reserve Board as its U.S. "umbrella supervisor".

DBTCA is a New York state-chartered bank and a member of the Federal Reserve System, and its deposits are insured by the Federal Deposit Insurance Corporation (the FDIC). As such, DBTCA is subject to regulation, supervision and examination by the Federal Reserve System and the New York State Banking Department and to relevant FDIC regulation. Deutsche Bank Trust Company Delaware is a Delaware state-chartered bank which is not a member of the Federal Reserve System. As a state non-member bank the deposits of which are insured by the FDIC, it is subject to regulation, supervision and examination by the FDIC and the Office of the State Bank Commissioner of Delaware. Deutsche Bank AG's New York branch is supervised by the Federal Reserve System and the New York State Banking Department, but its deposits are not insured (or eligible to be insured) by the FDIC.

Deutsche Bank's federally-chartered nondeposit trust companies are subject to regulation, supervision and examination by the Office of the Comptroller of the Currency. Certain of the Bank's subsidiaries are also subject to regulation, supervision and examination by state banking regulators of certain states in which Deutsche Bank conducts banking operations, including New Jersey.

Restrictions on Activities

As described below, federal and state banking laws and regulations restrict the ability of Deutsche Bank to engage, directly or indirectly through subsidiaries, in activities in the United States.

Deutsche Bank is required to obtain the prior approval of the Federal Reserve Board before directly or indirectly acquiring the ownership or control of more than 5% of any class of voting shares of U.S. banks, certain other depository institutions, and bank or depository institution holding companies. Under the Bank Holding Company Act and Federal Reserve Board regulations, U.S. banking operations of Deutsche Bank (including its New York branch and DBTCA) are also restricted from engaging in certain "tying" arrangements involving products and services.

The Bank's two U.S. insured bank subsidiaries are subject to requirements and restrictions under federal and state law, including requirements to maintain reserves against deposits, restrictions on the types and amounts of loans that may be made and the interest that may be charged thereon, and limitations on the types of investments that may be made and the types of services that may be offered. Various consumer laws and regulations also affect the operations of these subsidiaries.

Under U.S. law, the Company's activities and those of its subsidiaries are generally limited to the business of banking, managing or controlling banks, and other activities that the Federal Reserve Board has determined to be a proper incident to banking or managing or controlling banks. Following the Gramm-Leach Bliley Act of 1999 (the GLB Act), however, qualifying bank holding companies and foreign banks that become financial holding companies may engage in a substantially broader range of nonbanking activities in the United States, including securities, merchant banking, insurance and other financial activities, in many cases, without prior notice to, or approval from, the Federal Reserve Board or any other U.S. banking regulator. The Company became a financial holding company in March 2000 and, so long as the Company maintains that designation, it is able to engage in this broader range of activities. As a non-U.S. bank, the Company is generally authorized under the Bank Holding Company Act and Federal Reserve Board regulations to acquire a non-U.S. company engaged in nonfinancial activities provided that the company's U.S. operations do not exceed thresholds specified in Federal Reserve Board regulations and certain other conditions are met. In addition, under the merchant banking authority granted by the GLB Act and Federal Reserve Board regulations, the Company and its nonbank subsidiaries may, as a general matter, invest in companies that engage in activities that are not financial in nature, as long as the Company limits the duration of the investment to ten (and, in certain cases, fifteen) years, does not routinely manage any such portfolio company and does not engage in any cross-marketing with the Bank's U.S. branch or bank subsidiaries.

The Company's status as a financial holding company, and resulting ability to engage in the broader range of activities permitted under the GLB Act, is dependent on Deutsche Bank AG and its two insured U.S. depository institutions remaining "well capitalized" and "well managed" (as defined by Federal Reserve Board regulations) and upon the Company's insured U.S. depository institutions meeting certain requirements under the Community Reinvestment Act. In order to meet the "well capitalized" test, the Company and its U.S. depository institutions are required to maintain capital ratios comparable to those of a well-capitalized U.S. bank, including a Tier 1 risk-based capital ratio of at least 6% and a total risk-based capital ratio of at least 10%. If the Company or one of its U.S. depository institutions cease to be well-capitalized or well-managed, or otherwise fails to meet any of the requirements for financial holding company status, then, depending on which requirement it failed to meet, Deutsche Bank may be required to discontinue activities and investments authorized under the GLB Act or terminate its U.S. banking operations.

Pursuant to Supervision and Regulation Letter No. 01-01 (SR 01-01), issued in 2001 by the Federal Reserve Board's Division of Banking Supervision and Regulation, Taunus Corporation, as the top-tier U.S. bank holding company subsidiary of Deutsche Bank AG, is not required to comply with capital adequacy guidelines generally made applicable to U.S. banking organizations by the Federal Reserve

Board, as long as Deutsche Bank AG remains a financial holding company that the Federal Reserve Board continues to regard as well capitalized and well managed. Because Taunus Corporation is able to fund its subsidiaries via its parent, it does not maintain stand-alone capital. Therefore, should Deutsche Bank AG cease to be well capitalized or well managed, and should Taunus Corporation thereby (or otherwise because of change in Federal Reserve Board policy) become subject to U.S. capital guidelines, Deutsche Bank would have to restructure its U.S. activities. The extent of such restructuring, and the adverse effects that it would have on the financial condition and operations of Deutsche Bank, cannot be estimated at this time.

The GLB Act and Federal Reserve Board regulations contain other provisions that could affect the Bank's operations and the operations of all financial institutions. One of these provisions requires Deutsche Bank to disclose its privacy policy to consumers and to offer them the ability to opt out of having their non-public information disclosed to third parties. In addition, individual states are permitted to adopt more extensive privacy protections through legislation or regulation.

The so-called "push-out" provisions of the GLB Act also narrow the exclusion of banks (including U.S. branches of foreign banks, such as the Company's New York branch) from the definitions of "broker" and "dealer" under the Securities Exchange Act of 1934. The rules narrowing the exclusion of banks from the definition of "dealer" became effective on September 30, 2003 and those narrowing the exclusion of banks from the definition of "broker" became effective for Deutsche Bank on January 1, 2009. As a result of these rules, certain securities activities conducted by DBTCA and the Company's New York branch have been restructured or transferred to one or more U.S. registered broker-dealer subsidiaries.

In addition, under U.S. federal banking laws, state-chartered banks (such as DBTCA) and state-licensed branches and agencies of foreign banks (such as the Company's New York branch) may not, as a general matter, engage as a principal in any type of activity not permissible for their federally chartered or licensed counterparts, unless (i) in the case of state-chartered banks (such as DBTCA), the FDIC determines that the additional activity would pose no significant risk to the FDIC's Deposit Insurance Fund and is consistent with sound banking practices, and (ii) in the case of state licensed branches and agencies (such as the Company's New York branch), the Federal Reserve Board determines that the additional activity is consistent with sound banking practices. United States federal banking laws also subject state branches and agencies to the same single-borrower lending limits that apply to federal branches or agencies, which are substantially similar to the lending limits applicable to national banks. These single-borrower lending limits are based on the worldwide capital of the entire foreign bank (*i.e.*, Deutsche Bank AG in the case of its New York branch).

Under the International Banking Act of 1978, as amended, the Federal Reserve Board may terminate the activities of any U.S. office of a foreign bank if it determines that the foreign bank is not subject to comprehensive supervision on a consolidated basis in its home country (unless the home country is making demonstrable progress toward establishing such supervision), or that there is reasonable cause to believe that such foreign bank or its affiliate has violated the law or engaged in an unsafe or unsound banking practice in the United States and, as a result of such violation or practice, the continued operation of the U.S. office would be inconsistent with the public interest or with the purposes of federal banking laws.

There are various legal restrictions on the extent to which the Company and its nonbank subsidiaries can borrow or otherwise obtain credit from the Company's U.S. banking subsidiaries or engage in certain other transactions involving those subsidiaries. In general, these transactions must be on terms that would ordinarily be offered to unaffiliated entities and must be secured by designated amounts of specified collateral. In addition, certain transactions, such as certain extensions of credit by a U.S. bank subsidiary to, or purchases of assets by such a subsidiary from, the Bank or its nonbank subsidiaries are subject to volume limitations. These restrictions also apply to certain transactions of the Company's New York Branch with the Bank's U.S. broker-dealer and certain of its other affiliates.

New York Branch

The Bank's New York branch is licensed by the New York Superintendent of Banks to conduct a commercial banking business. Under the New York State Banking Law and regulations, the Bank's New

York branch is required to maintain eligible high-quality assets with banks in the State of New York, as security for the protection of depositors and certain other creditors. In the case of foreign banking corporations that have been designated as "well-rated" by the New York State Superintendent of Banks, as the Bank's New York branch has been, the amount of assets required to be pledged is determined on the basis of sliding scale, whereby the amount required to be pledged as a percentage of third-party liabilities decreases from 1% to 0.25% as such liabilities increase from U.S.$ 1 billion or less to more than U.S.$ 10 billion (up to a maximum of U.S.$ 100 million of assets pledged). Should the Bank's New York Branch cease to be "well-rated" by the New York State Superintendent of Banks Deutsche Bank may need to maintain substantial additional amounts of eligible assets with banks in the State of New York.

The New York State Banking Law also empowers the Superintendent of Banks to establish asset maintenance requirements for branches of foreign banks, expressed as a percentage of each branch's liabilities. The presently designated percentage is 0%, although the Superintendent may impose additional asset maintenance requirements upon individual branches on a case-by-case basis. No such requirement has been imposed upon the Company's New York branch.

The New York State Banking Law authorizes the Superintendent of Banks to take possession of the business and property of a New York branch of a foreign bank under circumstances involving violation of law, conduct of business in an unsafe manner, impairment of capital, suspension of payment of obligations, or initiation of liquidation proceedings against the foreign bank at its domicile or elsewhere. In liquidating or dealing with a branch's business after taking possession of a branch, only the claims of creditors which arose out of transactions with a branch are to be accepted by the Superintendent of Banks for payment out of the business and property of the foreign bank in the State of New York, without prejudice to the rights of the holders of such claims to be satisfied out of other assets of the foreign bank. After such claims are paid, the Superintendent of Banks will turn over the remaining assets, if any, to the foreign bank or its duly appointed liquidator or receiver.

Under the New York State Banking Law, the Company's New York branch is generally subject to the same limits on lending to a single borrower, expressed as a ratio of capital, that apply to a New York state-chartered bank, except that for the Company's New York branch such limits are based on Deutsche Bank's worldwide capital.

Deutsche Bank Trust Company Americas

DBTCA, like other FDIC-insured banks, is required to pay assessments to the FDIC for deposit insurance under the FDIC's Deposit Insurance Fund (calculated using a risk-based assessment system adopted by the FDIC pursuant to regulations that became effective January 1, 2007). These assessments can currently vary between 12 to 14 basis points for well managed and well capitalized banks, and are based on the examination rating accorded a bank by its primary federal regulator (the Federal Reserve Board in the case of DBTCA) and, in certain cases, the bank's long-term debt ratings established by nationally recognized statistical rating organizations. The FDIC has recently finalized proposed changes to the risk-based assessment scale designed to make the assessment system more risk sensitive. The new assessment rules which became effective on April 1, 2009, provide for an expanded range of assessments and alter the way the FDIC differentiates for risk in the system. The FDIC projects an overall average assessment rate for FDIC insured institutions of 15.4 basis points beginning in April 2009 and intends to impose special assessments in 2009 in light of losses incurred by the Deposit Insurance Fund on account of current financial market conditions. In 2008, the FDIC's deposit insurance was temporarily increased from U.S.$ 100,000 to U.S.$ 250,000 per depositor through December 31, 2009.

The Federal Deposit Insurance Corporation Improvement Act of 1991 (referred to as FDICIA) provides for extensive regulation of depository institutions (such as DBTCA and its direct and indirect parent companies), including requiring federal banking regulators to take "prompt corrective action" with respect to FDIC-insured banks that do not meet minimum capital requirements. For this purpose, FDICIA establishes five tiers of institutions: "well capitalized", "adequately capitalized", "undercapitalized", "significantly undercapitalized" and "critically undercapitalized". As an insured bank's capital level declines and the bank falls into lower categories (or if it is placed in a lower category by the discretionary action of its supervisor), greater limits are placed on its activities and federal banking regulators are authorized (and, in many cases, required) to take increasingly more stringent supervi-

sory actions, which could ultimately include the appointment of a conservator or receiver for the bank (even if it is solvent). In addition, FDICIA generally prohibits an FDIC-insured bank from making any capital distribution (including payment of a dividend) or payment of a management fee to its holding company if the bank would thereafter be undercapitalized. If an insured bank becomes "undercapitalized", it is required to submit to federal regulators a capital restoration plan guaranteed by the bank's holding company. The guarantee is limited to 5% of the bank's assets at the time it becomes undercapitalized or, should the undercapitalized bank fail to comply with the plan, the amount of the capital deficiency at the time of failure, whichever is less. If an undercapitalized bank fails to submit an acceptable plan, it is treated as if it were "significantly undercapitalized". Significantly undercapitalized banks may be subject to a number of restrictions, including requirements to sell sufficient voting stock to become adequately capitalized, requirements to reduce total assets and restrictions on accepting deposits from correspondent banks. "Critically undercapitalized" depository institutions are subject to appointment of a receiver or conservator. Since the enactment of FDICIA, both of the Company's U.S. insured banks have been categorized as "well capitalized" under Federal Reserve Board regulations.

DBTCA and its sister bank, Deutsche Bank Trust Company Delaware, participate in the FDIC's Temporary Liquidity Guarantee Program, and particularly, the Transaction Account Guarantee Program thereunder, pursuant to which the FDIC guarantees certain noninterest-bearing transaction accounts. Under the Transaction Account Guarantee Program, eligible non-interest-bearing transaction accounts are fully guaranteed by the FDIC for the entire amount in the account until December 1, 2009. Institutions participating in the Transaction Account Guarantee Program are assessed a supplemental premium on balances exceeding the $250,000 per-customer limit for deposit insurance.

It is not possible to predict the potential financial impact on Deutsche Bank of any U.S. banking and financial sector-related regulatory changes that may be made as a result of current financial market conditions. U.S. competitors of Deutsche Bank have access to funds from the Troubled Asset Repurchase Program (TARP). Because the Company is a non-U.S. banking organization, the Company and its U.S. subsidiaries are not eligible to participate in the Capital Purchase Program under TARP.

Other

In the United States, U.S.-registered broker-dealers of Deutsche Bank are regulated by the Securities and Exchange Commission. Broker-dealers are subject to regulations that cover all aspects of the securities business, including:

- sales methods;
- trade practices among broker-dealers;
- use and safekeeping of customers' funds and securities;
- capital structure;
- recordkeeping;
- the financing of customers' purchases; and
- the conduct of directors, officers and employees.

In addition, the Company's principal U.S. SEC-registered broker-dealer subsidiary, Deutsche Bank Securities Inc., is a member of and regulated by the New York Stock Exchange and is regulated by the individual state securities authorities in the states in which it operates. The U.S. government agencies and self-regulatory organizations, as well as state securities authorities in the United States having jurisdiction over Deutsche Bank's U.S. broker-dealer affiliates, are empowered to conduct administrative proceedings that can result in censure, fine, the issuance of cease-and-desist orders or the suspension or expulsion of a broker-dealer or its directors, officers or employees.

MAJOR SHAREHOLDERS

The German Securities Trading Act requires holders of voting rights in a listed stock corporation to notify the respective corporation and the Federal Financial Supervisory Authority *(Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin)* without undue delay, and no later than within four trading days, of the level of their holdings if they reach certain thresholds (see "*Description of Deutsche Bank AG's Share Capital – Shareholding Notification Requirements – Disclosure of Interests in a Listed Stock Corporation*"). The minimum threshold triggering a notification requirement is 3% of the voting share capital.

On the basis of the shareholding notifications received by the Bank (as of April 1, 2009), the following shareholders hold a significant interest *(i.e.,* an interest of at least 3% of the voting share capital) in Deutsche Bank AG: Deutsche Post AG (8.05%), AXA S.A. Group, Paris (4.58%) and Credit Suisse Group, Zurich (through financial instruments) (3.54%).

Shareholder	Number of Shares[1]	Percentage of Voting Rights[2]
Deutsche Post AG (Bonn, Germany)	50,000,000	8.05%
Credit Suisse Group (Zurich, Switzerland)[3]	22,001,896	3.54%
AXA S.A. Group (Paris, France)	28,445,869	4.58%

1 Number of shares according to the shareholding notifications received by the Bank as of (April 1), 2009.
2 Calculated on the basis of the Bank's 620,859,015 shares outstanding on the date of this Registration Document.
3 Directly or indirectly via financial instruments which entitle to the acquisition of Deutsche Bank AG shares.

Each share of the Bank confers one vote at the General Meeting. Pursuant to German law and the Bank's Articles of Association, to the extent that the Bank may have major shareholders at any time, it may not grant them voting rights different from any of the other shareholders.

DESCRIPTION OF DEUTSCHE BANK AG'S SHARE CAPITAL

The following overview presents information regarding the Bank's share capital as well as certain provisions of the Bank's Articles of Association and of German law.

Share Capital and Shares

As of the date of this Registration Document, the Bank's share capital amounts to € 1,589,399,078.40 and is divided into 620,859,015 no par value ordinary registered shares, each representing a notional par value of € 2.56 in the Bank's share capital and carrying full dividend rights as from January 1, 2008.

All shares are fully paid up. Each share confers one vote at the Bank's General Meeting. There are no restrictions on voting rights.

According to the Articles of Association, all shares of the Bank are issued in the form of registered shares. Shareholders are required to notify the Bank for registration in the share register in particular, where natural persons are concerned, their name, their address as well as their date of birth or, where legal persons are concerned, their registered name, their business address and their registered domicile, and in all cases the number of shares they hold. The entry in the Bank's share register constitutes a prerequisite for attending and for exercising voting rights at the General Meeting.

Stock Exchange Listing

The Bank's shares, except for the 50,000,000 new shares issued on March 6, 2009, have been admitted to the regulated market *(Regulierter Markt)* and the sub-segment of the regulated market with additional obligations arising from admission (Prime Standard) of the Frankfurt Stock Exchange *(Frankfurter Wertpapierbörse)* as well as to the regulated market of the six other German stock exchanges (Berlin, Düsseldorf, Hamburg, Hanover, Munich and Stuttgart). In addition, the Bank's shares, except for the new shares, are listed on the New York Stock Exchange. The Bank expects the new shares issued on March 6, 2009 to be included in the existing listings of its shares on the German stock exchanges and the New York Stock Exchange in April 2009.

Transferability of Shares

The transferability of the Bank's shares is not restricted by law or the Bank's Articles of Association.

Development of the Share Capital since 2006

As of January 1, 2006, the Bank's registered share capital amounted to € 1,392,266,869.76 and was divided into 543,854,246 ordinary registered shares with no par value. Since January 1, 2006, the Bank's registered share capital has developed as follows:

- On February 15, 2006, the Bank's registered share capital was adjusted to € 1,419,610,291.20 to reflect the issuance of 10,681,024 ordinary registered shares out of the Bank's conditional capital in the year 2005 to employees or members of management of the Bank and its affiliates.
- Also on February 15, 2006, the Bank's registered share capital was reduced by € 102,400,000.00 to € 1,317,210,291.20 through the cancellation of 40,000,000 shares by resolution of the Management Board dated January 24, 2006 with the consent of the Supervisory Board as of 1 February 2006 and based on corresponding authorizations of the General Meeting dated June 2, 2004 and May 1, 2005, respectively.
- On April 27, 2007, the Bank's registered share capital was adjusted to € 1,343,406,103.04 to reflect the issuance of 10,232,739 ordinary registered shares out of the Bank's conditional capital in the year 2006 to employees or members of management of the Bank and its affiliates.

- On February 14, 2008, the Bank's registered share capital was adjusted to € 1,357,824,256.00 to reflect the issuance of 5,632,091 ordinary registered shares out of the Bank's conditional capital in the year 2007 to employees or members of management of the Bank and its affiliates.
- By resolution of the Management Board dated September 22, 2008, and with the consent of the Chairman's Committee of the Supervisory Board dated September 22, 2008, the Bank's share capital was increased by € 102,400,000.00, through the use of authorized capital created by the General Meeting in 2004 and the partial use of authorized capital created by the General Meeting in 2007, by issuing 40,000,000 ordinary registered shares out of the Bank's authorized capital against cash payments. The shares were sold to institutional investors. The implementation of the capital increase was registered with the commercial register on September 23, 2008. Following this capital increase, the Bank's registered share capital amounted to € 1,460,224,256.00, divided into 570,400,100 ordinary registered shares.
- On February 11, 2009, the Bank's registered share capital was adjusted to € 1,461,399,078.40 to reflect the issuance of 458,915 ordinary registered shares out of the Bank's conditional capital in the year 2008 to employees or members of management of the Bank and its affiliates.
- By resolution of the Management Board of February 23, 2009, and with the consent of the Supervisory Board's Chairman's Committee of February 23, 2009, which had been authorized by resolution of the Supervisory Board of January 14, 2009, the Bank's share capital was increased by € 128,000,000 to € 1,589,399,078.40 through use of the authorized capital created in 2006 by issuing 50,000,000 ordinary registered shares out of the Bank's authorized capital against contribution of 50,000,000 ordinary shares in Deutsche Postbank AG. The shareholders' pre-emptive rights were excluded. The new ordinary registered shares were issued to Deutsche Post AG as consideration for the transfer of shares in Deutsche Postbank AG. The implementation of the capital increase was registered with the commercial register on March 6, 2009. Following this capital increase, the Bank's registered share capital amounts to € 1,589,399,078.40, divided into 620,859,015 ordinary registered shares.

Authorized Capital

The Bank's share capital may be increased by issuing new shares out of authorized capital against cash payments, and in some circumstances against contributions in kind. At the date of this Registration Document, the Bank, pursuant to its Articles of Association, had authorized but unissued share capital in the aggregate amount of € 180,600,000.00 as follows:

- By resolution of the General Meeting dated June 2, 2004, the Management Board is authorized to increase the Bank's share capital on or before April 30, 2009, with the consent of the Supervisory Board, on one or more occasions, by up to a total of € 150,000,000.00 through the issuance of new shares against cash payment. Shareholders are to be granted pre-emptive rights, but the Management Board is authorized to except broken amounts from shareholders' pre-emptive rights and to exclude pre-emptive rights in so far as it is necessary to grant to the holders of warrants, convertible bonds and convertible participatory rights issued by the Bank and its subsidiaries pre-emptive rights to new shares to the extent that they would be entitled to such rights after exercising their option or conversion rights.
- By resolution of the General Meeting dated May 24, 2007, the Management Board is authorized to increase the Bank's share capital on or before April 30, 2012, with the consent of the Supervisory Board, on one or more occasions, by up to a total of € 30,600,000.00 through the issuance of new shares against cash payment. Shareholders are to be granted pre-emptive rights, but the Management Board is authorized to except broken amounts from shareholders' pre-emptive rights and to exclude pre-emptive rights in so far as is necessary to grant to the holders of option rights, convertible bonds and convertible participatory rights issued by the Bank and its subsidiaries pre-emptive rights to new shares to the extent that they would be entitled to such rights after exercising their option or conversion rights. The Management Board is also authorized to exclude the pre-emptive rights in full with the consent of the Supervisory Board if the issue price of the new shares is not significantly lower than the quoted price of the shares already listed at the time of the final determination of the issue price.

In addition, on May 29, 2008, the General Meeting resolved to authorize the Management Board to increase the Bank's share capital on or before April 30, 2013, with the consent of the Supervisory Board, on one or more occasions, by up to a total of € 140,000,000.00 through the issuance of new shares against cash payment or contribution in kind. The resolution provides that shareholders are to be granted pre-emptive rights, but the Management Board is authorized to except broken amounts from shareholders' pre-emptive rights and to exclude pre-emptive rights in so far as is necessary to grant to the holders of option rights, convertible bonds and convertible participatory rights issued by the Bank and its subsidiaries pre-emptive rights to new shares to the extent that they would be entitled to such rights after exercising their option or conversion rights. The resolution also provides that the Management Board is authorized to exclude the pre-emptive rights with the consent of the Supervisory Board, if the capital increase against contribution in kind is carried out in order to acquire companies or shareholdings in companies. The resolution has, however, been contested by shareholders of the Bank. As of the date of this Registration Document, the authorized capital resolved by the General Meeting on May 29, 2008 has not been registered with the commercial register and, therefore, has not yet come into effect.

Moreover, pursuant to the so-called statutory authorized capital set forth in Article 2 Section 3 of the Financial Market Stabilization Act the Management Board, subject to the consent of the Supervisory Board, is authorized by law through December 31, 2009 to increase the Bank's share capital by up to 50% of the Bank's share capital existing as of October 18, 2008 through the issuance of new shares to the German Financial Market Stabilization Fund against consideration. The pre-emptive rights of shareholders are excluded. The German Financial Market Stabilization Fund is a federal special fund *(Sondervermögen des Bundes)* which may, upon application, support financial institutions until December 31, 2009 by implementing stabilization measures.

Conditional Capital

At the date of this Registration Document, the Bank had conditional but unissued share capital in the aggregate amount of € 206,763,087.36 as follows:

- By resolution of the General Meeting dated May 17, 1999, the Bank's share capital is conditionally increased by up to € 3,733,363.20, divided into up to 1,458,345 no par value shares. The conditional capital increase will only be carried out in so far as the holders of the option rights issued on the basis of the share option plan pursuant to the resolution of the General Meeting on May 17, 1999 or in accordance with the resolution of the General Meeting on May 17, 2001 make use of their option rights and the Bank does not fulfill the option rights in either case by transferring own shares or by making a cash payment.
- By resolution of the General Meeting dated May 22, 2002, the Bank's share capital is conditionally increased by up to € 53,029,724.16 through the issue of up to 20,714,736 new no par value shares. The conditional capital increase is intended solely to fulfill option rights of members of the Management Board and executives of the Bank as well as members of the management and executives of related companies which are granted on or before May 20, 2005 on the basis of the authorization by the General Meeting on May 22, 2002. The conditional capital increase will only be carried out to the extent that the holders of the issued option rights make use of their pre-emptive right and the Bank does not fulfill the option rights by transferring own shares or by making a cash payment.
- By resolution of the General Meeting dated June 2, 2004, the Bank's share capital is conditionally increased by up to € 150,000,000.00 through the issuance of up to 58,593,750 new no par value ordinary registered shares. The conditional capital increase will only be carried out in so far as (a) the holders of conversion rights or warrants linked with participatory notes or convertible bonds or bonds with warrants to be issued up to April 30, 2009 by the Bank or a company in which the Bank has a direct or indirect majority holding, make use of their conversion or option rights or in so far as (b) the holders with conversion obligations of convertible participatory notes or convertible bonds to be issued on or before April 30, 2009 by the Bank, or a company in which the Bank has a direct or indirect majority holding, fulfill their obligation to convert.

In addition, on May 29, 2008, the Bank's General Meeting resolved to conditionally increase the Bank's share capital by up to € 150,000,000.00 through the issuance of up to 58,593,750 new no par

value ordinary registered shares. Pursuant to this resolution, the conditional capital increase will only be carried out in so far as (a) the holders of conversion rights or warrants linked with participatory notes or convertible bonds or bonds with warrants to be issued up to April 30, 2013 by the Bank or a company in which the Bank has a direct or indirect majority holding, make use of their conversion or option rights, or (b) the holders with conversion obligations of convertible participatory notes or convertible bonds to be issued on or before April 30, 2013 by the Bank or by companies in which the Bank has a direct or indirect majority holding, fulfill their obligation to convert. The resolution has, however, been contested by shareholders of the Bank. As of the date of this Registration Document, the conditional capital resolved by the General Meeting on May 29, 2008 has not been registered with the commercial register and, therefore, has not yet come into effect.

Convertible Bonds and Bonds with Warrants

At the date of this Registration Document, no convertible bonds or bonds with warrants of the Bank or its subsidiaries are outstanding.

Authorization to Acquire Own Shares

As of March 31, 2009, the Bank held 2,648,839 own shares (not taking into account any trading positions).

On May 29, 2008, the Bank's General Meeting resolved to authorize the Management Board, pursuant to Section 71(1) no. 7 and Section 71(1) no. 8 of the German Stock Corporation Act, to acquire own shares of the Bank. These resolutions, however, have been contested by shareholders of the Bank. As of the date of this Registration Document, the judicial proceedings have not been concluded. In case a final judgment allows the complaint the resolutions would be declared void. So far, the Bank has not acquired any own shares on the basis of the resolutions resolved on May 29, 2008. The resolutions read as follows:

Authorization Pursuant to Section 71(1) no. 7 of the German Stock Corporation Act

The Management Board is authorized pursuant to Section 71(1) no. 7 of the German Stock Corporation Act to buy and sell, for the purpose of securities trading, own shares of the Bank on or before October 31, 2009, at prices which do not exceed or fall short of the average of the share prices (closing auction prices of the Bank's share in Xetra trading and/or in a comparable successor system on the Frankfurt Stock Exchange) on the respective three preceding stock exchange trading days by more than 10 %. In this context, the shares acquired for this purpose may not, at the end of any day, exceed 5 % of the Bank's share capital.

Authorization Pursuant to Section 71(1) no. 8 of the German Stock Corporation Act

The Management Board is authorized pursuant to Section 71(1) no. 8 of the German Stock Corporation Act to buy, on or before October 31, 2009, own shares of the Bank in a total volume of up to 10 % of the share capital. Together with its own shares acquired for trading purposes and/or for other reasons and which are from time to time in the Bank's possession or attributable to the Bank pursuant to Sections 71a *et seq.* of the German Stock Corporation Act, the own shares purchased on the basis of this authorization may not at any time exceed 10 % of the Bank's share capital. The own shares may be bought on a stock exchange or by means of a public purchase offer to all shareholders. The price for the purchase of shares (excluding ancillary purchase costs) on a stock exchange may not exceed by more than 10 % or fall short by more than 20 % of the average of the share prices (closing auction prices of the Bank's share in Xetra trading and/or in a comparable successor system on the Frankfurt Stock Exchange) on the last three stock exchange trading days before the obligation to purchase. In the case of a public purchase offer, it may not exceed by more than 15 % or fall short by more than 10 % of the average of the share prices (closing auction prices of the Bank's share in Xetra trading and/or in a comparable successor system on the Frankfurt Stock Exchange) on the last three stock exchange trading days before the day of publication of the offer. If the volume of shares offered in a

public purchase offer exceeds the planned buy-back volume, acceptance must be in proportion to the shares offered in each case. The preferred acceptance of small quantities of up to 50 of the Bank's shares offered for purchase per shareholder may be provided for.

The Management Board is also authorized to dispose, with the Supervisory Board's consent, of the purchased shares and of any shares purchased on the basis of previous authorizations pursuant to Section 71(1) no. 8 of the German Stock Corporation Act through the stock exchange, by an offer to all shareholders or against contribution in kind with the exclusion of the shareholders' pre-emptive rights for the purpose of acquiring companies or shareholdings in companies. In addition, the Management Board is authorized, in case it disposes of acquired own shares by an offer to all shareholders, to grant to the holders of the warrants, convertible bonds and convertible profit participation rights issued by the Bank pre-emptive rights to the extent that they would be entitled to such rights if they exercised their option and/or conversion rights. Shareholders' pre-emptive rights are excluded in this regard and to this extent. The Management Board has also been authorized to exclude the shareholders' pre-emptive rights insofar as the shares are to be issued for the issue of staff shares to employees and retired employees of the Bank and its affiliates, or insofar as they are to be used to service option rights on and/or rights or obligations to purchase shares of the Bank granted to employees of the Bank and its affiliates.

Furthermore, the Management Board is authorized to sell the shares to third parties against cash payment under exclusion of the shareholders' pre-emptive rights if the purchase price is not substantially lower than the stock exchange price of the shares at the time of sale. This authorization may only be used to the extent that the number of shares sold on the basis of this authorization together with shares issued from authorized capital with the exclusion of shareholders' pre-emptive rights pursuant to Section 186(3) sentence 4 of the German Stock Corporation Act does not exceed 10 % of the Bank's share capital at the time of the issuance and/or sale of shares.

The Management Board has also been authorized to cancel shares acquired on the basis of this authorization without further resolution of the General Meeting.

The Management Board is authorized pursuant to Section 71(1) no. 8 of the German Stock Corporation Act to execute the purchase of shares under the foregoing authorization by using put and call options. Accordingly, the Bank may sell to third parties put options based on physical delivery and buy call options from third parties, provided that the option conditions ensure that such options are fulfilled only with shares which themselves were acquired in compliance with the principle of equal treatment. All share purchases based on put or call options are limited to a maximum volume of 5 % of the actual share capital at the time of the resolution by the General Meeting on this authorization. The maturities of the options must end no later than on October 31, 2009. The purchase price to be paid for the shares upon exercise of the options may not exceed by more than 10 % or fall short by more than 10 % of the average of the share prices (closing auction prices of the Bank's share in Xetra trading and/or in a comparable successor system on the Frankfurt Stock Exchange) on the last three stock exchange trading days before conclusion of the respective option transaction, in each case excluding ancillary purchase costs, but taking into account the option premium received or paid. With regard to the sale and cancellation of shares acquired through derivatives, the foregoing rules established by the General Meeting apply.

General Provisions on Capital Measures

An increase in the Bank's share capital through the issuance of new ordinary shares requires a resolution by the General Meeting adopted with a simple majority of the votes cast and of the share capital represented at the time of the resolution. Furthermore, the Management Board may be authorized by resolution of the General Meeting, subject to the approval of the Supervisory Board, to increase the share capital of the Bank (authorized capital) by issuing shares up to a certain amount within a maximum of five years. In addition, the shareholders, pursuant to the German Stock Corporation Act, may resolve to create conditional capital, but only for the purposes of issuing conversion or subscription rights to holders of convertible bonds, in preparation of a merger with another company, or to issue subscription rights to employees or members of management of the Bank or of an affiliated company (conditional capital increase). Also, the General Meeting may resolve to increase

the share capital by transforming the capital reserves into share capital (capital increase using funds from retained earnings *(Kapitalerhöhung aus Gesellschaftsmitteln)*). Resolutions by the General Meeting regarding the creation of authorized or conditional capital require a simple majority of the votes cast and a majority of at least 75% of the share capital represented at the time of the resolution. A resolution by the General Meeting regarding a capital increase using funds from retained earnings requires a simple majority of the votes cast and of the share capital represented at the time of the resolution.

The total amount of the authorized capital created by the General Meeting may not exceed 50% of the share capital existing at the time the authorized capital was registered in the commercial register. The total amount of the conditional capital created by the General Meeting may not exceed 50% of the share capital existing at the time of the resolution regarding the conditional capital increase. The total amount of the conditional capital for the purpose of granting subscription rights to employees and members of management of the Bank or of an affiliated company may not exceed 10% of the share capital existing at the time of the resolution regarding the conditional capital increase.

General Provisions on Shareholders' Pre-Emptive Rights

Under the German Stock Corporation Act, every shareholder generally has pre-emptive rights corresponding to their existing proportionate participation in the company's share capital regarding the issuance of new shares issued in the context of a capital increase. The same applies with regard to convertible bonds, bonds with warrants, profit participation rights and participation bonds. In general, pre-emptive rights are freely transferable. The pre-emptive rights of the Bank's shareholders may be excluded upon resolution by the General Meeting with a majority of the votes cast and a concurrent majority of at least 75% of the share capital represented at the time of the resolution. Such an exclusion of pre-emptive rights further requires a report by the Management Board setting forth the reasons why the Bank's interest in excluding the pre-emptive rights outweighs the interest of the shareholders in retaining their pre-emptive rights. Under the German Stock Corporation Act, the exclusion of pre-emptive rights with respect to the issuance of new shares is deemed permissible in particular if the Bank increases its share capital against cash payment in an amount not exceeding 10% of the existing share capital and the issue price of the new shares is not materially lower than the stock exchange price of the Bank's existing shares.

General Provisions on Use of Profits and Dividend Distribution

The distribution of dividends on the Bank's shares for a given fiscal year is resolved by the General Meeting of the subsequent fiscal year following a proposal by the Management Board and the Supervisory Board.

Under the German Stock Corporation Act, a resolution regarding dividends and any distribution thereof must be based on a balance sheet profit recorded in the Bank's unconsolidated financial statements. When determining the balance sheet profit available for distribution, net income/loss must be adjusted to account for profit/loss carry-forwards of the previous years, as well as release of or allocation to reserves. Certain reserves are required by law and must be deducted when calculating the amount of balance sheet profit available for distribution.

Under the Bank's Articles of Association, the distributable profit shall be distributed among the shareholders unless the General Meeting determines otherwise. The General Meeting may resolve a non-cash distribution instead of or in addition to a cash dividend. The dividends are to be allocated to the shareholders in proportion to the contribution made on their share in share capital and in proportion to the time which has elapsed since the date fixed for contribution. In the event of new shares being issued, a different dividend entitlement may be established for such shares.

Squeeze-Out of Minority Shareholders

Under the rules of Sections 327a *et seq.* of the German Stock Corporation Act regarding the so-called "squeeze-out", the general meeting of a stock corporation may resolve upon request by a shareholder who holds 95 % of the share capital (majority shareholder) that the shares held by the remaining minority shareholders be transferred to the majority shareholder against payment of adequate cash compensation. The amount of the cash compensation to be granted to the minority shareholders must reflect the situation of the company at the time the resolution is adopted by the general meeting. For the purpose of calculating the compensation amount, the full enterprise value is relevant, which will generally be determined by applying the discounted future earnings method *(Ertragswertmethode)*.

Furthermore, pursuant to the provisions in Sections 39a and 39b of the German Securities Acquisition and Takeover Act *(Wertpapiererwerbs- und Übernahmegesetz, WpÜG)* regarding the so-called "takeover law squeeze-out", a bidder who, following a takeover offer or a mandatory tender offer, holds at least 95 % of the voting share capital of the target company may, within a period of three months following the expiration of the acceptance period, apply to the Regional Court *(Landgericht)* of Frankfurt am Main for a court order to transfer to such bidder the remaining voting shares against payment of adequate compensation. No resolution of the general meeting is required. The consideration granted under the takeover offer or the mandatory tender offer is considered adequate compensation if the bidder, based on such offer, has acquired at least 90 % of the share capital subject to the offer. Furthermore, following a takeover offer or a mandatory tender offer, the shareholders of the target company who did not accept such offer may accept the offer within three months after the expiration of the acceptance period (so-called "sell-out"), provided the bidder is entitled to file an application for the transfer of the remaining voting shares in accordance with Section 39a of the German Securities Acquisition and Takeover Act (Section 39c of the German Securities Acquisition and Takeover Act).

Pursuant to the provisions of Sections 319 *et seq.* of the German Stock Corporation Act regarding the integration *(Eingliederung)* of a subsidiary, the general meeting of a stock corporation may resolve the integration into another company, provided that the future principal company *(Hauptgesellschaft)* holds at least 95 % of the shares of the company to be integrated. The shareholders of the integrated company are entitled to adequate compensation, which is generally to be granted in the form of shares of the principal company. The amount of compensation is to be determined by the so-called merger value ratio *(Verschmelzungswertrelation)* between the companies, *i.e.,* the exchange ratio, which would have to be considered adequate in the event of a merger of the two companies.

Shareholding Notification Requirements

Disclosure of Interests in a Listed Stock Corporation

Disclosure obligations under the German Securities Trading Act

The German Securities Trading Act *(Wertpapierhandelsgesetz, WpHG)* provides that any shareholder whose voting interest in a listed company, through acquisition, sale or by other means, reaches, exceeds or falls below a 3 %, 5 %, 10 %, 15 %, 20 %, 25 %, 30 %, 50 % or 75 % threshold must notify in writing and without undue delay, but at the latest within four trading days, the respective company and the Federal Financial Supervisory Authority *(Bundesanstalt für Finanzdienstleistungsaufsicht, BaFin)* thereof and of its current aggregate voting interest. In connection with this requirement, the German Securities Trading Act contains various provisions regarding the attribution of shareholdings to the person who actually controls the voting rights attached to the shares. For example, a company will be attributed shares held by a third party if the former controls the latter, as well as any shares which are held by a third party for the account of the former or a company controlled by the former. Furthermore, the voting rights attached to a third party's shares may have to be attributed to another shareholder if this shareholder coordinates its conduct concerning the company on the basis of an agreement or by other means with the third party (so-called "acting in concert"). Acting in concert is deemed to exist if the parties coordinate their voting at the company's general meetings or, outside general meetings, coordinate their actions with the aim to permanently and extensively modify the

corporate strategy of the company. Acting in concert leads to mutual attribution of voting rights held by the persons acting in concert. Coordination in individual instances, however, does not qualify as acting in concert.

Corresponding notification obligations *vis-à-vis* the company and the BaFin apply with regard to financial instruments whose holders are vested with the right, by a legally binding agreement, to unilaterally acquire existing voting shares of the company. With respect to these financial instruments, the foregoing thresholds (with the exception of the 3% threshold) apply *mutatis mutandis.* Holdings in the foregoing financial instruments are to be aggregated with holdings of voting rights attached to shares for purposes of determining whether any of the relevant notification thresholds have been triggered.

Shareholders failing to comply with their notification obligations will be precluded from exercising any rights attached to their shares (including voting rights and the right to receive dividends) until proper notice has been given. In the event of a willful or grossly negligent breach of the notification obligations, the preclusion of voting rights will be extended by a six-month period commencing upon the delayed submission of the notification, unless the shareholder submitted an incorrect notification and the deviation in the voting rights stated therein equals less than 10% of the actual voting rights and the shareholder did not fail to notify the company of the fact that his or her holdings reached, exceeded or fell below the foregoing notification thresholds. Non-compliance with the disclosure requirement may also result in a fine.

The company must publish the foregoing notifications without undue delay, but no later than within three trading days after their receipt, and report such publication to the BaFin. Furthermore, the company must publish the total number of voting rights at the end of each month in which an increase or decrease of the total number of voting rights occurs and report such publication to the BaFin. Also, the company must, without undue delay, but not prior to their publication, forward to the Company Register *(Unternehmensregister)* for purposes of recordation any notifications it receives, and any information regarding an increase or decrease in voting rights.

As from May 31, 2009, shareholders whose voting rights reach or exceed thresholds of 10%, 15%, 20%, 25%, 30%, 50% or 75% of the voting rights in a listed company are obliged to inform the company within 20 trading days of the purpose of their investment and the origin of the funds used for such investment, unless the articles of association of the company provide otherwise. This provision may be waived by amendment of the company's articles of association.

Disclosure obligations under the German Securities Acquisition and Takeover Act

Pursuant to the German Securities Acquisition and Takeover Act, any person whose voting interest reaches or exceeds 30% of the voting shares of a listed stock corporation must, within seven calendar days, publish this fact, including the percentage of its voting rights, in at least one national newspaper designated for exchange notices or by means of an electronically operated financial information dissemination system, and subsequently make a mandatory public tender offer within four weeks to all shareholders of the company unless an exemption has been granted. The German Securities Acquisition and Takeover Act contains a number of provisions intended to ensure that shareholdings are attributed to those persons who actually control the voting rights attached to the shares. The provisions regarding coordinated conduct as part of the German Securities Acquisition and Takeover Act (so-called "acting in concert") and the rules on the attribution of voting rights attached to shares of third parties correspond to the statutory securities trading provisions set forth in the preceding paragraph "*Disclosure obligations under the German Securities Trading Act*" except with respect to voting rights of shares underlying financial instruments whose holders are vested with the right, by a legally binding agreement, to unilaterally acquire existing voting shares of the company. If a shareholder fails to provide notice on reaching or exceeding the 30% threshold, or fails to make a public tender offer, such shareholder will be precluded from exercising any rights associated with his, her or its shares (including voting and dividend rights) until proper notice has been given. In addition, non-compliance with the disclosure requirement may result in a fine.

Disclosure of Participations in a Credit Institution

The German Banking Act *(Kreditwesengesetz)* requires any person intending to acquire, alone or acting in concert with another person, a significant participation *(bedeutende Beteiligung)* in a credit or financial services institution to notify the BaFin and the Deutsche Bundesbank ("*Bundesbank*") without undue delay and in writing of the intended acquisition. A significant participation is deemed to exist if at least 10 % of the capital of, or the voting rights in, the institution is held directly or indirectly through one or more subsidiaries or a similar relationship or in concert with other persons or enterprises, or if a significant influence can be exercised on the management of the institution in which a participating interest is held. The required notice must contain information demonstrating, among others, the reliability of the person or, in the case of a corporation or other legal entity, the reliability of its directors and officers.

A person holding a significant participation shall also notify the BaFin and the Bundesbank without undue delay and in writing if he intends to increase the amount of the qualified participating interest up to or beyond the thresholds of 20 %, 30 % or 50 % of the voting rights or capital or in such way that the institution comes under such person's control.

Moreover, a person holding a significant participation shall notify the BaFin and Bundesbank without undue delay and in writing if such person intends to reduce the participation below 10 % or below one of the other thresholds described above.

The BaFin may, within a period of 60 business days following its confirmation that it received the complete notification, prohibit the intended acquisition if there appears to be reason to assume that the acquirer or its directors and officers are not reliable or financially sound, that the participation would impair the effective supervision of the relevant banking institution, that the prospective managing director *(Geschäftsleiter)* is not reliable or not qualified, that money laundering or financing of terrorism has occurred or been attempted in connection with the intended acquisition, or that there would be an increased risk of such illegal acts as a result of the intended acquisition. During its assessment period the BaFin may request further information necessary for its assessment. Such a request delays the expiration of the assessment period by up to 20 business days.

If a person acquires a significant participation despite of such prohibition or without making the required notification, the BaFin may prohibit the person to exercise the voting rights attached to the shares. In addition, non-compliance with the disclosure requirement may result in the imposition of a fine in accordance with statutory provisions.

Review of Acquisition of 25 % or more by the German Federal Ministry of Economics and Technology

The German Federal Parliament *(Bundestag)* in February 2009 introduced a bill to amend the German Foreign Trade Act *(Außenwirtschaftsgesetz)* and the Foreign Trade Regulation *(Außenwirtschaftsverordnung)*. Under the amendment which is expected to become effective in April 2009, the direct or indirect acquisition of 25 % or more of the voting rights in a German company by investors from outside the European Union and the European Free Trade Association (Iceland, Liechtenstein, Norway, Switzerland) or which are owned by 25 % or more by investors from outside the aforementioned region may be reviewed by the German Federal Ministry of Economics and Technology. If such Ministry determines that the acquisition poses a threat to the public policy or public security of Germany, it may impose conditions on or suspend the acquisition or require that it is unwound. The decision to review an acquisition must be made within three months following the conclusion of the contract or publication of the decision to launch a take-over bid or publication of the acquisition of control. The review must be completed within two months following receipt of the complete acquisition documents. No notification of the acquisition is required but the acquirer may seek pre-clearance of a proposed acquisition from the Federal Ministry of Economics.

Disclosure of Transactions of Managers

The German Securities Trading Act requires persons with management responsibilities ("Managers") in a listed company to notify the company and the BaFin within five working days of their own

transactions in shares of the company or financial instruments based thereon, in particular derivatives. This obligation also applies to persons who are closely related to a Manager. The company is obligated to publish a notification received from a Manager without undue delay and to forward the publication to the BaFin as well as to the Company Register *(Unternehmensregister)* for recordation. This obligation does not apply if the aggregate annual transactions by a Manager and persons to whom he or she is closely related do not exceed an amount of € 5,000.00 through the end of a calendar year. Deemed to be a Manager are members of management, administrative or supervisory bodies of the company as well as other persons who routinely have access to insider information within the meaning of the German Securities Trading Act and who are authorized to make material corporate decisions. The following persons are deemed to be closely related to a Manager: spouses, registered domestic partners, dependent children and other relatives who at the time of the transaction requiring notification have lived in the same household with the Manager for at least one year. Legal entities for which the aforementioned persons have management responsibilities are also subject to the notification requirement. The aforementioned provisions also apply to legal entities, companies and institutions directly or indirectly controlled by a Manager or by a person closely related to a Manager, which have been founded to the benefit of such a person, or whose economic interests correspond to a considerable extent to those of such a person. Negligent non-compliance with the notification requirement may result in a fine.

DOCUMENTS ON DISPLAY

While this Registration Document is valid, printed copies of the following documents may be inspected during customary business hours at the offices of the Company, Theodor-Heuss-Allee 70, 60486 Frankfurt am Main:

- the Articles of Association of the Company;
- the audited annual financial statements of Deutsche Bank AG prepared in accordance with the German Commercial Code *(Handelsgesetzbuch)* for the fiscal year ended on December 31, 2008;
- the audited IFRS consolidated financial statements of Deutsche Bank AG for the fiscal years 2007 and 2008, each respectively ending on December 31;
- the audited U.S. GAAP consolidated financial statements of Deutsche Bank AG for the fiscal year ending on 31 December 2006.

These documents are available on the website of Deutsche Bank (www.db.com/ir) as well.

FORWARD-LOOKING STATEMENTS; THIRD PARTY INFORMATION

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

This Registration Document contains certain forward-looking statements. Forward-looking statements are all such statements that do not refer to historical facts or events, and such forward-looking statements containing wording such as "believes," "estimates," "assumes," "expects," "anticipates," "foresees," "intends," or "could," or similar expressions. This applies especially to all information in this Registration Document regarding intentions, beliefs, or current expectations of Deutsche Bank AG regarding its future financial condition and results of operation, plans, liquidity, business outlooks, growth, strategy and profitability, as well as the economic conditions to which Deutsche Bank AG is subjected.

The forward-looking statements are based on current, to the best of the knowledge undertaken assessments and assumptions of the Company. Such forward-looking statements are subject to risks and uncertainties, as they relate to future events and are based on current assumptions, which perhaps may not occur at all in the future. The Company points out that such forward-looking statements do not represent a guarantee for the future; the actual analysis of Deutsche Bank AG's and Deutsche Bank Group's financial condition and results of operations, and the development of economic conditions, may differ materially from (in particular, be more negative than) those conditions expressly or implicitly assumed or described. Even if the effective result of the Company and the Deutsche Bank Group respectively, including the finance and income situation, as well as the economic conditions should be in accordance with forward-looking statements contained in this Registration Document, there is no warranty that this might be the case in the future as well.

Furthermore, this Registration Document contains industry and customer-related data as well as calculations taken or derived from industry reports published by third parties, market research reports, publicly available information and commercial publications ("external data"). Commercial publications generally state that the information they contain originated from sources assumed to be reliable, but that the accuracy and completeness of such information is not guaranteed and that the calculations contained therein are based on a series of assumptions.

The external data has not been independently verified by the Company. Therefore, the Company cannot assume any responsibility for the accuracy of the external data taken or derived from public sources.

Particular note should be taken of the fact that external data was referred to in defining markets and in determining their size. The categories used in these sources were also used to define markets and determine their size. These categories generally do not correspond to the categories applied by Deutsche Bank in determining its financial and other data. The ability to compare external data with the financial and other data of Deutsche Bank is therefore limited, and this limited comparability should particularly be taken note of in regard to the statements made concerning Deutsche Bank's market shares.

Many of Deutsche Bank AG's customers maintain customer relationships with several banks. For this reason, persons who are Deutsche Bank AG customers may also be counted as customers of other financial institutions. Calculations of market shares or other similar data on the basis of customer numbers may therefore result in one individual customer being counted by different institutions and thus several times.

The Company does not assume any obligation to update such forward-looking statements and to adapt them to future events or developments. The obligation in accordance with section 12 paragraph 3 sentence 1 of the Securities Prospectus Act (*WpPG*) to include information on material changes and developments, which might have a material impact on the assessment of the public, in a securities note which forms a prospectus together with this Registration Document and a summary remains unaffected.

The Company recommends reading in particular the sections "*Risk Factors,*" "*Management's Discussion and Analysis of Financial Condition and Results of Operation*" and "*Business*" contained in this Registration Document for a more complete review of the factors that might influence the future business development of Deutsche Bank AG and the markets in which Deutsche Bank AG is active. The forward-looking statements contained in this Registration Document may not materialize as a result of these risks, uncertainties and assumptions.

NOTICES ON CURRENCY AND FINANCIAL INFORMATION

Figures contained in this Registration Document stated in "€" or "Euro" refer to the legal currency of the Federal Republic of Germany since January 1, 1999.

Figures contained in this Registration Document stated in "$" or "U.S. $" refer to the legal currency of the United States of America.

If not otherwise stated, the financial data contained in this Registration Document is taken from the audited annual financial statements of the Company prepared in accordance with the German Commercial Code for the fiscal year ended December 31, 2008, the audited consolidated financial statements of the Company prepared in accordance with IFRS as of December 31, 2006, 2007 and 2008. Any financial data referred to as "unaudited" in this Registration Document means that the financial data was not subjected to any "audit" within the meaning of paragraph 20.6 of Annex I to the European Commission Regulation (EC) No. 809/2004. Until 31 December 2006 U.S. GAAP accounting standards ("U.S. GAAP") have been applied to the consolidated financial statements. The consolidated financial statements prepared in accordance with U.S. GAAP are incorporated by reference in this Registration Document. For explanations on material differences between U.S. GAAP and IFRS as well as the reconciliation of the consolidated income statement and the consolidated balance sheet of the Company for the year 2006 and as of 31 December 2006 respectively from U.S. GAAP to IFRS see Note 44 to Deutsche Bank's consolidated financial statements for the fiscal year 2007.

Individual figures (including percentages) stated in this Registration Document have been rounded using the common commercial method *(kaufmännische Rundung)*. The totals or interim totals contained in the tables may possibly differ from the non-rounded figures contained elsewhere in this Registration Document due to this rounding. Furthermore, figures that have been rounded may possibly not add up to exactly the interim totals, or totals contained in the tables or stated elsewhere in this Registration Document.

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FINANCIAL STATEMENTS

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Audited Consolidated Financial Statements (IFRS)
of Deutsche Bank Aktiengesellschaft
for the Fiscal Year ending 31 December 2008

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Consolidated Statement of Income

in € m.	[Notes]	2008	2007	2006
Interest and similar income	[3]	54,549	64,675	58,275
Interest expense	[3]	42,096	55,826	51,267
Net interest income	[3]	**12,453**	**8,849**	**7,008**
Provision for credit losses	[16]	1,076	612	298
Net interest income after provision for credit losses		**11,377**	**8,237**	**6,710**
Commissions and fee income	[4]	9,749	12,289	11,195
Net gains (losses) on financial assets/liabilities at fair value through profit or loss	[3]	(9,992)	7,175	8,892
Net gains (losses) on financial assets available for sale	[5]	666	793	591
Net income (loss) from equity method investments	[14]	46	353	419
Other income	[6]	568	1,286	389
Total noninterest income		**1,037**	**21,896**	**21,486**
Compensation and benefits	[31], [32]	9,606	13,122	12,498
General and administrative expenses	[7]	8,216	7,954	7,069
Policyholder benefits and claims	[40]	(252)	193	67
Impairment of intangible assets	[21]	585	128	31
Restructuring activities	[25]	–	(13)	192
Total noninterest expenses		**18,155**	**21,384**	**19,857**
Income (loss) before income taxes		**(5,741)**	**8,749**	**8,339**
Income tax expense (benefit)	[33]	(1,845)	2,239	2,260
Net income (loss)		**(3,896)**	**6,510**	**6,079**
Net income (loss) attributable to minority interest		(61)	36	9
Net income (loss) attributable to Deutsche Bank shareholders		(3,835)	6,474	6,070

Earnings per Common Share

in €	[Notes]	2008	2007	2006
Earnings per common share:	[8]			
Basic		(7.61)	13.65	12.96
Diluted[1]		(7.61)	13.05	11.48
Number of shares in m.				
Denominator for basic earnings per share – weighted-average shares outstanding		504.1	474.2	468.3
Denominator for diluted earnings per share – adjusted weighted-average shares after assumed conversions		504.2	496.1	521.2

1 Includes numerator effect of assumed conversions. For further detail please see Note [8].

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

Consolidated Statement of Recognized Income and Expense

in € m.	2008	2007	2006
Net income (loss) recognized in the income statement	**(3,896)**	**6,510**	**6,079**
Actuarial gains (losses) related to defined benefit plans, net of tax[1]	**(1)**	**486**	**84**
Net gains (losses) not recognized in the income statement, net of tax			
Unrealized net gains (losses) on financial assets available for sale:			
Unrealized net gains (losses) arising during the period, before tax	(4,549)	1,022	1,101
Net reclassification adjustment for realized net (gains) losses, before tax	(666)	(793)	(651)
Unrealized net gains (losses) on derivatives hedging variability of cash flows:			
Unrealized net gains (losses) arising during the period, before tax	(265)	(19)	(68)
Net reclassification adjustment for realized net (gains) losses, before tax	2	13	(8)
Foreign currency translation:			
Unrealized net gains (losses) arising during the period, before tax	(1,124)	(1,783)	(779)
Net reclassification adjustment for realized net (gains) losses, before tax	(3)	(5)	8
Tax on net gains (losses) not recognized in the income statement	731	215	(25)
Total net gains (losses) not recognized in the income statement, net of tax	**(5,874)[2]**	**(1,350)[3]**	**(422)[4]**
Total recognized income and expense	**(9,771)**	**5,646**	**5,741**
Attributable to:			
Minority interest	(37)	4	(27)
Deutsche Bank shareholders	(9,734)	5,642	5,768

1 Due to a change in accounting policy, actuarial gains (losses) related to defined benefit plans were recognized directly in retained earnings with prior periods adjusted in accordance with Note [1]. Included in these amounts are deferred taxes of € 1 million, € (192) million and € (65) million for the years 2008, 2007 and 2006, respectively.

2 Represents the change in the balance sheet in net gains (losses) not recognized in the income statement (net of tax) between December 31, 2007 of € 1,047 million and December 31, 2008 of € (4,851) million, adjusted for changes in minority interest attributable to these components of € 24 million.

3 Represents the change in the balance sheet in net gains (losses) not recognized in the income statement (net of tax) between December 31, 2006 of € 2,365 million and December 31, 2007 of € 1,047 million, adjusted for changes in minority interest attributable to these components of € (32) million.

4 Represents the change in the balance sheet in net gains (losses) not recognized in the income statement (net of tax) between December 31, 2005 of € 2,751 million and December 31, 2006 of € 2,365 million, adjusted for changes in minority interest attributable to these components of € (36) million.

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

Consolidated Balance Sheet

in € m.	[Notes]	Dec 31, 2008	Dec 31, 2007
Assets:			
Cash and due from banks		9,826	8,632
Interest-earning deposits with banks		64,739	21,615
Central bank funds sold and securities purchased under resale agreements	[17], [18]	9,267	13,597
Securities borrowed	[17], [18]	35,022	55,961
Financial assets at fair value through profit or loss			
of which € 62 billion and € 179 billion were pledged to creditors and can be sold or repledged at December 31, 2008, and December 31, 2007, respectively	[11], [18], [35]	1,623,811	1,378,011
Financial assets available for sale			
of which € 464 million and € 17 million were pledged to creditors and can be sold or repledged at December 31, 2008, and 2007, respectively	[13], [17], [18]	24,835	42,294
Equity method investments	[14]	2,242	3,366
Loans	[15], [16], [37]	269,281	198,892
Property and equipment	[19]	3,712	2,409
Goodwill and other intangible assets	[21]	9,877	9,383
Other assets	[22], [23]	137,829	183,638
Assets for current tax	[33]	3,512	2,428
Deferred tax assets	[33]	8,470	4,777
Total assets		**2,202,423**	**1,925,003**
Liabilities and equity:			
Deposits	[24]	395,553	457,946
Central bank funds purchased and securities sold under repurchase agreements	[17], [18]	87,117	178,741
Securities loaned	[17], [18]	3,216	9,565
Financial liabilities at fair value through profit or loss	[11], [35]	1,333,765	870,085
Other short-term borrowings	[26]	39,115	53,410
Other liabilities	[23]	160,598	171,444
Provisions	[25]	1,418	1,295
Liabilities for current tax	[33]	2,354	4,221
Deferred tax liabilities	[33]	3,784	2,380
Long-term debt	[27]	133,856	126,703
Trust preferred securities	[27]	9,729	6,345
Obligation to purchase common shares	[28]	4	3,553
Total liabilities		**2,170,509**	**1,885,688**
Common shares, no par value, nominal value of € 2.56	[29], [30]	1,461	1,358
Additional paid-in capital	[30]	14,961	15,808
Retained earnings	[30]	20,074	26,051
Common shares in treasury, at cost	[29], [30]	(939)	(2,819)
Equity classified as obligation to purchase common shares	[28], [30]	(3)	(3,552)
Net gains (losses) not recognized in the income statement, net of tax			
Unrealized net gains (losses) on financial assets available for sale, net of applicable tax and other	[30]	(882)	3,635
Unrealized net gains (losses) on derivatives hedging variability of cash flows, net of tax	[30]	(349)	(52)
Foreign currency translation, net of tax	[30]	(3,620)	(2,536)
Total net gains (losses) not recognized in the income statement, net of tax	[30]	(4,851)	1,047
Total shareholders' equity		**30,703**	**37,893**
Minority interest	[30]	1,211	1,422
Total equity	[30]	**31,914**	**39,315**
Total liabilities and equity		**2,202,423**	**1,925,003**

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

Consolidated Statement of Cash Flows

in € m.	2008	2007	2006
Net income (loss)	**(3,896)**	**6,510**	**6,079**
Cash flows from operating activities:			
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses	1,084	651	352
Restructuring activities	–	(13)	30
Gain on sale of financial assets available for sale, equity method investments and other	(1,732)	(1,907)	(913)
Deferred income taxes, net	(1,525)	(918)	165
Impairment, depreciation and other amortization, and accretion	3,047	1,731	1,355
Share of net income from equity method investments	(53)	(358)	(207)
Income (loss) adjusted for noncash charges and other items	**(3,075)**	**5,696**	**6,861**
Adjustments for net increase/decrease/change in operating assets and liabilities:			
Interest-earning time deposits with banks	(3,964)	7,588	(3,318)
Central bank funds sold, securities purchased under resale agreements, securities borrowed	24,363	5,146	(11,394)
Trading assets	(472,203)	(270,948)	(23,301)
Other financial assets at fair value through profit or loss	169,423	(75,775)	(19,064)
Loans	(37,981)	(22,185)	(14,403)
Other assets	38,573	(42,674)	(30,083)
Deposits	(56,918)	47,464	35,720
Trading liabilities	655,218	173,830	(38,865)
Other financial liabilities at fair value through profit or loss	(159,613)	70,232	41,518
Central bank funds purchased, securities sold under repurchase agreements, securities loaned	(97,009)	69,072	18,955
Other short-term borrowings	(14,216)	6,531	7,452
Other liabilities	(15,482)	21,133	30,079
Senior long-term debt	12,769	22,935	10,480
Other, net	(2,768)	(1,255)	527
Net cash provided by operating activities	**37,117**	**16,790**	**11,164**
Cash flows from investing activities:			
Proceeds from:			
Sale of financial assets available for sale	19,433	12,470	11,952
Maturities of financial assets available for sale	18,713	8,179	6,345
Sale of equity method investments	680	1,331	3,897
Sale of property and equipment	107	987	123
Purchase of:			
Financial assets available for sale	(37,819)	(25,230)	(22,707)
Equity method investments	(881)	(1,265)	(1,668)
Property and equipment	(939)	(675)	(606)
Net cash paid for business combinations/divestitures	(24)	(648)	(1,120)
Other, net	(39)	463	314
Net cash used in investing activities	**(769)**	**(4,388)**	**(3,470)**
Cash flows from financing activities:			
Issuances of subordinated long-term debt	523	429	976
Repayments and extinguishments of subordinated long-term debt	(659)	(2,809)	(1,976)
Issuances of trust preferred securities	3,404	1,874	1,043
Repayments and extinguishments of trust preferred securities	–	(420)	(390)
Common shares issued under share-based compensation plans	19	389	680
Capital increase	2,200	–	–
Purchases of treasury shares	(21,736)	(41,128)	(38,830)
Sales of treasury shares	21,426	39,729	36,380
Dividends paid to minority interests	(14)	(13)	(26)
Increase in minority interests	331	585	130
Cash dividends paid	(2,274)	(2,005)	(1,239)
Net cash provided by (used in) financing activities	**3,220**	**(3,369)**	**(3,252)**
Net effect of exchange rate changes on cash and cash equivalents	**(402)**	**(289)**	**(510)**
Net increase in cash and cash equivalents	39,166	8,744	3,932
Cash and cash equivalents at beginning of period	26,098	17,354	13,422
Cash and cash equivalents at end of period	65,264	26,098	17,354
Net cash provided by operating activities includes			
Income taxes paid (received), net	(2,495)	2,806	3,102
Interest paid	43,724	55,066	49,921
Interest and dividends received	54,549	64,675	58,275
Cash and cash equivalents comprise			
Cash and due from banks	9,826	8,632	7,008
Interest-earning demand deposits with banks (not included: time deposits of € 9,300 m. at December 31, 2008, and € 4,149 m. and € 8,853 m. at December 31, 2007 and 2006)	55,438	17,466	10,346
Total	**65,264**	**26,098**	**17,354**

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

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[1] Significant Accounting Policies

Basis of Accounting

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

The accompanying consolidated financial statements are presented in euros, the presentation currency of the Group, and have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union ("EU"). Since the Group does not use the "carve-out" relating to hedge accounting included in IAS 39, "Financial Instruments: Recognition and Measurement," as endorsed by the EU, its financial statements fully comply with IFRS as issued by the IASB. In accordance with IFRS 4, "Insurance Contracts", the Group has applied its previous accounting practices (U.S. GAAP) for insurance contracts. The date of transition to IFRS for the Group was January 1, 2006.

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

In preparation of the 2008 financial statements, the Group made a number of minor adjustments, with immaterial effect, to prior year footnote disclosures. The Group has assessed the impact of errors on current and prior periods and concluded that the following described adjustments are required to comparative amounts or the earliest opening balance sheet. The Group also voluntarily elected to change its accounting policy for the recognition of actuarial gains and losses related to post-employment benefits.

in € m.	Balance (as reported)	Change in accounting policy: Defined benefit plan accounting	LCH Offsetting	Interest	Adjustments: Income tax liabilities	Balance (adjusted)
December 31, 2006						
Balance Sheet						
Assets:						
Financial assets at fair value through profit or loss	1,104,650		(64,108)			1,040,542
Deferred tax assets	4,332	31				4,363
Other assets	139,021	164				139,185
Liabilities:						
Financial liabilities at fair value through profit or loss	694,619		(64,108)			630,511
Other liabilities	144,129	15				144,144
Liabilities for current tax	4,033				(327)	3,706
Deferred tax liabilities	2,285	96				2,381
Equity:						
Retained earnings	20,451	84			365	20,900
Net gains (losses) not recognized in the income statement:						
Foreign currency translation, net of tax	(760)				(38)	(798)
December 31, 2007						
Income Statement						
Interest and similar income	67,706			(3,031)		64,675
Interest expense	58,857			(3,031)		55,826
Balance Sheet						
Assets:						
Financial assets at fair value through profit or loss	1,474,103		(96,092)			1,378,011
Deferred tax assets	4,772	5				4,777
Other assets	182,897	741				183,638
Liabilities:						
Financial liabilities at fair value through profit or loss	966,177		(96,092)			870,085
Other liabilities	171,509	(65)				171,444
Liabilities for current tax	4,515				(294)	4,221
Deferred tax liabilities	2,124	256				2,380
Equity:						
Retained earnings	25,116	570			365	26,051
Net gains (losses) not recognized in the income statement:						
Foreign currency translation, net of tax	(2,450)	(15)			(71)	(2,536)

Employee Benefits: Defined Benefit Accounting

In the fourth quarter 2008, the Group changed its accounting policy for the recognition of actuarial gains and losses related to post-employment benefits for defined benefit plans. On transition to IFRS, the Group elected to recognize all cumulative actuarial gains and losses as an opening retained earnings adjustment in accordance with the transition provisions of IFRS 1, “First-Time Adoption of IFRS”. The Group’s accounting policy for future recognition of actuarial gains and losses was to defer and amortize to earnings based on the 10 % “corridor approach”. The Group has elected to voluntarily change its accounting policy from the corridor approach to immediate recognition of actuarial gains and losses in shareholders’ equity in the period in which they arise. In accordance with IFRS, the change was applied retrospectively. The change in accounting policy is considered to provide more relevant information about the Group’s financial position, as it recognizes economic events in the period in which they occur. The retrospective adjustments had an impact on the consolidated balance sheet and the consolidated statement of recognized income and expense but not on the consolidated statement of income or consolidated cash flow statement.

Offsetting

In second quarter 2008, the Group concluded that it meets the criteria required to offset the positive and negative market values of OTC interest rate swaps transacted with the London Clearing House ("LCH"). Under IFRS, positions are netted by currency and across maturities. The application of offsetting had no impact on the consolidated income statement or shareholder's equity.

The presentation of interest and similar income and interest expense was adjusted with no impact on net interest income.

Adjustment of Current Tax Liability

In the fourth quarter 2008, the Group determined that it had continued to report tax liabilities for periods prior to 2006 which were not required. Current tax liabilities were retrospectively adjusted by the amounts in the table above, with related adjustments to opening retained earnings and opening foreign currency translation reserves where appropriate.

The following is a description of the significant accounting policies of the Group. Other than as previously and otherwise described, these policies have been consistently applied for 2006, 2007 and 2008.

Principles of Consolidation

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

Subsidiaries

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

The Group sponsors the formation of SPEs and interacts with non-sponsored SPEs for a variety of reasons, including allowing clients to hold investments in separate legal entities, allowing clients to invest jointly in alternative assets, for asset securitization transactions, and for buying or selling credit protection. When assessing whether to consolidate an SPE, the Group evaluates a range of factors, including whether (1) the activities of the SPE are being conducted on behalf of the Group according to its specific business needs so that the Group obtains the benefits from the SPE's operations, (2) the Group has decision-making powers to obtain the majority of the benefits, (3) the Group obtains the majority of the benefits of the activities of the SPE, and (4) the Group retains the majority of the residual ownership risks related to the assets in order to obtain the benefits from its activities. The Group consolidates an SPE if an assessment of the relevant factors indicates that it controls the SPE.

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

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

The Group reassesses its treatment of SPEs for consolidation when there is an overall change in the SPE's arrangements or when there has been a substantive change in the relationship between the Group and an SPE. The circumstances that would indicate that a reassessment for consolidation is necessary include, but are not limited to, the following:

— substantive changes in ownership of the SPE, such as the purchase of more than an insignificant additional interest or disposal of more than an insignificant interest in the SPE;
— changes in contractual or governance arrangements of the SPE;
— additional activities undertaken in the structure, such as providing a liquidity facility beyond the terms established originally or entering into a transaction with an SPE that was not contemplated originally; and
— changes in the financing structure of the entity.

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

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

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

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

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

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

Associates and Jointly Controlled Entities

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

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

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

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

Foreign Currency Translation

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

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

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

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

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

Interest, Fees and Commissions

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

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

Once an impairment loss has been recognized on a loan or available for sale debt security financial asset, although the accrual of interest in accordance with the contractual terms of the instrument is discontinued, interest income is recognized based on the rate of interest that was used to discount future cash flows for the purpose of measuring the impairment loss. For a loan this would be the original effective interest rate, but a new effective interest rate would be established each time an available for sale debt security is impaired as impairment is measured to fair value and would be based on a current market rate.

When financial assets are reclassified from trading or available for sale to loans a new effective interest rate is established based on a best estimate of future expected cash flows.

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

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

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

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

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

Financial Assets and Liabilities

The Group classifies its financial assets and liabilities into the following categories: financial assets and liabilities at fair value through profit or loss, loans, financial assets available for sale ("AFS") and other financial liabilities. The Group does not classify any financial instruments under the held-to-maturity category. Appropriate classification of financial assets and liabilities is determined at the time of initial recognition or when reclassified in the balance sheet. Generally the balance sheet captions are the classes of financial assets and liabilities except for those as described in this section.

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

Financial Assets and Liabilities at Fair Value through Profit or Loss

The Group classifies certain financial assets and financial liabilities as either held for trading or designated at fair value through profit or loss. They are carried at fair value and presented as financial assets at fair value through profit or loss and financial liabilities at fair value through profit or loss, respectively. Related realized and unrealized gains and losses are included in net gains (losses) on financial assets/liabilities at fair value through profit or loss. Interest on interest earning assets such as traded loans and debt securities and dividends on equity instruments are presented in interest and similar income for financial instruments at fair value through profit or loss.

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

Financial Instruments Designated at Fair Value through Profit or Loss – Certain financial assets and liabilities that do not meet the definition of trading assets and liabilities are designated at fair value through profit or loss using the fair value option. To be designated at fair value through profit or loss, financial assets and liabilities must meet one of the following criteria: (1) the designation eliminates or significantly reduces a measurement or recognition inconsistency; (2) a group of financial assets or liabilities or both is managed and its performance is evaluated on a fair value basis in accordance with a documented risk management or investment strategy; or (3) the instrument contains one or more embedded derivatives unless: (a) the embedded derivative does not significantly modify the cash flows that otherwise would be required by the contract; or (b) it is clear with little or no analysis that separation is prohibited. In addition, the Group allows the fair value option to be designated only for those financial instruments for which a reliable estimate of fair value can be obtained.

Loan Commitments

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

Loans

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

Loans are initially recognized at fair value. When the loan is issued at a market rate, fair value is represented by the cash advanced to the borrower plus the net of direct and incremental transaction costs and fees. They are subsequently measured at amortized cost using the effective interest method less impairment.

Financial Assets Classified as Available for Sale

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

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

Financial Liabilities

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

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

Reclassification of Certain Financial Assets

The Group may reclassify certain financial assets out of financial assets as at fair value through profit or loss and the available for sale classification into the loans classification. For assets to be reclassified there must be a clear change in management intent with respect to the assets since initial recognition and the financial asset must meet the definition of a loan at the reclassification date. Additionally, there must be an intent and ability to hold the asset for the foreseeable future at the reclassification date. There is no single specific period that defines foreseeable future. Rather, it is a matter requiring management judgment. In exercising this judgment, the Group established the following minimum guideline for what constitutes foreseeable future. At the time of reclassification, there must be:

— no intent to dispose of the asset through sale or securitization within one year and no internal or external requirement that would restrict the Group's ability to hold or require sale; and
— the business plan going forward should not be to profit from short-term movements in price.

Financial assets proposed for reclassification which meet these criteria are considered based on the facts and circumstances of each financial asset under consideration. A positive management assertion is required after taking into account the ability and plausibility to execute the strategy to hold.

Financial assets are reclassified at their fair value at the reclassification date. Any gain or loss already recognized in the income statement is not reversed. The fair value of the instrument at reclassification date becomes the new amortized cost of the instrument. The expected cash flows on the financial instruments are estimated at the reclassification date and these estimates are used to calculate a new effective interest rate for the instruments. If there is a subsequent increase in expected future cash flows on reclassified assets as a result of increased recoverability, the effect of that increase is recognized as an adjustment to the effective interest rate from the date of the change in estimate rather than as an adjustment to the carrying amount of the asset at the date of the change in estimate. If there is a subsequent decrease in expected future cash flows the asset would be assessed for impairment as discussed in the section of this Note 'Impairment of Loans and Provision for Off-Balance Sheet Positions'.

For instruments reclassified from available for sale to loans and receivables any unrealized gain or loss recognized in shareholders' equity is subsequently amortized into interest income using the effective interest rate of the instrument. If the instrument is subsequently impaired any unrealized loss which is held in shareholders' equity for that instrument at that date is immediately recognized in the income statement as a loan loss provision.

Determination of Fair Value

Fair value is defined as the price at which an asset or liability could be exchanged in a current transaction between knowledgeable, willing parties, other than in a forced or liquidation sale. The fair value of instruments that are quoted in active markets is determined using the quoted prices where they represent those at which regularly and recently occurring transactions take place. The Group uses valuation techniques to establish the fair value of instruments where prices quoted in active markets are not available. Therefore, where possible, parameter inputs to the valuation techniques are based on observable data derived from prices of relevant instruments traded in an active market. These valuation techniques involve some level of management estimation and judgment, the degree of which will depend on the price transparency for the instrument or market and the instrument's complexity. The valuation process to determine fair value also includes making appropriate adjustments to the valuation model outputs to consider

factors such as bid-offer spread valuation adjustments, liquidity and credit risk (both counterparty credit risk in relation to financial assets and the non-performance in relation to financial liabilities).

Recognition of Trade Date Profit

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

Derivatives and Hedge Accounting

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

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

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

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

Embedded Derivatives

Some hybrid contracts contain both a derivative and a non-derivative component. In such cases, the derivative component is termed an embedded derivative, with the non-derivative component representing the host contract. If the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract, and the hybrid contract itself is not carried at fair value through profit or loss, the embedded derivative is bifurcated and reported at fair value, with gains and losses recognized in net gains (losses) on financial assets/liabilities at fair value through profit or loss. The host contract will continue to be accounted for in accordance with the appropriate accounting standard. The carrying amount of an embedded derivative is reported in the same consolidated balance sheet line item as the host contract. Certain hybrid instruments have been designated at fair value through profit or loss using the fair value option.

Hedge Accounting

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

When hedge accounting is applied, the Group designates and documents the relationship between the hedging instrument and hedged item as well as its risk management objective and strategy for undertaking the hedging transactions, and the nature of the risk being hedged. This documentation includes a description of how the Group will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Hedge effectiveness is assessed at inception and throughout the term of each hedging relationship. Hedge effectiveness is always calculated, even when the terms of the derivative and hedged item are matched.

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

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

If a fair value hedge of a debt instrument is discontinued prior to the instrument's maturity because the derivative is terminated or the relationship is de-designated, any remaining interest rate-related fair value adjustments made to the carrying amount of the debt instrument (basis adjustments) are amortized to interest income or expense over the remaining term of the original hedging relationship. For other types of fair value adjustments and whenever a hedged asset or liability is sold or otherwise derecognized any basis adjustments are included in the calculation of the gain or loss on derecognition.

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

Hedge ineffectiveness is recorded in other income and is usually measured as the excess (if any) in the absolute change in fair value of the actual hedging derivative over the absolute change in the fair value of the hypothetically perfect hedge.

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

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

The gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in profit or loss on disposal of the foreign operation.

Impairment of Financial Assets

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

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

Impairment of Loans and Provision for Off-Balance Sheet Positions

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

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

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

The collective assessment of impairment is principally to establish an allowance amount relating to loans that are either individually significant but for which there is no objective evidence of impairment, or are not individually significant but for which there is, on a portfolio basis, a loss amount that is probable of having occurred and is reasonably estimable. The loss amount has three components. The first component is an amount for transfer and currency convertibility risks for loan exposures in countries where there are serious doubts about the ability of counterparties to

comply with the repayment terms due to the economic or political situation prevailing in the respective country of domicile. This amount is calculated using ratings for country risk and transfer risk which are established and regularly reviewed for each country in which the Group does business. The second component is an allowance amount representing the incurred losses on the portfolio of smaller-balance homogeneous loans, which are loans to individuals and small business customers of the private and retail business. The loans are grouped according to similar credit risk characteristics and the allowance for each group is determined using statistical models based on historical experience. The third component represents an estimate of incurred losses inherent in the group of loans that have not yet been individually identified or measured as part of the smaller-balance homogenized loans. Loans that were found not to be impaired when evaluated on an individual basis are included in the scope of this component of the allowance.

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

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

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

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

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

Impairment of Financial Assets Classified as Available for Sale
For financial assets classified as AFS, management assesses at each balance sheet date whether there is objective evidence that an individual asset is impaired.

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

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

When an AFS debt security is impaired, subsequent measurement is on a fair value basis with changes reported in the income statement. When the fair value of the AFS debt security recovers to at least amortized cost it is no longer considered impaired and subsequent changes in fair value are reported in equity.

Reversals of impairment losses on equity investments classified as AFS are not reversed through the income statement; increases in their fair value after impairment are recognized in equity.

Derecognition of Financial Assets and Liabilities

Financial Asset Derecognition

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

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

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

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

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

Securitization

The Group securitizes various consumer and commercial financial assets, which is achieved via the sale of these assets to an SPE, which in turn issues securities to investors. The transferred assets may qualify for derecognition in full or in part, under the policy on derecognition of financial assets. Synthetic securitization structures typically involve derivative financial instruments for which the policies in the Derivatives and Hedge Accounting section would apply. Those transfers that do not qualify for derecognition may be reported as secured financing or result in the recognition of continuing involvement liabilities. The investors and the securitization vehicles generally have no recourse to the Group's other assets in cases where the issuers of the financial assets fail to perform under the original terms of those assets.

Interests in the securitized financial assets may be retained in the form of senior or subordinated tranches, interest only strips or other residual interests (collectively referred to as 'retained interests'). Provided the Group's retained interests do not result in consolidation of an SPE, nor in continued recognition of the transferred assets, these interests are typically recorded in financial assets at fair value through profit or loss and carried at fair value. Consistent with the valuation of similar financial instruments, fair value of retained tranches or the financial assets is initially and subsequently determined using market price quotations where available or internal pricing models that utilize variables such as yield curves, prepayment speeds, default rates, loss severity, interest rate volatilities and spreads. The assumptions used for pricing are based on observable transactions in similar securities and are verified by external pricing sources, where available.

Gains or losses on securitization depend in part on the carrying amount of the transferred financial assets, allocated between the financial assets derecognized and the retained interests based on their relative fair values at the date of the transfer. Gains or losses on securitization are recorded in gain (loss) on financial assets/liabilities at fair value through profit or loss if the transferred assets were classified as financial assets at fair value through profit or loss.

Derecognition of Financial Liabilities

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

Repurchase and Reverse Repurchase Agreements

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

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

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

Securities Borrowed and Securities Loaned

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

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

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

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

Offsetting Financial Instruments

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

Property and Equipment

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

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

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

Investment Property

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

Goodwill and Other Intangible Assets

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

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

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

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

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

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

Intangible assets are recognized separately from goodwill when they are separable or arise from contractual or other legal rights and their fair value can be measured reliably. Intangible assets that have a finite useful life are stated at cost less any accumulated amortization and accumulated impairment losses. Customer-related intangible assets that have a finite useful life are amortized over periods of between 1 and 20 years on a straight-line basis based on their expected useful life. Mortgage servicing rights are carried at cost and amortized in proportion to, and over the estimated period of, net servicing revenue. The assets are tested for impairments and their useful lives reaffirmed at least annually.

Certain intangible assets have an indefinite useful life; these are primarily investment management agreements related to retail mutual funds. These indefinite life intangibles are not amortized but are tested for impairment at least annually or more frequently if events or changes in circumstances indicate that impairment may have occurred.

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

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

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

Financial Guarantees

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

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

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

Leasing Transactions

Lessor

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

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

Lessee

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

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

Sale-Leaseback Arrangements

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

If a sale-leaseback transaction results in an operating lease, the timing of profit recognition is a function of the difference between the sales price and fair value. When it is clear that sales price is at fair value, the profit (the difference between the sales price and carrying value) is recognized immediately. If the sales price is below fair value, any profit or loss is recognized immediately, except that if the loss is compensated for by future lease payments at below market price, it is deferred and amortized in proportion to the lease payments over the period the asset is expected to be used. If the sales price is above fair value, the excess over fair value is deferred and amortized over the period the asset is expected to be used.

Employee Benefits

Pension Benefits

The Group provides a number of pension plans. In addition to defined contribution plans, there are retirement plans accounted for as defined benefit plans. The assets of all the Group's defined contribution plans are held in independently-administered funds. Contributions are generally determined as a percentage of salary and are expensed based on employee services rendered, generally in the year of contribution.

All retirement benefit plans are valued using the projected unit-credit method to determine the present value of the defined benefit obligation and the related service costs. Under this method, the determination is based on actuarial calculations which include assumptions about demographics, salary increases and interest and inflation rates. Actuarial gains and losses are recognized in shareholders' equity and presented in the Statement of Recognized Income and Expense in the period in which they occur. The Group's benefit plans are usually funded.

Other Post-Employment Benefits

In addition, the Group maintains unfunded contributory post-employment medical plans for a number of current and retired employees who are mainly located in the United States. These plans pay stated percentages of eligible medical and dental expenses of retirees after a stated deductible has been met. The Group funds these plans on a cash basis as benefits are due. Analogous to retirement benefit plans these plans are valued using the projected unit-credit method. Actuarial gains and losses are recognized in full in the period in which they occur in shareholders' equity and presented in the Statement of Recognized Income and Expense.

Share-Based Compensation

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

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

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

Obligations to Purchase Common Shares

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

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

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

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

Income Taxes

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

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

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

Current tax assets and liabilities are offset when (1) they arise from the same tax reporting entity or tax group of reporting entities, (2) they relate to the same tax authority, (3) the legally enforceable right to offset exists and (4) they are intended to be settled net or realized simultaneously.

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

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

Deferred tax related to fair value remeasurement of available for sale investments, cash flow hedges, actuarial valuations related to defined benefit plans and other items, which are charged or credited directly to equity, is also credited or charged directly to equity and subsequently recognized in the income statement once the gain or loss is realized.

For share-based payment transactions, the Group may receive a tax deduction related to the compensation paid in shares. The amount deductible for tax purposes may differ from the cumulative compensation expense recorded. At any reporting date, the Group must estimate the expected future tax deduction based on the current share price. If the amount deductible, or expected to be deductible, for tax purposes exceeds the cumulative compensation expense, the excess tax benefit is recognized in equity. If the amount deductible, or expected to be deductible, for tax purposes is less than the cumulative compensation expense, the shortfall is recognized in the Group's income statement for the period.

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

Provisions

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

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

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

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

Statement of Cash Flows

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

The Group's assignment of cash flows to the operating, investing or financing category depends on the business model ("management approach"). For the Group the primary operating activity is to manage financial assets and financial liabilities. Therefore, the issuance and management of long-term borrowings is a core operating activity which is different than for a non-financial company, where borrowing is not a principal revenue producing activity and thus is part of the financing category.

The Group views the issuance of senior long-term debt as an operating activity. Senior long-term debt comprises structured notes and asset backed securities, which are designed and executed by CIB business lines and which are revenue generating activities and the other component is debt issued by Treasury, which is considered inter-changeable with other funding sources; all of the funding costs are allocated to business activities to establish their profitability.

Cash flows related to subordinated long-term debt and trust preferred securities are viewed differently than those related to senior-long term debt because they are managed as an integral part of the Group's capital, primarily to meet regulatory capital requirements. As a result they are not interchangeable with other operating liabilities, but can only be interchanged with equity and thus are considered part of the financing category.

The amounts shown in the statement of cash flows do not precisely match the movements in the balance sheet from one period to the next as they exclude non-cash items such as movements due to foreign exchange translation and movements due to changes in the group of consolidated companies.

Movements in balances carried at fair value through profit or loss represent all changes affecting the carrying value.This includes the effects of market movements and cash inflows and outflows. The movements in balances carried at fair value are usually presented in operating cash flows.

Insurance

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

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

Non-Participating Investment Contracts ("Investment Contracts") – These contracts do not contain significant insurance risk or discretionary participation features. These are measured and reported consistently with other financial liabilities, which are classified as financial liabilities at fair value through profit or loss.

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

Insurance Contracts

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

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

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

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

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

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

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

Investment Contracts

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

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

Reinsurance

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

Recently Adopted Accounting Pronouncements

IAS 39 and IFRS 7

In October 2008, the IASB issued amendments to IAS 39, "Financial Instruments: Recognition and Measurement", and IFRS 7, "Financial Instruments: Disclosures", titled "Reclassification of Financial Assets". The amendments to IAS 39 permit (1) certain reclassifications of non-derivative financial assets (other than those designated under the fair value option) out of the fair value through profit or loss category and (2) also allow the reclassification of financial assets from the available for sale category to the loans and receivables category in particular circumstances. The amendments to IFRS 7 introduce additional disclosure requirements if an entity has reclassified financial assets in accordance with the amendments to IAS 39. In November 2008, the IASB issued another amendment to IAS 39 and IFRS 7, "Reclassification of Financial Assets – Effective Date and Transition" to clarify the effective date of the amendments. The amendments allowed retrospective application to July 1, 2008 for reclassifications made prior to November 1, 2008. Any reclassification made on or after November 1, 2008 takes effect from the date of reclassification. The impact of the reclassifications permissible under the IAS 39 amendments as of December 31, 2008, was to increase income before income taxes by € 3.3 billion. For further information, please refer to Note [10].

IFRIC 14

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

New Accounting Pronouncements

Improvements to IFRS

In May 2008, the IASB issued amendments to IFRS, which resulted from the IASB's annual improvements project. They comprise amendments that result in accounting changes for presentation, recognition or measurement purposes as well as terminology or editorial amendments related to a variety of individual IFRS standards. Most of the amendments are effective for annual periods beginning on or after January 1, 2009, with earlier application permitted. The adoption of the amendments will not have a material impact on the Group's consolidated financial statements.

IFRS 3 and IAS 27

In January 2008, the IASB issued a revised version of IFRS 3, "Business Combinations" ("IFRS 3 R"), and an amended version of IAS 27, "Consolidated and Separate Financial Statements" ("IAS 27 R"). IFRS 3 R reconsiders the application of acquisition accounting for business combinations and IAS 27 R mainly relates to changes in the accounting for non-controlling interests and the loss of control of a subsidiary. Under IFRS 3 R, the acquirer can elect to measure any non-controlling interest on a transaction-by-transaction basis, either at fair value as of the acquisition date or at its proportionate interest in the fair value of the identifiable assets and liabilities of the acquiree. When an acquisition is achieved in successive share purchases (step acquisition), the identifiable assets and liabilities of the acquiree are recognized at fair value when control is obtained. A gain or loss is recognized in profit or loss for the difference between the fair value of the previously held equity interest in the acquiree and its carrying amount. IAS 27 R also requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control. Transactions resulting in a loss of control result in a gain or loss being recognized in profit or loss. The gain or loss includes a remeasurement to fair value of any retained equity interest in the investee. In addition, all items of consideration transferred by the acquirer are measured and recognized at fair value, including contingent consideration, as of the acquisition date. Transaction costs incurred by the acquirer in connection with the business combination do not form part of the cost of the business combination transaction but are expensed as incurred unless they relate to the issuance of debt or equity securities, in which case they are accounted for under IAS 39, "Financial Instruments: Recognition and Measurement". IFRS 3 R and IAS 27 R are effective for business combinations in annual periods beginning on or after July 1, 2009, with early application permitted provided that both Standards are applied together. While approved by the IASB, the standards have yet to be endorsed by the EU.

IAS 32 and IAS 1

In February 2008, the IASB issued amendments to IAS 32, “Financial Instruments: Presentation”, and IAS 1, “Presentation of Financial Statements”, titled “Puttable Financial Instruments and Obligations Arising on Liquidation”. The amendments provide for equity treatment, under certain circumstances, for financial instruments puttable at fair value and obligations arising on liquidation only. They are effective for annual periods beginning on or after January 1, 2009, with earlier application permitted. The adoption of the amendments will not have a material impact on the Group’s consolidated financial statements.

[2] Business Segments and Related Information

The following segment information has been prepared in accordance with the “management approach”, which requires presentation of the segments on the basis of the internal reports about components of the entity which are regularly reviewed by the chief operating decision-maker in order to allocate resources to a segment and to assess its performance.

Business Segments

The following business segments represent the Group’s organizational structure as reflected in its internal management reporting systems.

The Group is organized into three group divisions, which are further subdivided into corporate divisions. As of December 31, 2008, the group divisions and corporate divisions were as follows:

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

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

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

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

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

Changes in the composition of segments can arise from either changes in management responsibility, for which prior periods are restated to conform with the current year's presentation, or from acquisitions and divestitures. There were no changes in management responsibilities with a significant impact on segmental reporting during 2008.

The following describes acquisitions and divestitures which had a significant impact on the Group's segment operations:

— In December 2008, RREEF Alternative Investments acquired a significant minority interest in Rosen Real Estate Securities LLC (RRES), a long/short real estate investment advisor. The investment is included in the corporate division AWM.
— In November 2008, the Group acquired a 40 % stake in UFG Invest, the Russian investment management company of UFG Asset Management, with an option to become a 100 % owner in the future. The business will be branded Deutsche UFG Capital Management. The investment is included in the corporate division AWM.
— In October 2008, the Group completed the acquisition of the operating platform of Pago eTransaction GmbH into the Deutsche Card Services GmbH, based in Germany. The investment is included in the corporate division GTB.
— In June 2008, the Group consolidated Maher Terminals LLC and Maher Terminals of Canada Corp, collectively and hereafter referred to as Maher Terminals, a privately held operator of port terminal facilities in North America. RREEF Infrastructure acquired all third party investors' interests in the North America Infrastructure Fund, whose sole underlying investment is Maher Terminals. The investment is included in the corporate division AWM.
— In June 2008, the Group sold DWS Investments Schweiz AG, comprising the Swiss fund administration business of the corporate division AWM, to State Street Bank.
— Effective June 2008, the Group sold its Italian life insurance company DWS Vita S.p.A. to Zurich Financial Services Group. The business was included within the corporate division AWM.
— Effective March 2008, the Group completed the acquisition of a 60 % interest in Far Eastern Alliance Asset Management Co. Limited, a Taiwanese investment management firm. This is included in the corporate division AWM.
— In February 2008, the 50 % interest in the management company of the Australia based DEXUS Property Group was sold by RREEF Alternative Investments to DEXUS' unitholders. The investment was included in the corporate division AWM.

— In January 2008, the Group acquired HedgeWorks LLC, a hedge fund administrator based in the United States. The investment is included in the corporate division GTB.
— In January 2008, the Group increased its stake in Harvest Fund Management Company Limited to 30 %. Harvest is a mutual fund manager in China. The investment is included in the corporate division AWM.
— In October 2007, the Group acquired Abbey Life Assurance Company Limited, a UK company that consists primarily of unit-linked life and pension policies and annuities. The business is included in the corporate division CB&S.
— In July 2007, AM completed the sale of its local Italian mutual fund business and established long term distribution arrangements with the Group's strategic partner, Anima S.G.R.p.A. The business is included in the corporate division AWM.
— In July 2007, RREEF Private Equity acquired a significant stake in Aldus Equity, an alternative asset management and advisory boutique, which specializes in customized private equity investing for institutional and high net worth investors. The business is included in the corporate division AWM.
— In July 2007, the Group announced the completion of the acquisition of the institutional cross-border custody business of Türkiye Garanti Bankasi A.Ş. The business is included in the corporate division GTB.
— In July 2007, RREEF Infrastructure completed the acquisition of Maher Terminals. After a partial sale into the fund for which it was acquired, Maher Terminals was deconsolidated in October 2007.
— In June 2007, the Group completed the sale of the Australian Asset Management domestic manufacturing operations to Aberdeen Asset Management. The business was included in the corporate division AWM.
— In January 2007, the Group sold the second tranche (41 %) of PBC's Italian BankAmericard processing activities to Istituto Centrale delle Banche Popolari Italiane ("ICBPI"), the central body of Italian cooperative banks. The business was part of the corporate division PBC.
— In January 2007, the Group completed the acquisition of MortgageIT Holdings, Inc., a residential mortgage real estate investment trust (REIT) in the U.S. The business is included in the corporate division CB&S.
— In January 2007, the Group completed the acquisition of Berliner Bank, which is included in the corporate division PBC. The acquisition expands the Group's market share in the retail banking sector of the German capital.
— In December 2006 the Group closed the acquisition of the UK wealth manager, Tilney Group Limited. The acquisition is a key element in PWM's strategy to expand its on-shore presence in dedicated core markets and to expand into various client segments, including the Independent Financial Advisors sector.
— In November 2006, the Group acquired norisbank from DZ Bank Group. The business is included in the corporate division PBC.
— In October 2006, the Group sold 49 % of PBC's Italian BankAmericard processing and acquiring operation to ICBPI.
— In July 2006, the Group deconsolidated Deutsche Wohnen AG following the termination of the control agreement with DB Real Estate Management GmbH. Deutsche Wohnen AG is a real estate investment company and was included in the corporate division AWM.
— In May 2006, the Group completed the acquisition of the UK Depository and Clearing Centre business from JPMorgan Chase & Co. The business is included in the corporate division GTB.
— In February 2006, the Group completed the acquisition of the remaining 60 % of United Financial Group (UFG), an investment bank in Russia. The business is included in corporate division CB&S.
— In the first quarter 2006, the Group completed its sale of EUROHYPO AG to Commerzbank AG. The business was included in the corporate division CI.

Measurement of Segment Profit or Loss

Segment reporting requires a presentation of the segment results based on management reporting methods, including a reconciliation between the results of the business segments and the consolidated financial statements, which is presented in the “Consolidation and Adjustments” section. The information provided about each segment is based on the internal reports about segment profit or loss, assets and other information which are regularly reviewed by the chief operating decision-maker.

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

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

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

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

— Average active equity: The Group calculates active equity to facilitate comparison to its competitors and refers to active equity in several ratios. Active equity is not a measure provided for in IFRS, however, the Group's ratios based on average active equity should not be compared to other companies' ratios without considering the differences in the calculation. The items for which the Group adjusts the average shareholders' equity are average unrealized net gains (losses) on assets available for sale, average fair value adjustments on cash flow hedges (both components net of applicable taxes), as well as average dividends, for which a proposal is accrued on a quarterly basis and for which payments occur once a year following the approval at the general shareholders' meeting. The Group's average active equity is allocated to the business segments and to Consolidation & Adjustments in proportion to their economic risk exposures, which consist of economic capital, goodwill and other unamortized intangible assets. The total amount allocated is the higher of the Group's overall economic risk exposure or regulatory capital demand. In 2008 this demand for regulatory capital was derived by assuming a Tier 1 ratio of 8.5 %. In 2009 the Group intends to derive its internal demand for regulatory capital assuming a Tier 1 ratio of 10.0 %. If the Group's average active equity exceeds the higher of the overall economic risk exposure or the regulatory capital demand, this surplus is assigned to Consolidation & Adjustments.
— Return on average active equity in % is defined as income before income taxes less minority interest as a percentage of average active equity. These returns, which are based on average active equity, should not be compared to those of other companies without considering the differences in the calculation of such ratios.

Segmental Results of Operations

The following tables present the results of the business segments, including the reconciliation to the consolidated results under IFRS, for the years ended December 31, 2008, 2007 and 2006, respectively.

2008	Corporate and Investment Bank			Private Clients and Asset Management			Corporate Investments	Total Management Reporting[5]
in € m. (unless stated otherwise)	Corporate Banking & Securities	Global Transaction Banking	Total	Asset and Wealth Management	Private & Business Clients	Total		
Net revenues[1]	**304**	**2,774**	**3,078**	**3,264**	**5,777**	**9,041**	**1,290**	**13,408**
Provision for credit losses	**402**	**5**	**408**	**15**	**653**	**668**	**(1)**	**1,075**
Total noninterest expenses	**8,427**	**1,663**	**10,090**	**3,794**	**4,178**	**7,972**	**95**	**18,156**
therein:								
Depreciation, depletion and amortization	52	6	58	17	76	93	8	159
Severance payments	335	3	338	29	84	113	0	451
Policyholder benefits and claims	(273)	–	(273)	18	–	18	–	(256)
Impairment of intangible assets	5	–	5	580	–	580	–	585
Restructuring activities	–	–	–	–	–	–	–	–
Minority interest	**(48)**	**–**	**(48)**	**(20)**	**0**	**(20)**	**2**	**(66)**
Income (loss) before income taxes	**(8,476)**	**1,106**	**(7,371)**	**(525)**	**945**	**420**	**1,194**	**(5,756)**
Cost/income ratio	N/M	60 %	N/M	116 %	72 %	88 %	7 %	135 %
Assets[2, 3]	2,012,427	49,487	2,047,181	50,473	138,350	188,785	18,297	2,189,313
Expenditures for additions to long-lived assets	1,167	38	1,205	13	56	70	0	1,275
Total risk position	234,344	15,400	249,744	16,051	37,482	53,533	2,677	305,953
Average active equity[4]	19,181	1,081	20,262	4,870	3,445	8,315	403	28,979
Pre-tax return on average active equity	(44) %	102 %	(36) %	(11) %	27 %	5 %	N/M	(20) %
1 Includes:								
Net interest income	7,683	1,157	8,840	496	3,249	3,746	7	12,592
Net revenues from external customers	423	2,814	3,236	3,418	5,463	8,881	1,259	13,376
Net intersegment revenues	(118)	(40)	(158)	(154)	314	160	31	33
Net income (loss) from equity method investments	(110)	2	(108)	87	2	88	62	42
2 Includes:								
Equity method investments	1,687	40	1,727	321	44	365	71	2,163

N/M – Not meaningful

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

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

5 Includes gains from the sale of industrial holdings (Daimler AG, Allianz SE and Linde AG) of € 1,228 million and a gain from the sale of the investment in Arcor AG & Co. KG of € 97 million, which are excluded from the Group's target definition.

2007	Corporate and Investment Bank			Private Clients and Asset Management			Corporate Investments	Total Management Reporting[5]
in € m. (unless stated otherwise)	Corporate Banking & Securities	Global Transaction Banking	Total	Asset and Wealth Management	Private & Business Clients	Total		
Net revenues[1]	**16,507**	**2,585**	**19,092**	**4,374**	**5,755**	**10,129**	**1,517**	**30,738**
Provision for credit losses	**102**	**7**	**109**	**1**	**501**	**501**	**3**	**613**
Total noninterest expenses	**12,169**	**1,633**	**13,802**	**3,453**	**4,108**	**7,560**	**220**	**21,583**
therein:								
Depreciation, depletion and amortization	50	8	58	20	82	102	17	177
Severance payments	100	7	107	28	27	55	0	162
Policyholder benefits and claims	116	–	116	73	–	73	–	188
Impairment of intangible assets	–	–	–	74	–	74	54	128
Restructuring activities	(4)	(1)	(4)	(8)	(1)	(9)	(0)	(13)
Minority interest	**34**	**–**	**34**	**7**	**0**	**8**	**(5)**	**37**
Income (loss) before income taxes	**4,202**	**945**	**5,147**	**913**	**1,146**	**2,059**	**1,299**	**8,505**
Cost/income ratio	74 %	63 %	72 %	79 %	71 %	75 %	15 %	70 %
Assets[2, 3]	1,785,876	32,117	1,800,027	39,180	117,809	156,767	13,005	1,916,304
Expenditures for additions to long-lived assets	351	87	438	2	62	65	0	503
Total risk position	218,663	18,363	237,026	15,864	69,722	85,586	4,891	327,503
Average active equity[4]	19,619	1,095	20,714	5,109	3,430	8,539	473	29,725
Pre-tax return on average active equity	21 %	86 %	25 %	18 %	33 %	24 %	N/M	29 %
1 Includes:								
Net interest income	4,362	1,106	5,467	165	3,083	3,248	(5)	8,710
Net revenues from external customers	16,691	2,498	19,189	4,615	5,408	10,023	1,492	30,704
Net intersegment revenues	(184)	87	(97)	(241)	347	106	25	34
Net income (loss) from equity method investments	51	2	52	114	2	116	184	352
2 Includes:								
Equity method investments	2,430	39	2,469	560	45	605	221	3,295

N/M – Not meaningful

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

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

5 Includes gains from the sale of industrial holdings (Fiat S.p.A., Linde AG and Allianz SE) of € 514 million, income from equity method investments (Deutsche Interhotel Holding GmbH & Co. KG) of € 178 million, net of goodwill impairment charge of € 54 million and a gain from the sale of premises (sale/leaseback transaction of 60 Wall Street) of € 317 million, which are excluded from the Group's target definition.

2006 in € m. (unless stated otherwise)	Corporate and Investment Bank			Private Clients and Asset Management			Corporate Investments	Total Management Reporting[5]
	Corporate Banking & Securities	Global Transaction Banking	Total	Asset and Wealth Management	Private & Business Clients	Total		
Net revenues[1]	**16,574**	**2,228**	**18,802**	**4,166**	**5,149**	**9,315**	**574**	**28,691**
Provision for credit losses	**(65)**	**(29)**	**(94)**	**(1)**	**391**	**391**	**2**	**298**
Total noninterest expenses	**11,236**	**1,552**	**12,789**	**3,284**	**3,716**	**7,000**	**214**	**20,003**
therein:								
Depreciation, depletion and amortization	57	25	82	33	84	116	17	215
Severance payments	97	3	99	12	10	22	0	121
Policyholder benefits and claims	–	–	–	63	–	63	–	63
Impairment of intangible assets	–	–	–	–	–	–	31	31
Restructuring activities	77	22	99	43	49	91	1	192
Minority interest	**23**	**–**	**23**	**(11)**	**0**	**(11)**	**(3)**	**10**
Income (loss) before income taxes	**5,379**	**705**	**6,084**	**894**	**1,041**	**1,935**	**361**	**8,380**
Cost/income ratio	68 %	70 %	68 %	79 %	72 %	75 %	37 %	70 %
Assets[2, 3]	1,395,115	25,655	1,404,256	35,939	94,853	130,753	17,783	1,512,759
Expenditures for additions to long-lived assets	573	2	575	5	383	388	0	963
Total risk position	177,651	14,240	191,891	12,335	63,900	76,234	5,395	273,520
Average active equity[4]	16,041	1,064	17,105	4,917	2,289	7,206	1,057	25,368
Pre-tax return on average active equity	34 %	66 %	36 %	18 %	45 %	27 %	34 %	33 %
1 Includes:								
Net interest income	3,097	890	3,987	162	2,767	2,928	1	6,916
Net revenues from external customers	16,894	2,060	18,954	4,435	4,724	9,159	543	28,656
Net intersegment revenues	(320)	168	(152)	(269)	425	156	31	35
Net income (loss) from equity method investments	72	1	74	142	3	145	197	416
2 Includes:								
Equity method investments	1,624	38	1,662	588	8	596	207	2,465

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

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

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

Reconciliation of Segmental Results of Operations to Consolidated Results of Operations

The following table presents a reconciliation of the total results of operations and total assets of the Group's business segments under management reporting systems to the consolidated financial statements for the years ended December 31, 2008, 2007 and 2006, respectively.

			2008			2007			2006
in € m.	Total Management Reporting	Consolidation & Adjustments	Total Consolidated	Total Management Reporting	Consolidation & Adjustments	Total Consolidated	Total Management Reporting	Consolidation & Adjustments	Total Consolidated
Net revenues[1]	13,408	82	13,490	30,738	7	30,745	28,691	(197)	28,494
Provision for credit losses	1,075	1	1,076	613	(1)	612	298	(0)	298
Noninterest expenses	18,156	(0)	18,155	21,583	(199)	21,384	20,003	(146)	19,857
Minority interest	(66)	66	–	37	(37)	–	10	(10)	–
Income (loss) before income taxes	**(5,756)**	**15**	**(5,741)**	**8,505**	**243**	**8,749**	**8,380**	**(41)**	**8,339**
Assets	2,189,313	13,110	2,202,423	1,916,304	8,699	1,925,003	1,512,759	7,821	1,520,580
Total risk position	305,953	1,779	307,732	327,503	1,315	328,818	273,520	1,939	275,459
Average active equity	28,979	3,100	32,079	29,725	368	30,093	25,368	255	25,623

1 Net interest income and noninterest income.

In 2008, income before income taxes in Consolidation & Adjustments was € 15 million. Noninterest expenses included charges related to litigation provisions offset by value added tax benefits. The main adjustments to net revenues in Consolidation & Adjustments in 2008 were:

— Adjustments related to positions which were marked-to-market for management reporting purposes and accounted for on an accrual basis under IFRS for economically hedged short-term positions, driven by the significant volatility and overall decline of short-term interest rates, increased net revenues by approximately € 450 million.
— Hedging of net investments in certain foreign operations decreased net revenues by approximately € 160 million.
— Trading results from the Group's own shares and certain derivatives indexed to own shares are reflected in the CB&S Corporate Division. The elimination of such results under IFRS resulted in an increase of approximately € 80 million.
— Decreases related to the elimination of intra-Group rental income were € 37 million.
— The remainder of net revenues was due to net interest expenses which were not allocated to the business segments and items outside the management responsibility of the business segments. Such items include net funding expenses on nondivisionalized assets/liabilities, e.g. deferred tax assets/liabilities, and net interest expenses related to tax refunds and accruals.

In 2007, income before income taxes in Consolidation & Adjustments was € 243 million. Noninterest expenses benefited primarily from a recovery of value added tax paid in prior years, based on a refined methodology which was agreed with the tax authorities, and also reimbursements associated with several litigation cases. The main adjustments to net revenues in Consolidation & Adjustments in 2007 were:

— Adjustments related to positions which were marked-to-market for management reporting purposes and accounted for on an accrual basis under IFRS decreased net revenues by approximately € 100 million.
— Trading results from the Group's own shares are reflected in the CB&S Corporate Division. The elimination of such results under IFRS resulted in an increase of approximately € 30 million.
— Decreases related to the elimination of intra-Group rental income were € 39 million.
— Net interest income related to tax refunds and accruals increased net revenues by € 69 million.
— The remainder of net revenues was due to other corporate items outside the management responsibility of the business segments, such as net funding expenses for nondivisionalized assets/liabilities and results from hedging the net investments in certain foreign operations.

In 2006, Consolidation & Adjustments showed a loss before income taxes of € 41 million. Noninterest expenses benefited mainly from a provision release related to activities to restructure grundbesitz-invest, the Group's German open-ended real estate fund, and a settlement of insurance claims for business interruption losses and costs related to the terrorist attacks of September 11, 2001. Within net revenues, the main drivers in Consolidation & Adjustments were:

— Adjustments related to financial instruments which were carried at fair value through profit or loss for management reporting purposes but accounted for on an amortized cost basis under IFRS decreased net revenues by approximately € 210 million.
— Trading results from the Group's own shares in the CB&S Corporate Division resulted in a decrease of € 100 million.
— The elimination of intra-Group rental income decreased net revenues by € 40 million.
— Net interest income related to tax refunds and accruals increased by € 67 million.
— Settlement of insurance claims for business interruption losses and costs related to the terrorist attacks of September 11, 2001 increased net revenues by € 125 million.
— The remainder was due to other corporate items outside the management responsibility of the business segments.

Assets and total risk position in Consolidation & Adjustments reflect corporate assets, such as deferred tax assets and central clearing accounts, outside of the management responsibility of the business segments.

Average active equity assigned to Consolidation & Adjustments reflects the residual amount of equity that is not allocated to the segments as described under “Measurement of Segment Profit or Loss” in this Note.

Entity-Wide Disclosures

The following tables present the net revenue components of the CIB and PCAM Group Divisions, for the years ended December 31, 2008, 2007 and 2006, respectively.

	Corporate and Investment Bank		
in € m.	**2008**	**2007**	**2006**
Sales & Trading (equity)	(630)	4,613	4,039
Sales & Trading (debt and other products)	124	8,407	9,016
Total Sales & Trading	**(506)**	**13,020**	**13,055**
Origination (equity)	336	861	760
Origination (debt)	(713)	714	1,331
Total origination	**(377)**	**1,575**	**2,091**
Advisory	589	1,089	800
Loan products	1,260	974	946
Transaction services	2,774	2,585	2,228
Other products	(661)	(151)	(318)
Total	**3,078**	**19,092**	**18,802**

	Private Clients and Asset Management		
in € m.	**2008**	**2007**	**2006**
Portfolio/fund management	2,457	3,017	3,041
Brokerage	1,891	2,172	1,895
Loan/deposit	3,251	3,145	2,814
Payments, account & remaining financial services	1,066	1,039	907
Other products	376	756	658
Total	**9,041**	**10,129**	**9,315**

The following table presents total net revenues (before allowance for credit losses) by geographic area for the years ended December 31, 2008, 2007 and 2006, respectively. The information presented for CIB and PCAM has been classified based primarily on the location of the Group's office in which the revenues are recorded. The information for Corporate Investments and Consolidation & Adjustments is presented on a global level only, as management responsibility for these areas is held centrally.

in € m.	2008	2007	2006
Germany:			
CIB	2,866	2,921	2,265
PCAM	5,208	5,514	4,922
Total Germany	**8,074**	**8,434**	**7,187**
Europe, Middle East and Africa:			
CIB	(621)	7,721	6,836
PCAM	2,391	2,816	2,661
Total Europe, Middle East and Africa[1]	**1,770**	**10,537**	**9,497**
Americas (primarily U.S.):			
CIB	(838)	4,628	6,810
PCAM	971	1,331	1,350
Total Americas	**133**	**5,959**	**8,160**
Asia/Pacific:			
CIB	1,671	3,823	2,891
PCAM	471	468	381
Total Asia/Pacific	**2,142**	**4,291**	**3,273**
CI	1,290	1,517	574
Consolidation & Adjustments	82	7	(197)
Consolidated net revenues[2]	**13,490**	**30,745**	**28,494**

1 The United Kingdom reported negative revenues for the year ended December 31, 2008. For the years ended December 31, 2007 and 2006, respectively, the United Kingdom accounted for more than 60 % of these revenues.

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

Notes to the Consolidated Income Statement

[3] Net Interest Income and Net Gains (Losses) on Financial Assets/Liabilities at Fair Value through Profit or Loss

Net Interest Income

The following are the components of interest and similar income and interest expense.

in € m.	2008	2007	2006
Interest and similar income:			
Interest-earning deposits with banks	1,313	1,384	1,358
Central bank funds sold and securities purchased under resale agreements	964	1,090	1,245
Securities borrowed	1,011	3,784	3,551
Financial assets at fair value through profit or loss	34,938	42,920	39,195
Interest income on financial assets available for sale	1,260	1,596	1,357
Dividend income on financial assets available for sale	312	200	207
Loans	12,269	10,901	9,344
Other	2,482	2,800	2,018
Total interest and similar income	**54,549**	**64,675**	**58,275**
Interest expense:			
Interest-bearing deposits	13,015	17,371	14,025
Central bank funds purchased and securities sold under repurchase agreements	4,425	6,869	5,788
Securities loaned	304	996	798
Financial liabilities at fair value through profit or loss	14,811	20,989	22,631
Other short-term borrowings	1,905	2,665	2,708
Long-term debt	5,273	4,912	3,531
Trust preferred securities	571	339	267
Other	1,792	1,685	1,519
Total interest expense	**42,096**	**55,826**	**51,267**
Net interest income	**12,453**	**8,849**	**7,008**

Interest income recorded on impaired financial assets was € 65 million, € 57 million and € 47 million for the years ended December 31, 2008, 2007 and 2006, respectively.

Net Gains (Losses) on Financial Assets/Liabilities at Fair Value through Profit or Loss

The following are the components of net gains (losses) on financial assets/liabilities at fair value through profit or loss.

in € m.	2008	2007	2006
Trading income:			
Sales & Trading (equity)	(9,615)	3,797	2,441
Sales & Trading (debt and other products)	(25,369)	(427)	6,004
Total Sales & Trading	(34,984)	3,370	8,445
Other trading income	1,155	548	423
Total trading income	**(33,829)**	**3,918**	**8,868**
Net gains (losses) on financial assets/liabilities designated at fair value through profit or loss:			
Breakdown by financial asset/liability category:			
Securities purchased/sold under resale/repurchase agreements	–	(41)	7
Securities borrowed/loaned	(4)	33	(13)
Loans and loan commitments	(4,016)	(570)	136
Deposits	139	10	(40)
Long-term debt:			
Debt issued by consolidated SPEs	19,584	4,282	(49)
Debt issued by operating entities	9,046	(500)	2
Other financial assets/liabilities designated at fair value through profit or loss	(912)	43	(19)
Total net gains (losses) on financial assets/liabilities designated at fair value through profit or loss	**23,837**	**3,257**	**24**
Total net gains (losses) on financial assets/liabilities at fair value through profit or loss	**(9,992)**	**7,175**	**8,892**

The Group issues structured notes through its operating branches and subsidiaries (Debt issued by operating entities). Certain of these structured notes were designated at fair value through profit or loss under the fair value option. The gains (losses) on these structured notes principally arose due to changes in the market conditions that gave rise to the market risk on these instruments. As the market risk on these instruments is economically hedged by trading assets so the gains (losses) reported on the debt issued by operating entities were substantially offset by losses (gains) on trading assets. The amount of these gains (losses) resulting from changes in the credit risk of the Group is explained in Note [9], Financial Assets/Liabilities through profit or loss.

In addition, the Group issues structured notes through consolidated SPEs (Debt issued by consolidated SPEs). These SPEs contain collateral, classified as trading assets, enter into derivatives and issue notes linked to the risks on the collateral and the derivatives. Examples include Group sponsored and third party sponsored securitization entities and asset repackaging entities. Gains on the debt issued by consolidated SPEs, which are designated at fair value through profit or loss under the fair value option, are substantially offset by fair value losses on the trading assets and derivatives held by the SPEs. Of the amount reported above, there were gains of € 17.9 billion and € 3.5 billion on notes issued by consolidated securitization structures for the years ended December 31, 2008 and December 31, 2007, respectively. Fair value movements on related instruments of € (20.1) billion and € (4.4) billion for the years ended December 31, 2008 and December 31, 2007, respectively, are reported within trading income under Sales & Trading (Debt and other products). The difference between these gains and losses represents the Group's share of the losses in these consolidated securitization structures. As explained in Note [9], Financial Assets/Liabilities through profit or loss, the fair value of the notes issued by these SPEs is not sensitive to changes in the Group's credit risk and therefore none of the gains reported above arose from changes in the Group's credit risk.

Combined Overview

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

The following table presents data relating to the Group's combined net interest and net gains (losses) on financial assets/liabilities at fair value through profit or loss by group division and, for the Corporate and Investment Bank, by product, for the years ended December 31, 2008, 2007 and 2006, respectively.

in € m.	2008	2007	2006
Net interest income	12,453	8,849	7,008
Net gains (losses) on financial assets/liabilities at fair value through profit or loss	(9,992)	7,175	8,892
Total net interest income and net gains (losses) on financial assets/liabilities at fair value through profit or loss	**2,461**	**16,024**	**15,900**
Net interest income and net gains (losses) on financial assets/liabilities at fair value through profit or loss by Group Division/CIB product:			
Sales & Trading (equity)	(1,895)	3,117	2,613
Sales & Trading (debt and other products)	317	7,483	8,130
Total Sales & Trading	(1,578)	10,600	10,743
Loan products[1]	1,014	499	490
Transaction services	1,358	1,297	1,074
Remaining products[2]	(1,821)	(118)	435
Total Corporate and Investment Bank	(1,027)	12,278	12,743
Private Clients and Asset Management	3,871	3,529	3,071
Corporate Investments	(172)	157	3
Consolidation & Adjustments	(211)	61	83
Total net interest income and net gains (losses) on financial assets/liabilities at fair value through profit or loss	**2,461**	**16,024**	**15,900**

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

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

[4] Commissions and Fee Income

The following are the components of commission and fee income and expense.

in € m.	2008	2007	2006
Commission and fee income and expense:			
Commission and fee income	12,449	15,199	13,418
Commission and fee expense	2,700	2,910	2,223
Net commissions and fee income	**9,749**	**12,289**	**11,195**

in € m.	2008	2007	2006
Net commissions and fee income:			
Net commissions and fees from fiduciary activities	3,414	3,965	3,911
Net commissions, brokers' fees, mark-ups on securities underwriting and other securities activities	3,798	5,497	4,709
Net fees for other customer services	2,537	2,827	2,575
Net commissions and fee income	**9,749**	**12,289**	**11,195**

[5] Net Gains (Losses) on Financial Assets Available for Sale

The following are the components of net gains (losses) on financial assets available for sale.

in € m.	2008	2007	2006
Net gains (losses) on financial assets available for sale:			
Net gains (losses) on debt securities:	(534)	(192)	24
Net gains (losses) from disposal	17	8	24
Impairments	(551)	(200)	–
Reversal of impairments	–	–	–
Net gains (losses) on equity securities:	1,156	944	530
Net gains (losses) from disposal	1,428	1,004	540
Impairments	(272)	(60)	(10)
Net gains (losses) on loans:	(63)	(12)	(2)
Net gains (losses) from disposal	(12)	(8)	(2)
Impairments	(52)	(4)	–
Reversal of impairments	1	–	–
Net gains (losses) on other equity interests:	107	53	39
Net gains (losses) from disposal	108	60	50
Impairments	(1)	(7)	(11)
Total net gains (losses) on financial assets available for sale	**666**	**793**	**591**

[6] Other Income

The following are the components of other income.

in € m.	2008	2007	2006
Other income:			
Net income from investment properties	8	29	43
Net gains (losses) on disposal of investment properties	–	8	28
Net gains (losses) on disposal of consolidated subsidiaries	85	321	52
Net gains (losses) on disposal of loans	50	44	80
Insurance premiums[1]	308	134	47
Remaining other income[2]	117	750	139
Total other income	**568**	**1,286**	**389**

1 Net of reinsurance premiums paid. The increases from 2006 to 2007 and from 2007 to 2008 were predominantly driven by the consolidation of Abbey Life Assurance Company Limited in October 2007.

2 Remaining other income in 2007 included gains of € 317 million from the sale/leaseback of the Group's 60 Wall Street premises in New York and € 148 million other income from consolidated investments.

[7] General and Administrative Expenses

The following are the components of general and administrative expenses.

in € m.	2008	2007	2006
General and administrative expenses:			
IT costs	1,820	1,867	1,585
Occupancy, furniture and equipment expenses	1,434	1,347	1,198
Professional service fees	1,164	1,257	1,203
Communication and data services	700	680	634
Travel and representation expenses	492	539	503
Payment, clearing and custodian services	418	437	431
Marketing expenses	373	411	365
Other expenses	1,815	1,416	1,150
Total general and administrative expenses	**8,216**	**7,954**	**7,069**

Other expenses include, among other items, regulatory, other taxes and insurance related costs, operational losses and other non-compensation staff related expenses. The increase in other expenses was mainly driven by litigation expenses, consolidated infrastructure investments and a provision related to the obligation to repurchase certain securities.

[8] Earnings per Common Share

Basic earnings per common share amounts are computed by dividing net income (loss) attributable to Deutsche Bank shareholders by the average number of common shares outstanding during the year. The average number of common shares outstanding is defined as the average number of common shares issued, reduced by the average number of shares in treasury and by the average number of shares that will be acquired under physically-settled forward purchase contracts, and increased by undistributed vested shares awarded under deferred share plans.

Diluted earnings per share assumes the conversion into common shares of outstanding securities or other contracts to issue common stock, such as share options, convertible debt, unvested deferred share awards and forward contracts. The aforementioned instruments are only included in the calculation of diluted earnings per share if they are dilutive in the respective reporting period.

In December 2008, the Group decided to amend existing forward purchase contracts covering 33.6 million Deutsche Bank common shares from physical to net-cash settlement and these instruments are no longer included in the computation of basic and diluted earnings per share (for further details refer to Note [28]).

The following table presents the computation of basic and diluted earnings per share for the years ended December 31, 2008, 2007 and 2006, respectively.

in € m.	2008	2007	2006
Net income (loss) attributable to Deutsche Bank shareholders – numerator for basic earnings per share	**(3,835)**	**6,474**	**6,070**
Effect of dilutive securities:			
Forwards and options	–	–	(88)
Convertible debt	(1)	–	3
Net income (loss) attributable to Deutsche Bank shareholders after assumed conversions – numerator for diluted earnings per share	**(3,836)**	**6,474**	**5,985**
Number of shares in m.			
Weighted-average shares outstanding – denominator for basic earnings per share	**504.1**	**474.2**	**468.3**
Effect of dilutive securities:			
Forwards	0.0	0.3	23.1
Employee stock compensation options	0.0	1.8	3.4
Convertible debt	0.1	0.7	1.0
Deferred shares	0.0	18.6	24.5
Other (including trading options)	0.0	0.5	0.9
Dilutive potential common shares	0.1	21.9	52.9
Adjusted weighted-average shares after assumed conversions – denominator for diluted earnings per share	**504.2**	**496.1**	**521.2**

in €	2008	2007	2006
Basic earnings per share	(7.61)	13.65	12.96
Diluted earnings per share	(7.61)	13.05	11.48

Due to the net loss situation in the year ended December 31, 2008, potentially dilutive instruments were generally not considered for the calculation of diluted earnings per share, because to do so would have been anti-dilutive. Under a net income situation however, the number of adjusted weighted-average shares after assumed conversions for the year ended December 31, 2008 would have increased by 31.2 million shares.

As of December 31, 2008, 2007 and 2006, the following instruments were outstanding and were not included in the calculation of diluted EPS, because to do so would have been anti-dilutive.

Number of shares in m.	2008	2007	2006
Forward purchase contracts	0.0	39.4	58.6
Put options sold	0.1	0.2	11.7
Call options sold	0.3	0.7	10.6
Employee stock compensation options	1.8	0.1	0.0
Deferred shares	26.9	0.6	0.5

Notes to the Consolidated Balance Sheet

[9] Financial Assets/Liabilities at Fair Value through Profit or Loss

The following are the components of financial assets and liabilities at fair value through profit or loss.

in € m.	Dec 31, 2008	Dec 31, 2007
Trading assets:		
Trading securities	204,994	449,684
Positive market values from derivative financial instruments	1,224,493	506,967
Other trading assets	42,468[1]	104,236[1]
Total trading assets	**1,471,955**	**1,060,887**
Financial assets designated at fair value through profit or loss:		
Securities purchased under resale agreements	94,726	211,142
Securities borrowed	29,079	69,830
Loans	18,739	21,522
Other financial assets designated at fair value through profit or loss	9,312	14,630
Total financial assets designated at fair value through profit or loss	**151,856**	**317,124**
Total financial assets at fair value through profit or loss	**1,623,811**	**1,378,011**

1 Includes traded loans of € 31,421 million and € 102,093 million at December 31, 2008 and 2007 respectively.

in € m.	Dec 31, 2008	Dec 31, 2007
Trading liabilities:		
Trading securities	56,967	106,225
Negative market values from derivative financial instruments	1,181,617	512,436
Other trading liabilities	11,201	830
Total trading liabilities	**1,249,785**	**619,491**
Financial liabilities designated at fair value through profit or loss:		
Securities sold under repurchase agreements	52,633	184,943
Loan commitments	2,352	526
Long-term debt	18,439	52,327
Other financial liabilities designated at fair value through profit or loss	4,579	3,002
Total financial liabilities designated at fair value through profit or loss	**78,003**	**240,798**
Investment contract liabilities[1]	5,977	9,796
Total financial liabilities at fair value through profit or loss	**1,333,765**	**870,085**

1 These are investment contracts where the policy terms and conditions result in their redemption value equaling fair value. See Note [40] for more detail on these contracts.

Loans and Loan Commitments designated at Fair Value through Profit or Loss

The Group has designated various lending relationships at fair value through profit or loss. Lending facilities consist of drawn loan assets and undrawn irrevocable loan commitments. The maximum exposure to credit risk on a drawn loan is its fair value. The Group's maximum exposure to credit risk on drawn loans, including securities purchased under resale agreements and securities borrowed, was € 143 billion and € 302 billion as of December 31, 2008, and 2007, respectively. Exposure to credit risk also exists for undrawn irrevocable loan commitments.

The credit risk on the lending facilities designated at fair value through profit or loss is mitigated in a number of ways including the purchase of protection through credit default swaps, by holding collateral against the loan or through the issuance of liabilities linked to the credit exposure on the loan. The credit risk on the securities purchased under resale agreements and the securities borrowed is mitigated by holding collateral.

Of the total drawn and undrawn lending facilities designated at fair value, the Group managed counterparty credit risk by purchasing credit default swap protection on facilities with a notional value of € 50.5 billion and € 46.8 billion as of December 31, 2008, and 2007, respectively. The notional value of credit derivatives used to mitigate the exposure to credit risk on drawn loans and undrawn irrevocable loan commitments designated at fair value was € 36.5 billion and € 28.1 billion as of December 31, 2008, and 2007, respectively.

The changes in fair value attributable to movements in counterparty credit risk are detailed in the table below.

	Dec 31, 2008		Dec 31, 2007	
in € m.	Loans	Loan Commit-ments	Loans	Loan Commit-ments
Changes in fair value of loans and loan commitments due to credit risk				
Cumulative change in the fair value	(870)	(2,731)	(99)	(332)
Annual change in the fair value in 2008/2007	(815)	(2,558)	(111)	(372)
Changes in fair value of credit derivatives used to mitigate credit risk				
Cumulative change in the fair value	844	2,674	64	213
Annual change in the fair value in 2008/2007	784	2,482	80	269

The change in fair value of the loans and loan commitments attributable to movements in the counterparty's credit risk is determined as the amount of change in its fair value that is not attributable to changes in market conditions that give rise to market risk. For collateralized loans, including securities purchased under resale agreements and securities borrowed, the collateral received acts to mitigate the counterparty credit risk. The fair value movement due to counterparty credit risk on securities purchased under resale agreements was not material due to the credit enhancement received.

Financial Liabilities designated at Fair Value through Profit or Loss

The fair value of a financial liability incorporates the credit risk of that financial liability. The changes in fair value of financial liabilities designated at fair value through profit or loss in issue at the year end attributable to movements in credit risk are detailed in the table below:

	Dec 31, 2008		Dec 31, 2007	
in € m.	Debt issued by operat-ing entities	Debt issued by consoli-dated SPEs	Debt issued by operat-ing entities	Debt issued by consoli-dated SPEs
Cumulative change in the fair value	364	4,821	18	3,589
Annual change in the fair value in 2008/2007	349	4,342	18	3,582

As described in Note [3] the Group issues structured notes and takes structured deposits through its operating branches and subsidiaries (Debt issued by operating entities) and issues structured notes through consolidated SPEs (Debt issued by consolidated SPEs).

The fair value of the debt issued by operating entities takes into account the credit risk of the Group. Where the instrument is quoted in an active market, the movement in fair value due to credit risk is calculated as the amount of change in fair value that is not attributable to changes in market conditions that give rise to market risk. Where the instrument is not quoted in an active market, the fair value is calculated using a valuation technique that incorporates credit risk by discounting the contractual cash flows on the debt using a credit-adjusted yield curve which reflects the level at which the Group could issue similar instruments at the reporting date.

Fair value movements due to credit risk on the debt issued by consolidated SPEs are not related to the Group's credit but to the credit of the legally-isolated SPE, which is dependent upon the collateral it holds. The movement in fair value due to credit risk is calculated as the gain or loss that is not attributable to change in market risk. The gain on the liabilities is substantially offset by losses due to widening credit spreads on the assets in the SPEs.

For collateralized borrowings, such as securities sold under repurchase agreements, the collateral pledged acts to mitigate the credit risk of the Group to the counterparty. The fair value movement due to the Group's credit risk on securities sold under repurchase agreements was not material due to the collateral pledged.

The credit risk on undrawn irrevocable loan commitments is predominantly counterparty credit risk. The change in fair value due to counterparty credit risk on undrawn irrevocable loan commitments has been disclosed with the counterparty credit risk on the drawn loans.

For all financial liabilities designated at fair value through profit or loss the amount that the Group would contractually be required to pay at maturity was € 33.7 billion and € 39.1 billion more than the carrying amount as of December 31, 2008 and 2007, respectively. The amount contractually required to pay at maturity assumes the liability is extinguished at the earliest contractual maturity that the Group can be required to repay. When the amount payable is not fixed, the amount the Group would contractually be required to pay is determined by reference to the conditions existing at the reporting date.

The majority of the difference between the fair value of financial liabilities designated at fair value through profit or loss and the contractual cash flows which will occur at maturity is attributable to undrawn loan commitments where the contractual cash flow at maturity assumes full drawdown of the facility. The difference between the fair value and the contractual amount repayable at maturity excluding the amount of undrawn loan commitments designated at fair value through profit or loss was € 1.4 billion and € 5.3 billion as of December 31, 2008, and 2007, respectively.

[10] Amendments to IAS 39 and IFRS 7, "Reclassification of Financial Assets"

Following the amendments to IAS 39 and IFRS 7, "Reclassification of Financial Assets", the Group reclassified certain trading assets and financial assets available for sale to loans and receivables. The Group identified assets, eligible under the amendments, for which at the reclassification date it had a clear change of intent and ability to hold for the foreseeable future rather than to exit or trade in the short term. The disclosures below detail the impact of the reclassifications to the Group.

In the third quarter 2008, reclassifications were made with effect from July 1, 2008 at fair value at that date. As the consolidated financial statements for the year ended December 31, 2008 were prepared, adjustments relating to the reclassified assets as disclosed previously in the Group's interim report as of September 30, 2008 were made to correct immaterial errors. Disclosure within this note has been adjusted for the impact of these items.

The following table shows carrying values and fair values of the assets reclassified at July 1, 2008.

	Jul 1, 2008		Dec 31, 2008
in € m.	Carrying value	Carrying value	Fair value
Trading assets reclassified to loans	12,677	12,865	11,059
Financial assets available for sale reclassified to loans	11,354	10,787	8,628
Total financial assets reclassified to loans	**24,031**	**23,652**	**19,687**

As of July 1, 2008 the effective interest rates on reclassified trading assets ranged from 4.2 % to 8.3 % with expected recoverable cash flows of € 20.7 billion. Effective interest rates on financial assets available for sale reclassified as of July 1, 2008 ranged from 3.9 % to 9.9 % with expected recoverable cash flows of € 17.6 billion. Ranges of effective interest rates were determined based on weighted average rates by business.

In the fourth quarter of 2008, additional reclassifications were made, at fair value at the date of reclassification. The following table shows the carrying value and the fair value of the assets reclassified during the fourth quarter of 2008.

	Reclassification Dates		Dec 31, 2008
in € m.	Carrying value	Carrying value	Fair value
Trading assets reclassified to loans	10,956	10,772	9,658

The effective interest rates on trading assets reclassified in the fourth quarter ranged from 2.8 % to 13.1 % with expected recoverable cash flows of € 15.2 billion. Ranges of effective interest rates were determined based on weighted average rates by business.

If the reclassifications had not been made, the Group's income statement for 2008 would have included unrealized fair value losses on the reclassified trading assets of € 3.2 billion and additional impairment losses of € 209 million on the reclassified financial assets available for sale which were impaired. In 2008, shareholders' equity (Net gains (losses) not recognized in the income statement) would have included € 1.8 billion of additional unrealized fair value losses on the reclassified financial assets available for sale which were not impaired.

After reclassification, the reclassified financial assets contributed the following amounts to the 2008 income before income taxes.

in € m.	2008
Interest income	659
Provision for credit losses	(166)
Income before income taxes on reclassified trading assets	**493**
Interest income	258
Provision for credit losses	(91)
Income before income taxes on reclassified financial assets available for sale	**167**

Prior to reclassification in 2008, € 1.8 billion of unrealized fair value losses on the reclassified trading assets and € 174 million of impairment on reclassified financial assets available for sale were recognized in the consolidated income statement for 2008. In addition, unrealized fair value losses of € 736 million on reclassified financial assets available for sale that were not impaired were recorded directly in shareholders' equity during 2008 prior to the assets being reclassified.

In 2007, € 613 million of unrealized fair value losses on the reclassified trading assets and no impairment on reclassified financial assets available for sale were recognized in the consolidated income statement. In addition, unrealized fair value losses of € 275 million on reclassified financial assets available for sale that were not impaired were recorded directly in shareholders' equity during 2007.

As of the reclassification dates, unrealized fair value losses recorded directly in shareholders' equity amounted to € 1.1 billion. This amount will be released from shareholders' equity to the income statement on an effective interest rate basis. If the asset subsequently becomes impaired the amount recorded in shareholders' equity relating to the impaired asset is released to the income statement at the impairment date.

[11] Financial Instruments carried at Fair Value

Valuation Methods and Control

The Group has an established valuation control framework which governs internal control standards, methodologies, and procedures over the valuation process.

Prices Quoted in Active Markets: The fair value of instruments that are quoted in active markets are determined using the quoted prices where they represent those at which regularly and recently occurring transactions take place.

Valuation Techniques: The Group uses valuation techniques to establish the fair value of instruments where prices, quoted in active markets, are not available. Valuation techniques used for financial instruments include modeling techniques, the use of indicative quotes for proxy instruments, quotes from less recent and less regular transactions and broker quotes.

For some financial instruments a rate or other parameter, rather than a price, is quoted. Where this is the case then the market rate or parameter is used as an input to a valuation model to determine fair value. For some instruments, modeling techniques follow industry standard models for example, discounted cash flow analysis and standard option pricing models such as Black-Scholes. These models are dependent upon estimated future cash flows, discount factors and volatility levels. For more complex or unique instruments, more sophisticated modeling techniques, assumptions and parameters are required, including correlation, prepayment speeds, default rates and loss severity.

Frequently, valuation models require multiple parameter inputs. Where possible, parameter inputs are based on observable data which are derived from the prices of relevant instruments traded in active markets. Where observable data is not available for parameter inputs then other market information is considered. For example, indicative broker quotes and consensus pricing information is used to support parameter inputs where it is available. Where no observable information is available to support parameter inputs then they are based on other relevant sources of information such as prices for similar transactions, historic data, economic fundamentals with appropriate adjustment to reflect the terms of the actual instrument being valued and current market conditions.

Valuation Adjustments: Valuation adjustments are an integral part of the valuation process. In making appropriate valuation adjustments, the Group follows methodologies that consider factors such as bid/offer spreads, liquidity and counterparty credit risk.

Bid/offer spread valuation adjustments are required to adjust mid market valuations to the appropriate bid or offer valuation. The bid or offer valuation is the best representation of the fair value for an instrument, and therefore its fair value. The carrying value of a long position is adjusted from mid to bid, and the carrying value of a short position is adjusted from mid to offer. Bid/offer valuation adjustments are determined from bid-offer prices observed in relevant trading activity and in quotes from other broker-dealers or other knowledgeable counterparties. Where the quoted price for the instrument is already a bid/offer price then no bid/offer valuation adjustment is necessary. Where the fair value of financial instruments is derived from a modeling technique then the parameter inputs into that model are normally at a mid-market level. Such instruments are generally managed on a portfolio basis and valuation adjustments are taken to reflect the cost of closing out the net exposure the Bank has to each of the input parameters.

These adjustments are determined from bid-offer prices observed in relevant trading activity and quotes from other broker-dealers.

Large position liquidity adjustments are appropriate when the size of a position is large enough relative to the market size that it could not be liquidated at the market bid/offer spread within a reasonable time frame. These adjustments reflect the wider bid/offer spread appropriate for deriving fair value of the large positions, they are not the amounts that would be required to reach a 'fire sale' valuation. Large position liquidity adjustments are not made for instruments that are traded in active markets.

Counterparty credit valuation adjustments are required to cover expected credit losses to the extent that the bid or offer price does not already include an expected credit loss factor. For example, a valuation adjustment is required to cover expected credit losses on over-the-counter derivatives which are typically not reflected in mid-market or bid/offer quotes. The adjustment amount is determined at each reporting date by assessing the potential credit exposure to all counterparties taking into account any collateral held, the effect of any master netting agreements, expected loss given default and the credit risk for each counterparty based on historic default levels.

Similarly, in establishing the fair value of derivative liabilities the Group considers its own creditworthiness on derivatives by assessing all counterparties potential future exposure to the Group, taking into account any collateral held, the effect of any master netting agreements, expected loss given default and the credit risk of the Group based on historic default levels of entities of the same credit quality. The impact of this valuation adjustment was that an insignificant gain was recognized for the year ended December 31, 2008.

Where there is uncertainty in the assumptions used within a modeling technique, an additional adjustment is taken to better reflect the expected market price of the financial instrument. Where a financial instrument is part of a group of transactions risk managed on a portfolio basis, but where the trade itself is of sufficient complexity that the cost of closing it out would be higher than the cost of closing out its component risks, then an additional adjustment is taken to reflect this fact.

Validation and Control: The Group has an independent specialist valuation group within the Finance function which oversees and develops the valuation control framework and manages the valuation control processes. The mandate of this specialist function includes the performance of the valuation control process for the complex derivative businesses as well as the continued development of valuation control methodologies and the valuation policy framework. Results of the valuation control process are collected and analyzed as part of a standard monthly reporting cycle. Variances of differences outside of preset and approved tolerance levels are escalated both within the Finance function and with Senior Business Management for review, resolution and, if required, adjustment.

For instruments where fair value is determined from valuation models, the assumptions and techniques used within the models are independently validated by an independent specialist group that is part of the Group's Risk Management function.

Quotes for transactions are obtained from a number of third party sources including exchanges, pricing service providers, firm broker quotes and consensus pricing services. Price sources are examined and assessed to determine the quality of fair value information they represent. The results are compared against actual transactions in the market to ensure the model valuations are calibrated to market prices.

Price and parameter inputs to models, assumptions and valuation adjustments are verified against independent sources. Where they cannot be verified to independent sources due to lack of observable information, the estimate of fair value is subject to procedures to assess its reasonableness. Such procedures include performing revaluation using independently generated models, assessing the valuations against appropriate proxy instruments, and other benchmarks, and performing extrapolation techniques. Assessment is made as to whether the valuation techniques yield fair value estimates that are reflective of market levels by calibrating the results of the valuation models against market transactions.

Management Judgment: In reaching estimates of fair value management judgment needs to be exercised. The areas requiring significant management judgment are identified, documented and reported to senior management as part of the valuation control framework and the standard monthly reporting cycle. The specialist model validation and valuation groups focus attention on the areas of subjectivity and judgment.

The level of management judgment required in establishing fair value of financial instruments for which there is a quoted price in an active market is minimal. Similarly there is little subjectivity or judgment required for instruments valued using valuation models which are standard across the industry and where all parameter inputs are quoted in active markets.

The level of subjectivity and degree of management judgment required is more significant for those instruments valued using specialized and sophisticated models and where some or all of the parameter inputs are not observable. Management judgment is required in the selection and application of appropriate parameters, assumptions and modeling techniques. In particular, where data is obtained from infrequent market transactions then extrapolation and interpolation techniques must be applied. In addition, where no market data is available then parameter inputs are determined by assessing other relevant sources of information such as historical data, fundamental analysis of the economics of the transaction and proxy information from similar transactions and making appropriate adjustment to reflect the actual instrument being valued and current market conditions. Where different valuation techniques indicate a range of possible fair values for an instrument then management has to establish what point within the range of estimates best represents fair value. Further, some valuation adjustments may require the exercise of management judgment to ensure they achieve fair value.

Fair Value Hierarchy

The financial instruments carried at fair value have been categorized under the three levels of the IFRS fair value hierarchy as follows:

Quoted Prices in an Active Market (Level 1): This level of the hierarchy includes listed equity securities on major exchanges, quoted corporate debt instruments, G7 Government debt and exchange traded derivatives. The fair value of instruments that are quoted in active markets are determined using the quoted prices where they represent those at which regularly and recently occurring transactions take place.

Valuation Techniques with Observable Parameters (Level 2): This level of the hierarchy includes the majority of the Group's OTC derivative contracts, corporate debt held, securities purchased/sold under resale/repurchase agreements, securities borrowed/loaned, traded loans and issued structured debt designated under the fair value option.

Valuation Techniques with Significant Unobservable Parameters (Level 3): Instruments classified in this category have a parameter input or inputs which are unobservable and which have a more than insignificant impact on either the fair value of the instrument or the profit or loss of the instrument. This level of the hierarchy includes more complex OTC derivatives, certain private equity investments, illiquid loans, certain highly structured bonds including illiquid asset backed securities and structured debt issuances with unobservable components.

The following table presents the carrying value of the financial instruments held at fair value across the three levels of the fair value hierarchy. Amounts in this table are generally presented on a gross basis, in line with the Group's accounting policy regarding offsetting of financial instruments, as described in Note [1].

	Dec 31, 2008			Dec 31, 2007		
in € m.	Quoted prices in active market	Valuation technique observable parameters	Valuation technique unobservable parameters	Quoted prices in active market	Valuation technique observable parameters	Valuation technique unobservable parameters
Financial assets held at fair value:						
Trading securities	72,240	115,486	17,268	204,247	225,203	20,234
Positive market values from derivative financial instruments	36,062	1,139,639	48,792	21,401	467,068	18,498
Other trading assets	348	28,560	13,560	1,055	62,613	40,568
Financial assets designated at fair value through profit or loss	8,630	137,421	5,805	13,684	297,423	6,017
Financial assets available for sale	11,911	11,474	1,450	13,389	26,376	2,529
Other financial assets at fair value[1]	–	9,691	788	560	1,667	(5)
Total financial assets held at fair value	**129,191**	**1,442,271**	**87,663**	**254,336**	**1,080,350**	**87,841**
Financial liabilities held at fair value:						
Trading securities	38,921	17,380	666	100,630	4,976	619
Negative market values from derivative financial instruments	38,380	1,114,499	28,738	24,723	471,171	16,542
Other trading liabilities	–	11,027	174	21	300	509
Financial liabilities designated at fair value through profit or loss	708	71,265	6,030	1,454	233,944	5,400
Investment contract liabilities[2]	–	5,977	–	–	9,796	–
Other financial liabilities at fair value[1]	–	5,513	(1,249)	–	3,763	(3)
Total financial liabilities held at fair value	**78,009**	**1,225,661**	**34,359**	**126,828**	**723,950**	**23,067**

1 Derivatives which are embedded in contracts where the host contract is not held at fair value through the profit or loss but for which the embedded derivative is separated are presented within other financial assets/liabilities at fair value for the purposes of this disclosure. The separated embedded derivatives may have a positive or a negative fair value but have been presented in this table to be consistent with the classification of the host contract. The separated embedded derivatives are held at fair value on a recurring basis and have been split between the fair value hierarchy classifications.

2 These are investment contracts where the policy terms and conditions result in their redemption value equaling fair value. See Note [40] for more detail on these contracts.

Valuation Techniques

The Group uses valuation techniques to establish the fair value of instruments where prices, quoted in active markets, are not available. The following is an explanation of the valuation techniques followed to establish fair value for the principal types of financial instrument.

Sovereign, Quasi-sovereign and Corporate Debt and Equity Securities: Where there are no recent transactions then fair value may be determined from the last market price adjusted for all changes in risks and information since that date. Where a close proxy instrument is quoted in an active market then fair value is determined by adjusting the proxy value for differences in the risk profile of the instruments. Where close proxies are not available then fair value is estimated using more complex modeling techniques. These techniques include discounted cash flow models using current market rates for credit, interest, liquidity and other risks. For equity securities modeling techniques may also include those based on earnings multiples. For some illiquid securities several valuation techniques are used and an assessment is made to determine what point within the range of estimates best represents fair value.

Mortgage and Other Asset Backed Securities ("ABS"): These instruments include residential and commercial mortgage backed securities and other asset backed securities including collateralized debt obligations ("CDO"). Asset backed securities have specific characteristics as they have different underlying assets and the issuing entities have different capital structures. The complexity increases further where the underlying assets are themselves asset backed securities, as is the case with many of the CDO instruments.

Where no reliable external pricing is available, ABS are valued, where applicable, using either relative value analysis which is performed based on similar transactions observable in the market, or industry-standard valuation models incorporating available observable inputs. The industry standard external models calculate principal and interest payments for a given deal based on assumptions that are independently price tested. The inputs include prepayment speeds, loss assumptions (timing and severity) and a discount rate (spread, yield or discount margin). These inputs/ assumptions are derived from actual transactions, external market research and market indices where appropriate.

Loans: For certain loans fair value may be determined from the market price on a recently occurring transaction adjusted for all changes in risks and information since that transaction date. Where there are no recent market transactions then broker quotes, consensus pricing, proxy instruments or discounted cash flow models are used to determine fair value. Discounted cash flow models incorporate parameter inputs for credit risk, interest rate risk, foreign exchange risk, loss given default estimates and amounts utilized given default, as appropriate. Credit risk, loss given default and utilization given default parameters are determined using information from the loan or CDS markets, where available.

Leveraged loans have transaction-specific characteristics. Where similar transactions exist for which observable quotes are available from external pricing services then this information is used with appropriate adjustments to reflect the transaction differences. When no similar transactions exist, a discounted cash flow valuation technique is used with credit spreads derived from the appropriate leveraged loan index, incorporating the industry classification, subordination of the loan, and any other relevant information on the loan and loan counterparty.

Over-The-Counter (OTC) Derivative Financial Instruments: Market standard transactions in liquid trading markets, such as interest rate swaps, foreign exchange forward and option contracts in G7 currencies, and equity swap and option contracts on listed securities or indices are valued using market standard models and quoted parameter inputs. Parameter inputs are obtained from pricing services, consensus pricing services and recently occurring transactions in active markets wherever possible.

More complex instruments are modeled using more sophisticated modeling techniques specific for the instrument and calibrated to the market prices. Where the model value does not calibrate to the market price then adjustments are made to the model value to adjust to the market value. In less active markets, data is obtained from less frequent market transactions, broker quotes and through extrapolation and interpolation techniques. Where observable prices or inputs are not available, then they are determined by assessing other relevant sources of information such as historical data, fundamental analysis of the economics of the transaction and proxy information from similar transactions.

Financial Liabilities Designated at Fair Value through Profit or Loss under the Fair Value Option: The fair value of financial liabilities designated at fair value through profit or loss under the fair value option incorporates all market risk factors including a measure of the Group's credit risk relevant for that financial liability. The financial liabilities include structured note issuances, structured deposits, and other structured securities issued by consolidated vehicles, which may not be quoted in an active market. The fair value of these financial liabilities is determined by discounting the contractual cash flows using a credit-adjusted yield curve which reflects the level at which the Group would issue similar instruments at the reporting date. The market risk parameters are valued consistently to similar instruments held as assets, for example, any derivatives embedded within the structured notes are valued using the same methodology discussed in the OTC derivative financial instruments section above.

Where the financial liabilities designated at fair value through profit or loss under the fair value option are collateralized, such as securities loaned and securities sold under repurchase agreements, the credit enhancement is factored into the fair valuation of the liability.

Investment Contract Liabilities: Assets which are linked to the investment contract liabilities are owned by the Group. The investment contract obliges the Group to use these assets to settle these liabilities. Therefore, the fair value of investment contract liabilities is determined by the fair value of the underlying assets (i.e., amount payable on surrender of the policies).

Analysis of Financial Instruments with Fair Value Derived from Valuation Techniques Containing Significant Unobservable Parameters (Level 3)

The table below presents the financial instruments categorized in the third level followed by an analysis and discussion of the financial instruments so categorized. Some of the instruments in the third level of the fair value hierarchy have identical or similar offsetting exposures to the unobservable input. However, they are required to be presented as gross assets and liabilities in the table below.

in € m.	Dec 31, 2008	Dec 31, 2007
Financial assets held at fair value:		
Trading securities:		
Sovereign and quasi-sovereign obligations	602	845
Mortgage and other asset-backed securities	5,870	4,941
Corporate debt securities and other debt obligations	10,669	14,066
Equity securities	127	382
Total trading securities	17,268	20,234
Positive market values from derivative financial instruments	48,792	18,498
Other trading assets	13,560	40,568
Financial assets designated at fair value through profit or loss:		
Loans	5,531	3,809
Other financial assets designated at fair value through profit or loss	274	2,208
Total financial assets designated at fair value through profit or loss	5,805	6,017
Financial assets available for sale	1,450	2,529
Other financial assets at fair value	788	(5)
Total financial assets held at fair value	**87,663**	**87,841**
Financial liabilities held at fair value:		
Trading securities	666	619
Negative market values from derivative financial instruments	28,738	16,542
Other trading liabilities	174	509
Financial liabilities designated at fair value through profit or loss:		
Loan commitments	2,195	516
Long-term debt	1,488	2,476
Other financial liabilities designated at fair value through profit or loss	2,347	2,408
Total financial liabilities designated at fair value through profit or loss	6,030	5,400
Other financial liabilities at fair value	(1,249)	(3)
Total financial liabilities held at fair value	**34,359**	**23,067**

Trading Securities: Certain illiquid emerging market corporate bonds and illiquid highly structured corporate bonds are included in this level of the hierarchy. In addition, some of the holdings of notes issued by securitization entities, commercial and residential mortgage-backed securities, collateralized debt obligation securities and other asset-backed securities are reported here.

The overall reduction in the fair value of trading securities classified in this level of the fair value hierarchy is due to several factors. Securities reported in this level of the hierarchy throughout 2008 have declined in fair value as market liquidity reduced. Certain debt securities, previously reported in this level of the hierarchy, that met the accounting definition of loans have been reclassified from the trading classification to loans under the provisions of the amendment to IAS 39 approved in October 2008. Offsetting these reductions, falling liquidity in the financial markets has meant that some securities previously reported in the second level of the hierarchy are reported in the third level of the hierarchy at the end of 2008 as much less observable data is available. For instance the market liquidity for lower-

rated Residential Mortgage-backed Securities fell sufficiently to mean that by the end of 2008, the valuation techniques used to determine fair value of these securities are significantly dependent on unobservable parameter inputs.

Positive and Negative Market Values from Derivative Instruments: Derivatives categorized in this level of the fair value hierarchy are valued based on one or more significant unobservable parameters. The unobservable parameters include certain correlations, certain longer-term volatilities and certain prepayment rates. In addition, unobservable parameters may include certain credit spreads and other transaction-specific parameters.

The following derivatives are included within this level of the hierarchy: customized CDO derivatives in which the underlying reference pool of corporate assets is not closely comparable to regularly market-traded indices; certain tranched index credit derivatives; certain options where the volatility is unobservable; certain basket options in which the correlations between the referenced underlying assets are unobservable; longer-term interest rate option derivatives; multi-currency foreign exchange derivatives; and certain credit default swaps for which the credit spread is not observable.

During 2008, there have been significant increases in the mark to market value of derivative instruments due to high volatility in credit, equity and other markets observed in the second half of the year. In addition, as the markets for instruments such as CDO derivatives became more illiquid in the year, certain of these instruments have migrated from the second level of the fair value hierarchy and are now reported in the third level.

Other Trading Instruments: Other trading instruments classified in level 3 of the fair value hierarchy mainly consist of traded loans valued using valuation models based on one or more significant unobservable parameters. The loan balance reported in this level of the fair value hierarchy comprises illiquid leveraged loans and illiquid residential and commercial mortgage loans. The balance has significantly reduced in the year due to falls in the value of the loans, sales of certain positions and the reclassification of certain illiquid leveraged and commercial real estate loans from Trading to Loans under the provisions of the amendment to IAS 39 approved in October 2008. This reduction has been partially offset by transfers of loans into this level of the fair value hierarchy as liquidity continued to deteriorate during 2008.

Financial Assets/Liabilities designated at Fair Value through Profit or Loss: Certain corporate loans and structured liabilities which were designated at fair value through profit or loss under the fair value option are categorized in this level of the fair value hierarchy. The corporate loans are valued using valuation techniques which incorporate observable credit spreads, recovery rates and unobservable utilization parameters. Revolving loan facilities are reported in the third level of the hierarchy because the utilization in the event of the default parameter is significant and unobservable.

In addition, certain hybrid debt issuances designated at fair value through profit or loss contain embedded derivatives which are valued based on significant unobservable parameters. These unobservable parameters include single stock volatilities correlations.

Financial Assets Available for Sale: Unlisted equity instruments are reported in this level of the fair value hierarchy where there is no close proxy and the market is very illiquid.

Sensitivity Analysis of Unobservable Parameters

Where the value of financial instruments is dependent on unobservable parameter inputs, the precise level for these parameters at the balance sheet date might be drawn from a range of reasonably possible alternatives. In preparing the financial statements, appropriate levels for these unobservable input parameters are chosen so that they are consistent with prevailing market evidence and in line with the Group's approach to valuation control detailed above. Were the Group to have marked the financial instruments concerned using parameter values drawn from the extremes of the ranges of reasonably possible alternatives then as of December 31, 2008, it could have increased fair value by as much as € 4.9 billion or decreased fair value by as much as € 4.7 billion. As of December 31, 2007, it could have increased fair value by as much as € 3.0 billion or decreased fair value by as much as € 2.0 billion. In estimating these impacts, the Group used an approach based on its valuation adjustment methodology for close-out costs. Close-out cost valuation adjustments reflect the bid-offer spread that must be paid in order to close out a holding in an instrument or component risk and as such they reflect factors such as market illiquidity and uncertainty. The increase in the possible impact to fair value as of December 31, 2008 compared to December 31, 2007 is consistent with the increased market illiquidity and uncertainty prevailing at the balance sheet date as a result of the worsening global financial crisis.

This disclosure is intended to illustrate the potential impact of the relative uncertainty in the fair value of financial instruments for which valuation is dependent on unobservable input parameters. However, it is unlikely in practice that all unobservable parameters would be simultaneously at the extremes of their ranges of reasonably possible alternatives. Hence, the estimates disclosed above are likely to be greater than the true uncertainty in fair value at the balance sheet date. Furthermore, the disclosure is not predictive or indicative of future movements in fair value.

For many of the financial instruments considered here, in particular derivatives, unobservable input parameters represent only a subset of the parameters required to price the financial instrument, the remainder being observable. Hence for these instruments the overall impact of moving the unobservable input parameters to the extremes of their ranges might be relatively small compared with the total fair value of the financial instrument. For other instruments, fair value is determined based on the price of the entire instrument, for example, by adjusting the fair value of a reasonable proxy instrument. In addition, all financial instruments are already carried at fair values which are inclusive of valuation adjustments for the cost to close out that instrument and hence already factor in uncertainty as it reflects itself in market pricing. Any negative impact of uncertainty calculated within this disclosure, then, will be over and above that already included in the fair value contained in the financial statements.

The table below provides a breakdown of the sensitivity analysis by type of instrument. Where the exposure to an unobservable parameter is offset across different instruments then only the net impact is disclosed in the table.

	Dec 31, 2008		Dec 31, 2007	
in € m.	Positive fair value movement from using reasonable possible alternatives	Negative fair value movement from using reasonable possible alternatives	Positive fair value movement from using reasonable possible alternatives	Negative fair value movement from using reasonable possible alternatives
Derivatives				
Credit	3,606	3,731	1,954	1,290
Equity	226	105	207	103
Interest Related	40	31	9	5
Hybrid	140	76	107	47
Other	178	124	94	56
Securities				
Debt securities	162	152	89	75
Equity securities	8	2	52	18
Mortgage and asset backed	243	243	98	97
Loans				
Leveraged loans	32	17	290	263
Commercial loans	70	70	60	56
Traded loans	197	126	58	38
Total	**4,902**	**4,677**	**3,018**	**2,048**

Unrealized Profit or Loss

Unrealized profit or loss is the gain or loss which is recorded in the profit or loss account but which was not realized in cash. The unrealized profit (loss) on financial instruments in the third level of the hierarchy was a profit of € 5.1 billion and a profit of € 4.0 billion during 2008 and 2007, respectively. The unrealized profit or loss is not due solely to unobservable parameters. Many of the parameter inputs to the valuation of instruments in this level of the hierarchy are observable and the unrealized profit or loss movement is due to movements in these observable parameters over the period. Many of the positions in this level of the hierarchy are economically-hedged by instruments which are categorized in other levels of the fair value hierarchy.

An analysis of the unrealized profit or loss is shown below:

	Unrealized P&L in the year on level 3 instruments held at the balance sheet date	
in € m.	2008	2007
Financial assets held at fair value:		
Trading securities	(6,512)	(1,059)
Positive market values from derivative financial instruments	16,143	7,762
Other trading assets	(2,261)	(993)
Financial assets designated at fair value through profit or loss	(943)	(109)
Financial assets available for sale	(13)	(19)
Other financial assets at fair value	679	(107)
Total financial assets held at fair value	**7,093**	**5,474**
Financial liabilities held at fair value:		
Negative market values from derivative financial instruments	(2,769)	(1,728)
Other trading liabilities	–	(16)
Financial liabilities designated at fair value through profit or loss	(207)	443
Other financial liabilities at fair value	1,012	(153)
Total financial liabilities held at fair value	**(1,964)**	**(1,454)**
Total unrealized profit (loss)	**5,129**	**4,020**

Recognition of Trade Date Profit

In accordance with the Group's accounting policy as described in Note [1], if there are significant unobservable inputs used in a valuation technique, the financial instrument is recognized at the transaction price and any trade date profit is deferred. The table below presents the year-to-year movement of the trade date profits deferred due to significant unobservable parameters for financial instruments classified at fair value through profit or loss. The balance is predominantly related to derivative instruments.

in € m.	2008	2007
Balance, beginning of year	**521**	**473**
New trades during the period	587	426
Amortization	(152)	(132)
Matured trades	(141)	(53)
Subsequent move to observability	(94)	(186)
Exchange rate changes	(24)	(7)
Balance, end of year	**697**	**521**

[12] Fair Value of Financial Instruments not carried at Fair Value

The valuation techniques used to establish fair value for the Group's financial instruments which are not carried at fair value in the balance sheet are consistent with those outlined in Note [11], Financial Instruments Carried at Fair Value.

As described in Note [10], Reclassification of Financial Assets, the Group reclassified certain eligible assets from the trading and available for sale classifications to loans. The Group continues to apply the relevant valuation techniques set out in Note [11], Financial Instruments carried at Fair Value, to the reclassified assets.

Other instruments not carried at fair value are not normally found within a trading portfolio and are not managed on a fair value basis. For these instruments the Group applies valuation techniques consistent with the general principles previously outlined, which are as follows:

Short-term financial instruments: The carrying amount represents a reasonable estimate of fair value for short term financial instruments. The following instruments are predominantly short-term and fair value is estimated from the carrying value.

Assets	Liabilities
Cash and due from banks	Deposits
Interest-earning deposits with banks	Central bank funds purchased and securities sold under repurchase agreements
Central bank funds sold and securities purchased under resale agreements	Securities loaned
Securities borrowed	Other short-term borrowings
Other assets	Other liabilities

For longer-term financial instruments within these categories, fair value is determined by discounting contractual cash flows using rates which could be earned for assets with similar remaining maturities and credit risks and, in the case of liabilities, rates at which the liabilities with similar remaining maturities could be issued, at the balance sheet date.

Loans: Fair value is determined using discounted cash flow models that incorporate parameter inputs for credit risk, interest rate risk, foreign exchange risk, loss given default estimates and amounts utilized given default, as appropriate. Credit risk, loss given default and utilization given default parameters are determined using information from the loan or credit default swap ("CDS") markets, where available.

For retail lending portfolios with a large number of homogenous loans (e.g., German residential mortgages), the fair value is calculated on a portfolio basis by discounting the portfolio's contractual cash flows using risk-free interest rates. This present value calculation is then adjusted for credit risk by calculating the expected loss over the estimated life of the loan based on various parameters including probability of default, loss given default and level of collateralization.

The fair value of corporate lending portfolios is estimated by discounting a projected margin over expected maturities using parameters derived from the current market values of collateralized lending obligation (CLO) transactions collateralized with loan portfolios that are similar to the Group's corporate lending portfolio.

Securities purchased under resale agreements, securities borrowed, securities sold under repurchase agreements and securities loaned: Fair value is derived from valuation techniques by discounting future cash flows using the appropriate credit risk-adjusted discount rate. The credit risk-adjusted discount rate includes consideration of the collateral received or pledged in the transaction.

Long-term debt and trust preferred securities: Fair value is determined from quoted market prices, where available. Where quoted market prices are not available, fair value is estimated using a valuation technique that discounts the remaining contractual cash at a rate at which the Group could issue debt with similar remaining maturity at the balance sheet date.

The following table presents the estimated fair value of the Group's financial instruments which are not carried at fair value in the balance sheet.

	Dec 31, 2008		Dec 31, 2007	
in € m.	Carrying value	Fair value	Carrying value	Fair value
Financial assets:				
Cash and due from banks	9,826	9,826	8,632	8,632
Interest-earning deposits with banks	64,739	64,727	21,615	21,616
Central bank funds sold and securities purchased under resale agreements	9,267	9,218	13,597	13,598
Securities borrowed	35,022	34,764	55,961	55,961
Loans	269,281	254,536	198,892	199,427
Other assets[1]	115,871	115,698	159,462	159,462
Financial liabilities:				
Deposits	395,553	396,148	457,946	457,469
Central bank funds purchased and securities sold under repurchase agreements	87,117	87,128	178,741	178,732
Securities loaned	3,216	3,216	9,565	9,565
Other short-term borrowings	39,115	38,954	53,410	53,406
Other liabilities[1]	46,413	46,245	88,742	88,742
Long-term debt	133,856	126,432	126,703	127,223
Trust preferred securities	9,729	6,148	6,345	5,765

1 Only includes financial assets or financial liabilities.

Amounts in this table are generally presented on a gross basis, in line with the Group's accounting policy regarding offsetting of financial instruments as described in Note [1].

Loans: The total carrying value of loans has increased during the year partially due to reclassifications from trading assets and assets classified as available for sale. The difference between fair value and amortised cost for the reclassified assets is detailed in Note [10]. The difference between fair value and carrying value at December 31, 2008 does not reflect the economic benefits and costs that the Group expects to receive from these instruments. The difference arose predominantly due to an increase in expected default rates and reduction in liquidity as implied from market pricing. These reductions in fair value are partially offset by an increase in fair value due to interest rate movements on fixed rate instruments.

Long-term debt and trust preferred securities: The difference between fair value and carrying value arose due to the effect of an increase in the rates at which the Group could issue debt with similar maturity and subordination at the balance sheet date. The increase in the difference between the fair value and carrying value is primarily due to the widening of the Group's credit spread since the issuance of the instrument as well as general market liquidity and funding concerns. This is partially offset by interest rate movements on fixed rate instruments.

[13] Financial Assets Available for Sale

The following are the components of financial assets available for sale.

in € m.	Dec 31, 2008	Dec 31, 2007
Debt securities:		
German government	2,672	2,466
U.S. Treasury and U.S. government agencies	302	1,349
U.S. local (municipal) governments	1	273
Other foreign governments	3,700	3,347
Corporates	6,035	7,753
Other asset-backed securities	372	6,847
Mortgage-backed securities, including obligations of U.S. federal agencies	87	3,753
Other debt securities	4,797	4,631
Total debt securities	**17,966**	**30,419**
Equity securities:		
Equity shares	4,539	7,934
Investment certificates and mutual funds	208	306
Total equity securities	**4,747**	**8,240**
Other equity interests	**893**	**1,204**
Loans	**1,229**	**2,431**
Total financial assets available for sale	**24,835**	**42,294**

[14] Equity Method Investments

Investments in associates and jointly controlled entities are accounted for using the equity method of accounting unless they are held for sale. As of December 31, 2008, there were no associates which were accounted for as held for sale.

As of December 31, 2008, the following investees were significant, representing 75 % of the carrying value of equity method investments.

Investment[1]	Ownership percentage
AKA Ausfuhrkredit-Gesellschaft mit beschränkter Haftung, Frankfurt	26.89 %
Bats Trading, Inc., Wilmington[2]	8.46 %
Beijing Guohua Real Estates Co., Ltd., Beijing	39.65 %
Blue Ridge Trust, Wilmington	26.70 %
Challenger Infrastructure Fund, Sydney[2]	18.38 %
Compañía Logística de Hidrocarburos CLH, S.A., Madrid[2]	5.00 %
DB Blue Lake Master Portfolio Ltd., George Town[2]	15.16 %
Discovery Russian Realty Paveletskaya Project Ltd, George Town	33.33 %
DMG & Partners Securities Pte Ltd, Singapore	49.00 %
Evergrande Real Estate Group Limited, George Town[2]	11.19 %
Fincasa Hipotecaria, S.A. de C.V. Sociedad Financiera de Objeto Limitado, Mexico City	49.00 %
Fondo Immobiliare Chiuso Piramide Globale, Milan	42.45 %
Franklin Templeton Global Fund - FT Global Bond Alpha Fund, Dublin	46.00 %
Gemeng International Energy Group Company Limited, Taiyuan[2]	19.00 %
Hanoi Building Commercial Joint Stock Bank, Hanoi[2]	10.00 %
Harvest Fund Management Company Limited, Shanghai	30.00 %
Hydro S.r.l., Rome	45.00 %
K & N Kenanga Holdings Bhd, Kuala Lumpur[2]	16.55 %
Lion Indian Real Estate Fund L.P., George Town	45.45 %
MFG Flughafen-Grundstücksverwaltungsgesellschaft mbH & Co. BETA KG, Gruenwald	25.03 %
Millennium Marine Rail, L.L.C., Elizabeth	50.00 %
Nexus LLC, Wilmington[2]	12.36 %
Paternoster Limited, Douglas	30.99 %
PX Holdings Limited, Stockton-on-Tees	43.00 %
Rongde Asset Management Company Limited, Beijing	40.70 %
STC Capital YK, Tokyo	50.00 %
The Porterbrook Partnership, Edinburgh[3]	57.00 %
The Topiary Select Equity Trust, George Town[3]	57.78 %
VCG Venture Capital Gesellschaft mbH & Co. Fonds III KG, Munich	36.98 %
Welsh Power Group Limited, Newport[2]	19.90 %
Xchanging etb GmbH, Frankfurt	44.00 %

1 All significant equity method investments are investments in associates.
2 The Group has significant influence over the investee through board seats or other measures.
3 The Group does not have a controlling financial interest in the investee.

Summarized aggregated financial information of these significant equity method investees follows.

in € m.	Dec 31, 2008	Dec 31, 2007
Total assets	31,665	27,789
Total liabilities	18,817	17,294
Revenues	4,081	4,722
Net income (loss)	882	1,108

The following are the components of the net income (loss) from all equity method investments.

in € m.	2008	2007
Net income (loss) from equity method investments:		
Pro-rata share of investees' net income (loss)	53	358
Net gains (losses) on disposal of equity method investments	87	9
Impairments	(94)	(14)
Total net income (loss) from equity method investments	**46**	**353**

There was no unrecognized share of losses of an investee, neither for the period, or cumulatively.

Equity method investments for which there were published price quotations had a carrying value of € 154 million and a fair value of € 147 million as of December 31, 2008, and a carrying value of € 160 million and a fair value of € 168 million as of December 31, 2007.

The investees have no significant contingent liabilities to which the Group is exposed.

In 2008 and 2007, none of the Group's investees experienced any significant restrictions to transfer funds in the form of cash dividends, or repayment of loans or advances.

[15] Loans

The following are the principal components of loans by industry classification.

in € m.	Dec 31, 2008	Dec 31, 2007
Banks and insurance	26,998	12,850
Manufacturing	19,043	16,067
Households (excluding mortgages)	30,923	25,323
Households – mortgages	52,453	45,540
Public sector	9,972	5,086
Wholesale and retail trade	11,761	8,916
Commercial real estate activities	27,083	16,476
Lease financing	2,700	3,344
Other[1]	91,434	67,086
Gross loans	**272,367**	**200,689**
(Deferred expense)/unearned income	1,148	92
Loans less (deferred expense)/unearned income	**271,219**	**200,597**
Less: Allowance for loan losses	1,938	1,705
Total loans	**269,281**	**198,892**

1 Included in the category "other" is investment counseling and administration exposure of € 31.2 billion and € 20.4 billion for December 31, 2008 and December 31, 2007 respectively.

Further disclosure on loans is provided in Note [37].

[16] Allowance for Credit Losses

The allowance for credit losses consists of an allowance for loan losses and an allowance for off-balance sheet positions.

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

			2008			2007			2006
in € m.	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total
Allowance, beginning of year	**930**	**775**	**1,705**	**985**	**684**	**1,670**	**1,124**	**708**	**1,832**
Provision for loan losses	382	702	1,084	146	505	651	16	336	352
Net charge-offs:	(301)	(477)	(778)	(149)	(378)	(527)	(116)	(328)	(444)
Charge-offs	(364)	(626)	(990)	(244)	(508)	(752)	(272)	(460)	(732)
Recoveries	63	149	212	95	130	225	156	132	288
Changes in the group of consolidated companies	–	–	–	–	–	–	–	–	–
Exchange rate changes/other	(34)	(39)	(74)	(52)	(36)	(88)	(39)	(32)	(70)
Allowance, end of year	**977**	**961**	**1,938**	**930**	**775**	**1,705**	**985**	**684**	**1,670**

The following table presents the activity in the Group's allowance for off-balance sheet positions, which consist of contingent liabilities and lending-related commitments.

			2008			2007			2006
in € m.	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total
Allowance, beginning of year	**101**	**118**	**219**	**127**	**129**	**256**	**184**	**132**	**316**
Provision for off-balance sheet positions	(2)	(6)	(8)	(32)	(6)	(38)	(56)	2	(53)
Changes in the group of consolidated companies	–	–	–	7	3	10	1	–	1
Exchange rate changes/other	(1)	–	(1)	(1)	(8)	(8)	(2)	(5)	(7)
Allowance, end of year	**98**	**112**	**210**	**101**	**118**	**219**	**127**	**129**	**256**

[17] Derecognition of Financial Assets

The Group enters into transactions in which it transfers previously recognized financial assets, such as debt securities, equity securities and traded loans, but retains substantially all of the risks and rewards of those assets. Due to this retention, the transferred financial assets are not derecognized and the transfers are accounted for as secured financing transactions. The most common transactions of this nature entered into by the Group are repurchase agreements, securities lending agreements and total return swaps, in which the Group retains substantially all of the associated credit, equity price, interest rate and foreign exchange risks and rewards associated with the assets as well as the associated income streams.

The following table provides further information on the asset types and the associated transactions that did not qualify for derecognition, and their associated liabilities.

Carrying amount of transferred assets		
in € m.	**Dec 31, 2008**	**Dec 31, 2007**[1]
Trading securities not derecognized due to the following transactions:		
Repurchase agreements	47,816	143,703
Securities lending agreements	10,518	27,205
Total return swaps	4,104	5,394
Total trading securities	**62,438**	**176,302**
Other trading assets	1,248	1,951
Financial assets available for sale	472	–
Loans	2,250	–
Total	**66,408**	**178,253**
Carrying amount of associated liability	**58,286**	**155,847**

1 Prior year amounts have been adjusted.

Continuing involvement accounting is typically applied when the Group retains the rights to future cash flows of an asset, continues to be exposed to a degree of default risk in the transferred assets or holds a residual interest in, or enters into derivative contracts with, securitization or special purpose entities.

The following table provides further detail on the carrying value of the assets transferred in which the Group still has continuing involvement.

in € m.	Dec 31, 2008	Dec 31, 2007
Carrying amount of the original assets transferred:		
Trading securities	7,250	9,052
Other trading assets	4,190	3,695
Carrying amount of the assets continued to be recognized:		
Trading securities	4,490	6,489
Other trading assets	1,262	1,062
Carrying amount of associated liability	**6,383**	**7,838**

[18] Assets Pledged and Received as Collateral

The Group pledges assets primarily for repurchase agreements and securities borrowing agreements which are generally conducted under terms that are usual and customary to standard securitized borrowing contracts. In addition the Group pledges collateral against other borrowing arrangements and for margining purposes on OTC derivative liabilities. The carrying value of the Group's assets pledged as collateral for liabilities or contingent liabilities is as follows.

in € m.	Dec 31, 2008	Dec 31, 2007[1]
Interest-earning deposits with banks	69	436
Financial assets at fair value through profit or loss	72,736	178,660
Financial assets available for sale	517	866
Loans	21,100	14,096
Other[2]	24	183
Total	**94,446**	**194,241**

1 Prior year amounts have been adjusted.
2 Includes Property and equipment pledged as collateral in 2007.

Assets transferred where the transferee has the right to sell or repledge are disclosed on the face of the balance sheet. As of December 31, 2008, and December 31, 2007, these amounts were € 62 billion and € 179 billion, respectively.

As of December 31, 2008, and December 31, 2007, the Group had received collateral with a fair value of € 253 billion and € 473 billion, respectively, arising from securities purchased under reverse repurchase agreements, securities borrowed, derivatives transactions, customer margin loans and other transactions. These transactions were generally conducted under terms that are usual and customary for standard secured lending activities and the other transactions described. The Group, as the secured party, has the right to sell or repledge such collateral, subject to the Group returning equivalent securities upon completion of the transaction. As of December 31, 2008, and 2007, the Group had resold or repledged € 230 billion and € 449 billion, respectively. This was primarily to cover short sales, securities loaned and securities sold under repurchase agreements.

[19] Property and Equipment

in € m.	Owner occupied properties	Furniture and equipment	Leasehold improvements	Construction-in-progress	Total
Cost of acquisition:					
Balance as of January 1, 2007	**2,644**	**2,346**	**1,339**	**111**	**6,440**
Changes in the group of consolidated companies	(219)	10	26	–	(183)
Additions	26	353	209	87	675
Transfers	(2)	10	78	(69)	17
Reclassifications (to)/from 'held for sale'	(62)	(10)	–	–	(72)
Disposals	742	312	145	2	1,201
Exchange rate changes	(103)	(100)	(63)	(3)	(269)
Balance as of December 31, 2007	**1,542**	**2,297**	**1,444**	**124**	**5,407**
Changes in the group of consolidated companies	(29)	–	(3)	–	(32)
Additions	20	253	182	484	939
Transfers	11	217	36	717	981
Reclassifications (to)/from 'held for sale'	–	–	(40)	–	(40)
Disposals	48	153	44	–	245
Exchange rate changes	(15)	(114)	(62)	(8)	(199)
Balance as of December 31, 2008	**1,481**	**2,500**	**1,513**	**1,317**	**6,811**
Accumulated depreciation and impairment:					
Balance as of January 1, 2007	**712**	**1,782**	**705**	**–**	**3,199**
Changes in the group of consolidated companies	39	(1)	1	–	39
Depreciation	65	224	142	–	431
Impairment losses	1	1	10	–	12
Reversals of impairment losses	–	–	–	–	–
Transfers	(3)	–	24	–	21
Reclassifications (to)/from 'held for sale'	(49)	(8)	–	–	(57)
Disposals	190	250	65	–	505
Exchange rate changes	(14)	(90)	(38)	–	(142)
Balance as of December 31, 2007	**561**	**1,658**	**779**	**–**	**2,998**
Changes in the group of consolidated companies	(6)	–	(1)	–	(7)
Depreciation	36	227	144	–	407
Impairment losses	–	1	15	–	16
Reversals of impairment losses	–	–	–	–	–
Transfers	(5)	18	6	–	19
Reclassifications (to)/from 'held for sale'	–	–	(40)	–	(40)
Disposals	9	108	39	–	156
Exchange rate changes	(7)	(91)	(40)	–	(138)
Balance as of December 31, 2008	**570**	**1,705**	**824**	**–**	**3,099**
Carrying amount:					
Balance as of December 31, 2007	**981**	**639**	**665**	**124**	**2,409**
Balance as of December 31, 2008	**911**	**795**	**689**	**1,317**	**3,712**

In 2008 Deutsche Bank completed a foreclosure on a property under construction, (with a carrying value of € 1.1 billion) previously held as collateral of a loan under Trading assets. Upon completion this asset will be transferred to investment property.

Impairment losses on property and equipment are recorded within "General and administrative expenses" in the income statement.

The carrying value of items of property and equipment on which there is a restriction on sale was € 65 million as of December 31, 2008.

Commitments for the acquisition of property and equipment were € 40 million at year-end.

[20] Leases

The Group is lessee under lease arrangements covering real property and equipment.

Finance Lease Commitments

The following table presents the net carrying value for each class of leasing assets held under finance leases.

in € m.	Dec 31, 2008	Dec 31, 2007
Land and buildings	95	97
Furniture and equipment	2	3
Other	–	–
Net carrying value	**97**	**100**

Additionally, the Group has sublet leased assets classified as finance leases with a net carrying value of € 60 million as of December 31, 2008, and € 309 million as of December 31, 2007.

The future minimum lease payments required under the Group's finance leases were as follows.

in € m.	Dec 31, 2008	Dec 31, 2007
Future minimum lease payments		
not later than one year	32	199
later than one year and not later than five years	118	186
later than five years	202	347
Total future minimum lease payments	**352**	**732**
Less: Future interest charges	160	282
Present value of finance lease commitments	**192**	**450**

Future minimum sublease payments of € 193 million are expected to be received under non-cancelable subleases as of December 31, 2008. As of December 31, 2007 future minimum sublease payments of € 421 million were expected. The amounts of contingent rents recognized in the income statement were € 1 million and € 0.4 million for the years ended December 31, 2008 and December 31, 2007, respectively.

Operating Lease Commitments

The future minimum lease payments required under the Group's operating leases were as follows.

in € m.	Dec 31, 2008	Dec 31, 2007
Future minimum rental payments		
not later than one year	765	639
later than one year and not later than five years	2,187	1,789
later than five years	2,797	1,815
Total future minimum rental payments	**5,749**	**4,243**
Less: Future minimum rentals to be received	245	253
Net future minimum rental payments	**5,504**	**3,990**

In 2008, € 762 million were charges relating to lease and sublease agreements, of which € 792 million was for minimum lease payments, € 19 million for contingent rents and € 48 million for sublease rentals received.

[21] Goodwill and Other Intangible Assets

Goodwill

Changes in Goodwill

The changes in the carrying amount of goodwill, as well as gross amounts and accumulated impairment losses of goodwill, for the years ended December 31, 2008, and 2007, are shown below by business segment.

in € m.	Corporate Banking & Securities	Global Transaction Banking	Asset and Wealth Management	Private & Business Clients	Corporate Investments	Total
Balance as of January 1, 2007	**3,228**	**448**	**3,037**	**470**	**87**	**7,270**
Purchase accounting adjustments	–	–	–	(8)	–	(8)
Goodwill acquired during the year	177	3	–	514	–	694
Goodwill related to dispositions without being classified as held for sale	–	–	(26)	–	(34)	(60)
Impairment losses[1]	–	–	–	–	(54)	(54)
Exchange rate changes/other	(329)	(35)	(242)	(5)	1	(610)
Balance as of December 31, 2007	**3,076**	**416**	**2,769**	**971**	**–**	**7,232**
Gross amount of goodwill	**3,076**	**416**	**2,769**	**971**	**261**	**7,493**
Accumulated impairment losses	**–**	**–**	**–**	**–**	**(261)**	**(261)**
Balance as of January 1, 2008	**3,076**	**416**	**2,769**	**971**	**–**	**7,232**
Purchase accounting adjustments	–	–	–	–	–	–
Goodwill acquired during the year	1	28	33	2	–	64
Reclassifications from held for sale	–	–	564	–	–	564
Goodwill related to dispositions without being classified as held for sale	–	–	(21)	–	–	(21)
Impairment losses[1]	(5)	–	(270)	–	–	(275)
Exchange rate changes/other	56	12	(100)[2]	1	–	(31)
Balance as of December 31, 2008	**3,128**	**456**	**2,975**	**974**	**–**	**7,533**
Gross amount of goodwill	**3,133**	**456**	**3,245**	**974**	**261**	**8,069**
Accumulated impairment losses	**(5)**	**–**	**(270)**	**–**	**(261)**	**(536)**

1 Impairment losses of goodwill are recorded as impairment of intangible assets in the income statement.
2 Includes € 10 million of reduction in goodwill related to a prior year's disposition.

In 2008, the main addition to goodwill in Asset and Wealth Management (AWM) was € 597 million related to Maher Terminals LLC and Maher Terminals of Canada Corp., collectively and hereafter referred to as Maher Terminals. The total of € 597 million consists of an addition to goodwill amounting to € 33 million which resulted from the reacquisition of a minority interest stake in Maher Terminals. Further, discontinuing the held for sale accounting of Maher Terminals resulted in a transfer of € 564 million to goodwill from assets held for sale. The main addition to goodwill in Global Transaction Banking was € 28 million related to the acquisition of HedgeWorks LLC.

In 2007, the main addition to goodwill in Private & Business Clients was € 508 million related to the acquisition of Berliner Bank. The main addition to goodwill in Corporate Banking & Securities (CB&S) was € 149 million related to MortgageIT Holdings Inc.

In 2008, a total goodwill impairment loss of € 275 million was recorded. Of this total, € 270 million related to an investment in Asset and Wealth Management and € 5 million related to a listed investment in Corporate Banking & Securities. Both impairment losses related to investments which were not integrated into the primary cash-generating units within AWM and CB&S. The impairment review of the investment Maher Terminals in AWM was triggered by a significant decline in business volume as a result of the current economic climate. The fair value less costs to sell of the investment was determined based on a discounted cash flow model. The impairment review of the investment in CB&S was triggered by write-downs of certain other assets and the negative business outlook of the investment. The fair value less costs to sell of the investment was determined based on the market price of the listed investment.

An impairment review of goodwill was triggered in the first quarter of 2007 in Corporate Investments after the division realized a gain of € 178 million related to its equity method investment in Deutsche Interhotel Holding GmbH & Co. KG. As a result of this review, a goodwill impairment loss totaling € 54 million was recognized.

In 2006, a goodwill impairment loss of € 31 million was recorded in Corporate Investments. This goodwill related to a private equity investment in Brazil, which was not integrated into the cash-generating unit. The impairment loss was triggered by changes in local law that restricted certain businesses. The fair value less costs to sell of the investment was determined using a discounted cash flow methodology.

Goodwill Impairment Test

Goodwill is allocated to cash-generating units for the purpose of impairment testing, considering the business level at which goodwill is monitored for internal management purposes. On this basis, the Group's goodwill carrying cash-generating units primarily are Global Markets and Corporate Finance within the Corporate Banking & Securities segment, Global Transaction Banking, Asset Management and Private Wealth Management within the Asset and Wealth Management segment, Private & Business Clients and Corporate Investments. In addition, the segments CB&S and AWM carry goodwill resulting from the acquisition of nonintegrated investments which are not allocated to the respective segments' primary cash-generating units.

Such goodwill is individually tested for impairment on the level of each of the nonintegrated investments and summarized as Others in the table below. The carrying amounts of goodwill by cash-generating unit for the years ended December 31, 2008, and 2007, are as follows.

in € m.	Global Markets	Corporate Finance	Global Transaction Banking	Asset Management	Private Wealth Management	Private & Business Clients	Corporate Investments	Others	Total Goodwill
As of December 31, 2007	**2,078**	**978**	**416**	**1,794**	**975**	**971**	**–**	**20**	**7,232**
As of December 31, 2008	**2,113**	**1,000**	**456**	**1,765**	**904**	**974**	**–**	**321**	**7,533**

Goodwill is tested for impairment annually in the fourth quarter by comparing the recoverable amount of each goodwill carrying cash-generating unit with its carrying amount. The carrying amount of a cash-generating unit is derived based on the amount of equity allocated to a cash-generating unit. The carrying amount also considers the amount of goodwill and unamortized intangible assets of a cash-generating unit. The recoverable amount is the higher of a cash-generating unit's fair value less costs to sell and its value in use. The annual goodwill impairment tests in 2008, 2007 and 2006 did not result in an impairment loss of goodwill of the Group's primary cash-generating units as the recoverable amount for these cash-generating units was higher than their respective carrying amount.

The following sections describe how the Group determines the recoverable amount of its primary goodwill carrying cash-generating units and provides information on certain key assumptions on which management based its determination of the recoverable amount.

Recoverable Amount

The Group determines the recoverable amount of its primary cash-generating units on the basis of value in use and employs a valuation model based on discounted cash flows ("DCF"). The DCF model employed by the Group reflects the specifics of the banking business and its regulatory environment. The model calculates the present value of the estimated future earnings that are distributable to shareholders after fulfilling the respective regulatory capital requirements.

The DCF model uses earnings projections based on financial plans agreed by management which, for purposes of the goodwill impairment test, are extrapolated to a five-year period in order to derive a sustainable level of estimated future earnings, which are discounted to their present value. Estimating future earnings requires judgment, considering past and actual performance as well as expected developments in the respective markets and in the overall macroeconomic environment. Earnings projections beyond the initial five-year period are assumed to increase by converging towards a constant long-term growth rate, which is based on expectations for the development of gross domestic product (GDP) and inflation, and are captured in the terminal value.

Key Assumptions and Sensitivities

The value in use of a cash-generating unit is sensitive to the earnings projections, to the discount rate applied and, to a much lesser extent, to the long-term growth rate. The discount rates applied have been determined based on the capital asset pricing model which is comprised of a risk-free interest rate, a market risk premium and a factor covering the systematic market risk (beta factor). The values for the risk-free interest rate, the market risk premium and the beta factors are determined using external sources of information. Business-specific beta factors are determined based on a respective group of peer companies. Variations in all of these components might impact the calculation of the discount rates. Pre-tax discount rates applied to determine value in use of the cash-generating units in 2008 range from 12.9 % to 14.1 %.

Sensitivities: In validating the value in use determined for the cash-generating units, the major value drivers of each cash-generating unit are reviewed annually. In addition, key assumptions used in the DCF model (for example, the discount rate and the long-term growth rate) were sensitized to test the resilience of value in use. Management believes that the only circumstances where reasonable possible changes in key assumptions might have caused an impairment loss to be recognized were in respect of Global Markets and Corporate Finance where an increase of 25 % or 26 %, respectively, in the discount rate or a decrease of 23 % or 27 %, respectively, in projected earnings in every year of the initial five-year period, assuming unchanged values for the other assumptions, would have caused the recoverable amount to equal the respective carrying amount.

The backdrop of a contracting global economy and significant near-term challenges to the banking industry as a result of the financial crisis, and its implications for the Group's operating environment, may negatively impact the performance forecasts of certain of the Group's cash-generating units and, thus, could result in an impairment of goodwill in the future.

Other Intangible Assets

Other intangible assets are separated into those that are internally-generated, which consist only of internally-generated software, and purchased intangible assets. Purchased intangible assets are further split into amortized and unamortized other intangible assets.

The changes of other intangible assets by asset class for the years ended December 31, 2008, and 2007, are as follows.

in € m.	Internally generated intangible assets	Purchased intangible assets								
						Amortized			Unamortized	
	Software	Customer-related intangible assets	Value of business acquired	Contract-based intangible assets	Other	Total amortized purchased intangible assets	Retail investment management agreements	Other	Total unamortized purchased intangible assets	Total other intangible assets
Cost of acquisition/manufacture:										
Balance as of January 1, 2007	**369**	**400**	**–**	**103**	**314**	**817**	**877**	**8**	**885**	**2,071**
Additions	32	122	–	17	31	170	–	3	3	205
Changes in the group of consolidated companies	–	40	912	3	16	971	–	–	–	971
Disposals	–	–	–	4	24	28	–	–	–	28
Reclassifications to held for sale	–	–	–	–	4	4	–	–	–	4
Exchange rate changes	(27)	(28)	(49)	(10)	(10)	(97)	(91)	–	(91)	(215)
Balance as of December 31, 2007	**374**	**534**	**863**	**109**	**323**	**1,829**	**786**	**11**	**797**	**3,000**
Additions	46	19	–	38	19	76	–	4	4	126
Changes in the group of consolidated companies	–	5	5	–	–	10	–	4	4	14
Disposals	–	–	–	1	6	7	–	–	–	7
Reclassifications from held for sale	–	42	–	562	166	770	–	–	–	770
Exchange rate changes	(9)	(37)	(214)	–	(7)	(258)	31	(2)	29	(238)
Balance as of December 31, 2008	**411**	**563**	**654**	**708**	**495**	**2,420**	**817**	**17**	**834**	**3,665**
Accumulated amortization and impairment:										
Balance as of January 1, 2007	**334**	**103**	**–**	**41**	**251**	**395**	**–**	**–**	**–**	**729**
Amortization for the year	17	57	8	16	15	96	–	–	–	113[1]
Disposals	–	–	–	–	19	19	–	–	–	19
Reclassifications to held for sale	–	–	–	–	3	3	–	–	–	3
Impairment losses	–	2	–	–	3	5	74	–	74	79[2]
Exchange rate changes	(23)	(13)	–	(5)	(9)	(27)	–	–	–	(50)
Balance as of December 31, 2007	**328**	**149**	**8**	**52**	**238**	**447**	**74**	**–**	**74**	**849**
Amortization for the year	13	68	42	47	22	179	–	–	–	192[3]
Disposals	–	–	–	–	4	4	–	–	–	4
Impairment losses	–	6	–	1	–	7	304	–	304	311[4]
Exchange rate changes	(12)	(2)	(10)	–	(5)	(17)	2	–	2	(27)
Balance as of December 31, 2008	**329**	**221**	**40**	**100**	**251**	**612**	**380**	**–**	**380**	**1,321**
Carrying amount:										
As of December 31, 2007	**46**	**385**	**855**	**57**	**85**	**1,382**	**712**	**11**	**723**	**2,151**
As of December 31, 2008	**82**	**342**	**614**	**608**	**244**	**1,808**	**437**	**17**	**454**	**2,344**

1 Of which € 98 million were included in general and administrative expenses and € 15 million were recorded in commissions and fee income. The latter related to the amortization of mortgage servicing rights.

2 Of which € 74 million were recorded as impairment of intangible assets and € 5 million were included in general and administrative expenses.

3 Of which € 181 million were included in general and administrative expenses and € 11 million were recorded in commissions and fee income. The latter related to the amortization of mortgage servicing rights.

4 Of which € 310 million were recorded as impairment of intangible assets and € 1 million was recorded in commissions and fee income. The latter related to an impairment of mortgage servicing rights.

Amortized Intangible Assets

In 2008, the main addition to other intangible assets related to Maher Terminals, a privately held operator of port terminal facilities in North America. When held for sale accounting for Maher Terminals ceased as of September 30, 2008, € 770 million were reclassified from assets held for sale to amortized intangible assets. The total comprises contract-based (lease rights to operate the ports), other (trade names) and customer-related intangible assets. As of December 31, 2008, the carrying values were € 551 million for the lease rights, € 161 million for the trade names and € 35 million for the customer-related intangible assets. The amortization of these intangible assets is expected to end in 2030 for the lease rights, in 2027 for the trade names and between 2012 and 2022 for the customer-related intangible assets. The additions to other intangible assets in 2007 were mainly due to the acquisition of Abbey Life Assurance Company Limited, which resulted in the capitalization of a value of business acquired ("VOBA") of € 912 million. The VOBA represents the present value of the future cash flows of a portfolio of long-term insurance and investment contracts and is being amortized over an amortization period expected to end in 2039 (for further details see Notes [1] and [40]).

In 2008, impairment losses relating to customer-related intangible assets and contract-based intangible assets (mortgage servicing rights) amounting to € 6 million and € 1 million were recognized as impairment of intangible assets and in commissions and fee income, respectively, in the income statement. The impairment of customer-related intangible assets was recorded in Asset and Wealth Management and the impairment of contract-based intangible assets was recorded in Corporate Banking & Securities.

In 2007, impairment losses relating to purchased software and customer-related intangible assets amounting to € 3 million and € 2 million, respectively, were recognized as general and administrative expenses in the income statement. The impairment of the purchased software was recorded in Asset and Wealth Management and the impairment of the customer-related intangible assets was recorded in Global Transaction Banking.

In 2006, no impairment losses were recorded relating to amortized intangible assets.

Other intangible assets with finite useful lives are generally amortized over their useful lives based on the straight-line method (except for the VOBA, as explained in Notes [1] and [40], and for mortgage servicing rights).

Mortgage servicing rights are amortized in proportion to and over the estimated period of net servicing revenues. The useful lives by asset class are as follows.

	Useful lives in years
Internally generated intangible assets:	
Software	up to 3
Purchased intangible assets:	
Customer-related intangible assets	up to 20
Contract-based intangible assets	up to 30
Value of business acquired	up to 30
Other	up to 20

Unamortized Intangible Assets

More than 96 % of unamortized intangible assets, amounting to € 437 million, relate to the Group's U.S. retail mutual fund business and are allocated to the Asset Management cash-generating unit. These assets are retail investment management agreements, which are contracts that give DWS Scudder the exclusive right to manage a variety of mutual funds for a specified period. Since the contracts are easily renewable, the cost of renewal is minimal, and they have a long history of renewal, these agreements are not expected to be terminated in the foreseeable future. The rights to manage the associated assets under management are expected to generate cash flows for an indefinite period of time. The intangible assets were valued at fair value based upon a third party valuation at the date of the Group's acquisition of Zurich Scudder Investments, Inc. in 2002.

In 2008 and 2007, losses of € 304 million and € 74 million respectively were recognized in the income statement as impairment of intangible assets. The impairment losses were related to retail investment management agreements and were recorded in Asset and Wealth Management. The impairment losses were due to declines in market values of invested assets as well as current and projected operating results and cash flows of investment management agreements, which had been acquired from Zurich Scudder Investments, Inc. The impairment recorded in 2008 related to certain open end and closed end funds whereas the impairment recorded in 2007 related to certain closed end funds and variable annuity funds. The recoverable amounts of the assets were calculated at fair value less costs to sell. As market prices are ordinarily not observable for such assets, the fair value was based on the best information available to reflect the amount the Group could obtain from a disposal in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal. Therefore, the fair value was determined based on the income approach, using a post-tax discounted cash flow calculation (multi-period excess earnings method).

In 2006, no impairment losses were recorded relating to unamortized intangible assets.

[22] Assets Held for Sale

As of December 31, 2008, the Group classified several real estate assets as held for sale. The Group reported these items in other assets and valued them at the lower of their carrying amount or fair value less costs to sell, which did not lead to an impairment loss in 2008.

The real estate assets included commercial and residential property in Germany and North America owned by the Corporate Division Corporate Banking & Securities (CB&S) through foreclosure. All these items are expected to be sold in 2009.

As of December 31, 2007, the Group classified three disposal groups (two subsidiaries and a consolidated fund) and several non-current assets as held for sale. The Group reported these items in Other assets and Other liabilities, and valued them at the lower of their carrying amount or fair value less costs to sell, resulting in an impairment loss of € 2 million in 2007, which was recorded in income before income taxes of the Group Division Corporate Investments (CI).

The three disposal groups included two in the Corporate Division Asset and Wealth Management (AWM). One was an Italian life insurance company for which a disposal contract was signed in December 2007 and which was sold in the first half of 2008, and a second related to a real estate fund in North America, which ceased to be classified as held for sale as of December 31, 2008. The expenses which were not to be recognized during the held for sale period, were recognized at the date of reclassification. This resulted in an increase of other expenses of € 13 million in AWM in 2008. This amount included expenses of € 3 million which related to 2007. Due to the current market conditions the timing of the ultimate disposal of this investment is uncertain. The last disposal group, a subsidiary in CI, was classified as held for sale at year-end 2006 but, due to circumstances arising in 2007 that were previously considered unlikely, was not sold in 2007. In 2008, the Group changed its plans to sell the subsidiary because the envisaged sales transaction did not materialize due to the lack of interest of the designated buyer. In the light of the weak market environment there are currently no sales activities regarding this subsidiary. The reclassification did not lead to any impact on revenues and expenses.

Non-current assets classified as held for sale as of December 31, 2007 included two alternative investments of AWM in North America, several office buildings in CI and in the Corporate Division Private & Business Clients (PBC), and other real estate assets in North America, obtained by CB&S through foreclosure. While the office buildings in CI and PBC and most of the real estate in CB&S were sold during 2008, the ownership structure of the two alternative investments Maher Terminals LLC and Maher Terminals of Canada Corp. was restructured and the Group consolidated these investments commencing June 30, 2008. Due to the current market conditions the timing of the ultimate disposal of these investments is uncertain. As a result, the assets and liabilities were no longer classified as held for sale at the end of the third quarter 2008. The revenues and expenses which were not to be recognized during the held for sale period were recognized at the date of reclassification. This resulted in a negative impact on other income of € 62 million and an increase of other expenses of € 38 million in AWM in 2008. These amounts included a charge to revenues of € 20 million and expenses of € 21 million which related to 2007.

As of December 31, 2006, in addition to the CI subsidiary mentioned above, two equity method investments in the Group Division CI, resulting in impairment losses of € 2 million, and two equity method investments in CB&S were classified held for sale. The latter four investments were sold in 2007.

The following are the principal components of assets and liabilities which the Group classified as held for sale for the years ended December 31, 2008, and 2007, respectively.

in € m.	Dec 31, 2008	Dec 31, 2007
Financial assets at fair value through profit or loss	–	417
Financial assets available for sale[1]	–	675
Equity method investments	–	871
Property and equipment	1	15
Other assets	131	864
Total assets classified as held for sale	**132**	**2,842**
Financial liabilities at fair value through profit or loss	–	417
Long-term debt	–	294
Other liabilities	–	961
Total liabilities classified as held for sale	**–**	**1,672**

1 An unrealized loss of € 12 million was recognized directly in equity at December 31, 2007.

[23] Other Assets and Other Liabilities

The following are the components of other assets and other liabilities.

in € m.	Dec 31, 2008	Dec 31, 2007
Other assets:		
Brokerage and securities related receivables		
Cash/margin receivables	56,492	34,277
Receivables from prime brokerage	17,844	44,389
Pending securities transactions past settlement date	8,383	14,307
Receivables from unsettled regular way trades	21,339	58,186
Total brokerage and securities related receivables	104,058	151,159
Accrued interest receivable	4,657	7,549
Other	29,114	24,930
Total other assets	**137,829**	**183,638**

in € m.	Dec 31, 2008	Dec 31, 2007
Other liabilities:		
Brokerage and securities related payables		
Cash/margin payables	40,955	17,029
Payables from prime brokerage	46,602	39,944
Pending securities transactions past settlement date	4,530	12,535
Payables from unsettled regular way trades	19,380	58,901
Total brokerage and securities related payables	111,467	128,409
Accrued interest payable	5,112	6,785
Other	44,019	36,250
Total other liabilities	**160,598**	**171,444**

[24] Deposits

The following are the components of deposits.

in € m.	Dec 31, 2008	Dec 31, 2007
Noninterest-bearing demand deposits	34,211	30,187
Interest-bearing deposits		
Demand deposits	143,702	144,349
Time deposits	152,481	236,071
Savings deposits	65,159	47,339
Total interest-bearing deposits	361,342	427,759
Total deposits	**395,553**	**457,946**

[25] Provisions

The following table presents movements by class of provisions.

in € m.	Operational/ Litigation	Other	Total[1]
Balance as of January 1, 2007	**919**	**593**	**1,512**
Changes in the group of consolidated companies	15	(32)	(17)
New provisions	266	362	628
Amounts used	(382)	(310)	(692)
Unused amounts reversed	(139)	(143)	(282)
Effects from exchange rate fluctuations/Unwind of discount	(62)	(11)	(73)
Balance as of December 31, 2007	**617**	**459**	**1,076**
Changes in the group of consolidated companies	1	21	22
New provisions	275	217	492
Amounts used	(75)	(135)	(210)
Unused amounts reversed	(61)	(111)	(172)
Effects from exchange rate fluctuations/Unwind of discount	5	(5)	–
Balance as of December 31, 2008	**762**	**446**	**1,208**

1 For the remaining portion of provisions as disclosed on the consolidated balance sheet, please see Note [16] to the Group's consolidated financial statements, in which allowances for credit related off-balance sheet positions are disclosed.

Operational and Litigation

The Group defines operational risk as the potential for incurring losses in relation to staff, technology, projects, assets, customer relationships, other third parties or regulators, such as through unmanageable events, business disruption, inadequately-defined or failed processes or control and system failure.

Due to the nature of its business, the Group is involved in litigation, arbitration and regulatory proceedings in Germany and in a number of jurisdictions outside Germany, including the United States, arising in the ordinary course of business. In accordance with applicable accounting requirements, the Group provides for potential losses that may arise out of contingencies, including contingencies in respect of such matters, when the potential losses are probable and estimable. Contingencies in respect of legal matters are subject to many uncertainties and the outcome of individual matters is not predictable with assurance. Significant judgment is required in assessing probability and making estimates in respect of contingencies, and the Group's final liabilities may ultimately be materially different. The Group's total liability recorded in respect of litigation, arbitration and regulatory proceedings is determined on a case-by-case

basis and represents an estimate of probable losses after considering, among other factors, the progress of each case, the Group's experience and the experience of others in similar cases, and the opinions and views of legal counsel. Although the final resolution of any such matters could have a material effect on the Group's consolidated operating results for a particular reporting period, the Group believes that it will not materially affect its consolidated financial position. In respect of each of the matters specifically described below, some of which consist of a number of claims, it is the Group's belief that the reasonably possible losses relating to each claim in excess of any provisions are either not material or not estimable.

The Group's significant legal proceedings are described below.

Tax-Related Products. Deutsche Bank AG, along with certain affiliates, and current and former employees (collectively referred to as "Deutsche Bank"), have collectively been named as defendants in a number of legal proceedings brought by customers in various tax-oriented transactions. Deutsche Bank provided financial products and services to these customers, who were advised by various accounting, legal and financial advisory professionals. The customers claimed tax benefits as a result of these transactions, and the United States Internal Revenue Service has rejected those claims. In these legal proceedings, the customers allege that the professional advisors, together with Deutsche Bank, improperly misled the customers into believing that the claimed tax benefits would be upheld by the Internal Revenue Service. The legal proceedings are pending in numerous state and federal courts and in arbitration, and claims against Deutsche Bank are alleged under both U.S. state and federal law. Many of the claims against Deutsche Bank are asserted by individual customers, while others are asserted on behalf of a putative customer class. No litigation class has been certified as against Deutsche Bank. Approximately 86 legal proceedings have been resolved and dismissed with prejudice as against Deutsche Bank. Approximately 8 other legal proceedings remain pending as against Deutsche Bank and are currently at various pre-trial stages, including discovery. The Bank has received a number of unfiled claims as well, and has resolved certain of those unfiled claims.

The United States Department of Justice ("DOJ") is also conducting a criminal investigation of tax-oriented transactions that were executed from approximately 1997 through 2001. In connection with that investigation, DOJ has sought various documents and other information from Deutsche Bank and has been investigating the actions of various individuals and entities, including Deutsche Bank, in such transactions. In the latter half of 2005, DOJ brought criminal charges against numerous individuals based on their participation in certain tax-oriented transactions while employed by entities other than Deutsche Bank (the "Individuals"). In the latter half of 2005, DOJ also entered into a Deferred Prosecution Agreement with an accounting firm (the "Accounting Firm"), pursuant to which DOJ agreed to defer prosecution of a criminal charge against the Accounting Firm based on its participation in certain tax-oriented transactions provided that the Accounting Firm satisfied the terms of the Deferred Prosecution Agreement. On February 14, 2006, DOJ announced that it had entered into a Deferred Prosecution Agreement with a financial institution (the "Financial Institution"), pursuant to which DOJ agreed to defer prosecution of a criminal charge against the Financial Institution based on its role in providing financial products and services in connection with certain tax-oriented transactions provided that the Financial Institution satisfied the terms of the Deferred Prosecution Agreement. Deutsche Bank provided similar financial products and services in certain tax-oriented transactions that are the same or similar to the tax-oriented transactions that are the subject of the above-referenced criminal charges. Deutsche Bank also provided financial products and services in additional tax-oriented transactions as well. DOJ's criminal investigation is ongoing. In December 2008, following a trial of four of the Individuals, three of the Individuals were convicted of criminal charges. The Bank is engaged in discussions with DOJ concerning a resolution of the investigation.

Kirch Litigation. In May 2002, Dr. Leo Kirch personally and as an assignee of two entities of the former Kirch Group, i.e., PrintBeteiligungs GmbH and the group holding company TaurusHolding GmbH & Co. KG, initiated legal action against Dr. Rolf-E. Breuer and Deutsche Bank AG alleging that a statement made by Dr. Breuer (then the Spokesman of Deutsche Bank AG's Management Board) in an interview with Bloomberg television on February 4, 2002 regarding the Kirch Group was in breach of laws and resulted in financial damage.

On January 24, 2006, the German Federal Supreme Court sustained the action for the declaratory judgment only in respect of the claims assigned by PrintBeteiligungs GmbH. Such action and judgment did not require a proof of any loss caused by the statement made in the interview. PrintBeteiligungs GmbH is the only company of the Kirch Group which was a borrower of Deutsche Bank AG. Claims by Dr. Kirch personally and by TaurusHolding GmbH & Co. KG were dismissed. In May 2007, Dr. Kirch filed an action for payment as assignee of PrintBeteiligungs GmbH against Deutsche Bank AG and Dr. Breuer in the amount of initially approximately € 1.6 billion (the amount depended, among other things, on the development of the price for the shares of Axel Springer AG) plus interest. Meanwhile Dr. Kirch changed the calculation of his alleged damages and claims payment of approximately € 1.3 billion plus interest. In these proceedings he will have to prove that such statement caused financial damages to PrintBeteiligungs GmbH and the amount thereof. In the Group's view, the causality in respect of the basis and scope of the claimed damages has not been sufficiently substantiated.

On December 31, 2005, KGL Pool GmbH filed a lawsuit against Deutsche Bank AG and Dr. Breuer. The lawsuit is based on alleged claims assigned from various subsidiaries of the former Kirch Group. KGL Pool GmbH seeks a declaratory judgment to the effect that Deutsche Bank AG and Dr. Breuer are jointly and severally liable for damages as a result of the interview statement and the behavior of Deutsche Bank AG in respect of several subsidiaries of the Kirch Group. In December 2007, KGL Pool GmbH supplemented this lawsuit by a motion for payment of approximately € 2.0 billion plus interest as compensation for the purported damages which two subsidiaries of the former Kirch Group allegedly suffered as a result of the statement by Dr. Breuer. In the Group's view, due to the lack of a relevant contractual relationship with any of these subsidiaries there is no basis for such claims, and the causality in respect of the basis and scope of the claimed damages as well as the effective assignment of the alleged claims to KGL Pool GmbH has not been sufficiently substantiated.

Credit-related matters. Deutsche Bank has received subpoenas and requests for information from certain regulators and government entities concerning its activities regarding the origination, purchase, and securitization of subprime and non-subprime residential mortgages. Deutsche Bank is cooperating fully in response to those subpoenas and requests for information. Deutsche Bank has also been named as defendant in various civil litigations (including putative class actions), brought under the Securities Act of 1933 or state common law, related to the residential mortgage business. Included in those litigations are (1) two putative class actions pending in California Superior Court in Los Angeles County regarding the role of Deutsche Bank's subsidiary Deutsche Bank Securities Inc. ("DBSI"), along with other financial institutions, as an underwriter of offerings of certain securities and mortgage pass-through certificates issued by Countrywide Financial Corporation or an affiliate; (2) a putative class action pending in the United States District Court for the Southern District of New York regarding the role of DBSI, along with other financial institutions, as an underwriter of offerings of certain mortgage pass-through certificates issued by affiliates of Novastar Mortgage Funding Corporation; (3) a putative class action pending in California Superior Court in Los Angeles County regarding the role of DBSI, along with other financial institutions, as an underwriter of offerings of certain mortgage pass-through certificates issued by affiliates of Indymac MBS, Inc.; (4) a putative class action pending in the United States District Court for the Southern District of New York regarding the role of DBSI, along with other financial institutions, as an underwriter of offerings of certain mortgage pass-through certificates issued by affiliates of Wells Fargo Asset Securities Corporation; and (5) a putative class action pending in New York Supreme Court in New York County regarding the role of a number of financial institutions, including DBSI, as underwriter, and Deutsche Bank Trust Company Americas, a Deutsche Bank subsidiary, as trustee, to certain mortgage pass-through certificates issued by affiliates of Residential Accredit Loans, Inc. In addition, certain affiliates of Deutsche Bank, including DBSI, have been named in a putative class action pending in the United States District Court for the Eastern District of New York regarding their roles as issuer and underwriter of certain mortgage pass-through securities. Each of the civil litigations is in its early stages.

Auction rate securities. Deutsche Bank and DBSI are the subject of a putative class action, filed in the United States District Court for the Southern District of New York, asserting various claims under the federal securities laws on behalf of all persons or entities who purchased and continue to hold Auction Rate Preferred Securities and Auction Rate Securities (together "ARS") offered for sale by Deutsche Bank and DBSI between March 17, 2003 and February 13, 2008. DBSI and Deutsche Bank Alex. Brown, a division of DBSI, have also been named as defendants in four individual actions asserting various claims under the federal securities laws and state common law by four investors in ARS. The purported class action and three of the individual actions are in their early stages. One of the individual actions has been dismissed. Deutsche Bank is also named as a defendant, along with ten other financial institutions, in two putative class actions, filed in the United States District Court for the Southern District of New York, asserting violations of the antitrust laws. The putative class actions, which are in their early stages, allege that the defendants conspired to artificially support and then, in February 2008, restrain the ARS market.

Deutsche Bank has also received regulatory requests from the Securities and Exchange Commission ("SEC") and state regulatory agencies in connection with investigations relating to the marketing and sale of ARS. In August 2008, Deutsche Bank entered into agreements in principle with the New York Attorney General's Office ("NYAG") and the North American Securities Administration Association ("NASAA"), representing a consortium of other states and U.S. territories, pursuant to which Deutsche Bank and its subsidiaries agreed to purchase from their retail, certain smaller and medium-sized institutional, and charitable clients, ARS that those clients purchased from Deutsche Bank and its subsidiaries prior to February 13, 2008; to work expeditiously to provide liquidity solutions for their larger institutional clients who purchased ARS from Deutsche Bank and its subsidiaries; and to pay an aggregate penalty of U.S.$ 15 million to the NYAG and NASAA. The SEC's investigation is continuing.

ÖBB Litigation. In September 2005, Deutsche Bank AG entered into a Portfolio Credit Default Swap ("PCDS") transaction with ÖBB Infrastruktur Bau AG ("ÖBB"), a subsidiary of Österreichische Bundesbahnen-Holding Aktiengesellschaft. Under the PCDS, ÖBB assumed the credit risk of a € 612 million AAA rated tranche of a diversified portfolio of corporates and asset-backed securities ("ABS"). As a result of the developments in the ABS market since mid 2007, the market value of the PCDS declined and ÖBB recorded substantial mark-to-market losses on the position and intends to post a provision for the entire notional amount of the PCDS in its financial accounts for the fiscal year 2008.

In June of 2008, ÖBB filed a claim against Deutsche Bank AG in the Vienna Trade Court, asking that the Court declare the PCDS null and void. ÖBB argues that the transaction violates Austrian law, and alleges to have been misled about certain features of the PCDS. ÖBB's claim was dismissed by the Trade Court in January 2009. ÖBB has stated that it will appeal the decision.

Other

Other provisions include non-staff related provisions that are not captured on other specific provision accounts and provisions for restructuring. Restructuring provisions are recorded in conjunction with acquisitions as well as business realignments. Other costs primarily include, among others, amounts for lease terminations and related costs.

[26] Other Short-Term Borrowings

The following are the components of other short-term borrowings.

in € m.	Dec 31, 2008	Dec 31, 2007
Other short-term borrowings:		
Commercial paper	26,095	31,187
Other	13,020	22,223
Total other short-term borrowings	**39,115**	**53,410**

[27] Long-Term Debt and Trust Preferred Securities

Long-Term Debt

The following table presents the Group's long-term debt by contractual maturity.

By remaining maturities in € m.	Due in 2009	Due in 2010	Due in 2011	Due in 2012	Due in 2013	Due after 2013	Total Dec 31, 2008	Total Dec 31, 2007
Senior debt:								
Bonds and notes:								
Fixed rate	10,851	6,571	13,173	11,037	7,642	27,253	76,527	72,173
Floating rate	9,306	8,513	6,225	9,066	3,866	12,151	49,127	46,384
Subordinated debt:								
Bonds and notes:								
Fixed rate	696	7	293	167	1,163	1,454	3,780	3,883
Floating rate	1,372	1,376	974	499	47	154	4,422	4,263
Total long-term debt	**22,225**	**16,467**	**20,665**	**20,769**	**12,718**	**41,012**	**133,856**	**126,703**

The Group did not have any defaults of principal, interest or other breaches with respect to its liabilities in 2008 and 2007.

Trust Preferred Securities

The following table summarizes the Group's fixed and floating rate trust preferred securities, which are perpetual instruments, redeemable at specific future dates at the Group's option.

in € m.	Dec 31, 2008	Dec 31, 2007
Fixed rate	9,147	3,911
Floating rate	582	2,434
Total trust preferred securities	**9,729**	**6,345**

Additional Notes

[28] Obligation to Purchase Common Shares

The Group enters into derivative instruments indexed to Deutsche Bank common shares in order to acquire shares to satisfy employee share-based compensation awards and for trading purposes. Forward purchases and written put options in which Deutsche Bank common shares are the underlying are reported as obligations to purchase common shares if the number of shares is fixed and physical settlement for a fixed amount of cash is required. As of December 31, 2008, and December 31, 2007, the obligation of the Group to purchase its own common shares amounted to € 4 million and € 3.6 billion, respectively, as summarized in the following table.

	Dec 31, 2008				Dec 31, 2007			
	Amount of obligation	**Number of shares**	**Weighted Average Forward/ Exercise Price**	**Maturity**	**Amount of obligation**	**Number of shares**	**Weighted Average Forward/ Exercise Price**	**Maturity**
	in € m.	in million	in €		in € m.	in million	in €	
Forward purchase contracts	–	–	–	> 3 months – 1 year	864	13.5	63.84	> 3 months – 1 year
	–	–	–	> 1 year – 5 years	2,678	31.8	84.27	> 1 year – 5 years
Written put options	4	0.1	80.00	> 3 months – 1 year	7	0.1	49.73	> 3 months – 1 year
	–	–	–	> 1 year – 5 years	4	0.1	80.00	> 1 year – 5 years
Total	**4**	**0.1**			**3,553**	**45.5**		

In December 2008, the Group decided to amend existing forward purchase contracts covering 33.6 million Deutsche Bank common shares from physical settlement to net-cash settlement. The forward purchase contracts were used to satisfy employee share-based compensation awards. This amendment resulted in the derecogniton of the related obligation to purchase common shares and the corresponding charge to shareholders' equity. The negative market value of the derivatives as of the amendment date was recorded as Financial liability at fair value through profit or loss with a corresponding debit to Additional paid-in capital.

[29] Common Shares

Common Shares

Deutsche Bank's share capital consists of common shares issued in registered form without par value. Under German law, each share represents an equal stake in the subscribed capital. Therefore, each share has a nominal value of € 2.56, derived by dividing the total amount of share capital by the number of shares.

Number of shares	Issued and fully paid	Treasury shares	Outstanding
Common shares, January 1, 2007	**524,768,009**	**(26,117,735)**	**498,650,274**
Shares issued under share-based compensation plans	5,632,091	–	5,632,091
Shares purchased for treasury	–	(414,516,438)	(414,516,438)
Shares sold or distributed from treasury	–	411,299,354	411,299,354
Common shares, December 31, 2007	**530,400,100**	**(29,334,819)**	**501,065,281**
Shares issued under share-based compensation plans	458,915	–	458,915
Capital increase	40,000,000	–	40,000,000
Shares purchased for treasury	–	(369,614,111)	(369,614,111)
Shares sold or distributed from treasury	–	390,756,870	390,756,870
Common shares, December 31, 2008	**570,859,015**	**(8,192,060)**	**562,666,955**

There are no issued ordinary shares that have not been fully paid.

Shares purchased for treasury consist of shares held by the Group for a period of time, as well as any shares purchased with the intention of being resold in the short term. In addition, the Group has launched share buy-back programs. Shares acquired under these programs serve among other things, share-based compensation programs, and also allow the Group to balance capital supply and demand. The fifth buy-back program was completed in May 2007 when the sixth buy-back program was started. It was completed in May 2008 and since then no new share buy-back program has been started. In the fourth quarter of 2008, the majority of the remaining shares have been sold in the market. All such transactions were recorded in shareholders' equity and no revenues and expenses were recorded in connection with these activities.

On September 22, 2008, Deutsche Bank AG issued 40 million new common shares at € 55 per share, resulting in total proceeds of € 2.2 billion. The shares were issued with full dividend rights for the year 2008 from authorized capital and without subscription rights.

Authorized and Conditional Capital

Deutsche Bank's share capital may be increased by issuing new shares for cash and in some circumstances for non-cash consideration. As of December 31, 2008, Deutsche Bank had authorized but unissued capital of € 308,600,000 which may be issued at various dates through April 30, 2012 as follows.

Authorized capital	Expiration date
€ 150,000,000	April 30, 2009
€ 128,000,000[1]	April 30, 2011
€ 30,600,000	April 30, 2012

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

The Annual General Meeting on May 29, 2008 authorized the Management Board to increase the share capital by up to a total of € 140,000,000 against cash payments or contributions in kind with the consent of the Supervisory Board. The expiration date is April 30, 2013. This additional authorized capital was not entered in the Commercial Register as of December 31, 2008. It will become effective upon its entry in the Commercial Register.

Deutsche Bank also had conditional capital of € 153,815,099. Conditional capital is available for various instruments that may potentially be converted into common shares.

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

Under the DB Global Partnership Plan, € 51,200,000 of conditional capital was available for option rights available for grant until May 10, 2003 and € 64,000,000 for option rights available for grant until May 20, 2005. A total of 980,143 option rights were granted and not exercised as of December 31, 2008. Therefore, capital can still be increased by € 2,509,166 under this plan. Also, the Management Board was authorized at the Annual General Meeting on May 17, 2001 to issue, with the consent of the Supervisory Board, up to 12,000,000 option rights on Deutsche Bank shares on or before December 31, 2003 of which 510,130 option rights were granted and not exercised as of December 31, 2008 under the DB Global Share Plan (pre-2004). Therefore, capital still can be increased by € 1,305,933 under this plan. These plans are described in Note [31].

The Annual General Meeting on May 29, 2008 authorized the Management Board to issue once or more than once, bearer or registered participatory notes with bearer warrants and/or convertible participatory notes, bonds with warrants, and/or convertible bonds on or before April 30, 2013. For this purpose, share capital was increased conditionally by up to € 150,000,000. This conditional capital was not entered in the Commercial Register as of December 31, 2008. It will become effective upon its entry in the Commercial Register.

Dividends

The following table presents the amount of dividends proposed or declared for the years ended December 31, 2008, 2007 and 2006, respectively.

	2008 (proposed)	2007	2006
Cash dividends declared[1] (in € m.)	310	2,274	2,005
Cash dividends declared per common share (in €)	0.50	4.50	4.00

1 Cash dividend for 2008 is based on the maximum number of shares that will be entitled to a dividend payment for the year 2008.

No dividends have been declared since the balance sheet date.

[30] Changes in Equity

in € m.	2008	2007	2006
Common shares			
Balance, beginning of year	1,358	1,343	1,420
Capital increase	102	–	–
Common shares issued under share-based compensation plans	1	15	25
Retirement of common shares	–	–	(102)
Balance, end of year	1,461	1,358	1,343
Additional paid-in capital			
Balance, beginning of year	15,808	15,246	14,464
Net change in share awards in the reporting period	225	122	(258)
Capital increase	2,098	–	–
Common shares issued under share-based compensation plans	17	377	663
Tax benefits related to share-based compensation plans	(136)	(44)	285
Amendment of derivative instruments indexed to Deutsche Bank common shares	(1,815)	–	–
Option premiums on options on Deutsche Bank common shares	3	76	(81)
Net gains (losses) on treasury shares sold	(1,191)	28	171
Other	(48)	3	2
Balance, end of year	14,961	15,808	15,246
Retained earnings			
Balance (adjusted), beginning of year[1]	26,051	20,900	18,221
Net income (loss) attributable to Deutsche Bank shareholders	(3,835)	6,474	6,070
Actuarial gains (losses) related to defined benefit plans, net of tax	(1)	486	84
Cash dividends declared and paid	(2,274)	(2,005)	(1,239)
Dividend related to equity classified as obligation to purchase common shares	226	277	180
Net gains on treasury shares sold	–	–	191
Retirement of common shares	–	–	(2,667)
Other effects from options on Deutsche Bank common shares	(4)	3	60
Other	(89)	(84)	–
Balance, end of year	20,074	26,051	20,900
Common shares in treasury, at cost			
Balance, beginning of year	(2,819)	(2,378)	(3,368)
Purchases of shares	(21,736)	(41,128)	(38,830)
Sale of shares	22,544	39,677	35,998
Retirement of shares	–	–	2,769
Treasury shares distributed under share-based compensation plans	1,072	1,010	1,053
Balance, end of year	(939)	(2,819)	(2,378)
Equity classified as obligation to purchase common shares			
Balance, beginning of year	(3,552)	(4,307)	(4,449)
Additions	(366)	(1,292)	(2,140)
Deductions	1,225	2,047	2,282
Amendment of derivative instruments indexed to Deutsche Bank common shares	2,690	–	–
Balance, end of year	(3)	(3,552)	(4,307)
Net gains (losses) not recognized in the income statement, net of tax			
Balance (adjusted), beginning of year[2]	1,047	2,365	2,751
Change in unrealized net gains (losses) on financial assets available for sale, net of applicable tax and other[3]	(4,517)	427	466
Change in unrealized net gains (losses) on derivatives hedging variability of cash flows, net of tax[4]	(297)	(7)	(54)
Foreign currency translation, net of tax[5]	(1,084)	(1,738)	(798)
Balance, end of year	(4,851)	1,047	2,365
Total shareholders' equity, end of year	**30,703**	**37,893**	**33,169**
Minority interest			
Balance, beginning of year	1,422	717	624
Minority interests in net profit or loss	(61)	36	9
Increases	732	1,048	744
Decreases and dividends	(906)	(346)	(624)
Foreign currency translation, net of tax	24	(33)	(36)
Balance, end of year	1,211	1,422	717
Total equity, end of year	**31,914**	**39,315**	**33,886**

1 The beginning balances were increased by € 935 million, € 449 million and € 365 million for the years ended December 31, 2008, 2007 and 2006, respectively, for a change in accounting policy and other adjustments in accordance with Note [1].

2 The beginning balances were reduced by € (86) million and € (38) million for the years ended December 31, 2008 and 2007, respectively, for a change in accounting policy and other adjustments in accordance with Note [1].

3 Thereof € (32) million, € (9) million and € (84) million related to the Group's share of changes in equity of associates or jointly controlled entities for the years ended December 31, 2008, 2007 and 2006, respectively.

4 Thereof € (119) million and € (7) million related to the Group's share of changes in equity of associates or jointly controlled entities for the years ended December 31, 2008 and 2006, respectively.

5 Thereof € 19 million, € (12) million and € 1 million related to the Group's share of changes in equity of associates or jointly controlled entities for the years ended December 31, 2008, 2007 and 2006, respectively.

[31] Share-Based Compensation Plans

Share-Based Compensation Plans used for Granting New Awards in 2008

The Group currently grants share-based compensation under three main plans. All awards represent a contingent right to receive Deutsche Bank common shares after a specified period of time. The award recipient is not entitled to receive dividends before the settlement of the award. The terms of the three main plans are presented in the table below.

Plan		Vesting schedule	Early retirement provisions	Eligibility
Global Partnership Plan Equity Units	Annual Award	80 %: 24 months[1]	No	Group Board
		20 %: 42 months		
DB Equity Plan	Annual Award	50 %: 24 months	Yes	Select employees as annual retention
		25 %: 36 months		
		25 %: 48 months		
	Off Cycle Award	Individual specification[2]	No	Select employees to attract or retain key staff
Global Share Plan – Germany		100 %: 12 months	No	Employee plan granting up to 10 shares per employee in Germany[3]

1 With delivery after further 18 months
2 Weighted average relevant service period: 12 months
3 Participant must have been active and working for the Group for at least one year at date of grant

An award, or portions of it, may be forfeited if the recipient voluntarily terminates employment before the end of the relevant vesting period. Early retirement provisions for the DB Equity Plan – Annual Award, however, allow continued vesting after voluntary termination of employment, when certain conditions regarding age or tenure are fulfilled.

Vesting usually continues after termination of employment in cases such as redundancy or retirement. Vesting is accelerated if the recipient's termination of employment is due to death or disability.

In countries where legal or other restrictions hinder the delivery of shares, a cash plan variant of the DB Equity Plan and the Global Share Plan was used for making awards from 2007 onwards.

The Management Board announced in 2007 its intention to discontinue the Global Share Plan in its current form, and to replace it with country specific all employee share plans. The review for suitable replacement plans is still ongoing. Taking into account new legislation being implemented in Germany, which supports tax optimized share investment, the Board approved a final offer of the current Global Share Plan in 2008 for Germany as an interim solution, until legislation becomes effective in 2009.

The Group has other local share-based compensation plans, none of which, individually or in the aggregate, are material to the consolidated financial statements.

Share-Based Compensation Plans used for Granting Awards prior to 2008

Share Plans and Stock Appreciation Right Plans

Prior to 2008, the Group granted share-based compensation under a number of other plans. The following table summarizes the main features of these prior plans.

Plan		Vesting schedule	Early retirement provisions	Eligibility	Last grant in
Restricted Equity Units (REU) Plan	Annual Award	80 % : 48 months[1] 20 % : 54 months	Yes	Select employees as annual retention	2006
DB Share Scheme	Annual Award	1/3 : 6 months 1/3 : 18 months 1/3 : 30 months	No	Select employees as annual retention	2006
	Off Cycle Award	Individual specification	No	Select employees to attract or retain key staff	2006
DB Key Employee Equity Plan (KEEP)		Individual specification	No	Select executives	2005
Stock Appreciation Rights (SAR) Plan		Exercisable after 36 months Expiry after 72 months	No	Select employees	2002
Global Share Plan		100 %: 12 months	No	All employee plan granting up to 10 shares per employee	2007

1 With delivery after further 6 months

The REU Plan, DB Share Scheme and DB KEEP represent a contingent right to receive Deutsche Bank common shares after a specified period of time. The award recipient is not entitled to receive dividends before the settlement of the award.

An award, or portion of it, may be forfeited if the recipient voluntarily terminates employment before the end of the relevant vesting period. Early retirement provisions for the REU Plan, however, allow continued vesting after voluntary termination of employment when certain conditions regarding age or tenure are fulfilled.

Vesting usually continues after termination of employment in certain cases, such as redundancy or retirement. Vesting is accelerated if the recipient's termination of employment is due to death or disability.

The SAR plan provided eligible employees of the Group with the right to receive cash equal to the appreciation of Deutsche Bank common shares over an established strike price. The last rights granted under the SAR plan expired in 2007.

Performance Options

Deutsche Bank used performance options as a remuneration instrument under the Global Partnership Plan and the pre-2004 Global Share Plan. No new options were issued under these plans after February 2004. As of December 31, 2008, all options were exercisable.

The following table summarizes the main features related to performance options granted under the pre-2004 Global Share Plan and the Global Partnership Plan.

Plan	Grant Year	Exercise price	Additional Partnership Appreciation Rights (PAR)	Exercisable until	Eligibility
Global Share Plan (pre-2004) Performance Options	2001	€ 87.66	No	Nov 2007	All employees[1]
	2002	€ 55.39	No	Nov 2008	All employees[1]
	2003	€ 75.24	No	Dec 2009	All employees[1]
Global Partnership Plan Performance Options	2002	€ 89.96	Yes	Feb 2008	Select executives
	2003	€ 47.53	Yes	Feb 2009	Select executives
	2004	€ 76.61	Yes	Feb 2010	Group Board

1 Participant must have been active and working for the Group for at least one year at date of grant

Under both plans, the option represents the right to purchase one Deutsche Bank common share at an exercise price equal to 120 % of the reference price. This reference price was set as the higher of the fair market value of the common shares on the date of grant or an average of the fair market value of the common shares for the ten trading days on the Frankfurt Stock Exchange up to, and including, the date of grant.

Performance options under the Global Partnership Plan were granted to select executives in the years 2002 to 2004. All these performance options are fully vested. Participants were granted one Partnership Appreciation Right (PAR) for each option granted. PARs represent a right to receive a cash award in an amount equal to 20 % of the reference price. The reference price was determined in the same way as described above for the performance options. PARs vested at the same time and to the same extent as the performance options. They are automatically exercised at the same time, and in the same proportion, as the Global Partnership Plan performance options.

Performance options under the Global Share Plan (pre-2004), a broad-based employee plan, were granted in the years 2001 to 2003. The plan allowed the purchase of up to 60 shares in 2001 and up to 20 shares in both 2002 and 2003. For each share purchased, participants were granted one performance option in 2001 and five performance options in 2002 and 2003. Performance options under the Global Share Plan (pre-2004) are forfeited upon termination of employment. Participants who retire or become permanently disabled retain the right to exercise the performance options.

Compensation Expense

Compensation expense for awards classified as equity instruments is measured at the grant date based on the fair value of the share-based award.

Compensation expense for share-based awards payable in cash is remeasured to fair value at each balance sheet date, and the related obligations are included in other liabilities until paid. For awards granted under the cash plan version of the DB Equity Plan and DB Global Share Plan, remeasurement is based on the current market price of Deutsche Bank common shares.

A further description of the underlying accounting principles can be found in Note [1].

The Group recognized compensation expense related to its significant share-based compensation plans as follows:

in € m.	2008	2007	2006
DB Global Partnership Plan	10	7	9
DB Global Share Plan	39	49	43
DB Share Scheme/Restricted Equity Units Plan/DB KEEP/DB Equity Plan	1,249	1,088	751
Stock Appreciation Rights Plan[1]	–	1	19
Total	**1,298**	**1,145**	**822**

1 For the years ended December 31, 2007 and 2006, net gains of € 1 million and € 73 million from non-trading equity derivatives, used to offset fluctuations in employee share-based compensation expense, were included.

Of the compensation expense recognized in 2008 and 2007 approximately € 4 million and € 10 million, respectively, was attributable to the cash-settled variant of the DB Global Share Plan and the DB Equity Plan.

Share-based payment transactions which will result in a cash payment give rise to a liability, which amounted to approximately € 10 million and € 8 million for the years ended December 31, 2008 and 2007 respectively. This liability is attributable to unvested share awards.

As of December 31, 2008 and 2007, unrecognized compensation cost related to non-vested share-based compensation was approximately € 0.6 billion and € 1.0 billion respectively.

Award-Related Activities

Share Plans

The following table summarizes the activity in plans involving share awards, which are those plans granting a contingent right to receive Deutsche Bank common shares after a specified period of time. It also includes the grants under the cash plan variant of the DB Equity Plan and DB Global Share Plan.

in thousands of units (except per share data)	Global Partnership Plan Equity Units	DB Share Scheme/ DB KEEP/REU/ DB equity plan	Global Share Plan (since 2004)	Total	Weighted-average grant date fair value per unit
Balance as of December 31, 2006	**359**	**61,604**	**555**	**62,518**	**€ 53.50**
Granted	92	14,490	600	15,182	€ 95.25
Issued	(127)	(23,956)	(518)	(24,601)	€ 41.17
Forfeited	–	(2,829)	(38)	(2,867)	€ 72.85
Balance as of December 31, 2007	**324**	**49,309**	**599**	**50,232**	**€ 71.05**
Granted	150	18,007	258	18,415	€ 61.17
Issued	(139)	(16,541)	(561)	(17,241)	€ 62.52
Forfeited	–	(2,508)	(38)	(2,546)	€ 73.44
Balance as of December 31, 2008	**335**	**48,267**	**258**	**48,860**	**€ 70.22**

In addition to the amounts shown in the table above, in February 2009 the Group granted retention awards of approximately 18.3 million units, with an average fair value of € 17.28 per unit under the DB Equity Plan for 2009. Approximately 0.3 million of these grants under the DB Equity Plan were granted under the cash plan variant of this plan.

Furthermore, awards under the DB Restricted Cash Plan, amounting to approximately € 1.0 billion, were also granted in February 2009. The DB Restricted Cash Plan is neither share-based nor related to the performance of Deutsche Bank common shares.

Approximately 5.4 million shares were issued to plan participants in February 2009, resulting from the vesting of prior years DB Equity Plan awards.

Performance Options

The following table summarizes the activities for performance options granted under the Global Partnership Plan and the DB Global Share Plan (pre-2004).

in thousands of units (except per share data and exercise prices)	Global Partnership Plan Performance Options	Weighted-average exercise price[1]	DB Global Share Plan (pre-2004) Performance Options	Weighted-average exercise price
Balance as of December 31, 2006	**6,976**	**€ 75.96**	**1,327**	**€ 69.11**
Exercised	(5,339)	€ 82.91	(293)	€ 69.47
Forfeited	–	–	(154)	€ 65.37
Expired	–	–	(68)	€ 87.66
Balance as of December 31, 2007	**1,637**	**€ 53.32**	**812**	**€ 68.14**
Exercised	(434)	€ 47.53	(26)	€ 57.67
Forfeited	–	–	(16)	€ 65.75
Expired	(223)	€ 89.96	(260)	€ 55.39
Balance as of December 31, 2008	**980**	**€ 47.53**	**510**	**€ 75.24**

1 The weighted-average exercise price does not include the effect of the Partnership Appreciation Rights for the DB Global Partnership Plan.

The following three tables present details related to performance options outstanding as of December 31, 2008, 2007 and 2006, by range of exercise prices.

Range of exercise prices	Performance options outstanding December 31, 2008		
	Options outstanding (in thousands)	Weighted-average exercise price[1]	Weighted-average remaining contractual life
€ 40.00 – 59.99	980	€ 47.53	1 month
€ 60.00 – 79.99	510	€ 75.24	12 months
€ 80.00 – 99.99	–	–	–

1 The weighted-average exercise price does not include the effect of the Partnership Appreciation Rights for the DB Global Partnership Plan.

Range of exercise prices	Performance options outstanding December 31, 2007		
	Options outstanding (in thousands)	Weighted-average exercise price[1]	Weighted-average remaining contractual life
€ 40.00 – 59.99	1,704	€ 48.87	13 months
€ 60.00 – 79.99	522	€ 75.24	24 months
€ 80.00 – 99.99	223	€ 89.96	1 month

1 The weighted-average exercise price does not include the effect of the Partnership Appreciation Rights for the DB Global Partnership Plan.

Range of exercise prices	Performance options outstanding December 31, 2006		
	Options outstanding (in thousands)	Weighted-average exercise price[1]	Weighted-average remaining contractual life
€ 40.00 – 59.99	2,757	€ 48.89	25 months
€ 60.00 – 79.99	804	€ 75.34	36 months
€ 80.00 – 99.99	4,742	€ 89.91	13 months

1 The weighted-average exercise price does not include the effect of the Partnership Appreciation Rights for the DB Global Partnership Plan.

The weighted average share price at the date of exercise was € 64.31, € 99.70 and € 91.72 in the years ended December 31, 2008, 2007 and 2006, respectively.

Approximately 980,000 Global Partnership Plan Performance Options granted in 2003 expired on February 1, 2009.

Stock Appreciation Rights Plan

The following table summarizes the activities for the Stock Appreciation Rights Plan.

in thousands of units (except for strike and exercise prices)	Stock Appreciation Rights Plan	
	Units	**Weighted-average strike price**
Balance as of December 31, 2006	**401**	**€ 74.83**
Exercised	(330)	€ 75.82
Forfeited	–	–
Expired	(71)	€ 70.31
Balance as of December 31, 2007	**–**	**–**
Exercised	–	–
Forfeited	–	–
Expired	–	–
Balance as of December 31, 2008	**–**	**–**

[32] Employee Benefits

The Group provides a number of post-employment benefit plans. In addition to defined contribution plans, there are plans accounted for as defined benefit plans. The Group's defined benefit plans are classified as post-employment medical plans and retirement benefit plans such as pensions.

The majority of the beneficiaries of retirement benefit plans are located in Germany, the United Kingdom and the United States. The value of a participant's accrued benefit is based primarily on each employee's remuneration and length of service.

The Group's funding policy is to maintain full coverage of the defined benefit obligation ("DBO") by plan assets within a range of 90 % to 110 % of the obligation, subject to meeting any local statutory requirements. Any obligation for the Group's unfunded plans is accrued for as book provision.

Moreover, the Group maintains unfunded contributory post-employment medical plans for a number of current and retired employees who are mainly located in the United States. These plans pay stated percentages of eligible medical and dental expenses of retirees after a stated deductible has been met. The Group funds these plans on a cash basis as benefits are due.

December 31 is the measurement date for all plans. All plans are valued using the projected unit-credit method.

The following table provides reconciliations of opening and closing balances of the defined benefit obligation and of the fair value of plan assets of the Group's defined benefit plans over the years ended December 31, 2008 and 2007, as well as a statement of the funded status as of December 31 in each year.

	Retirement benefit plans		Post-employment medical plans	
in € m.	2008	2007	2008	2007
Change in defined benefit obligation:				
Balance, beginning of year	8,518	9,129	116	147
Current service cost	264	265	2	3
Interest cost	453	436	7	8
Contributions by plan participants	8	6	–	–
Actuarial loss (gain)	(160)	(902)	1	(21)
Exchange rate changes	(572)	(354)	1	(15)
Benefits paid	(393)	(378)	(8)	(6)
Past service cost (credit)	14	11	–	–
Acquisitions[1]	–	313	–	–
Divestitures	–	(3)	–	–
Settlements/curtailments	(1)	(19)	–	–
Other[2]	58	14	–	–
Balance, end of year	**8,189**	**8,518**	**119**	**116**
Change in fair value of plan assets:				
Balance, beginning of year	9,331	9,447	–	–
Expected return on plan assets	446	435	–	–
Actuarial gain (loss)	(221)	(266)	–	–
Exchange rate changes	(689)	(351)	–	–
Contributions by the employer	239	171	–	–
Contributions by plan participants	8	6	–	–
Benefits paid[3]	(358)	(355)	–	–
Acquisitions[4]	–	246	–	–
Divestitures	–	–	–	–
Settlements	(1)	(13)	–	–
Other[2]	–	11	–	–
Balance, end of year	**8,755**	**9,331**	**–**	**–**
Funded status, end of year	**566**	**813**	**(119)**	**(116)**

1 Abbey Life, Berliner Bank (2007)
2 Includes opening balance of first time application of smaller plans.
3 For funded plans only.
4 Abbey Life (2007)

The Group's primary investment objective is to immunize broadly the Bank to large swings in the funded status of the retirement benefit plans, with some limited amount of risk-taking through duration mismatches and asset class diversification. The aim is to maximize returns within a defined risk tolerance level specified by the Group.

The actual return on plan assets for the years ended December 31, 2008, and December 31, 2007, was € 225 million and € 169 million, respectively. In both years, market movements caused the actual returns on plan assets to be lower than expected under the long term actuarial assumptions, but this actuarial loss on plan assets was partially compensated for in 2008 (but more than compensated for in 2007) by an actuarial gain on liabilities due to market movements.

The Group expects to contribute approximately € 200 million to its retirement benefit plans in 2009. The final amounts to be contributed in 2009 will be determined in the fourth quarter of 2009.

The table below reflects the benefits expected to be paid in each of the next five years, and in the aggregate for the five years thereafter. The amounts include benefits attributable to estimated future employee service.

in € m.	Retirement benefit plans	Post-employment medical plans[1]
2009	406	8
2010	419	8
2011	437	9
2012	458	9
2013	462	9
2014 – 2018	2,540	47

1 Net of expected reimbursements from Medicare for prescription drug benefits of approximately € 1 million each year from 2009 until 2012, € 2 million in 2013 and € 9 million in the aggregate from 2014 through 2018.

The following table provides an analysis of the defined benefit obligation into amounts arising from plans that are wholly unfunded and amounts arising from plans that are wholly or partly funded.

	Retirement benefit plans		Post-employment medical plans	
in € m.	Dec 31, 2008	Dec 31, 2007	Dec 31, 2008	Dec 31, 2007
Benefit obligation	8,189	8,518	119	116
– unfunded	245	121	119	116
– funded	7,944	8,397	–	–

The following table shows the amounts for the current annual period and the previous two annual periods of the present value of the defined benefit obligation, the fair value of plan assets and the funded status as well as the experience adjustments arising on the obligation and the plan assets.

in € m.	Dec 31, 2008	Dec 31, 2007	Dec 31, 2006
Retirement benefit plans			
Defined benefit obligation	8,189	8,518	9,129
thereof: experience adjustments (loss (gain))	24	(68)	18
Fair Value of plan assets	8,755	9,331	9,447
thereof: experience adjustments (gain (loss))	(221)	(266)	(368)
Funded status	**566**	**813**	**318**
Post-employment medical plans			
Defined benefit obligation	119	116	147
thereof: experience adjustments (loss (gain))	(5)	(17)	(27)
Funded status	**(119)**	**(116)**	**(147)**

The following table presents a reconciliation of the funded status to the net amount recognized in the balance sheet as of December 31, 2008 and 2007, respectively.

	Retirement benefit plans		Post-employment medical plans	
in € m.	Dec 31, 2008	Dec 31, 2007	Dec 31, 2008	Dec 31, 2007
Funded status	566	813	(119)	(116)
Past service cost (credit) not recognized	–	–	–	–
Asset ceiling	(9)	(9)	–	–
Net asset (liability) recognized	557	804	(119)	(116)

The Group has adopted a policy of recognizing actuarial gains and losses in the period in which they occur. Actuarial gains and losses are taken directly to shareholders' equity and are presented in the Consolidated Statement of Recognized Income and Expense and in Note [30]. The following table shows the cumulative amounts recognized as at December 31, 2008 since inception of IFRS on January 1, 2006 as well as the amounts recognized in the years ended December 31, 2008 and 2007, respectively, not taking deferred taxes into account. Deferred taxes are disclosed in a separate table for income taxes taken to equity in Note [33]. Adjusted amounts recognized for prior periods are presented in Note [1].

		Amount recognized in the Consolidated Statement of Recognized Income and Expense (gain (loss))	
in € m.	Dec 31, 2008[1]	2008	2007
Retirement benefit plans:			
Actuarial gain (loss)	645	(61)	636
Asset ceiling	(9)	–	(4)
Total retirement benefit plans	**636**	**(61)**	**632**
Post-employment medical plans:			
Actuarial gain (loss)	53	(1)	21
Total post-employment medical plans	**53**	**(1)**	**21**
Total amount recognized	**689**	**(62)**	**653**

1 Accumulated since inception of IFRS and inclusive of the impact of exchange rate changes.

Expenses for defined benefit plans recognized in the Consolidated Statement of Income for the years ended December 31, 2008, 2007 and 2006 included the following items. All items are part of compensation and benefits expenses.

in € m.	2008	2007	2006
Expenses for retirement benefit plans:			
Current service cost	264	265	284
Interest cost	453	436	395
Expected return on plan assets	(446)	(435)	(413)
Past service cost (credit) recognized immediately	14	11	32
Settlements/curtailments	–	(5)	(5)
Recognition of actuarial losses (gains) due to settlements/curtailments[1]	9	(6)	(2)
Amortization of actuarial losses (gains)[1]	1	(1)	–
Asset ceiling[1]	(2)	2	–
Total retirement benefit plans	**293**	**267**	**291**
Expenses for post-employment medical plans:			
Current service cost	2	3	5
Interest cost	7	8	10
Amortization of actuarial losses (gains)[1]	2	(3)	–
Total post-employment medical plans	**11**	**8**	**15**
Total expenses defined benefit plans	**304**	**275**	**306**
Total expenses for defined contribution plans	206	203	165
Total expenses for post-employment benefits	**510**	**478**	**471**
Disclosures of other selected employee benefits			
Employer contributions to mandatory German social security pension plan	159	156	144
Expenses for severance payments	555	225	153

1 Items accrued under the corridor approach in 2006 and 2007 were reversed in 2008 due to the change in accounting policy (differences between the amounts posted originally and the amounts reversed are due to exchange rate changes).

Expected expenses for 2009 are € 307 million for the retirement benefit plans and € 10 million for the post-employment medical plans.

The weighted-average asset allocation of the Group's funded retirement benefit plans as of December 31, 2008 and 2007, as well as the target allocation by asset category are as follows.

	Target allocation	Percentage of plan assets	
		Dec 31, 2008	Dec 31, 2007
Asset categories:			
Equity instruments	5 %	7 %	8 %
Debt instruments (including Cash and Derivatives)	90 %	90 %	87 %
Alternative Investments (including Property)	5 %	3 %	5 %
Total asset categories	**100 %**	**100 %**	**100 %**

The expected rate of return on assets is developed separately for each plan, using a building block approach recognizing the plan's specific asset allocation and the assumed return on assets for each asset category. The plan's target asset allocation at the measurement date is used, rather than the actual allocation.

The general principle is to use a risk-free rate as a benchmark, with adjustments for the effect of duration and specific relevant factors for each major category of plan assets. For example, the expected rate of return for equities and property is derived by adding a respective risk premium to the yield-to-maturity on ten-year fixed interest government bonds.

Expected returns are adjusted for factors such as taxation, but no allowance is made for expected outperformance due to active management. Finally, the relevant risk premiums and overall expected rates of return are confirmed for reasonableness through comparison with other reputable published forecasts and any other relevant market practice.

Plan assets as of December 31, 2008, include derivatives with a positive market value of € 588 million. Derivative transactions are made within the Group and with external counterparties. In addition, there are € 4 million of securities issued by the Group included in the plan assets.

It is not expected that any plan assets will be returned to the Group during the year ending December 31, 2009.

The principal actuarial assumptions applied were as follows. They are provided in the form of weighted averages.

Assumptions used for retirement benefit plans	Dec 31, 2008	Dec 31, 2007	Dec 31, 2006
to determine defined benefit obligations, end of year			
Discount rate	5.6 %	5.5 %	4.8 %
Rate of price inflation	2.1 %	2.1 %	2.0 %
Rate of nominal increase in future compensation levels	3.0 %	3.3 %	3.2 %
Rate of nominal increase for pensions in payment	1.8 %	1.8 %	1.7 %
to determine expense, year ended			
Discount rate	5.5 %	4.8 %	4.3 %
Rate of price inflation	2.1 %	2.0 %	2.1 %
Rate of nominal increase in future compensation levels	3.3 %	3.2 %	3.3 %
Rate of nominal increase for pensions in payment	1.8 %	1.7 %	1.8 %
Expected rate of return on plan assets[1]	5.0 %	4.6 %	4.4 %
Assumptions used for post-employment medical plans			
to determine defined benefit obligations, end of year			
Discount rate	6.1 %	6.1 %	5.8 %
to determine expense, year ended			
Discount rate	6.1 %	5.8 %	5.4 %

1 The expected rate of return on assets for determining income in 2009 is 4.5 %.

Mortality assumptions are significant in measuring the Group's obligations under its defined benefit plans. These assumptions have been set in accordance with current best practice in the respective countries. Future longevity improvements have been considered and included where appropriate.

As of December 31, 2008 and 2007, the average life expectancies for a 65 year old male and female, weighted on DBO for the Group's retirement benefit plans, were as follows.

	Life expectancy at age 65 for a male member currently		Life expectancy at age 65 for a female member currently	
in years	Aged 65	Aged 45	Aged 65	Aged 45
December 31, 2008	19.1	21.1	22.6	24.5
December 31, 2007	19.1	21.0	22.5	24.3

The following table presents the sensitivity to key assumptions of the defined benefit obligation as of December 31, 2008, and the aggregate of service costs and interest costs of the retirement benefit plans for the year ended December 31, 2008. Each assumption is shifted in isolation.

Increase in € m.	Defined benefit obligation as at Dec 31, 2008	Aggregate of service costs and interest costs for 2008
Discount rate (fifty basis point decrease)	560	15
Rate of price inflation (fifty basis point increase)	370	40
Rate of real increase in future compensation levels (fifty basis point increase)	75	10
Longevity (improvement by ten percent)[1]	130	10

1 Improvement by ten percent on longevity means that the probability of death at each age is reduced by ten percent. The sensitivity has, broadly, the effect of increasing the expected longevity at age 65 by about one year.

Decreasing the expected return on plan assets assumption by fifty basis points would increase the expenses for retirement benefit plans by € 45 million for the year ended December 31, 2008.

In determining expenses for post-employment medical plans, an annual weighted-average rate of increase of 8.0 % in the per capita cost of covered health care benefits was assumed for 2009. The rate is assumed to decrease gradually to 5.1 % by the end of 2012 and to remain at that level thereafter.

Assumed health care cost trend rates have an effect on the amounts reported for the post-employment medical plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects on the Group's post-employment medical plans.

	One-percentage point increase		One-percentage point decrease	
Increase (decrease) in € m.	Dec 31, 2008	Dec 31, 2007	Dec 31, 2008	Dec 31, 2007
Effect on defined benefit obligation, end of year	13	13	(12)	(11)
Effect on the aggregate of current service cost and interest cost, year ended	1	1	(1)	(1)

[33] Income Taxes

The following are the components of tax expense (income).

in € m.	2008	2007	2006
Current tax expense (benefit)[1]			
Tax expense (benefit) for current year	(32)	3,504	2,782
Adjustments for prior years	(288)	(347)	(687)
Total current tax expense (benefit)	**(320)**	**3,157**	**2,095**
Deferred tax expense (benefit)[1]			
Origination and reversal of temporary difference, unused tax losses and tax credits	(1,346)	(651)	288
Effects of changes in tax rates	26	(181)	(7)
Adjustments for prior years	(205)	(86)	(116)
Total deferred tax expense (benefit)	**(1,525)**	**(918)**	**165**
Total income tax expense (benefit)	**(1,845)**	**2,239**	**2,260**

1 Including income taxes which relate to non-current assets or assets and liabilities of disposal groups classified as held for sale. For further information please see Note [22].

Income tax expense (benefit) includes policyholder tax attributable to policyholder earnings, amounting to an income tax benefit of € 79 million and € 1 million in 2008 and 2007 respectively.

The current tax expense (benefit) includes benefits from previously unrecognized tax losses, tax credits and deductible temporary differences, which increased the current tax benefit by € 45 million in 2008 and reduced the current tax expense by € 3 million and € 19 million in 2007 and 2006, respectively.

The deferred tax expense (benefit) includes expenses arising from write-downs of deferred tax assets and benefits from previously unrecognized tax losses (tax credits/temporary differences) and the reversal of previous write-downs of deferred tax assets, which reduced the deferred tax benefit by € 971 million and € 71 million in 2008 and 2007 respectively and increased the deferred tax expense by € 93 million in 2006.

The following is an analysis of the difference between the amount that results from applying the German statutory (domestic) income tax rate to income before tax and the Group's actual income tax expense.

in € m.	2008	2007	2006
Expected tax expense at domestic income tax rate of 30.7 % (39.2 % for 2007, 2006)	**(1,760)**	**3,429**	**3,269**
Foreign rate differential	(665)	(620)	(250)
Tax-exempt gains on securities and other income	(746)	(657)	(357)
Loss (income) on equity method investments	(36)	(22)	(51)
Nondeductible expenses	403	393	372
Goodwill impairment	1	21	10
Changes in recognition and measurement of deferred tax assets	926	68	74
Effect of changes in tax law or tax rate	26	(181)	(362)
Effect related to share based payments	227	–	–
Effect of policyholder tax	(79)	(1)	–
Other	(142)	(191)	(445)
Actual income tax expense (benefit)	**(1,845)**	**2,239**	**2,260**

The Group is under continuous examinations by tax authorities in various jurisdictions. "Other" in the preceding table mainly includes the nonrecurring effect of settling these examinations.

The domestic income tax rate, including corporate tax, solidarity surcharge, and trade tax, used for calculating deferred tax assets and liabilities was 30.7 %, 30.7 % and 39.2 % for the years ended December 31, 2008, 2007 and 2006, respectively.

In August 2007, the German legislature enacted a tax law change on company taxation ("Unternehmensteuerreformgesetz 2008"), which lowered the statutory corporate income tax rate from 25 % to 15 %, and changed the trade tax calculation from 2008 onwards. This tax law change reduced the deferred tax expense for 2007 by € 232 million. Further tax rate changes, mainly in the United Kingdom, Spain, Italy and the United States of America, increased the deferred tax expense for 2007 by € 51 million.

The inventory of each type of temporary difference, each type of unused tax losses and unused tax credits that give rise to significant portions of deferred income tax assets and liabilities are as follows.

in € m.	Dec 31, 2008	Dec 31, 2007
Deferred tax assets:		
Unused tax losses	3,477	1,219
Unused tax credits	134	132
Deductible temporary differences:		
Trading activities	8,769	5,313
Property and equipment	380	319
Other assets	1,167	822
Securities valuation	654	276
Allowance for loan losses	144	162
Other provisions	1,016	1,469
Other liabilities	568	1,190
Total deferred tax assets	**16,309**	**10,902**
Deferred tax liabilities:		
Taxable temporary differences:		
Trading activities	7,819	5,163
Property and equipment	53	57
Other assets	1,042	1,599
Securities valuation	605	681
Allowance for loan losses	167	89
Other provisions	1,221	697
Other liabilities	716	219
Total deferred tax liabilities	**11,623**	**8,505**
Net deferred tax assets	**4,686**	**2,397**

After netting, deferred tax assets and liabilities were included on the balance sheet as follows.

in € m.	Dec 31, 2008	Dec 31, 2007
Disclosed as deferred tax assets	8,470	4,777
Disclosed as deferred tax liabilities	3,784	2,380
Net deferred tax assets	**4,686**	**2,397**

The closing balances of deferred taxes for 2007 were adjusted in accordance with Note [1].

The change in the balance of net deferred tax assets and deferred tax liabilities does not equal the deferred tax expense in this year. This is due to (1) deferred taxes that are booked directly to equity, (2) the effects of exchange rate changes on tax assets and liabilities denominated in currencies other than euro, (3) the acquisition and disposal of entities as part of ordinary activities and (4) the reclassification of deferred tax assets and liabilities which are presented on the face of the balance sheet as components of other assets and liabilities.

Income taxes charged or credited to equity are as follows.

in € m.	2008	2007	2006
Actuarial gains and losses related to defined benefit plans	**1**	**(192)**	**(65)**
Financial assets available for sale	698	197	16
Derivatives hedging variability of cash flows	(34)	(1)	22
Other equity movement	67	19	(63)
Income taxes (charged) credited to recognized income and expenses in total equity	**731**	**215**	**(25)**
Other income taxes (charged) credited to total equity	**(75)**	**(35)**	**195**

As of December 31, 2008, and 2007, no deferred tax assets were recognized for the following items.[1]

in € m.	Dec 31, 2008	Dec 31, 2007
Deductible temporary differences	**(26)**	**(34)**
Not expiring	(617)	(1,120)
Expiring in subsequent period	(1)	–
Expiring after subsequent period	(2,851)	(390)
Unused tax losses	**(3,469)**	**(1,510)**
Expiring in subsequent period	–	–
Expiring after subsequent period	(90)	(100)
Unused tax credits	**(90)**	**(100)**

1 Amounts in the table refer to unused tax losses and tax credits for federal income tax purposes.

Deferred tax assets were not recognized on these items because it is not probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized.

As of December 31, 2008, and December 31, 2007, the Group recognized deferred tax assets that exceed deferred tax liabilities by € 5,637 million and € 2,582 million, respectively, in entities which have suffered a loss in either the current or preceding period. This is based on management's assessment that it is probable that the respective entities will have taxable profits against which the unused tax losses, unused tax credits and deductible temporary differences can be utilized. Generally, in determining the amounts of deferred tax assets to be recognized, management uses profitability information and, if relevant, forecasted operating results, based upon approved business plans, including a review of the eligible carry-forward periods, tax planning opportunities and other relevant considerations.

As of December 31, 2008 and December 31, 2007, the Group had temporary differences associated with the Group's parent company's investments in subsidiaries, branches and associates and interests in joint ventures, of € 157 million and € 255 million respectively, in respect of which no deferred tax liabilities were recognized.

Since 2007, the payment of dividends to the Group's shareholders no longer has income tax consequences. In 2006, the effect for domestic tax rate differential on the dividend distribution was a tax benefit of € 30 million.

[34] Acquisitions and Dispositions

Business Combinations finalized in 2008

In 2008, the Group finalized several acquisitions that were accounted for as business combinations. Of these transactions, the acquisitions of DB HedgeWorks, LLC and the reacquisition of Maher Terminals LLC and Maher Terminals of Canada Corp. were individually significant and are, therefore, presented separately. The other business combinations, which were not individually significant, are presented in the aggregate.

DB HedgeWorks, LLC

On January 31, 2008, the Group acquired 100 % of HedgeWorks, LLC, a hedge fund administrator based in the United States which it subsequently renamed DB HedgeWorks, LLC ("DB HedgeWorks"). The acquisition further strengthens the Group's service offering to the hedge fund industry. The cost of this business combination consisted of a cash payment of € 19 million and another € 16 million subject to the acquiree exceeding certain performance targets over the next three years. The purchase price was allocated as goodwill of € 28 million, other intangible assets of € 5 million and net tangible assets of € 2 million. DB HedgeWorks is included in GTB. The impact of this acquisition on the Group's balance sheet was as follows.

in € m.	Carrying value before the acquisition	Adjustments to fair value	Fair value
Assets:			
Cash and due from banks	1	–	1
Goodwill	–	28	28
Other intangible assets	–	5	5
All remaining assets	1	–	1
Total assets	**2**	**33**	**35**
Liabilities:			
Long-term debt	–	15	15
All remaining liabilities	1	–	1
Total liabilities	**1**	**15**	**16**
Net assets	1	18	19
Total liabilities and equity	**2**	**33**	**35**

Since the date of acquisition, DB HedgeWorks recorded net revenues and net losses after tax of € 6 million and € 2 million, respectively.

Maher Terminals LLC and Maher Terminals of Canada Corp.

Commencing June 30, 2008, the Group has consolidated Maher Terminals LLC and Maher Terminals of Canada Corp., collectively and hereafter referred to as Maher Terminals, a privately held operator of port terminal facilities in North America. Maher Terminals was acquired as seed asset for the North American Infrastructure Fund. The Group initially owned 100 % of Maher Terminals and following a partial sale of an 11.4 % minority stake to the RREEF North America Infrastructure Fund in 2007, the Group retained a non-controlling interest which was accounted for as equity method investment under the held for sale category at December 31, 2007 (see Note [22]). In a subsequent effort to restructure the fund in 2008, RREEF Infrastructure reacquired all outstanding interests in the North America Infrastructure Fund, whose sole investment is Maher Terminals, for a cash consideration of € 109 million.

In discontinuing the held for sale accounting for the investment at the end of the third quarter 2008, the assets and liabilities of Maher Terminals were reclassified from the held for sale category, with the reacquisition accounted for as a purchase transaction. On provisional values, the cost of this acquisition was allocated as goodwill of € 33 million and net tangible assets of € 76 million. Maher Terminals is included in AWM. As of the acquisition date, the impact on the Group's balance sheet was as follows.

in € m.	Carrying value before the acquisition and included under held-for-sale category	Reclassification from held-for-sale category and Adjustments to fair value	Fair value
Assets:			
Interest-earning time deposits with banks	–	30	30
Property and equipment	–	169	169
Goodwill	–	597	597
Other intangible assets	–	770	770
All remaining assets	1,867	(1,683)	184
Total assets	**1,867**	**(117)**	**1,750**
Liabilities:			
Long-term debt	–	839	839
All remaining liabilities	983	(845)	138
Total liabilities	**983**	**(6)**	**977**
Net assets	884	(111)	773
Total liabilities and equity	**1,867**	**(117)**	**1,750**

Post-acquisition net revenues and net losses after tax related to Maher Terminals in 2008 amounted to negative € 7 million and € 256 million, respectively. The latter includes a charge of € 175 million net of tax reflecting a goodwill impairment recognized in the fourth quarter 2008 (see Note [21]).

Other Business Combinations finalized in 2008

Other business combinations, not being individually material, which were finalized in 2008, are presented in the aggregate, and, among others, included the acquisition of Far Eastern Alliance Asset Management Co. Limited, a Taiwanese investment management firm, as well as the acquisition of the operating platform of Pago eTransaction GmbH, a cash management and merchant acquiring business domiciled in Germany. These transactions involved the acquisition of majority interests ranging between more than 50 % and up to 100 % for a total consideration of € 7 million, including less than € 1 million of costs directly related to these acquisitions.

Their impact on the Group's balance sheet was as follows.

in € m.	Carrying value before the acquisition	Adjustments to fair value	Fair value
Assets:			
Cash and due from banks	4	6	10
Interest-earning demand deposits with banks	6	3	9
Interest-earning time deposits with banks	2	3	5
Other intangible assets	–	1	1
All remaining assets	20	2	22
Total assets	**32**	**15**	**47**
Liabilities:			
Other liabilities	1	7	8
All remaining liabilities	–	1	1
Total liabilities	**1**	**8**	**9**
Net assets	31	7	38
Total liabilities and equity	**32**	**15**	**47**

The effect of these acquisitions on net revenues and net profit or loss of the Group in 2008 was € 2 million and € (4) million, respectively.

Potential Profit or Loss Impact of Business Combinations finalized in 2008

If the business combinations described above which were finalized in 2008 had all been effective as of January 1, 2008, the effect on the Group's net revenues and net profit or loss after tax would have been € 44 million and € (223) million, respectively. The latter includes a charge of € 175 million net of tax reflecting a goodwill impairment related to Maher Terminals recognized in the fourth quarter 2008.

Business Combinations finalized in 2007

In 2007, the Group finalized several acquisitions that were accounted for as business combinations. Of these transactions, the acquisitions of Berliner Bank AG & Co. KG, MortgageIT Holdings, Inc. and Abbey Life Assurance Company Limited were individually significant and are, therefore, presented separately. The other business combinations, which were not individually significant, are presented in the aggregate.

Berliner Bank AG & Co. KG

Effective January 1, 2007, the Group completed the acquisition of Berliner Bank AG & Co. KG ("Berliner Bank") which expands the Group's market share in the retail banking sector of the German capital. The cost of the acquisition consisted of a cash consideration of € 645 million and € 1 million of cost directly attributable to the acquisition.

From the purchase price, € 508 million was allocated to goodwill, € 45 million were allocated to other intangible assets, and € 93 million reflected net tangible assets. Berliner Bank is included in PBC. The impact of this acquisition on the Group's balance sheet was as follows.

in € m.	Carrying value before the acquisition	Adjustments to fair value	Fair value
Assets:			
Cash and due from banks	190	–	190
Interest-earning demand deposits with banks	808	–	808
Interest-earning time deposits with banks	1,945	–	1,945
Loans	2,443	(28)	2,415
Goodwill	–	508	508
Other intangible assets	–	45	45
All remaining assets	18	2	20
Total assets	**5,404**	**527**	**5,931**
Liabilities:			
Deposits	5,107	–	5,107
All remaining liabilities	133	45	178
Total liabilities	**5,240**	**45**	**5,285**
Net assets	164	482	646
Total liabilities and equity	**5,404**	**527**	**5,931**

Post-acquisition net revenues and net profits after tax related to Berliner Bank in 2007 amounted to € 251 million and € 35 million, respectively.

Mortgage IT Holdings, Inc.

On January 2, 2007, the Group completed the acquisition of 100 % of MortgageIT Holdings, Inc. ("MortgageIT") for a total cash consideration of € 326 million. The purchase price was allocated to goodwill of € 149 million and net tangible assets of € 177 million. MortgageIT, a residential mortgage real estate investment trust (REIT) in the U.S., is included in CB&S.

The impact of this acquisition on the Group's balance sheet was as follows.

in € m.	Carrying value before the acquisition	Adjustments to fair value	Fair value
Assets:			
Cash and due from banks	29	–	29
Financial assets at fair value through profit or loss	5,854	(5)	5,849
Goodwill	9	140	149
All remaining assets	160	(7)	153
Total assets	**6,052**	**128**	**6,180**
Liabilities:			
Financial liabilities at fair value through profit or loss	3,390	–	3,390
Other liabilities	2,349	10	2,359
All remaining liabilities	95	10	105
Total liabilities	**5,834**	**20**	**5,854**
Net assets	218	108	326
Total liabilities and equity	**6,052**	**128**	**6,180**

Following the acquisition in 2007, MortgageIT recorded net negative revenues and net losses after tax of € 38 million and € 212 million, respectively.

Abbey Life Assurance Company Limited

On October 1, 2007, the Group completed the acquisition of 100 % of Abbey Life Assurance Company Limited ("Abbey Life") for a cash consideration of € 1,412 million and € 12 million of costs directly related to the acquisition. The allocation of the purchase price resulted in net tangible assets of € 512 million and other intangible assets of € 912 million. These identified intangible assets represent the present value of the future cash flows of the long-term insurance and investment contracts acquired in a business combination (the Value of Business Acquired ("VOBA")). Abbey Life is a UK life assurance company which closed to new business in 2000. The company comprises primarily unit-linked life and pension policies and annuities and is included in CB&S. The impact of this acquisition on the Group's balance sheet was as follows.

in € m.	Carrying value before the acquisition	Adjustments to fair value	Fair value
Assets:			
Interest-earning demand deposits with banks	232	–	232
Financial assets at fair value through profit or loss	14,145	–	14,145
Financial assets available for sale	2,261	–	2,261
Other intangible assets	–	912	912
All remaining assets	1,317	(1)	1,316
Total assets	**17,955**	**911**	**18,866**
Liabilities:			
Financial liabilities at fair value through profit or loss	10,387	–	10,387
Provisions - Insurance policies and reserves	6,339	–	6,339
All remaining liabilities	246	318	564
Total liabilities	**16,972**	**318**	**17,290**
Net assets[1]	983	593	1,576
Total liabilities and equity	**17,955**	**911**	**18,866**

1 Includes minority interest of € 152 million.

Following the acquisition and in finalizing the purchase accounting in 2008, net assets acquired were reduced against the VOBA for € 5 million, resulting in revised net tangible assets of € 507 million and VOBA of € 917 million. Post-acquisition net revenues and net profits after tax related to Abbey Life in 2007 amounted to € 53 million and € 26 million, respectively.

Other Business Combinations finalized in 2007

Other business combinations, not being individually material, which were finalized in 2007, are presented in the aggregate. These transactions involved the acquisition of majority interests ranging between 51 % and 100 % for a total consideration of € 107 million, including € 1 million of costs directly related to these acquisitions.

Their impact on the Group's balance sheet was as follows.

in € m.	Carrying value before the acquisition	Adjustments to fair value	Fair value
Assets:			
Cash and due from banks	3	77	80
Goodwill	3	5	8
Other intangible assets	8	–	8
All remaining assets	91	50	141
Total assets	**105**	**132**	**237**
Total liabilities	**87**	**13**	**100**
Net assets	18	119	137
Total liabilities and equity	**105**	**132**	**237**

The effect of these acquisitions on net revenues and net profit or loss of the Group in 2007 was € 2 million and € 1 million, respectively.

Potential Profit or Loss Impact of Business Combinations finalized in 2007

If the business combinations described above which were finalized in 2007, had all been effective as of January 1, 2007, the effect on the Group's net revenues and net profit or loss after tax in 2007 would have been € 426 million and € (74) million, respectively.

Business Combinations finalized in 2006

In 2006, the Group completed several acquisitions that were accounted for as business combinations. The acquisition of United Financial Group, norisbank and Tilney Group Limited were individually significant and are therefore presented separately. The other business combinations, which were not individually significant, are presented in the aggregate.

United Financial Group

On February 27, 2006, the Group completed the acquisition of the remaining 60 % stake of United Financial Group ("UFG"), following the purchase of a 40 % stake in UFG earlier in 2004. The transaction strengthens the Group's position as one of the leading investment banks in Russia. The cost of the acquisition for the 60 % stake consisted of a cash payment of € 189 million and € 2 million of cost directly attributable to the acquisition. An additional € 82 million of the consideration was paid in escrow and deferred until the contingency was settled in 2008. The purchase price was allocated as goodwill of € 122 million, other intangible assets of € 13 million and net tangible assets of € 138 million. UFG is included in CB&S.

As of the acquisition date, the impact on the Group's balance sheet was as follows.

in € m.	Carrying value before the acquisition	Adjustments to fair value	Fair value
Assets:			
Cash and due from banks	368	33	401
Financial assets at fair value through profit or loss	745	–	745
Goodwill	–	166	166
Other intangible assets	–	13	13
All remaining assets	1,227	(1)	1,226
Total assets	**2,340**	**211**	**2,551**
Liabilities:			
Financial liabilities at fair value through profit or loss	728	–	728
All remaining liabilities	1,360	–	1,360
Total liabilities	**2,088**	**–**	**2,088**
Net assets	252	211	463
Total liabilities and equity	**2,340**	**211**	**2,551**

Post-acquisition net revenues and net profits after tax related to UFG in 2006 amounted to € 171 million and € 95 million, respectively.

norisbank

On November 2, 2006, the Group completed the acquisition of norisbank's (part of DZ Bank Group) branch network business as well as the "norisbank" brand name. The acquisition, which is reinforcing the Group's strong position in the German consumer finance market, took place by acquiring the assets and liabilities in form of an immediate merger of the acquired entity with the acquirer, which consequently was renamed to norisbank. The cost of the acquisition consisted of a cash consideration of € 414 million and € 1 million of cost directly attributable to the acquisition. The purchase price, which depended on a price-adjustment mechanism to be determined in 2008, was allocated as goodwill of € 230 million, other intangible assets of € 80 million and net tangible assets of € 105 million. norisbank is included in PBC.

The impact of this acquisition on the Group's balance sheet was as follows.

in € m.	Carrying value of the acquirer	Acquired assets and liabilities at fair value	Fair value
Assets:			
Cash and due from banks	28	–	28
Interest-earning demand deposits with banks	402	(89)	313
Loans	–	1,641	1,641
Goodwill	–	230	230
Other intangible assets	4	80	84
All remaining assets	3	4	7
Total assets	**437**	**1,866**	**2,303**
Liabilities:			
Deposits	–	1,417	1,417
All remaining liabilities	–	449	449
Total liabilities	**–**	**1,866**	**1,866**
Net assets	437	–	437
Total liabilities and equity	**437**	**1,866**	**2,303**

Following the acquisition, the total consideration, including directly attributable costs, finally changed to € 417 million due to price adjustments and further acquisition cost. The revised purchase price allocation resulted in goodwill of € 222 million, other intangible assets of € 82 million and net tangible assets of € 113 million. Post-acquisition net revenues and net losses after tax related to norisbank in 2006 amounted to € 30 million and € 5 million, respectively.

Tilney Group Limited

The Group closed the acquisition of 100 % of the UK wealth manager Tilney Group Limited ("Tilney") on December 14, 2006, as part of a strategic move to strengthen its presence in the UK private wealth management market. The cost of the acquisition consisted of cash paid of € 317 million, € 11 million in loan notes issued, and € 5 million of cost directly attributable to the acquisition. An additional € 46 million of the consideration was deferred, subject to the acquired entities' performance exceeding certain targets over the subsequent three years. The purchase price was allocated as goodwill of € 419 million, other intangible assets of € 97 million and net liabilities of € 137 million. Tilney is included in PWM.

As of the acquisition date, the impact on the Group's balance sheet was as follows.

in € m.	Carrying value before the acquisition	Adjustments to fair value	Fair value
Assets:			
Cash and due from banks	47	–	47
Goodwill	163	256	419
Other intangible assets	–	97	97
All remaining assets	36	2	38
Total assets	**246**	**355**	**601**
Liabilities:			
Long-term debt	143	8	151
All remaining liabilities	46	25	71
Total liabilities	**189**	**33**	**222**
Net assets	57	322	379
Total liabilities and equity	**246**	**355**	**601**

Following the acquisition and up until December 31, 2007, an adjustment to the consideration led to a repayment of less than € 1 million, resulting in a corresponding adjustment to goodwill. Post-acquisition net revenues and net losses after tax related to Tilney in 2006 amounted to € 3 million and less than € 1 million, respectively.

Other Business Combinations finalized in 2006

Other business combinations, not being individually material, which were finalized in 2006, are shown in the aggregate. These transactions involved the acquisition of majority interests ranging between 60 % and 100 % for a total consideration of € 168 million, including € 1 million of costs directly attributable to these acquisitions. Their impact on the Group's balance sheet was as follows.

in € m.	Carrying value before the acquisition	Adjustments to fair value	Fair value
Assets:			
Cash and due from banks	63	–	63
Interest-earning demand deposits with banks	1	–	1
Goodwill	33	5	38
Other intangible assets	–	8	8
All remaining assets	378	–	378
Total assets	**475**	**13**	**488**
Total liabilities	**288**	**8**	**296**
Net assets	187	5	192
Total liabilities and equity	**475**	**13**	**488**

The effect on net revenues and net profit or loss of the Group in 2006 amounted to € 58 million and € 47 million, respectively.

Potential Profit or Loss Impact of Business Combinations finalized in 2006

If the business combinations which were finalized in 2006 had all been effective as of January 1, 2006, the effect on the Group's net revenues and net profit or loss for 2006 would have been € 396 million and € 85 million, respectively.

Dispositions

During 2008, 2007 and 2006, the Group finalized several dispositions of subsidiaries/businesses. For a list and further detail about these dispositions, please see Note [2]. The total cash consideration received for these dispositions in 2008, 2007 and 2006 was € 182 million, € 375 million and € 544 million, respectively. The table below includes the assets and liabilities that were included in these disposals.

in € m.	2008	2007	2006
Cash and cash equivalents	66	52	107
All remaining assets	4,079	885	2,810
Total assets disposed	**4,145**	**937**	**2,917**
Total liabilities disposed	**3,490**	**463**	**1,958**

[35] Derivatives

Derivative Financial Instruments and Hedging Activities

Derivative contracts used by the Group include swaps, futures, forwards, options and other similar types of contracts. In the normal course of business, the Group enters into a variety of derivative transactions for both trading and risk management purposes. The Group's objectives in using derivative instruments are to meet customers' risk management needs, to manage the Group's exposure to risks and to generate revenues through proprietary trading activities.

In accordance with the Group's accounting policy relating to derivatives and hedge accounting as described in Note [1], all derivatives are carried at fair value in the balance sheet regardless of whether they are held for trading or non-trading purposes.

Derivatives held for Trading Purposes

Sales and Trading

The majority of the Group's derivatives transactions relate to sales and trading activities. Sales activities include the structuring and marketing of derivative products to customers to enable them to take, transfer, modify or reduce current or expected risks. Trading includes market-making, positioning and arbitrage activities. Market-making involves quoting bid and offer prices to other market participants, enabling revenue to be generated based on spreads and volume. Positioning means managing risk positions in the expectation of benefiting from favorable movements in prices, rates or indices. Arbitrage involves identifying and profiting from price differentials between markets and products.

Risk Management

The Group uses derivatives in order to reduce its exposure to credit and market risks as part of its asset and liability management. This is achieved by entering into derivatives that hedge specific portfolios of fixed rate financial instruments and forecast transactions as well as strategic hedging against overall balance sheet exposures. The Group actively manages interest rate risk through, among other things, the use of derivative contracts. Utilization of derivative financial instruments is modified from time to time within prescribed limits in response to changing market conditions, as well as to changes in the characteristics and mix of the related assets and liabilities.

Derivatives qualifying for Hedge Accounting

The Group applies hedge accounting if derivatives meet the specific criteria described in Note [1].

Fair Value Hedging

The Group undertakes fair value hedging, using primarily interest rate swaps and options, in order to protect itself against movements in the fair value of fixed-rate financial instruments due to movements in market interest rates.

The following table presents the value of derivatives held as fair value hedges.

in € m.	Assets 2008	Liabilities 2008	Assets 2007	Liabilities 2007
Derivatives held as fair value hedges	8,441	3,142	2,323	961

For the years ended December 31, 2008 and 2007, a gain of € 4.1 billion and € 147 million, respectively, were recognized on the hedging instruments. For the same periods the loss on the hedged items, which were attributable to the hedged risk, was € 3.8 billion and € 213 million, respectively.

Cash Flow Hedging

The Group undertakes cash flow hedging, using equity futures, interest rate swaps and foreign exchange forwards, in order to protect itself against exposures to variability in equity indices, interest rates and exchange rates.

The table below summarizes the value of derivatives held as cash flow hedges.

in € m.	Assets 2008	Liabilities 2008	Assets 2007	Liabilities 2007
Derivatives held as cash flow hedges	12	355	14	–

A schedule indicating the periods when hedged cash flows are expected to occur and when they are expected to affect the income statement is as follows.

in € m.	Within one year	1–3 years	3–5 years	Over five years
As of December 31, 2008				
Cash inflows from assets	120	96	84	138
Cash outflows from liabilities	(71)	(38)	(49)	(304)
Net cash flows	49	58	35	(166)
As of December 31, 2007				
Cash inflows from assets	56	163	80	129
Cash outflows from liabilities	(2)	(57)	(5)	(3)
Net cash flows	54	106	75	126

Of these expected future cash flows, most will arise in relation to the Group's two largest cash flow hedging programs.

First, Maher Terminals LLC, a fully consolidated subsidiary, utilizes a term borrowings program to fund its infrastructure asset portfolio. Future interest payments under the program are exposed to changes in wholesale variable interest rates. To hedge this volatility in highly probable future interest cash flows, and align its funding costs with the nature of its revenue profile, Maher Terminals LLC has transacted a series of term pay fixed interest rate swaps.

Second, under the terms of unit-linked contracts written by Abbey Life Assurance Company Limited, policyholders are charged an annual management fee expressed as a percentage of assets under management. In order to protect against volatility in the highly probable forecasted cash flow stream arising from the management fees, the Group has entered into three month rolling FTSE futures. Other cash flow hedging programs use interest rate swaps and FX forwards as hedging instruments.

For the years ended December 31, 2008 and December 31, 2007, balances of € (342) million and € (79) million, respectively, were reported in equity related to cash flow hedging programs. Of these, € (56) million and € (67) million, respectively, related to terminated programs. These amounts will be released to the income statement as appropriate.

For the years ended December 31, 2008 and December 31, 2007, losses of € 265 million and € 19 million, respectively, were recognized in equity in respect of effective cash flow hedging.

For the years ended December 31, 2008 and December 31, 2007, losses of € 2 million and € 13 million, respectively, were removed from equity and included in the income statement.

For the years ended December 31, 2008 and December 31, 2007, a gain of € 27 million and a loss of € 3 million, respectively, were recognized due to hedge ineffectiveness.

As of December 31, 2008 the longest term cash flow hedge matures in 2027.

Net Investment Hedging

Using foreign exchange forwards and swaps, the Group undertakes hedges of translation adjustments resulting from translating the financial statements of net investments in foreign operations into the reporting currency of the parent.

The following table presents the value of derivatives held as net investment hedges.

in € m.	Assets 2008	Liabilities 2008	Assets 2007	Liabilities 2007
Derivatives held as net investment hedges	1,081	1,220	146	109

For the years ended December 31, 2008 and December 31, 2007 losses of € 151 million and € 72 million, respectively, were recognized due to hedge ineffectiveness.

[36] Regulatory Capital

Capital Management

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

Treasury implements the Group's capital strategy, which itself is developed by the Capital and Risk Committee and approved by the Management Board, including the issuance and repurchase of shares. The Group is committed to maintain its sound capitalization. Overall capital demand and supply are constantly monitored and adjusted, if necessary, to meet the need for capital from various perspectives. These include book equity based on IFRS accounting standards, regulatory capital and economic capital. In October 2008, the Group's target for the Tier 1 capital ratio was revised upwards to approximately 10 % from an 8-9 % target range at the beginning of the year.

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

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

The 2007 Annual General Meeting granted to the Group's management the authority to repurchase up to 52.6 million shares from the market before October 31, 2008. Based on this authorization the share buy-back program 2007/08 was launched in May 2007 and completed in May 2008 when a new authority was granted.

During this period 7.2 million shares were repurchased (6.33 million in 2007 and 0.82 million in 2008), thereof 4.1 million shares or 57 % were repurchased through the end of June 2007. With the start of the crisis in July 2007, the share buy-back volume was significantly reduced and only 3.1 million shares were repurchased between July 2007 and May 2008.

The 2008 Annual General Meeting granted to the Group's management the authority to buy back up to 53.1 million shares before the end of October 2009. As of year end 2008 no shares have been repurchased under this authorization.

In September 2008, the Group issued 40 million new registered shares without par value to institutional investors in an offering conducted as an accelerated book-build. The placement price was € 55 per share. The aggregate gross proceeds amounted to € 2.2 billion. The purpose of the capital increase was to generate the Tier 1 capital requirement for the acquisition of a minority stake in Deutsche Postbank AG from Deutsche Post AG.

Capital management sold 16.3 million of the Group's treasury shares (approximately 2.9 % of the Group's share capital) in open-market transactions from October to November 2008.

The Group issued U.S.$ 2.0 billion of hybrid Tier 1 capital and U.S.$ 800 million and € 200 million of contingent capital for the year ended December 31, 2007. In 2008, the Group issued € 1.0 billion and U.S.$ 3.2 billion of contingent capital. These contingent capital instruments issued in 2008 are Upper Tier 2 subordinated notes that can be converted into hybrid Tier 1 capital at the Group's sole discretion. In 2008, the Group converted € 1.0 billion and U.S.$ 4.0 billion of contingent capital into hybrid Tier 1 capital leaving only the € 200 million issued in 2007 in its original form. Total outstanding hybrid Tier 1 capital (all noncumulative trust preferred securities) as of December 31, 2008, amounted to € 9.6 billion compared to € 5.6 billion as of December 31, 2007.

Capital Adequacy

Beginning in 2008, Deutsche Bank calculated and published consolidated capital ratios pursuant to the Banking Act and the Solvency regulation ("Solvabilitätsverordnung"), which adopted the revised capital framework of the Basel Committee from 2004 ("Basel II") into German law. Until the end of 2007, Deutsche Bank published consolidated capital ratios based on the Basel I framework.

A bank's total regulatory capital, also referred to as "Own Funds", is divided into three tiers: Tier 1, Tier 2 and Tier 3 capital, and the sum of Tier 1 and Tier 2 capital is also referred to as "Regulatory Banking Capital".

— Tier 1 capital consists primarily of share capital (excluding cumulative preference shares), additional paid-in capital, retained earnings and hybrid capital components such as noncumulative trust preferred securities, less goodwill and other intangible assets and other deduction items such as common shares in Treasury.
— Tier 2 capital consists primarily of cumulative preference shares, cumulative trust preferred securities and long-term subordinated debt, as well as partially unrealized gains on listed securities and the amount by which value adjustments and provisions for exposures to central governments, institutions and corporates and retail exposures as measured under the bank's internal rating based approach ("IRBA") exceeds the expected loss of such exposures. Certain items must be deducted from Tier 1 and Tier 2 capital. Primarily these include capital components the Group has provided to other financial institutions or enterprises which are not consolidated, but where the Group holds more than 10 % of the capital, the amount by which the expected loss for exposures to central governments, institutions and corporates and retail exposures as measured under the bank's IRBA model exceeds the value adjustments and provisions for such exposures, the expected losses for certain equity exposures, securitization positions to which the Solvency Regulation assigns a risk-classification multiplier of 1,250 % and which have not been taken into account when calculating the risk-weighted position for securitizations and the value of securities delivered to a counterparty plus any replacement cost to the extent the required payment by the counterparty has not been made within five business days after delivery and the transaction has been allocated to the bank's trading book.
— Tier 3 capital consists mainly of certain short-term subordinated liabilities and it may only cover market risk. Banks may also use Tier 1 and Tier 2 capital that is in excess of the minimum required to cover credit risk and operational risk in order to cover market risk.

The amount of subordinated debt that may be included as Tier 2 capital is limited to 50 % of Tier 1 capital. Total Tier 2 capital is limited to 100 % of Tier 1 capital. Tier 3 capital is limited to 250 % of the Tier 1 capital not required to cover counterparty risk. The minimum total capital ratio (Tier 1 + Tier 2 + Tier 3) is 8 % of the risk position. The minimum Tier 1 capital ratio is 4 % of the credit risk and operational risk positions and 2.29 % of the market risk position. The minimum Tier 1 capital ratio for the total risk position therefore depends on the weighted-average of the credit risk and operational risk and the market risk position.

The Tier 1 capital ratio is the principal measure of capital adequacy for internationally active banks. The ratio as defined under the Basel II framework compares a bank's regulatory Tier 1 capital with its credit risks, market risks and operational risks (which the Group refers to collectively as the "risk position"). In the calculation of the risk position the Group uses BaFin approved internal models for all three risk types. More than 90 % of the Group's exposure relating to asset and off-balance sheet credit risks is measured using internal rating models under the so-called advanced internal rating based approach ("advanced IRBA"). The Group's market risk component is a multiple of its value-at-risk figure, which is calculated for regulatory purposes based on the Group's internal models. These models were approved by the BaFin for use in determining the Group's market risk equivalent component of its risk position.

The introduction of Basel II had a negative impact on regulatory capital mainly due to the aforementioned deduction items from Tier 1 and Tier 2 capital. The Other Inherent Loss Allowance is no longer a separate regulatory capital component under Basel II as provisions are now taken into account in the calculation of the deduction items. Following the application of the advanced IRBA approach the Group's credit risk position decreased, which outweighed the introduction of operational risk as a new risk class.

The following two tables present a summary of the Group's regulatory capital and risk position. Amounts presented for 2008 are pursuant to the revised capital framework presented by the Basel Committee in 2004 ("Basel II") as adopted into German law by the German Banking Act and the Solvency Regulation ("Solvabilitätsverordnung"). The amounts presented for 2007 are based on the Basel I framework and thus calculated on a non-comparative basis.

in € m. (unless stated otherwise)	Dec 31, 2008 Basel II	Dec 31, 2007 Basel I
Credit risk	247,611	314,845
Market risk[1]	23,496	13,973
Operational risk	36,625	N/A
Total risk position	**307,732**	**328,818**
Tier 1 capital	31,094	28,320
Tier 2 capital	6,302	9,729
Available Tier 3 capital	–	–
Total regulatory capital	**37,396**	**38,049**
Tier 1 capital ratio	10.1 %	8.6 %
Total capital ratio	12.2 %	11.6 %
Average Active Book Equity	**32,079**	**30,093**

N/A – not applicable.
1 A multiple of the Group's value-at-risk, calculated with a probability level of 99 % and a ten-day holding period.

The Group's total capital ratio was 12.2 % on December 31, 2008, significantly higher than the 8 % minimum required.

The Group's Tier 1 capital was € 31.1 billion on December 31, 2008 and € 28.3 billion on December 31, 2007. The Tier 1 capital ratio was 10.1 % as of December 31, 2008 (exceeding the Group's target ratio of 10 %) and 8.6 % as of December 31, 2007 (within the Group's then target range of 8-9 %).

The Group's Tier 2 capital was € 6.3 billion on December 31, 2008, and € 9.7 billion on December 31, 2007, amounting to 20 % and 34 % of Tier 1 capital, respectively.

The German Banking Act and Solvency Regulation rules require the Group to cover its market risk as of December 31, 2008, with € 1,880 million of total regulatory capital (Tier 1 + 2 + 3) compared to € 1,118 million as of December 31, 2007. The Group met this requirement entirely with Tier 1 and Tier 2 capital that is not required for the minimum coverage of credit and operational risk.

The following are the components of Tier 1 and Tier 2 capital for the Group of companies consolidated for regulatory purposes as of December 31, 2008, and December 31, 2007.

in € m.	Dec 31, 2008 Basel II	Dec 31, 2007[1] Basel I
Tier 1 capital:		
Common shares	1,461	1,358
Additional paid-in capital	14,961	15,808
Retained earnings, common shares in treasury, equity classified as obligation to purchase common shares, foreign currency translation, minority interest	16,724	17,717
Noncumulative trust preferred securities	9,622	5,602
Items to be fully deducted from Tier 1 capital[2] (inter alia goodwill and intangible assets)	(10,125)	(12,165)
Items to be partly deducted from Tier 1 capital[3]	(1,549)	N/A
Total Tier 1 capital	**31,094**	**28,320**
Tier 2 capital:		
Unrealized gains on listed securities[2] (45 % eligible)	–	1,472
Other inherent loss allowance	N/A	358
Cumulative preferred securities	300	841
Qualified subordinated liabilities	7,551	7,058
Items to be partly deducted from Tier 2 capital[3]	(1,549)	N/A
Total Tier 2 capital	**6,302**	**9,729**

N/A – Not applicable

1 Comparative figures for 2007 are unadjusted for the retrospective changes described in Note [1]. Including these total regulatory capital would have increased by € 849 million.

2 Net unrealized gains and losses on listed securities as to be determined for regulatory purposes were negative at the end of 2008 € (108) million and were fully deducted from Tier 1 capital.

3 Pursuant to German Banking Act section 10 (6) and section 10 (6a) in conjunction with German Banking Act section 10a.

Basel II requires the deduction of goodwill from Tier 1 capital. However, for a transitional period the German Banking Act allows the partial inclusion of certain goodwill components in Tier 1 capital pursuant to German Banking Act section 64h (3). While such goodwill components are not included in the regulatory capital and capital adequacy ratios shown above, the Group makes use of this transition rule in its capital adequacy reporting to the German regulatory authorities.

As of December 31, 2008, the transitional item amounted to € 971 million. In the Group's reporting to the German regulatory authorities, the Tier 1 capital, total regulatory capital and the total risk position shown above were increased by this amount. Correspondingly, the Group's reported Tier 1 and total capital ratios including this item were 10.4 % and 12.4 %, respectively, on December 31, 2008.

The group of companies consolidated for banking regulatory purposes includes all subsidiaries as defined in the German Banking Act that are classified as banks, financial services institutions, investment management firms, financial enterprises or ancillary services enterprises. It does not include insurance companies or companies outside the finance sector.

For financial conglomerates, however, insurance companies are included in the capital adequacy calculation. The Group has been designated as a financial conglomerate following the acquisition of Abbey Life Assurance Company Limited in October 2007. The Group's solvency margin as a financial conglomerate remains dominated by its banking activities.

Failure to meet minimum capital requirements can result in orders and discretionary actions by the BaFin and other regulators that, if undertaken, could have a direct material effect on the Group's businesses. The Group complied with the regulatory capital adequacy requirements in 2008.

[37] Risk Disclosures

The Group has a dedicated and integrated legal, risk & capital function that is independent of the group divisions. The Group manages risk and capital through a framework of principles, organizational structures, as well as measurement and monitoring processes that are closely aligned with the activities of the group divisions. The Group's Management Board provides overall risk and capital management supervision for the consolidated Group. Within the Management Board, the Chief Risk Officer is responsible for the Group's credit, market, liquidity, operational, business, legal and reputational risk management as well as capital management activities. The Group's Supervisory Board regularly monitors the risk and capital profile.

Credit Risk

Credit risk arises from all transactions that give rise to actual, contingent or potential claims against any counterparty, borrower or obligor (which the Group refers to collectively as "counterparties").

The Group distinguishes among three kinds of credit risk:

— Default risk is the risk that counterparties fail to meet contractual payment obligations.
— Country risk is the risk that the Group may suffer a loss, in any given country, due to any of the following reasons: a possible deterioration of economic conditions, political and social upheaval, nationalization and expropriation of assets, government repudiation of indebtedness, exchange controls and disruptive currency depreciation or devaluation. Country risk includes transfer risk which arises when debtors are unable to meet their obligations owing to an inability to transfer assets to nonresidents due to direct sovereign intervention.
— Settlement risk is the risk that the settlement or clearance of transactions will fail. It arises whenever the exchange of cash, securities and/or other assets is not simultaneous.

The Group manages credit risk in a coordinated manner at all relevant levels within the organization. This also holds true for complex products which the Group typically manages within a framework established for trading exposures. The following principles underpin the Group's approach to credit risk management:

— In all group divisions consistent standards are applied in the respective credit decision processes.
— The approval of credit limits for counterparties and the management of the Group's individual credit exposures must fit within the Group's portfolio guidelines and credit strategies.
— Every extension of credit or material change to a credit facility (such as its tenor, collateral structure or major covenants) to any counterparty requires credit approval at the appropriate authority level.
— The Group assigns credit approval authorities to individuals according to their qualifications, experience and training, and the Group reviews these periodically.

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

Credit Risk Ratings

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

The Group has its own in-house assessment methodologies, scorecards and rating scale for evaluating the creditworthiness of its counterparties. The Group’s granular 26-grade rating scale, which is calibrated on a probability of default measure based upon a statistical analysis of historical defaults in the Group’s portfolio, enables the Group to compare its internal ratings with common market practice and ensures comparability between different sub-portfolios of the Group. Several default ratings therein enable the Group to incorporate the potential recovery rate of defaulted exposure.

The Group generally rates all its credit exposures individually. When the Group assigns its internal risk ratings, the Group compares them with external risk ratings assigned to the Group’s counterparties by the major international rating agencies, where possible.

Credit Limits

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

Monitoring Default Risk

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

Maximum Exposure to Credit Risk

The following table presents the Group's maximum exposure to credit risk without taking account of any collateral held or other credit enhancements that do not qualify for offset in the Group's financial statements.

in € m.[1]	Dec 31, 2008	Dec 31, 2007
Due from banks	9,826	7,457
Interest-earning deposits with banks	64,739	21,615
Central bank funds sold and securities purchased under resale agreements	9,267	13,597
Securities borrowed	35,022	55,961
Financial assets at fair value through profit or loss[2]	1,579,648	1,247,165
Financial assets available for sale[2]	19,194	32,850
Loans	271,219	200,597
Other assets subject to credit risk	78,957	84,761
Financial guarantees and other credit related contingent liabilities[3]	48,815	49,905
Irrevocable lending commitments and other credit related commitments[3]	104,077	128,511
Maximum exposure to credit risk	**2,220,764**	**1,842,419**

1 All amounts at carrying value unless otherwise indicated.
2 Excludes equities and other equity interests.
3 Financial guarantees, other credit related contingent liabilities and irrevocable lending commitments (including commitments designated under the fair value option) are reflected at notional amounts.

Collateral held as Security

The Group regularly agrees on collateral to be received from customers in its contracts subject to credit risk. The Group regularly agrees on collateral to be received from borrowers in its lending contracts. Collateral is security in the form of an asset or third-party obligation that serves to mitigate the inherent risk of credit loss in an exposure, by either substituting the borrower default risk or improving recoveries in the event of a default. While collateral can be an alternative source of repayment, it does not mitigate or compensate for questionable reputation of a borrower or structure.

The Group segregates collateral received into the following two types:

— Financial collateral, which substitutes the borrower's ability to fulfill its obligation under the legal contract and as such is provided by third parties. Letters of Credit, insurance contracts, received guarantees and risk participations typically fall into this category.
— Physical collateral, which enables the Group to recover all or part of the outstanding exposure by liquidating the collateral asset provided, in cases where the borrower is unable or unwilling to fulfill its primary obligations. Cash collateral, securities (equity, bonds), inventory, equipment (plant, machinery, aircraft) and real estate typically fall into this category.

Additionally, the Group actively manages the credit risk of the Group's loans and lending-related commitments. A specialized unit in the Group, the Loan Exposure Management Group, focuses on the following two primary initiatives within the credit risk framework to further enhance risk management discipline, improve returns and use capital more efficiently:

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

To manage better the Group's derivatives-related credit risk, the Group enters into collateral arrangements that generally provide risk mitigation through periodic (usually daily) margining of the covered portfolio or transactions and termination of the master agreement if the counterparty fails to honor a collateral call.

Concentrations of Credit Risk

Significant concentrations of credit risk exist if the Group has material exposures to a number of counterparties with similar economic characteristics, or who are engaged in comparable activities, where these similarities may cause their ability to meet contractual obligations to be affected in the same manner by changes in economic or industry conditions. A concentration of credit risk may also exist at an individual counterparty level.

In order to monitor and manage credit risks, the Group uses a comprehensive range of quantitative tools and metrics. Credit limits relating to counterparties, countries, products and other factors set the maximum credit exposures that the Group intends to incur.

The Group's largest concentrations of credit risk with loans are in Western Europe and North America, with a significant share in households. The concentration in Western Europe is principally in the Group's home market Germany, which includes most of the mortgage lending business. Within OTC derivatives business the Group's largest concentrations are also in Western Europe and North America, with a significant share in banks and insurance mainly within the investment-grade rating band.

Credit Quality of Assets

The following table breaks down several of the Group's main corporate credit exposure categories, according to the creditworthiness of the Group's counterparties. To reduce the Group's derivatives-related credit risk, the Group regularly seeks the execution of master agreements (such as the International Swaps and Derivatives Association's master agreements for derivatives) with the Group's clients. A master agreement allows the netting of obligations arising under all of the derivatives transactions that the agreement covers upon the counterparty's default, resulting in a single net claim against the counterparty (called "close-out netting"). For parts of the Group's derivatives business, the Group also enters into payment netting agreements under which the Group sets off amounts payable on the same day in the same currency and in respect to all transactions covered by these agreements, reducing the Group's principal risk.

For the OTC derivative credit exposure in the following table, the Group has applied netting only when the Group believes it is legally enforceable for the relevant jurisdiction and counterparty.

Corporate credit exposure credit risk profile by credit-worthiness category	Loans[1]		Irrevocable lending commitments[2]		Contingent liabilities		OTC derivatives[3]		Total	
in € m.	Dec 31, 2008	Dec 31, 2007	Dec 31, 2008	Dec 31, 2007	Dec 31, 2008	Dec 31, 2007	Dec 31, 2008	Dec 31, 2007	Dec 31, 2008	Dec 31, 2007
AAA–AA	40,749	22,765	20,373	28,969	5,926	7,467	65,598	39,168	132,646	98,370
A	29,752	30,064	30,338	31,087	11,976	15,052	22,231	13,230	94,297	89,432
BBB	53,360	30,839	26,510	35,051	15,375	13,380	15,762	8,008	111,007	87,277
BB	44,132	26,590	19,657	25,316	10,239	9,146	13,009	7,945	87,037	68,996
B	10,458	6,628	5,276	7,431	4,412	4,252	3,898	2,370	24,044	20,681
CCC and below	8,268	3,342	1,923	657	887	609	3,092	1,281	14,170	5,889
Total	**186,719**	**120,228**	**104,077**	**128,511**	**48,815**	**49,905**	**123,590**	**72,002**	**463,201**	**370,646**

1 Includes impaired loans mainly in category CCC and below amounting to € 2.3 billion as of December 31, 2008, and € 1.5 billion as of December 31, 2007.
2 Includes irrevocable lending commitments related to consumer credit exposure of € 2.8 billion as of December 31, 2008 and € 2.7 billion as of December 31, 2007.
3 Includes the effect of master agreement netting and cash collateral received where applicable.

The following table presents the Group's total consumer credit exposure.

	Total exposure	
in € m.	Dec 31, 2008	Dec 31, 2007
Consumer credit exposure Germany:	57,139	56,504
Consumer and small business financing	15,047	14,489
Mortgage lending	42,092	42,015
Consumer credit exposure outside Germany	27,361	23,864
Total consumer credit exposure[1]	**84,500**	**80,368**

1 Includes impaired loans amounting to € 1.4 billion as of December 31, 2008, and € 1.1 billion as of December 31, 2007.

The following table presents an overview of nonimpaired Troubled Debt Restructurings representing the Group's renegotiated loans that would otherwise be past due or impaired.

in € m.	Dec 31, 2008	Dec 31, 2007
Troubled debt restructurings not impaired	80	43

The following table breaks down the nonimpaired past due loan exposure carried at amortized cost according to its past due status.

in € m.	Dec 31, 2008	Dec 31, 2007
Loans less than 30 days past due	8,345	8,644
Loans 30 or more but less than 60 days past due	1,308	1,511
Loans 60 or more but less than 90 days past due	939	502
Loans 90 days or more past due	407	333
Total loans past due but not impaired	**10,999**	**10,990**

The following table presents the aggregated value of collateral – with fair values capped at transactional outstandings – held by the Group against its loans past due but not impaired.

in € m.	Dec 31, 2008	Dec 31, 2007
Financial collateral	987	915
Physical collateral	3,222	3,724
Total capped fair value of collateral held for loans past due but not impaired	**4,209**	**4,639**

Impaired Loans

Under IFRS, the Group considers loans to be impaired when it recognizes objective evidence that an impairment loss has been incurred. While the Group assesses the impairment for its corporate credit exposure individually, it considers smaller-balance, standardized homogeneous loans to be impaired once the credit contract with the customer has been terminated.

The following table presents the breakdown of the Group's impaired loans based on the country of domicile of borrowers.

in € m.	Dec 31, 2008	Dec 31, 2007
Individually evaluated impaired loans:		
German	750	957
Non-German	1,532	559
Total individually evaluated impaired loans	**2,282**	**1,516**
Collectively evaluated impaired loans:		
German	824	817
Non-German	576	312
Total collectively evaluated impaired loans	**1,400**	**1,129**
Total impaired loans	**3,682**	**2,645**

The following table presents the aggregated value of collateral the Group held against impaired loans, with fair values capped at transactional outstandings.

in € m.	Dec 31, 2008	Dec 31, 2007
Financial collateral	18	26
Physical collateral	1,175	874
Total capped fair value of collateral held for impaired loans	**1,193**	**899**

The following table presents the aggregated value of collateral the Group obtained on the balance sheet during the reporting period by taking possession of collateral held as security or by calling upon other credit enhancements.

in € m.	2008	2007
Commercial real estate	799	–
Residential real estate	170	137
Other	1,837	723
Total collateral obtained during the reporting period	**2,806**	**860**

Collateral obtained is made available for sale in an orderly fashion or through public auctions, with the proceeds used to repay or reduce outstanding indebtedness. Generally the Group does not occupy obtained properties for its business use.

The commercial real estate collateral obtained in 2008 related to one individual borrower where the bank has executed foreclosure by taking possession.

The residential real estate collateral obtained, as shown in the table above, excludes collateral recorded as a result of consolidating securitization trusts under SIC-12 and IAS 27. The year-end amounts in relation to collateral obtained for these trusts were € 127 million and € 396 million, for December 31, 2008 and December 31, 2007 respectively.

The bulk of other collateral obtained relates to reverse repo transactions in which the Group obtained debt securities as collateral and has subsequently sold off the majority of collateral as of year-end.

Settlement Risk

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

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

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

Government Assistance

In the course of its business, the Group regularly applies for and receives government support by means of Export Credit Agency ("ECA") guarantees covering transfer and default risks for the financing of exports and investments into Emerging Markets and, to a lesser extent, developed markets for Structured Trade & Export Finance business. Almost all export-oriented states have established such ECAs to support its domestic exporters. The ECAs act in the name and on behalf of the government of their respective country but are either constituted directly as governmental departments or organized as private companies vested with the official mandate of the government to act on its behalf. Terms and conditions of such ECA guarantees granted for mid-term and long-term financings are quite comparable due to the fact that most of the ECAs act within the scope of the Organisation for Economic Co-operation and Development ("OECD") consensus rules. The OECD consensus rules, an intergovernmental agreement of the OECD member states, define benchmarks to ensure that a fair competition between different exporting nations will take place. The majority of such ECA guarantees received by the Group were issued by the Euler-Hermes Kredit-versicherungs AG acting on behalf of the Federal Republic of Germany.

In certain financings, the Group also receives government guarantees from national and international governmental institutions as collateral to support financings in the interest of the respective governments.

Market Risk

Substantially all of the Group's businesses are subject to the risk that market prices and rates will move and result in profits or losses for the Group. The Group distinguishes among four types of market risk:

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

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

The Group assumes market risk in both its trading and its nontrading activities. The Group assumes risk by making markets and taking positions in debt, equity, foreign exchange, other securities and commodities as well as in equivalent derivatives.

Market Risk Management Framework

The Group uses a combination of risk sensitivities, value-at-risk, stress testing and economic capital metrics to manage market risks and establish limits.

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

In addition to the Group's main market risk value-at-risk limits, the Group also operates stress testing, economic capital and sensitivity limits. The Group governs the default risk of single corporate issuers in the trading book through a specific limit structure managed by the Traded Credit Products unit. It also uses market value and default exposure position limits for selected business units.

The Group's value-at-risk disclosure for the trading businesses is based on an own internal value-at-risk model. In October 1998, the German Banking Supervisory Authority (now the BaFin) approved the internal value-at-risk model for calculating the regulatory market risk capital for general and specific market risks. Since then the model has been periodically refined and approval has been maintained. The Group continuously analyzes potential weaknesses of its value-at-risk model using statistical techniques such as backtesting but also relies on risk management expert opinion. Improvements are implemented to those parts of the value-at-risk model that relate to the areas where losses have been experienced in the recent past.

The Group's value-at-risk disclosure is intended to ensure consistency of market risk reporting for internal risk management, for external disclosure and for regulatory purposes. The overall value-at-risk limit for the Corporate and Investment Bank Group Division started 2008 at € 105 million and was amended on several occasions throughout the year to € 155 million at the end of 2008 (with a 99 % confidence level, as described below, and a one-day holding period). For consolidated Group trading positions the overall value-at-risk limit was € 110 million at the start of 2008 and was amended on several occasions throughout the year to € 160 million at the end of 2008 (with a 99 % confidence level and a one-day holding period). The increase in limits was needed to accommodate the impact of the observed market data on the Group's value-at-risk calculation.

The Group's market risk reporting process operates independently from the risk-taking activities. The market risk data and Profit and Loss information used in the value-at-risk calculation and the associated back-testing reviews are provided by the Finance Division to the Market Risk Operations unit, which is in charge of market risk reporting.

Assessment of Market Risk in Trading Portfolios

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

The Group calculates value-at-risk for both internal and regulatory reporting using a 99 % confidence level. For internal reporting, the Group uses a holding period of one day. For regulatory reporting, the holding period is ten days.

The Group's value-at-risk model is designed to take into account the following risk factors: Interest rates (including credit spreads), equity prices, foreign exchange rates and commodity prices, as well as their implied volatilities. The model incorporates both linear and, especially for derivatives, nonlinear effects of the risk factors on the portfolio value. The statistical parameters required for the value-at-risk calculation are based on a 261 trading day history (corresponding to at least one calendar year of trading days) with equal weighting being given to each observation. The Group calculates value-at-risk using the Monte Carlo simulation technique and assuming that changes in risk factors follow a normal or logarithmic normal distribution.

To determine the aggregated value-at-risk, the Group uses historically observed correlations between the different general market risk factors. However, when aggregating general and specific market risks, it is assumed that there is a correlation close to zero between the two categories. Within the general market risk category, the Group uses historically observed correlations. Within the specific risk category, zero or historically observed correlations are used for selected risks.

Limitations of Proprietary Risk Models

The Group is committed to the ongoing development of its proprietary risk models and will make further significant enhancements with the goal to better reflect risk issues highlighted during the 2008 crisis. It allocates substantial resources to reviewing and improving them.

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

The Group's value-at-risk analyses should also be viewed in the context of the limitations of the methodology used and are therefore not maximum amounts that the Group can lose on its market risk positions. In particular, many of these limitations manifested themselves in 2008 which resulted in the high number of outliers discussed below. The limitations of the value-at-risk methodology include the following:

— The use of historical data as a proxy for estimating future events may not capture all potential events, particularly those that are extreme in nature.
— The assumption that changes in risk factors follow a normal or logarithmic normal distribution. This may not be the case in reality and may lead to an underestimation of the probability of extreme market movements.
— The correlation assumptions used may not hold true, particularly during market events that are extreme in nature.
— The use of a holding period of one day (or ten days for regulatory value-at-risk calculations) assumes that all positions can be liquidated or hedged in that period of time. This assumption does not fully capture the market risk arising during periods of illiquidity, when liquidation or hedging of positions in that period of time may not be possible. This is particularly the case for the use of a one-day holding period.
— The use of a 99 % confidence level does not take into account, nor makes any statement about, any losses that might occur beyond this level of confidence.
— The Group calculates value-at-risk at the close of business on each trading day. The Group does not subject intra-day exposures to intra-day value-at-risk calculations.
— Value-at-risk does not capture all of the complex effects of the risk factors on the value of positions and portfolios and could, therefore, underestimate potential losses. For example, the way sensitivities are represented in the value-at-risk model may only be exact for small changes in market parameters.

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

Market Risk of Trading Portfolios

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

Trading portfolios		**Value-at-Risk**
in € m.	**Dec 31, 2008**	**Dec 31, 2007**
Interest rate risk	129.9	90.8
Equity price risk	34.5	49.5
Foreign exchange risk	38.0	11.3
Commodity price risk	13.5	8.7
Diversification effect	(84.5)	(59.7)
Total	**131.4**	**100.6**

The increase in the value-at-risk observed in 2008 was mainly driven by an increase in the market volatility and by refinements to the value-at-risk measurement in 2008.

Market Risk of Nontrading Portfolios

There is nontrading market risk held and managed in the Group. Nontrading market risk arises primarily from fund activities, principal investments, including private equity investments.

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

The Investment & Asset Risk Management team was restructured during the course of 2008 and is now called the Principal Investments team. It was integrated into the Credit Risk Management function, is specialized in risk-related aspects of the Group's nontrading alternative asset activities and performs monthly reviews of the risk profile of the nontrading alternative asset portfolios, including carrying values, economic capital estimates, limit usages, performance and pipeline activity.

During 2008, the Group formed a dedicated Asset Risk Management unit, combining existing teams and professionals. This allowed the Group to leverage upon already existing knowledge and resulted in a higher degree of specialization and insight into the risks related to the asset and fund management business. Noteworthy risks in this area arise, for example, from performance and/or principal guarantees and reputational risk related to managing client funds.

Assessment of Market Risk in Nontrading Portfolios

Due to the nature of these positions and the lack of transparency of some of the pricing, the Group does not use value-at-risk to assess the market risk in nontrading portfolios. Rather the Group assesses the risk through the use of stress testing procedures that are particular to each risk class and which consider, among other factors, large historically-observed market moves and the liquidity of each asset class. This assessment forms the basis of the economic capital estimates which enable the Group to actively monitor and manage the nontrading market risk.

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

The following table presents the economic capital usages separately for the Group's nontrading portfolios.

Major Industrial Holdings, Other Corporate Investments and Alternative Assets	**Economic capital usage**	
in € bn.	**Dec 31, 2008**	**Dec 31, 2007**
Major industrial holdings	0.4	0.1
Other corporate investments	1.5	0.7
Alternative assets	1.3	0.9
Total	**3.2**	**1.7**

The economic capital usage for these nontrading asset portfolios totaled € 3.2 billion at year-end 2008, which is € 1.5 billion, or 89 %, above the economic capital usage at year-end 2007. This reflects a significant decrease in the capital buffer as a result of a reduction in market value across all portfolios. From year-end 2008, the Group's existing economic capital process has been expanded to incorporate commitments made to Deutsche Asset Management fund investors, which contributed a total of € 400 million in additional economic capital reported under other corporate investments.

— Major Industrial Holdings. The Group's economic capital usage was € 439 million at December 31, 2008.
— Other Corporate Investments. The Group's economic capital usage of € 1.5 billion for other corporate investments at year-end 2008 was mainly driven by an increase of economic capital allocated to a strategic investment in the PBC business division, mutual fund investments and the new economic capital treatment for investor commitments referred to above.
— Alternative Assets. The Group's alternative assets include principal investments, real estate investments (including mezzanine debt) and small investments in hedge funds. Principal investments are composed of direct investments in private equity, mezzanine debt, short-term investments in financial sponsor leveraged buy-out funds,

bridge capital to leveraged buy-out funds and private equity led transactions. The increase in the economic capital usage was largely due to the Group's Asset Management business division's interest in an infrastructure asset and the larger size of the private equity portfolio in the Global Markets business division. The alternative assets portfolio has some concentration in infrastructure and real estate assets. Recent market conditions have limited the opportunities to sell down the portfolio. The Group's intention remains to do so, provided suitable conditions allow it.

The Group's total economic capital figures do not currently take into account diversification benefits between the asset categories.

Liquidity Risk

Liquidity risk management safeguards the ability of the bank to meet all payment obligations when they come due. Treasury is responsible for the management of liquidity risk. The liquidity risk management framework is designed to identify, measure and manage the liquidity risk position. The underlying policies are reviewed and approved regularly by the board member responsible for Treasury. In order to ensure adequate liquidity and a healthy funding profile for the Group, Treasury uses various internal tools and systems which are designed and tailored to support the Group's specific management needs:

The Group's liquidity risk management approach starts at the intraday level (operational liquidity), managing the daily payments queue, forecasting cash flows and factoring in the Group's access to Central Banks. The reporting system tracks cash flows on a daily basis over an 18-month horizon. This system allows management to assess the Group's short-term liquidity position in each location, region and globally on a by-currency, by-product and by-division basis. The system captures all cash flows from transactions on the balance sheet, as well as liquidity risks resulting from off-balance sheet transactions. The Group models products that have no specific contractual maturities using statistical methods to capture the behavior of their cash flows. Liquidity outflow limits (Maximum Cash Outflow Limits), which have been set to limit cumulative global and local cash outflows, are monitored on a daily basis to safeguard the Group's access to liquidity.

The Group's approach then moves to tactical liquidity risk management, dealing with access to unsecured funding sources and the liquidity characteristics of the Group's asset inventory (asset liquidity). Unsecured funding is a finite resource. Total unsecured funding represents the amount of external liabilities which the Group takes from the market irrespective of instrument, currency or tenor. Unsecured funding is measured on a regional basis by currency and aggregated to a global utilization report. The Capital and Risk Committee approves limits to protect the Group's access to unsecured funding at attractive levels. The asset liquidity component tracks the volume and booking location within the consolidated inventory of unencumbered, liquid assets which the Group can use to raise liquidity via secured funding transactions. Securities inventories include a wide variety of securities. As a first step, the Group segregates illiquid and liquid securities in each inventory. Subsequently the Group assigns liquidity values to different classes of liquid securities.

The strategic liquidity perspective comprises the maturity profile of all assets and liabilities (Funding Matrix) on the Group's balance sheet and the Group's issuance strategy. The Funding Matrix identifies the excess or shortfall of assets over liabilities in each time bucket, facilitating management of open liquidity exposures. The Funding Matrix is a key input parameter for the Group's annual capital market issuance plan, which, upon approval by the Capital and Risk Committee, establishes issuing targets for securities by tenor, volume and instrument.

The framework is completed by employing stress testing and scenario analysis to evaluate the impact of sudden stress events on the Group's liquidity position. The scenarios have been based on historic events, such as the 1987 stock market crash, the 1990 U.S. liquidity crunch and the September 2001 terrorist attacks, liquidity crisis case studies and hypothetical events. Also incorporated are new liquidity risk drivers revealed by the financial markets crisis: prolonged term money-market freeze, collateral repudiation, nonfungibility of currencies and stranded syndications. The hypothetical events encompass internal shocks, such as operational risk events and ratings downgrades, as well as external shocks, such as systemic market risk events, emerging market crises and event shocks. Under each of these scenarios the Group assumes that all maturing loans to customers will need to be rolled over and require funding whereas rollover of liabilities will be partially impaired resulting in a funding gap. The Group then models the steps it would take to counterbalance the resulting net shortfall in funding. Action steps would include switching from unsecured to secured funding, selling assets and adjusting the price the Group would pay on liabilities.

Maturity Analysis of Financial Liabilities

The following table presents a maturity analysis of the earliest contractual undiscounted cash flows for financial liabilities as of December 31, 2008, and 2007.

Dec 31, 2008 in € m.	On demand	Due within 3 months	Due between 3 and 12 months	Due between 1 and 5 years	Due after 5 years
Noninterest bearing deposits	34,211	–	–	–	–
Interest bearing deposits	143,417	143,309	39,367	20,917	14,332
Trading liabilities[1]	1,249,785	–	–	–	–
Financial liabilities designated at fair value through profit or loss	52,323	33,751	8,494	7,909	9,180
Investment contract liabilities[2]	504	438	164	985	3,886
Negative market values from derivative financial instruments qualifying for hedge accounting[1]	4,362	–	–	–	–
Central bank funds purchased	9,669	17,440	–	–	–
Securities sold under repurchase agreements	871	36,899	19,602	–	2,636
Securities loaned	2,155	1,047	3	7	3
Other short-term borrowings	24,732	13,372	815	–	–
Long-term debt	9,799	4,455	15,096	68,337	35,685
Trust preferred securities	–	–	983	4,088	4,658
Other financial liabilities	124,768	6,954	864	108	49
Off-balance sheet loan commitments	69,516	–	–	–	–
Financial guarantees	22,505	–	–	–	–
Total[3]	**1,748,617**	**257,665**	**85,388**	**102,351**	**70,429**

1 Trading liabilities and derivatives balances are recorded at fair value. The Group believes that this best represents the cash flow that would have to be paid if these positions had to be closed out. Trading and derivatives balances are shown within on demand which management believes most accurately reflects the short-term nature of trading activities. The contractual maturity of the instruments may however extend over significantly longer periods.

2 These are investment contracts where the policy terms and conditions result in their redemption value equaling fair value. See Note [40] for more detail on these contracts.

3 The balances in the Note will not agree to the numbers in the Group balance sheet as the cash flows included in the table are undiscounted. This analysis represents the worst case scenario for the Group if they were required to repay all liabilities earlier than expected. The Group believes that the likelihood of such an event occurring is remote. Interest cash flows have been excluded from the table.

Dec 31, 2007 in € m.	On demand	Due within 3 months	Due between 3 and 12 months	Due between 1 and 5 years	Due after 5 years
Noninterest bearing deposits	30,187	–	–	–	–
Interest bearing deposits	143,787	206,046	38,067	22,538	17,290
Trading liabilities[1]	619,491	–	–	–	–
Financial liabilities designated at fair value through profit or loss	78,648	127,122	34,001	9,628	30,480
Investment contract liabilities[2]	–	638	285	1,687	7,186
Negative market values from derivative financial instruments qualifying for hedge accounting[1]	2,315	–	–	–	–
Central bank funds purchased	6,130	16,200	–	–	–
Securities sold under repurchase agreements	43,204	93,119	18,815	452	821
Securities loaned	9,132	266	7	160	–
Other short-term borrowings	2,876	50,025	478	–	–
Long-term debt	4,221	1,759	19,911	70,189	30,879
Trust preferred securities	–	–	–	4,526	1,819
Other financial liabilities	139,711	5,739	495	22	49
Off-balance sheet loan commitments	94,190	–	–	–	–
Financial guarantees	22,444	–	–	–	–
Total[3]	**1,196,336**	**500,914**	**112,059**	**109,202**	**88,524**

1 Trading liabilities and derivatives balances are recorded at fair value. The Group believes that this best represents the cash flow that would have to be paid if these positions had to be closed out. Trading and derivatives balances are shown within on demand which management believes most accurately reflects the short-term nature of trading activities. The contractual maturity of the instruments may however extend over significantly longer periods.

2 These are investment contracts where the policy terms and conditions result in their redemption value equaling fair value. See Note [40] for more detail on these contracts.

3 The balances in the Note will not agree to the numbers in the Group balance sheet as the cash flows included in the table are undiscounted. This analysis represents the worst case scenario for the Group if they were required to repay all liabilities earlier than expected. The Group believes that the likelihood of such an event occurring is remote. Interest cash flows have been excluded from the table.

Insurance Risk

The Group's exposure to insurance risk increased upon its 2007 acquisition of Abbey Life Assurance Company Limited and its 2006 acquisition of a stake in Paternoster Limited, a regulated insurance company. The Group's insurance activities are characterized as follows.

— Annuity products – These are subject to mortality or morbidity risk over a period that extends beyond the premium collection period, with fixed and guaranteed contractual terms.
— Universal life products – These are long duration contracts which provide either death or annuity benefits, with terms that are not fixed and guaranteed.
— Investment contracts – These do not contain any insurance risk.

The Group is primarily exposed to the following insurance-related risks:

— Mortality and morbidity risks – the risks of a higher or lower than the expected number of death claims on assurance products and of an occurrence of one or more large claims, and the risk of a higher or lower than expected number of disability claims, respectively. The Group aims to mitigate these risks by the use of reinsurance and the application of discretionary charges. The Group investigates rates of mortality and morbidity annually.
— Longevity risk – the risk of faster or slower than expected improvements in life expectancy on immediate and deferred annuity products. The Group monitors this risk carefully against the latest external industry data and emerging trends.
— Expenses risk – the risk that policies cost more or less to administer than expected. The Group monitors these expenses by an analysis of the Group's actual expenses relative to the budget. The Group investigates reasons for any significant divergence from expectations and takes remedial action. The Group reduces the expense risk by having in place (until 2010 with the option of renewal for two more years) an outsourcing agreement which covers the administration of the policies.
— Persistency risk – the risk of a higher or lower than expected percentage of lapsed policies. The Group assesses persistency rates annually by reference to appropriate risk factors.

The Group monitors the actual claims and persistency against the assumptions used and refines the assumptions for the future assessment of liabilities. Actual experience may vary from estimates, the more so as projections are made further into the future. Liabilities are evaluated at least annually.

To the extent that actual experience is less favorable than the underlying assumptions, or it is necessary to increase provisions due to more onerous assumptions, the amount of capital required in the insurance entities may be affected.

The profitability of the non unit-linked long-term insurance businesses within the Group depends to a significant extent on the value of claims paid in the future relative to the assets accumulated to the date of claim. Typically, over the lifetime of a contract, premiums and investment returns exceed claim costs in the early years and it is necessary to set aside these amounts to meet future obligations. The amount of such future obligations is assessed on actuarial principles by reference to assumptions about the development of financial and insurance risks.

For unit-linked investment contracts, profitability is based on the charges taken being sufficient to meet expenses and profit. The premium and charges are assessed on actuarial principles by reference to assumptions about the development of financial and insurance risks.

As stated above, reinsurance is used as a mechanism to reduce risk. The Group's strategy is to continue to utilize reinsurance as appropriate.

[38] Related Party Transactions

Parties are considered to be related if one party has the ability to directly or indirectly control the other party or exercise significant influence over the other party in making financial or operational decisions. The Group's related parties include

— key management personnel, close family members of key management personnel and entities which are controlled, significantly influenced by, or for which significant voting power is held by key management personnel or their close family members,
— subsidiaries, joint ventures and associates, and
— post-employment benefit plans for the benefit of Deutsche Bank employees.

The Group has several business relationships with related parties. Transactions with such parties are made in the ordinary course of business and on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other parties. These transactions also did not involve more than the normal risk of collectibility or present other unfavorable features.

Transactions with Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of Deutsche Bank, directly or indirectly. The Group considers the members of the Management Board and of the Supervisory Board to constitute key management personnel for purposes of IAS 24.

The following table presents the compensation expense of key management personnel.

in € m.	2008	2007	2006
Short-term employee benefits	9	30	27
Post-employment benefits	3	4	4
Other long-term benefits	–	–	–
Termination benefits	–	–	8
Share-based payment	8	8	9
Total	**20**	**42**	**48**

Among the Group's transactions with key management personnel as of December 31, 2008 were loans and commitments of € 4 million and deposits of € 23 million. In addition the Group provides banking services, such as payment and account services as well as investment advice, to key management personnel and their close family members.

Transactions with Subsidiaries, Joint Ventures and Associates

Transactions between Deutsche Bank AG and its subsidiaries meet the definition of related party transactions. If these transactions are eliminated on consolidation, they are not disclosed as related party transactions. Transactions between the Group and its associated companies and joint ventures also qualify as related party transactions and are disclosed as follows.

Loans

in € m.	2008	2007
Loans outstanding, beginning of year	**2,081**	**622**
Loans issued during the year	1,623	1,790
Loan repayment during the year	514	161
Changes in the group of consolidated companies[1]	(2,200)	(2)
Exchange rate changes/other	(156)	(168)
Loans outstanding, end of year[2]	**834**	**2,081**
Other credit risk related transactions:		
Provision for loan losses	4	–
Guarantees and commitments[3]	95	233

1 Four entities that were accounted for using the equity method were fully consolidated for the first time in 2008. Therefore loans made to these investments were eliminated on consolidation.

2 Included in this amount are loans past due of € 7 million and € 3 million as of December 31, 2008 and 2007, respectively. For the above loans the Group held collateral of € 361 million and € 616 million as of December 31, 2008 and as of December 31, 2007, respectively. Loans included also € 143 million and € 24 million loans with joint ventures as of December 31, 2008 and 2007, respectively.

3 The guarantees above include financial and performance guarantees, standby letters of credit, indemnity agreements and irrevocable lending-related commitments.

Deposits

in € m.	2008	2007
Deposits outstanding, beginning of year	**962**	**855**
Deposits received during the year	955	294
Deposits repaid during the year	685	89
Changes in the group of consolidated companies[1]	(693)	(43)
Exchange rate changes/other	(293)	(55)
Deposits outstanding, end of year[2]	**246**	**962**

1 One entity that was accounted for using the equity method was fully consolidated in 2008. Therefore deposits received from this investment were eliminated on consolidation.

2 The deposits are unsecured. Deposits include also € 18 million and € 3 million deposits from joint ventures as of December 31, 2008 and as of December 31, 2007, respectively.

Other Transactions

In addition, the Group had trading assets with associated companies of € 390 million as of December 31, 2008. As of December 31, 2007, trading positions with associated companies were € 67 million. Other transactions with related parties also reflected the following:

Xchanging etb GmbH: The Group holds a stake of 44 % in Xchanging etb GmbH and accounts for it under the equity method. Xchanging etb GmbH is the holding company of Xchanging Transaction Bank GmbH ("XTB"). Two of the four executive directors of Xchanging etb GmbH and one member of the supervisory board of XTB are employees of the Group. The Group's arrangements reached with Xchanging in 2004 include a 12-year outsourcing agreement with XTB for security settlement services and are aimed at reducing costs without compromising service quality. In 2008 and 2007, the Group received services from XTB with volume of € 94 million and € 95 million, respectively.

In 2008 and 2007, the Group provided supply services (e.g., IT and real estate-related services) with volumes of € 26 million and € 28 million, respectively, to XTB.

Mutual Funds: The Group offers clients mutual fund and mutual fund-related products which pay returns linked to the performance of the assets held in the funds.

For all funds the Group determines a projected yield based on current money market rates. However, no guarantee or assurance is given that these yields will actually be achieved. Though the Group is not contractually obliged to support these funds, it made a decision, in a number of cases in which actual yields were lower than originally projected (although still above any guaranteed thresholds), to support the funds' target yields by injecting cash of € 49 million in 2007 and € 207 million in 2008. This action was on a discretionary basis, and was taken to protect the Group's market position. Initially such support was seen as temporary action. However, when the Group continued to make cash injections through the second quarter of 2008, it concluded that it could not preclude future discretionary cash injections being made to support the yield and reassessed the consolidation requirement. The Group concluded that the majority of the risk lies with it and that it was appropriate to consolidate eight funds effective June 30, 2008.

During 2008, one of these funds (provided with a guarantee) was liquidated; there was no additional income statement impact to the Group other than the cash injected at liquidation, which is included in the amount detailed above.

Transactions with Pension Plans

Under IFRS, certain post-employment benefit plans are considered related parties. The Group has business relationships with a number of its pension plans pursuant to which it provides financial services to these plans, including investment management services. The Group's pension funds may hold or trade Deutsche Bank shares or securities. A summary of transactions with related party pension plans follows.

in € m.	2008	2007
Deutsche Bank securities held in plan assets:		
Equity shares	–	–
Bonds	–	9
Other securities	4	21
Total	**4**	**30**
Property occupied by/other assets used by Deutsche Bank	–	–
Derivatives: Market value for which DB (or subsidiary) is a counterparty	335	(98)
Derivatives: Notional amount for which DB (or subsidiary) is a counterparty	9,172	4,441
Fees paid from Fund to any Deutsche Bank asset manager(s)	23	22

[39] Information on Subsidiaries

Deutsche Bank AG is the direct or indirect holding company for the Group's subsidiaries.

Significant Subsidiaries

The following table presents the significant subsidiaries Deutsche Bank AG owns, directly or indirectly.

Subsidiary	Place of Incorporation
Taunus Corporation[1]	Delaware, United States
Deutsche Bank Trust Company Americas[2]	New York, United States
Deutsche Bank Securities Inc.[3]	Delaware, United States
Deutsche Bank Privat- und Geschäftskunden Aktiengesellschaft[4]	Frankfurt am Main, Germany
DB Capital Markets (Deutschland) GmbH[5]	Frankfurt am Main, Germany
DWS Investment GmbH[6]	Frankfurt am Main, Germany

1 This company is a holding company for most of the Group's subsidiaries in the United States.

2 This company is a subsidiary of Taunus Corporation. Deutsche Bank Trust Company Americas is a New York State-chartered bank which originates loans and other forms of credit, accepts deposits, arranges financings and provides numerous other commercial banking and financial services.

3 This company is a subsidiary of Taunus Corporation. Deutsche Bank Securities Inc. is a U.S. SEC-registered broker dealer and a member of, and regulated by, the New York Stock Exchange. It is also regulated by the individual state securities authorities in the states in which it operates.

4 The company serves private individuals, affluent clients and small business clients with banking products.

5 This company is a German limited liability company and operates as a holding company for a number of European subsidiaries, mainly institutional and mutual fund management companies located in Germany, Luxembourg, France, Austria, Switzerland, Italy, Poland and Russia.

6 This company, in which DB Capital Markets (Deutschland) GmbH indirectly owns 100 % of the equity and voting interests, is a limited liability company that operates as a mutual fund manager.

The Group owns 100 % of the equity and voting rights in these significant subsidiaries. They prepare financial statements as of December 31 and are included in the Group's consolidated financial statements. Their principal countries of operation are the same as their countries of incorporation.

Subsidiaries may have restrictions on their ability to transfer funds, including payment of dividends and repayment of loans, to Deutsche Bank AG. Reasons for the restrictions include:

— Central bank restrictions relating to local exchange control laws
— Central bank capital adequacy requirements
— Local corporate laws, for example limitations regarding the transfer of funds to the parent when the respective entity has a loss carried forward not covered by retained earnings or other components of capital.

Subsidiaries where the Group owns 50 percent or less of the Voting Rights

The Group also consolidates certain subsidiaries although it owns 50 percent or less of the voting rights. Most of those subsidiaries are special purpose entities ("SPEs") that are sponsored by the Group for a variety of purposes.

In the normal course of business, the Group becomes involved with SPEs, primarily through the following types of transactions: asset securitizations, structured finance, commercial paper programs, mutual funds, commercial real estate leasing and closed-end funds. The Group's involvement includes transferring assets to the entities, entering into derivative contracts with them, providing credit enhancement and liquidity facilities, providing investment management and administrative services, and holding ownership or other investment interests in the entities.

Investees where the Group owns more than half of the Voting Rights

The Group owns directly or indirectly more than half of the voting rights of investees but does not have control over these investees when

— another investor has the power over more than half of the voting rights by virtue of an agreement with the Group, or
— another investor has the power to govern the financial and operating policies of the investee under a statute or an agreement, or
— another investor has the power to appoint or remove the majority of the members of the board of directors or equivalent governing body and the investee is controlled by that board or body, or when
— another investor has the power to cast the majority of votes at meetings of the board of directors or equivalent governing body and control of the entity is by that board or body.

The "List of Shareholdings 2008" is published as a separate document and deposited with the German Electronic Federal Gazette ("elektronischer Bundesanzeiger"). It is available in the Investor Relations section of Deutsche Bank's website (http://www.deutsche-bank.de/ir/en/content/reports.htm), but can also be ordered free of charge.

[40] Insurance and Investment Contracts

Liabilities arising from Insurance and Investment Contracts

			Dec 31, 2008			Dec 31, 2007
in € m.	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Insurance contracts	3,963	(1,407)	2,556	6,450	(119)	6,331
Investment contracts	5,977	–	5,977	9,796	–	9,796
Total	**9,940**	**(1,407)**	**8,533**	**16,246**	**(119)**	**16,127**

During the course of 2008, the Group entered into two reinsurance agreements, ceding a portion of the insurance risk in the annuity contract portfolio. The cost of these contracts was calculated using assumptions consistent with those used to value the underlying reinsured policies and resulted in the recognition of an immaterial loss in the Group's Income Statement.

Generally, amounts relating to reinsurance contracts are reported gross unless they have an immaterial impact to their respective balance sheet line items. In the table above, reinsurance amounts are shown gross.

Carrying Amount

The following table presents an analysis of the change in insurance and investment contracts liabilities.

	2008		2007	
in € m.	Insurance contracts	Investment contracts	Insurance contracts	Investment contracts
Balance, beginning of year	**6,450**	**9,796**	**1,411**	**–**
Business classified as held for sale	–	–	(847)	–
Business acquired	–	–	6,339	10,387
New business	236	158	114	14
Claims paid	(405)	(618)	(340)	(214)
Other changes in existing business	(850)	(935)	111	168
Exchange rate changes	(1,468)	(2,424)	(338)	(559)
Balance, end of year	**3,963**	**5,977**	**6,450**	**9,796**

Included in Other changes in existing business for the investment contracts is € 935 million and € 122 million attributable to changes in the underlying assets' fair value for the years ended December 31, 2008 and December 31, 2007, respectively.

Key Assumptions in relation to Insurance Business

The liabilities will vary with movements in interest rates, which are applicable, in particular, to the cost of guaranteed benefits payable in the future, investment returns and the cost of life assurance and annuity benefits where future mortality is uncertain.

Assumptions are made related to all material factors affecting future cash flows, including future interest rates, mortality and costs. The assumptions to which the long term business amount is most sensitive are the interest rates used to discount the cash flows and the mortality assumptions, particularly those for annuities.

The assumptions are set out below:

Interest Rates

Interest rates are used that reflect a best estimate of future investment returns taking into account the nature and term of the assets used to support the liabilities. Suitable margins for default risk are allowed for in the assumed interest rate.

Mortality

Mortality rates are based on published tables, adjusted appropriately to take into account changes in the underlying population mortality since the table was published, company experience and forecast changes in future mortality. If appropriate, a margin is added to assurance mortality rates to allow for adverse future deviations. Annuitant mortality rates are adjusted to make allowance for future improvements in pensioner longevity. Improvements in annuitant mortality are based on a percentage of the medium cohort projection subject to a minimum of rate of improvement of 1.25 % per annum.

Costs

For non-linked contracts, allowance is made explicitly for future expected per policy costs.

Other Assumptions

The take-up rate of guaranteed annuity rate options on pension business is assumed as 60 % and 57 % for the years ended December 31, 2008 and December 31, 2007, respectively.

Key Assumptions impacting Value of Business Acquired (VOBA)

The opening VOBA arising on the purchase of Abbey Life Assurance Company Limited was determined by capitalizing the present value of the future cash flows of the business over the reported liability at the date of acquisition. If assumptions were required about future mortality, morbidity, persistency and expenses, they were determined on a best estimate basis taking into account the business's own experience. General economic assumptions were set considering the economic indicators at the date of acquisition.

The rate of VOBA amortization is determined by considering the profile of the business acquired and the expected depletion in future value. At the end of each accounting period, the remaining VOBA is tested against the future net profit expected related to the business that was in force at the date of acquisition. If there is insufficient net profit, the VOBA will be written down to its supportable value.

Key Changes in Assumptions

Upon acquisition of Abbey Life Assurance Company Limited in October 2007, liabilities for insurance contracts were recalculated from a UK GAAP to a U.S. GAAP best estimate basis in line with the provisions of IFRS 4. The non-economic assumptions set at that time have not been changed but the economic assumptions have been reviewed in line with changes in key economic indicators. For annuity contracts, the liability was valued using the locked-in basis determined at the date of acquisition.

Sensitivity Analysis (in respect of Insurance Contracts only)

The following table presents the sensitivity of the Group's profit before tax and equity to changes in some of the key assumptions used for insurance contract liability calculations. For each sensitivity test, the impact of a reasonably possible change in a single factor is shown with other assumptions left unchanged.

	Impact on profit before tax		Impact on equity	
in € m.	2008	2007	2008	2007
Variable:				
Mortality[1] (worsening by ten percent)	(12)	(16)	(12)	(16)
Renewal expense (ten percent increase)	(1)	(1)	(1)	(1)
Interest rate[2] (one percent increase) (2007: one percent decrease)	(6)	(115)	(142)	88

1 The impact of mortality assumes a ten percent decrease in annuitant mortality and a ten percent increase in mortality for other business.
2 In 2007 the impact of a decrease was shown as it had the more adverse effect.

For certain insurance contracts, the underlying valuation basis contains a Provision for Adverse Deviations ("PADs"). For these contracts, under U.S. GAAP, any worsening of expected future experience would not change the level of reserves held until all the PADs have been eroded while any improvement in experience would not result in an increase to these reserves. Therefore, in the sensitivity analysis, if the variable change represents a worsening of experience, the impact shown represents the excess of the best estimate liability over the PADs held at the balance sheet date. As a result, the figures disclosed in this table should not be used to imply the impact of a different level of change, and it should not be assumed that the impact would be the same if the change occurred at a different point in time.

[41] Current and Non-Current Assets and Liabilities

The following tables present an analysis of each asset and liability line item by contractual maturity as of December 31, 2008 and December 31, 2007.

Asset items as of December 31, 2008, follow.

	Amounts recovered or settled		Total
in € m.	within one year	after one year	Dec 31, 2008
Cash and due from banks	9,826	–	9,826
Interest-earning deposits with banks	63,900	839	64,739
Central bank funds sold and securities purchased under resale agreements	8,671	596	9,267
Securities borrowed	35,016	6	35,022
Financial assets at fair value through profit or loss	1,598,362	25,449	1,623,811
Financial assets available for sale	7,586	17,249	24,835
Equity method investments	–	2,242	2,242
Loans	103,436	165,845	269,281
Property and equipment	–	3,712	3,712
Goodwill and other intangible assets	–	9,877	9,877
Other assets	135,408	2,421	137,829
Assets for current tax	3,217	295	3,512
Total assets before deferred tax assets	**1,965,422**	**228,531**	**2,193,953**
Deferred tax assets			8,470
Total assets			**2,202,423**

Liability items as of December 31, 2008, follow.

	Amounts recovered or settled		Total
in € m.	within one year	after one year	Dec 31, 2008
Deposits	360,298	35,255	395,553
Central bank funds purchased and securities sold under repurchase agreements	84,481	2,636	87,117
Securities loaned	3,206	10	3,216
Financial liabilities at fair value through profit or loss	1,308,128	25,637	1,333,765
Other short-term borrowings	39,115	–	39,115
Other liabilities	157,750	2,848	160,598
Provisions	1,418	–	1,418
Liabilities for current tax	1,086	1,268	2,354
Long-term debt	22,225	111,631	133,856
Trust preferred securities	983	8,746	9,729
Obligation to purchase common shares	4	–	4
Total liabilities before deferred tax liabilities	**1,978,694**	**188,031**	**2,166,725**
Deferred tax liabilities			3,784
Total liabilities			**2,170,509**

Asset items as of December 31, 2007 follow.

in € m.	Amounts recovered or settled: within one year	Amounts recovered or settled: after one year	Total: Dec 31, 2007
Cash and due from banks	8,632	–	8,632
Interest-earning deposits with banks	21,156	459	21,615
Central bank funds sold and securities purchased under resale agreements	12,193	1,404	13,597
Securities borrowed	55,548	413	55,961
Financial assets at fair value through profit or loss	1,345,564	32,447	1,378,011
Financial assets available for sale	6,168	36,126	42,294
Equity method investments	–	3,366	3,366
Loans	73,826	125,066	198,892
Property and equipment	–	2,409	2,409
Goodwill and other intangible assets	–	9,383	9,383
Other assets	180,489	3,149	183,638
Assets for current tax	2,014	414	2,428
Total assets before deferred tax assets	**1,705,590**	**214,636**	**1,920,226**
Deferred tax assets			4,777
Total assets			**1,925,003**

Liability items as of December 31, 2007 follow.

in € m.	Amounts recovered or settled: within one year	Amounts recovered or settled: after one year	Total: Dec 31, 2007
Deposits	417,994	39,952	457,946
Central bank funds purchased and securities sold under repurchase agreements	177,468	1,273	178,741
Securities loaned	9,405	160	9,565
Financial liabilities at fair value through profit or loss	818,436	51,649	870,085
Other short-term borrowings	53,410	–	53,410
Other liabilities	168,135	3,309	171,444
Provisions	1,295	–	1,295
Liabilities for current tax	2,460	1,761	4,221
Long-term debt	23,255	103,448	126,703
Trust preferred securities	–	6,345	6,345
Obligation to purchase common shares	871	2,682	3,553
Total liabilities before deferred tax liabilities	**1,672,729**	**210,579**	**1,883,308**
Deferred tax liabilities			2,380
Total liabilities			**1,885,688**

[42] Supplementary Information to the Consolidated Financial Statements according to Section 315a HGB

As required by Section 315a German Commercial Code ("HGB"), the consolidated financial statements prepared in accordance with IFRS must provide additional disclosures which are given below.

Staff Costs

in € m.	2008	2007
Staff costs:		
Wages and salaries	8,060	11,298
Social security costs	1,546	1,824
thereof: those relating to pensions	510	478
Total	**9,606**	**13,122**

Staff

The average number of effective staff employed in 2008 was 79,931 (2007: 75,047) of whom 33,837 (2007: 31,898) were women. Part-time staff is included in these figures proportionately. An average of 51,993 (2007: 47,540) staff members worked outside Germany.

Management Board and Supervisory Board Remuneration

The total compensation of the Management Board was € 4,476,684 and € 33,182,395 for the years ended December 31, 2008 and 2007, respectively, thereof for the 2007 financial year € 28,832,085 for variable components.

Former members of the Management Board of Deutsche Bank AG or their surviving dependents received € 19,741,906 and € 33,479,343 for the years ended December 31, 2008 and 2007, respectively.

The Supervisory Board received in addition to a fixed payment (including meeting fees) of € 2,478,500 and € 2,366,000 (excluding value-added tax), variable emoluments totaling € 0 and € 3,656,084 for the years ended December 31, 2008 and 2007, respectively.

Provisions for pension obligations to former members of the Management Board and their surviving dependents totaled € 167,420,222 and € 176,061,752 at December 31, 2008 and 2007, respectively.

Loans and advances granted and contingent liabilities assumed for members of the Management Board amounted to € 2,641,142 and € 2,186,400 and for members of the Supervisory Board of Deutsche Bank AG to € 1,396,955 and € 1,713,528 for the years ended December 31, 2008 and 2007, respectively. Members of the Supervisory Board repaid € 0.1 million loans in 2008.

Other Publications

The "List of Shareholdings 2008" is published as a separate document and deposited with the German Electronic Federal Gazette ("elektronischer Bundesanzeiger"). It is available in the Investor Relations section of Deutsche Bank's website (http://www.deutsche-bank.de/ir/en/content/reports.htm).

Corporate Governance

Deutsche Bank AG and its only German listed consolidated subsidiary, Varta AG, have approved the Declaration of Conformity in accordance with section 161 of the German Corporation Act (AktG) and made it accessible to shareholders.

Principal Accounting Fees and Services

The table below gives a breakdown of the fees charged by our auditors for the 2008 and 2007 financial year.

Fee category in € m.	2008	2007
Audit fees	44	43
thereof to KPMG Germany	21	18
Audit-related fees	8	8
thereof to KPMG Germany	5	2
Tax fees	7	8
thereof to KPMG Germany	3	2
All other fees	–	–
thereof to KPMG Germany	–	–
Total fees	**59**	**59**

For further information please refer to our Corporate Governance Report.

[43] Events after the Balance Sheet Date

Postbank. On January 14, 2009, Deutsche Bank AG and Deutsche Post AG agreed on an amended transaction structure for Deutsche Bank's acquisition of Deutsche Postbank AG shares based on the purchase price agreed in September 2008. The contract comprises three tranches and closed on February 25, 2009. As a first step, Deutsche Bank AG acquired 50 million Postbank shares – corresponding to a stake of 22.9 % – in a capital increase of 50 million Deutsche Bank shares against a contribution in kind excluding subscription rights. Therefore, upon closing of the new structure the Group's Tier 1 capital consumption was reduced compared to the previous structure. The Deutsche Bank shares will be issued from authorized capital. As a result, Deutsche Post will acquire a shareholding of approximately 8 % in Deutsche Bank AG, over half of which it can dispose of from the end of April 2009, with the other half disposable from mid-June 2009. At closing, Deutsche Bank AG acquired mandatory exchangeable bonds issued by Deutsche Post. After three years, these bonds will be exchanged for 60 million Postbank shares, or a 27.4 % stake. Put and call options are in place for the remaining 26.4 million shares, equal to a 12.1 % stake in Deutsche Postbank. In addition, Deutsche Bank AG paid cash collateral of € 1.1 billion for the options which are exercisable between the 36th and 48th month after closing.

Cosmopolitan Resort and Casino. As disclosed in Note [19] Property and Equipment, in September 2008 the Group foreclosed on the Cosmopolitan Resort and Casino property and has continued to develop the project. The property is classified as investment property under construction in Premises and equipment, and had a carrying value of € 1.1 billion as at December 31, 2008.

In the first quarter of 2009, there was evidence of a significant deterioration of condominium, hotel and casino market conditions in Las Vegas. In light of this, the Group is currently considering various alternatives for the future development and execution of the Cosmopolitan Resort and Casino project. The recoverable value of the asset is dependent on developing market conditions and the course of action taken by the Group. As a result it is possible that an impairment to the carrying value may be required in 2009 which cannot be reliably quantified at this time.

Independent Auditors' Report

We have audited the consolidated financial statements prepared by the Deutsche Bank Aktiengesellschaft, comprising the balance sheet, the income statement, the statement of recognized income and expense, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from January 1, 2008 to December 31, 2008. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to section 315a paragraph 1 HGB (German Commercial Code) are the responsibility of Deutsche Bank Aktiengesellschaft's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit. In addition we have been instructed to express an opinion as to whether the consolidated financial statements comply with full IFRS.

We conducted our audit of the consolidated financial statements in accordance with section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany), and in supplementary compliance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to section 315a paragraph 1 HGB and full IFRS and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, March 11, 2009

KPMG AG
Wirtschaftsprüfungsgesellschaft

(formerly
KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft)

Becker
Wirtschaftsprüfer

Bose
Wirtschaftsprüfer

Audited Consolidated Financial Statements (IFRS)
of Deutsche Bank Aktiengesellschaft
for the Fiscal Year ending 31 December 2007

Consolidated Statement of Income

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

EARNINGS PER COMMON SHARE

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

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

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

Consolidated Statement of Recognized Income and Expense

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

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

Consolidated Balance Sheet

in € m.	[Notes]	Dec 31, 2007	Dec 31, 2006
Assets:			
Cash and due from banks		8,632	7,008
Interest-earning deposits with banks		21,615	19,199
Central bank funds sold and securities purchased under resale agreements	[18]	13,597	14,265
Securities borrowed	[18]	55,961	62,943
Financial assets at fair value through profit or loss	[11], [18], [35]		
of which € 158 billion and € 87 billion were pledged to creditors and can be sold or repledged at December 31, 2007 and December 31, 2006, respectively		1,474,103	1,104,650
Financial assets available for sale	[13], [18]		
of which € 17 million and € 23 million were pledged to creditors and can be sold or repledged at December 31, 2007 and 2006, respectively		42,294	38,037
Equity method investments	[14]	3,366	2,541
Loans	[15], [16]	198,892	178,524
Premises and equipment	[19]	2,409	3,241
Goodwill and other intangible assets	[21]	9,383	8,612
Other assets	[22], [23]	182,897	139,021
Income tax assets	[33]	2,428	2,120
Deferred tax assets	[33]	4,772	4,332
Total assets		**2,020,349**	**1,584,493**
Liabilities and equity:			
Deposits	[24]	457,946	411,916
Central bank funds purchased and securities sold under repurchase agreements	[18]	178,741	102,200
Securities loaned	[18]	9,565	21,174
Financial liabilities at fair value through profit or loss	[11], [35]	966,177	694,619
Other short-term borrowings	[26]	53,410	48,433
Other liabilities	[23]	171,509	144,129
Provisions	[25]	1,295	1,768
Income tax liabilities	[33]	4,515	4,033
Deferred tax liabilities	[33]	2,124	2,285
Long-term debt	[27]	126,703	111,363
Trust preferred securities	[27]	6,345	4,771
Obligation to purchase common shares	[28]	3,553	4,327
Total liabilities		**1,981,883**	**1,551,018**
Common shares, no par value, nominal value of € 2.56	[29]	1,358	1,343
Additional paid-in capital	[30]	15,808	15,246
Retained earnings	[30]	25,116	20,451
Common shares in treasury, at cost	[29]	(2,819)	(2,378)
Equity classified as obligation to purchase own shares	[28]	(3,552)	(4,307)
Net gains (losses) not recognized in the income statement, net of tax			
Unrealized net gains on financial assets available for sale, net of applicable tax and other	[30]	3,635	3,208
Unrealized net gains (losses) on derivatives hedging variability of cash flows, net of tax	[30]	(52)	(45)
Foreign currency translation, net of tax	[30]	(2,450)	(760)
Total net gains (losses) not recognized in the income statement, net of tax	[30]	1,133	2,403
Total shareholders' equity		**37,044**	**32,758**
Minority interest	[30]	1,422	717
Total equity	[30]	**38,466**	**33,475**
Total liabilities and equity		**2,020,349**	**1,584,493**

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

Consolidated Statement of Cash Flows

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

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

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[1] SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

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

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

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

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

TRANSITION TO IFRS

FIRST-TIME APPLICATION OF IFRS

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

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

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

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

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

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

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

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

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

EFFECT OF THE TRANSITION TO IFRS

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

PRINCIPLES OF CONSOLIDATION

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

SUBSIDIARIES

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

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

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

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

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

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

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

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

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

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

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

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

ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

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

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

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

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

FOREIGN CURRENCY TRANSLATION

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

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

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

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

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

INTEREST, FEES AND COMMISSIONS

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

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

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

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

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

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

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

FINANCIAL ASSETS AND LIABILITIES

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

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

FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

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

LOAN COMMITMENTS

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

LOANS

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

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

FINANCIAL ASSETS CLASSIFIED AS AVAILABLE FOR SALE

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

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

FINANCIAL LIABILITIES

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

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

DETERMINATION OF FAIR VALUE

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

RECOGNITION OF TRADE DATE PROFIT

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

DERIVATIVES AND HEDGE ACCOUNTING

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

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

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

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

EMBEDDED DERIVATIVES

Some hybrid contracts contain both a derivative and a non-derivative component. In such cases, the derivative component is termed an embedded derivative, with the non-derivative component representing the host contract. Where the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract, and the hybrid contract itself is not carried at fair value through profit or loss, the embedded derivative is bifurcated and reported at fair value with gains and losses being recognized in net gains (losses) on financial assets/liabilities at fair value through profit or loss. The host contract is accounted for at amortized cost. The carrying amount of an embedded derivative is reported in the consolidated balance sheet line item with the host contract. Certain hybrid instruments have been designated at fair value through profit or loss using the fair value option.

HEDGE ACCOUNTING

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

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

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

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

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

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

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

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

IMPAIRMENT OF FINANCIAL ASSETS

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

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

IMPAIRMENT OF LOANS AND PROVISION FOR OFF-BALANCE SHEET POSITIONS

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

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

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

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

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

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

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

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

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

IMPAIRMENT OF FINANCIAL ASSETS CLASSIFIED AS AVAILABLE FOR SALE

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

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

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

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

DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

FINANCIAL ASSET DERECOGNITION

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

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

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

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

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

SECURITIZATION

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

DERECOGNITION OF FINANCIAL LIABILITIES

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

REPURCHASE AND REVERSE REPURCHASE AGREEMENTS

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

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

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

SECURITIES BORROWED AND SECURITIES LOANED

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

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

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

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

OFFSETTING FINANCIAL INSTRUMENTS

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

PREMISES AND EQUIPMENT

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

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

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

INVESTMENT PROPERTY

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

GOODWILL AND OTHER INTANGIBLE ASSETS

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

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

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

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

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

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

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

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

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

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

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

FINANCIAL GUARANTEES

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

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

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

LEASING TRANSACTIONS

LESSOR

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

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

LESSEE

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

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

SALE-LEASEBACK ARRANGEMENTS

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

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

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

EMPLOYEE BENEFITS

PENSION BENEFITS

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

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

OTHER POST-RETIREMENT BENEFITS

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

SHARE-BASED COMPENSATION

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

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

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

OBLIGATIONS TO PURCHASE COMMON SHARES

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

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

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

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

INCOME TAXES

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

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

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

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

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

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

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

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

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

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

PROVISIONS

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

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

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

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

STATEMENT OF CASH FLOWS

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

INSURANCE

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

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

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

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

INSURANCE CONTRACTS

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

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

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

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

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

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

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

INVESTMENT CONTRACTS

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

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

REINSURANCE

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

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

IFRS 7

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

IAS 1

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

IFRS 8

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

NEW ACCOUNTING PRONOUNCEMENTS

IFRIC 14

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

IFRS 3 AND IAS 27

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

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

IAS 32 AND IAS 1

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

[2] BUSINESS SEGMENTS AND RELATED INFORMATION

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

BUSINESS SEGMENTS

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

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

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

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

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

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

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

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

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

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

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

MEASUREMENT OF SEGMENT PROFIT OR LOSS

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

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

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

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

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

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

SEGMENTAL RESULTS OF OPERATIONS

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

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

N/M – Not meaningful

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

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

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

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

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

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

5 Net revenues in CI include a gain from the sale of the bank's remaining holding in EUROHYPO AG of € 131 million and gains from the sale of industrial holdings (Linde AG) of € 92 million.

RECONCILIATION OF SEGMENTAL RESULTS OF OPERATIONS TO CONSOLIDATED RESULTS OF OPERATIONS ACCORDING TO IFRS

The following table provides a reconciliation of the total results of operations and total assets of the Group's business segments under management reporting systems to the consolidated financial statements prepared in accordance with IFRS, for the years ended December 31, 2007 and 2006, respectively.

			2007			2006
in € m.	Total Management Reporting	Consolidation & Adjustments	Total Consolidated	Total Management Reporting	Consolidation & Adjustments	Total Consolidated
Net revenues[1]	30,738	7	30,745	28,691	(197)	28,494
Provision for credit losses	613	(1)	612	298	(0)	298
Noninterest expenses	21,583	(200)	21,384	20,003	(147)	19,857
Minority interest	37	(37)	–	10	(10)	–
Income (loss) before income taxes	**8,505**	**244**	**8,749**	**8,380**	**(41)**	**8,339**
Assets	2,011,654	8,695	2,020,349	1,576,714	7,779	1,584,493
Risk-weighted positions (BIS risk positions)	327,503	1,315	328,818	273,520	1,939	275,459
Average active equity	29,725	121	29,846	25,368	100	25,468

1 Net interest income and noninterest income.

In 2007, income before income taxes in Consolidation & Adjustments was € 244 million. This resulted from Corporate Items of € 279 million, as well as from negative adjustments of € 35 million to reverse the impact of differences between the accounting methods used under IFRS and for the business segments in the Group's management reporting. Noninterest expenses benefited primarily from a recovery of value added tax paid in prior years, based on a refined methodology which has been agreed with the tax authorities, and also reimbursements associated with several litigation cases. The main adjustments to net revenues in Consolidation & Adjustments in 2007 were:

— Adjustments related to positions which are marked-to-market for management reporting purposes and accounted for on an accrual basis under IFRS decreased net revenues by approximately € 100 million.
— Trading results from the Group's own shares are reflected in the CB&S Corporate Division. The elimination of such results under IFRS resulted in an increase of approximately € 30 million.
— Decreases related to the elimination of intra-Group rental income were € 39 million.
— Net interest income related to tax refunds and accruals increased net revenues by € 69 million.
— The remainder of net revenues was due to other corporate items outside the management responsibility of the business segments, such as net funding expenses for nondivisionalized assets/liabilities and results from hedging the net investments in certain foreign operations.

In 2006, Consolidation & Adjustments showed a loss before income taxes of € 41 million. Negative adjustments for different accounting methods used in management reporting and IFRS were € 307 million and Corporate Items were € 267 million. Noninterest expenses benefited mainly from a provision release related to activities to restructure grundbesitz-invest, the Group's German open-ended real estate fund, and a settlement of insurance claims in respect of business interruption losses and costs related to the terrorist attacks of September 11, 2001 in the United States. Within net revenues, the main drivers in Consolidation & Adjustments were:

— Adjustments related to financial instruments which are carried at fair value through profit or loss for management reporting purposes but accounted for on an amortized cost basis under IFRS decreased net revenues by approximately € 210 million.
— Trading results from the Group's own shares in the CB&S Corporate Division resulted in a decrease of € 100 million.
— The elimination of intra-Group rental income decreased net revenues by € 40 million.
— Net interest income related to tax refunds and accruals increased by € 67 million.
— Settlement of insurance claims in respect of business interruption losses and costs related to the terrorist attacks of September 11, 2001 in the United States increased net revenues by € 125 million.
— The remainder of net revenues was due to other corporate items outside the management responsibility of the business segments.

Assets and risk-weighted positions in Consolidation & Adjustments reflect corporate assets, such as deferred tax assets and central clearing accounts, outside of the management responsibility of the business segments.

Average active equity assigned to Consolidation & Adjustments reflects the residual amount of equity that is not allocated to the segments as described under "Measurement of Segment Profit or Loss" in this Note.

ENTITY-WIDE DISCLOSURES

The Group presents revenues for groups of similar products and services by group division on a standalone basis derived from the Group's management accounting systems. The following tables present the net revenue components of the CIB and PCAM Group Divisions, for the years ended December 31, 2007 and 2006, respectively.

	Corporate and Investment Bank	
in € m.	**2007**	**2006**
Sales & Trading (equity)	4,613	4,039
Sales & Trading (debt and other products)	8,407	9,016
Total Sales & Trading	**13,020**	**13,055**
Origination (equity)	861	760
Origination (debt)	714	1,331
Total Origination	**1,575**	**2,091**
Advisory	1,089	800
Loan products	974	946
Transaction services	2,585	2,228
Other products	(151)	(318)
Total	**19,092**	**18,802**

	Private Clients and Asset Management	
in € m.	**2007**	**2006**
Portfolio/fund management	3,062	3,089
Brokerage	2,172	1,910
Loan/deposit	3,173	2,774
Payments, account & remaining financial services	979	899
Other products	742	643
Total	**10,129**	**9,315**

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

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

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

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

Notes to the Consolidated Income Statement

[3] NET INTEREST INCOME

The following are the components of interest and similar income and interest expense.

in € m.	2007	2006
Interest and similar income:		
Interest-earning deposits with banks	1,384	1,358
Central bank funds sold and securities purchased under resale agreements	1,090	1,245
Securities borrowed	3,784	3,551
Financial assets at fair value through profit or loss	45,951	39,195
Interest income on financial assets available for sale	1,596	1,357
Dividend income on financial assets available for sale	200	207
Loans	10,901	9,344
Other	2,800	2,018
Total interest and similar income	**67,706**	**58,275**
Interest expense:		
Interest-bearing deposits	17,371	14,025
Central bank funds purchased and securities sold under repurchase agreements	6,869	5,788
Securities loaned	996	798
Financial liabilities at fair value through profit or loss	24,020	22,631
Other short-term borrowings	2,665	2,708
Long-term debt	4,912	3,531
Trust preferred securities	339	267
Other	1,685	1,519
Total interest expense	**58,857**	**51,267**
Net interest income	**8,849**	**7,008**

Interest income accrued on impaired financial assets was € 57 million and € 47 million for the years ended December 31, 2007 and December 31, 2006, respectively.

[4] COMMISSION AND FEE INCOME AND EXPENSE

The following are the components of commissions and fee income and expense.

in € m.	2007	2006
Commission and fee income and expense:		
Commissions and fee income	15,199	13,418
Commissions and fee expense	2,910	2,223
Net commissions and fee income	**12,289**	**11,195**

in € m.	2007	2006
Net commissions and fee income:		
Net commissions and fees from fiduciary activities	3,965	3,911
Net commissions, brokers' fees, mark-ups on securities underwriting and other securities activities	5,497	4,709
Net fees for other customer services	2,827	2,575
Net commissions and fee income	**12,289**	**11,195**

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

The following are the components of net gains (losses) on financial assets/liabilities at fair value through profit or loss.

in € m.	2007	2006
Trading income:		
Sales & Trading (equity)	3,797	2,441
Sales & Trading (debt and other products)	(427)	6,004
Total Sales & Trading	3,370	8,445
Other trading income	548	423
Total trading income	**3,918**	**8,868**
Net gains (losses) on financial assets/liabilities designated at fair value through profit or loss:		
Breakdown by financial asset/liability category:		
Securities purchased/sold under resale/repurchase agreements	(41)	7
Securities borrowed/loaned	33	(13)
Loans and loan commitments	(570)	136
Deposits	10	(40)
Long-term debt	3,782[1]	(47)
Other financial assets/liabilities designated at fair value through profit or loss	43	(19)
Total net gains (losses) on financial assets/liabilities designated at fair value through profit or loss	**3,257**	**24**
Total net gains (losses) on financial assets/liabilities at fair value through profit or loss	**7,175**	**8,892**

1 Includes gains of € 3.5 billion from securitization structures. An offsetting fair value movement on related instruments is reported within trading income under Sales & Trading (debt and other products). For further details see Note [11].

[6] NET INTEREST INCOME AND NET GAINS (LOSSES) ON FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS BY GROUP DIVISION

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

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

in € m.	2007	2006
Net interest income	8,849	7,008
Total net gains (losses) on financial assets/liabilities at fair value through profit or loss	7,175	8,892
Total net interest income and net gains (losses) on financial assets/liabilities at fair value through profit or loss	**16,024**	**15,900**
Breakdown by group division/CIB product:		
Sales & Trading (equity)	3,117	2,613
Sales & Trading (debt and other products)	7,483	8,130
Total Sales & Trading	10,600	10,743
Loan products[1]	499	490
Transaction services	1,297	1,074
Remaining products[2]	(118)	435
Total Corporate and Investment Bank	12,278	12,743
Private Clients and Asset Management	3,529	3,071
Corporate Investments	157	3
Consolidation & Adjustments	61	83
Total net interest income and net gains (losses) on financial assets/liabilities at fair value through profit or loss	**16,024**	**15,900**

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

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

[7] NET GAINS (LOSSES) ON FINANCIAL ASSETS AVAILABLE FOR SALE

The following are the components of net gains (losses) on financial assets available for sale.

in € m.	2007	2006
Net gains (losses) on financial assets available for sale:		
Net gains (losses) on debt securities:	(192)	24
Net gains (losses) from disposal	8	24
Impairments	(200)	–
Reversal of impairments	–	–
Net gains (losses) on equity securities:	944	530
Net gains (losses) from disposal	1,004	540
Impairments	(60)	(10)
Net gains (losses) on loans:	(12)	(2)
Net gains (losses) from disposal	(8)	(2)
Impairments	(4)	–
Reversal of impairments	–	–
Net gains (losses) on other equity interests:	53	39
Net gains (losses) from disposal	60	50
Impairments	(7)	(11)
Total net gains (losses) on financial assets available for sale	**793**	**591**

[8] OTHER INCOME

The following are the components of other income.

in € m.	2007	2006
Other income:		
Net income from investment properties	29	43
Net gains (losses) on disposal of investment properties	8	28
Net gains (losses) on disposal of consolidated subsidiaries	321	52
Net gains (losses) on disposal of loans	44	80
Insurance premiums[1]	134	47
Remaining other income[2]	750	139
Total other income	**1,286**	**389**

1 Net of reinsurance premiums paid.

2 Remaining other income in 2007 included gains of € 317 million from the sale/leaseback of the Group's 60 Wall Street premises in New York and € 148 million other income from consolidated investments. Remaining other income in 2006 included the receipt of € 125 million from the settlement of insurance claims, in respect of business interruption losses and costs related to the terrorist attacks of September 11, 2001 in the United States.

[9] GENERAL AND ADMINISTRATIVE EXPENSES

The following are the components of general and administrative expenses.

in € m.	2007	2006
General and administrative expenses:		
IT costs	1,867	1,585
Occupancy, furniture and equipment expenses	1,347	1,198
Professional service fees	1,257	1,203
Communication and data services	680	634
Travel and representation expenses	539	503
Payment, clearing and custodian services	437	431
Marketing expenses	411	365
Other expenses	1,416	1,150
Total general and administrative expenses	**7,954**	**7,069**

Other expenses include, among other things, regulatory, tax and insurance related costs, operational losses and other non-compensation staff related expenses (e.g., for training, cafeteria services and others). The increase of other expenses was mainly driven by acquisitions related expenses and by certain consolidated investments.

[10] EARNINGS PER COMMON SHARE

Basic earnings per common share amounts are computed by dividing net income attributable to Deutsche Bank shareholders by the average number of common shares outstanding during the year. The average number of common shares outstanding is defined as the average number of common shares issued, reduced by the average number of shares in treasury and by the average number of shares that will be acquired under physically-settled forward purchase contracts, and increased by undistributed vested shares awarded under deferred share plans.

Diluted earnings per share assumes the conversion into common shares of outstanding securities or other contracts to issue common stock, such as share options, convertible debt, unvested deferred share awards and forward contracts. The aforementioned instruments are only included in the calculation of diluted earnings per share if they are dilutive in the respective reporting period.

The following table sets forth the computation of basic and diluted earnings per share.

in € m.	2007	2006
Net income attributable to Deutsche Bank shareholders – numerator for basic earnings per share	**6,474**	**6,070**
Effect of dilutive securities:		
Forwards and options	–	(88)
Convertible debt	–	3
Net income attributable to Deutsche Bank shareholders after assumed conversions – numerator for diluted earnings per share	**6,474**	**5,985**
Number of shares in m.		
Weighted-average shares outstanding – denominator for basic earnings per share	**474.2**	**468.3**
Effect of dilutive securities:		
Forwards	0.3	23.1
Employee stock compensation options	1.8	3.4
Convertible debt	0.7	1.0
Deferred shares	18.6	24.5
Other (including trading options)	0.5	0.9
Dilutive potential common shares	21.9	52.9
Adjusted weighted-average shares after assumed conversions – denominator for diluted earnings per share	**496.1**	**521.2**

in €	2007	2006
Basic earnings per share	13.65	12.96
Diluted earnings per share	13.05	11.48

As of December 31, 2007, the following instruments were outstanding and could potentially become dilutive in the future. These instruments were not included in the calculation of diluted EPS because to do so would have been anti-dilutive.

Number of shares in m.	2007	2006
Forward purchase contracts	39.4	58.6
Put options sold	0.2	11.7
Call options sold	0.7	10.6
Deferred shares	0.7	0.5

Notes to the Consolidated Balance Sheet

[11] FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

The following are the components of financial assets and liabilities at fair value through profit or loss.

in € m.	Dec 31, 2007	Dec 31, 2006
Trading assets:		
Trading securities	449,684	425,123
Positive market values from derivative financial instruments	603,059	375,589
Other trading assets[1]	104,236	75,093
Total trading assets	**1,156,979**	**875,805**
Financial assets designated at fair value through profit or loss:		
Securities purchased under resale agreements	211,142	159,441
Securities borrowed	69,830	62,195
Loans	21,522	6,226
Other financial assets designated at fair value through profit or loss	14,630	983
Total financial assets designated at fair value through profit or loss	**317,124**	**228,845**
Total financial assets at fair value through profit or loss	**1,474,103**	**1,104,650**

1 Includes traded loans of € 102,093 million and € 73,876 million at December 31, 2007 and 2006, respectively.

in € m.	Dec 31, 2007	Dec 31, 2006
Trading liabilities:		
Trading securities	106,225	130,979
Negative market values from derivative financial instruments	608,528	392,466
Other trading liabilities	830	183
Total trading liabilities	**715,583**	**523,628**
Financial liabilities designated at fair value through profit or loss:		
Securities sold under repurchase agreements	184,943	136,068
Loan commitments	526	158
Long-term debt	52,327	32,300
Other financial liabilities designated at fair value through profit or loss	3,002	2,465
Total financial liabilities designated at fair value through profit or loss	**240,798**	**170,991**
Investment contract liabilities[1]	9,796	–
Total financial liabilities at fair value through profit or loss	**966,177**	**694,619**

1 These are investment contracts where the policy terms and conditions result in their redemption value equaling fair value. Refer to Note [40] for more detail on these contracts.

LOANS AND LOAN COMMITMENTS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group has designated various lending relationships at fair value through profit or loss. Lending facilities consist of drawn loan assets and undrawn irrevocable loan commitments. The maximum exposure to credit risk on a drawn loan is its fair value. The Group's maximum exposure to credit risk on drawn loans, including securities purchased under resale agreements and securities borrowed, was € 302 billion and € 228 billion as of December 31, 2007 and 2006, respectively. Exposure to credit risk also exists for undrawn irrevocable loan commitments.

The credit risk on the lending facilities designated at fair value through profit or loss is mitigated in a number of ways including the purchase of protection through credit default swaps, by holding collateral against the loan or through the issuance of liabilities linked to the credit exposure on the loan. The credit risk on the securities purchased under resale agreements and the securities borrowed is mitigated by holding collateral.

Of the total drawn and undrawn lending facilities designated at fair value, the Group managed counterparty credit risk by purchasing credit default swap protection on facilities with a notional value of € 46.8 billion and € 33.8 billion as of December 31, 2007 and 2006, respectively. The notional value of credit derivatives used to mitigate the exposure to credit risk on drawn loans and undrawn irrevocable loan commitments designated at fair value was € 28.1 billion and € 18.5 billion as of December 31, 2007 and 2006, respectively.

The cumulative change attributable to credit risk in the fair value of the drawn loans since designation was a loss of € 98.5 million and a gain of € 21.9 million as of December 31, 2007 and 2006, respectively. The change in fair value attributable to credit risk for the years 2007 and 2006 was a loss of € 110.6 million and a gain of € 21.9 million, respectively.

The cumulative change attributable to credit risk in the fair value of the undrawn irrevocable loan commitments since designation was a loss of € 331.7 million and a gain of € 100.0 million for the years ending December 31, 2007 and 2006, respectively. The change in fair value attributable to credit risk for the years 2007 and 2006 was a loss of € 371.7 million and a gain of € 100.0 million, respectively.

The cumulative change attributable to credit risk in the fair value of the credit derivatives which were used to mitigate the credit risk exposure on drawn loans designated at fair value through profit or loss since designation was a gain of € 63.6 million and a loss of € 21.3 million at December 31, 2007 and 2006, respectively. The change in fair value attributable to changes in credit risk for the years 2007 and 2006 was a gain of € 80.4 million and a loss of € 21.3 million, respectively.

The cumulative change attributable to changes in credit risk in the fair value of the credit derivatives which are used to mitigate the credit risk exposure on undrawn irrevocable loan facilities designated as at fair value through profit or loss since designation was a gain of € 212.5 million and a loss of € 97.2 million at December 31, 2007 and 2006, respectively. The change in fair value attributable to changes in credit risk for the years 2007 and 2006 was a gain of € 269.3 million and a loss of € 97.2 million, respectively.

The change in fair value of the loans and loan commitments attributable to movements in the counterparty's credit risk is determined as the amount of change in its fair value that is not attributable to changes in market conditions that give rise to market risk. For collateralized loans, including securities purchased under resale agreements and securities borrowed, the collateral received acts to mitigate the counterparty credit risk. The fair value movement due to counterparty credit risk on securities purchased under resale agreements was not material due to the credit enhancement received.

FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

The fair value of a financial liability incorporates the credit risk of that financial liability. The fair value of the structured notes issued and the structured deposits taken, directly by the Group, takes into account the credit risk of the Group. If the instrument is quoted in an active market, the movement in fair value due to credit risk is calculated as the amount of change in fair value that is not attributable to changes in market conditions that give rise to market risk. If the instrument is not quoted in an active market, the fair value is calculated using a valuation technique that incorporates credit risk by discounting the contractual cash flows on the debt using a credit-adjusted yield curve which reflects the level at which the Group would issue similar instruments as of the reporting date. The cumulative change in fair value

of these instruments attributable to changes in credit risk, since designation, was a gain of € 17.7 million as of December 31, 2007. The change in fair value attributable to changes in credit risk for the year 2007 was a gain of € 17.7 million. There were no changes in the fair value of financial liabilities designated at fair value through profit or loss due to movements in the Group's credit risk during 2006.

For collateralized borrowings, such as securities sold under repurchase agreements, the collateral pledged acts to mitigate the credit risk of the Group to the counterparty. The fair value movement due to the Group's credit risk on securities sold under repurchase agreements was not material due to the collateral pledged.

The credit risk on undrawn irrevocable loan commitments is predominantly counterparty credit risk. The change in fair value due to counterparty credit risk on undrawn irrevocable loan commitments has been disclosed with the counterparty credit risk on the drawn loans.

In addition to the fair value movements due to credit risk of the liabilities to movement in the Group's credit, there are additional fair value movements due to credit risk on liabilities issued by legally isolated entities. These movements in fair value due to credit risk movements are not related to the Group's credit but to the credit of the legally-isolated entity, which is dependent upon the collateral in the entity. These are discussed further below.

Certain of the financial liabilities designated at fair value through the profit or loss are structured debt issuances from consolidated Special Purpose Entities (SPEs) which are legally isolated from the Group. The SPEs contain collateral, enter into derivatives and issue notes linked to the risks on the collateral and the derivatives. The movement in fair value due to credit risk is calculated as the amount of change in fair value that is not attributable to changes in market conditions that give rise to market risk. If the issuance contains an embedded derivative, the change in fair value due to credit risk of the separated embedded derivative has been excluded. The credit risk on these liabilities predominantly relates to movements in the fair value of the collateral in the entity due to movements in credit risk. The cumulative change due to credit risk in the fair value of these instruments since designation under the fair value option was a gain of € 81.2 million and € 5.3 million as of December 31, 2007 and 2006, respectively. The change in fair value attributable to changes in credit risk for the years 2007 and 2006 was a gain of € 73.9 million and € 5.3 million, respectively.

In loan securitization structures, legally isolated entities hold a portfolio of loans and interest rate derivatives, and issue notes. The value of the notes issued is dependent upon the instruments held by the entity. The Group holds certain notes issued by these entities. Some of these entities were established by the Group and some by third parties. Under the Group's consolidation accounting policy set out in Note [1], certain of these entities are consolidated. The loans held by these entities are classified as traded loans. The notes issued to third parties by the consolidated entities were designated at fair value through profit or loss. The fair value movement due to credit risk on these liabilities arises due to the credit risk movement of the loan collateral in the entity.

The cumulative change in fair value of the instruments due to credit risk since designation under the fair value option was a gain of € 3.5 billion as of December 31, 2007. The year to date change in fair value attributable to changes in credit risk for 2007 was a gain of € 3.5 billion. There was no material change in fair value of these instruments due to credit risk during 2006.

For financial liabilities designated at fair value through profit or loss the amount that the Group would contractually be required to pay at maturity is € 29.3 billion and € 33.8 billion more than the carrying amount as of December 31, 2007 and 2006, respectively. The majority of the difference between the fair value of financial liabilities designated at fair value through profit or loss and the contractual cash flows which will occur at maturity is attributable to undrawn loan commitments where the contractual cash flow at maturity assumes full drawdown of the facility.

[12] FAIR VALUE OF FINANCIAL INSTRUMENTS

FAIR VALUE OF FINANCIAL INSTRUMENTS NOT CARRIED AT FAIR VALUE

The following table presents the estimated fair value for the Group's financial instruments which are not ordinarily carried at fair value. This is followed by a description of the methods used to estimate the fair value.

in € m.	Carrying value	Fair value	Carrying value	Fair value
		Dec 31, 2007		Dec 31, 2006
Financial assets:				
Cash and due from banks	8,632	8,632	7,008	7,008
Interest-earning deposits with banks	21,615	21,616	19,199	19,198
Central bank funds sold and securities purchased under resale agreements	13,597	13,598	14,265	14,261
Securities borrowed	55,961	55,961	62,943	62,943
Loans	198,892	199,427	178,524	179,644
Other assets[1]	159,462	159,462	123,716	123,729
Financial liabilities:				
Deposits	457,946	457,469	411,916	411,670
Central bank funds purchased and securities sold under repurchase agreements	178,741	178,732	102,200	102,196
Securities loaned	9,565	9,565	21,174	21,174
Other short-term borrowings	53,410	53,406	48,433	48,427
Other liabilities[1]	88,742	88,742	85,676	85,679
Long-term debt	126,703	127,223	111,363	112,333
Trust preferred securities	6,345	5,765	4,771	4,886

1 Only includes financial assets or financial liabilities.

Amounts in this table are generally presented on a gross basis, in line with the Group's accounting policy regarding offsetting of financial instruments as described in Note [1].

For short-term financial instruments, defined as those with remaining maturities of 90 days or less, the carrying amounts represent a reasonable estimate of fair value. If the remaining maturities of these instruments were greater than 90 days, fair value was determined by discounting contractual cash flows using rates which could be earned for assets with similar remaining maturities and, in the case of liabilities, rates at which the liabilities with similar remaining maturities could be issued, as of the balance sheet date. The following instruments were predominantly short-term.

Assets	Liabilities
Cash and due from banks	Deposits
Interest-earning deposits with banks	Central bank funds purchased and securities sold under repurchase agreements
Central bank funds sold and securities purchased under resale agreements	Securities loaned
Securities borrowed	Other short-term borrowings
Other assets	Other liabilities

For loans, fair value was estimated by discounting future cash flows using rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities. In addition, the individually assessed component of the allowance for loan losses, including recoverable amounts of collateral, was considered in the fair value determination of loans.

For securities purchased under resale agreements, securities borrowed, securities sold under repurchase agreements and securities loaned, fair value was derived by discounting future cash flows using the appropriate credit risk-adjusted discount rate.

The fair value of long-term debt and trust preferred securities was determined from quoted market prices, where available. If quoted market prices were not available, fair value was estimated using a valuation technique. The remaining contractual cash flows were discounted at a rate at which the Group could issue debt with similar remaining maturity, as of the balance sheet date.

FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE THROUGH PROFIT OR LOSS OR EQUITY

The Group uses the following valuation methodologies to determine the fair value of financial instruments carried at fair value through profit or loss or directly through a component of equity. All financial instruments carried by the Group at fair value have a determinable fair value.

The fair values of a substantial percentage of the Group's financial instruments are based on, or derived from, observable prices or inputs. The availability of observable prices or inputs varies by product and market, and may change over time. For example, observable prices or inputs are usually available for liquid securities, exchange-traded derivatives, over-the-counter ("OTC") derivatives transacted in liquid trading markets, such as those for interest rate swaps, foreign exchange forward and option contracts in G7 currencies, and equity swap and option contracts on listed securities or indices. Where observable prices or inputs are available, fair value can be determined without significant judgment. Models used for pricing vanilla options such as the Black-Scholes and other standard option pricing models do not normally involve significant subjectivity or management judgment since the models are widely used across the industry and parameter inputs are observed in active markets.

Where observable prices or inputs are not available, fair value is determined using valuation techniques appropriate to the particular instrument. For example, instruments where valuation techniques are used include certain traded loans, new, complex and long-dated OTC derivatives, transactions in immature or limited markets, distressed debt securities, non-marketable equity securities, retained interests in securitizations of financial assets, and private equity investments. The application of valuation techniques to determine fair value involves estimation and management judgment, the extent of which will vary with the degree of complexity and liquidity in the market. Valuation techniques include models based on discounted cash flow analysis, which are dependent upon estimated future cash flows and the discount rate used. For complex products, the valuation models use more complex modeling techniques, assumptions and parameters, such as correlation, prepayment speeds, unobservable default rates and loss severity. Management judgment is required in the selection and application of appropriate parameters, assumptions and modeling techniques.

Valuation adjustments are an integral part of the valuation process that requires the exercise of judgment. In making appropriate valuation adjustments, the Group follows methodologies that consider factors such as close-out costs, liquidity and counterparty credit risk.

The fair value of financial liabilities incorporates a measure of the Group's credit risk relevant for the financial liability. The financial liabilities include structured note issuances which are not quoted in an active market. The fair value of structured note issuances is determined using a valuation technique that incorporates the Group's credit risk, by discounting the contractual cash flows using a credit-adjusted yield curve which reflects the level at which the Group would issue similar instruments at the reporting date.

If the financial liabilities designated at fair value through profit or loss are collateralized, such as securities loaned and securities sold under repurchase agreements, the credit enhancement is factored into the fair valuation of the liability.

Assets which are linked to the investment contract liabilities are owned by the Group. The investment contract obliges the Group to use these assets to settle these liabilities. Therefore, the fair value of investment contract liabilities is determined by the fair value of the underlying assets (i.e., amount payable on surrender of the policies).

The Group has established internal control procedures over the valuation process to provide assurance over the appropriateness of the fair values applied. Where fair value is determined by valuation models, the assumptions and techniques used within the models are independently validated by a specialist group. Price and parameter inputs, assumptions and valuation adjustments are verified against independent sources and subjected to review. Where prices and parameter inputs or assumptions are not observable, the estimate of fair value is subject to procedures to assess its reasonableness. Such procedures include assessing the valuations against appropriate proxy instruments, and other benchmarks, and performing extrapolation techniques. Assessment is made as to whether the valuation techniques yield fair value estimates that are reflective of market levels by calibrating the results of the valuation models against observable market instruments. These procedures require the application of management judgment.

Other valuation controls include review and analysis of daily profit or loss, validation of valuation adjustments against close out profits or losses and Value-at-Risk back-testing. For further discussion on the Group's Value-at-Risk Analysis, see Note [37].

FAIR VALUE HIERARCHY

The financial instruments carried at fair value were categorized under the three levels of the IFRS fair value hierarchy as follows:

QUOTED PRICES IN AN ACTIVE MARKET: this level of the hierarchy includes listed equity securities on major exchanges, G7 Government debt and exchange traded derivatives.

VALUATION TECHNIQUES WITH OBSERVABLE PARAMETERS: this level of the hierarchy includes the majority of the Group's OTC derivative contracts, corporate debt, securities purchased/sold under resale/repurchase agreements, securities borrowed/loaned and traded loans.

VALUATION TECHNIQUES WITH UNOBSERVABLE PARAMETERS: this level of the hierarchy includes more complex OTC derivatives, private equity investments, illiquid loans and certain highly structured bonds. Instruments classified in this category have a parameter input or inputs which are unobservable and which have a more than insignificant impact on either the fair value of the instrument or the profit or loss of the instrument.

The following table presents the carrying value of the financial instruments held at fair value across the three levels of the fair value hierarchy. It is followed by an analysis and discussion of the financial instruments categorized in the third level of the hierarchy. Amounts in this table are generally presented on a gross basis, in line with the Group's accounting policy regarding offsetting of financial instruments, as described in Note [1].

	Dec 31, 2007			Dec 31, 2006		
in € m.	Quoted prices in active market	Valuation technique observable parameters	Valuation technique unobservable parameters	Quoted prices in active market	Valuation technique observable parameters	Valuation technique unobservable parameters
Financial assets held at fair value:						
Trading securities	204,247	225,203	20,234	210,666	194,596	19,861
Positive market values from derivative financial instruments	21,401	563,160	18,498	17,396	343,957	14,236
Other trading assets	1,055	62,613	40,568	391	72,456	2,246
Financial assets designated at fair value through profit or loss	13,684	297,423	6,017	1,563	224,556	2,726
Financial assets available for sale	13,389	26,376	2,529	15,209	20,614	2,214
Other financial assets at fair value[1]	560	1,667	(5)	478	2,076	105
Total financial assets held at fair value	**254,336**	**1,176,442**	**87,841**	**245,703**	**858,255**	**41,388**
Financial liabilities held at fair value:						
Trading securities	100,630	4,976	619	108,956	19,434	2,589
Negative market values from derivative financial instruments	24,723	567,263	16,542	21,285	360,669	10,512
Other trading liabilities	21	300	509	–	183	–
Financial liabilities designated at fair value through profit or loss	1,454	233,944	5,400	2,247	166,286	2,458
Investment contract liabilities[2]	–	9,796	–	–	–	–
Other financial liabilities at fair value[1]	–	3,763	(3)	57	4,573	280
Total financial liabilities held at fair value	**126,828**	**820,042**	**23,067**	**132,545**	**551,145**	**15,839**

1 Derivatives which are embedded in contracts where the host contract is not held at fair value through profit or loss but for which the embedded derivative is separated are presented within other financial assets/liabilities at fair value for the purposes of this disclosure. The separated embedded derivatives are held at fair value on a recurring basis and have been split between the fair value hierarchy classifications.

2 These are investment contracts where the policy terms and conditions result in their redemption value equaling fair value. Refer to Note [40] for more detail on these contracts.

ANALYSIS OF FINANCIAL INSTRUMENTS WITH FAIR VALUE DERIVED FROM VALUATION TECHNIQUES CONTAINING SIGNIFICANT UNOBSERVABLE PARAMETERS

Some of the instruments in this level of the fair value hierarchy have identical or similar offsetting exposures to the unobservable input. However, they are required to be presented as gross assets and liabilities in the table above.

TRADING SECURITIES: Trading securities are reported in this level of the fair value hierarchy where some of the significant risks present in the instruments are not observable through current market transactions and there is no suitable proxy instrument that can be used to estimate the fair value within a narrow range. This arises if the markets for the securities are illiquid, transactions are infrequent and prices are not readily observable. In these conditions, fair value is determined from a valuation technique, some of the inputs to which are not observable.

Certain illiquid emerging market corporate bonds and illiquid highly structured corporate bonds are included in this level of the hierarchy. In addition, this level of the hierarchy includes certain holdings of notes issued by securitization entities, commercial mortgage-backed securities, collateralized debt obligation securities and other asset-backed securities.

The main increase in trading securities categorized in this level of the hierarchy during the year arose from certain asset-backed securities and notes issued by securitization entities where the liquidity in the markets fell. This led to reduced trading activity of these instruments, and therefore fewer related proxies, thereby reducing the observability of parameter inputs to valuation models.

POSITIVE AND NEGATIVE MARKET VALUES FROM DERIVATIVE INSTRUMENTS: Derivatives categorized in this level of the fair value hierarchy are more complex with respect to either the model or nature of the underlying, and their valuation techniques include the use of one or more significant unobservable parameters. The unobservable parameters include certain credit, equity and foreign exchange correlations, certain longer-term volatilities and certain prepayment rates. In addition, unobservable parameters may include certain credit spreads and other transaction specific parameters.

The following derivatives are included within this level of the hierarchy: customized CDO derivatives in which the underlying reference pool is not closely comparable to regularly market traded indices, all CDO squared derivatives, certain options where the volatility is unobservable, certain basket options in which the correlation between the referenced underlying assets are unobservable, longer-term interest rate option derivatives and multi-currency foreign exchange derivatives and certain credit default swaps for which the credit spread is not observable.

In 2007, the main increase in derivatives categorized in this level of the hierarchy related to certain credit default swaps on asset-backed securities for which the credit spread became unobservable due to reduced liquidity in the period. Otherwise the nature of unobservable parameters in derivative valuations remained broadly the same with liquidity being maintained in the majority of markets.

OTHER TRADING INSTRUMENTS: Other trading instruments mainly consist of traded loans. Traded loans are categorized within this level of the hierarchy if market prices are unavailable, there is no reasonable proxy, and valuation techniques contain significant unobservable parameters.

The increase in the loan balance reported in this level of the fair value hierarchy during the year arose principally in the leveraged loan business and residential and commercial mortgage loan businesses where liquidity and associated level of market information declined.

FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS: Certain corporate loans and structured liabilities which were designated at fair value through profit or loss under the fair value option were categorized in this level of the fair value hierarchy. The corporate loans designated at fair value through profit or loss are valued using valuation techniques which incorporate credit spread, recovery rate and utilization parameters. If the loans are revolving facilities then the utilization parameter is significant and unobservable and these loans are reported in this level of the hierarchy. The movement year-on-year is due to an increase in assets designated under the fair value option and an increase in the extent to which revolving loan facilities were drawn as of the period end. There was no notable decline in the observability of parameters used in the valuation of corporate loans designated under the fair value option.

In addition, certain hybrid debt issuances designated at fair value through profit or loss contain embedded derivatives with significant unobservable parameters. These unobservable parameters include single stock volatility and equity correlations. The increase in the balance of such instruments in 2007 was mainly due to additional instruments being designated at fair value through profit or loss rather than parameters in these markets becoming less observable.

FINANCIAL ASSETS AVAILABLE FOR SALE: Certain unlisted equity instruments are reported in this level of the fair value hierarchy if there is no close proxy and market illiquidity.

SENSITIVITY ANALYSIS OF UNOBSERVABLE PARAMETERS

If the value of financial instruments is dependent on unobservable input parameters, the precise level for these parameters could be drawn from a range of reasonably possible alternatives. In preparing the financial statements, levels for the parameters are chosen from these ranges using management judgment consistent with prevailing market evidence and subject to the Group's valuation control procedures. If the Group simultaneously moved all these unobservable parameters to the extremes of these ranges as of December 31, 2007, it could have increased fair value by as much as € 3.0 billion or decreased fair value by as much as € 2.0 billion. As of December 31, 2006, it could have increased fair value by as much as € 1.3 billion or decreased fair value by as much as € 631 million. In estimating these impacts, the Group used an approach based on its valuation adjustment methodology.

UNREALIZED PROFIT OR LOSS

Unrealized profit or loss is the gain or loss which is recorded in the profit or loss account but which was not realized in cash. The unrealized profit (loss) on financial instruments in the third level of the hierarchy was a profit of € 4.0 billion and a loss of € 48 million during 2007 and 2006, respectively. The unrealized profit or loss is not due solely to unobservable parameters. Many of the parameter inputs to the valuation of instruments in this level of the hierarchy are observable and the unrealized profit or loss movement is due to movements in these observable parameters over the period. Many of the positions in this level of the hierarchy are economically-hedged by instruments which are categorized in other levels of the fair value hierarchy.

RECOGNITION OF TRADE DATE PROFIT

In accordance with the Group's accounting policy as described in Note [1], if there are significant unobservable inputs used in a valuation technique, the financial instrument is recognized at the transaction price and any trade date profit is deferred. The table below shows the year-to-year movement of the trade date profits deferred due to significant unobservable parameters for financial instruments classified at fair value through profit or loss. The balance predominantly related to derivative instruments.

in € m.	2007	2006
Balance, beginning of year	**473**	**503**
New trades during the period	426	271
Amortization	(132)	(40)
Matured trades	(53)	(94)
Subsequent move to observability	(186)	(168)
Exchange rate changes	(7)	1
Balance, end of year	**521**	**473**

[13] FINANCIAL ASSETS AVAILABLE FOR SALE

The following are the components of financial assets available for sale.

in € m.	Dec 31, 2007	Dec 31, 2006
Debt securities:		
German government	2,466	2,879
U.S. Treasury and U.S. government agencies	1,349	1,348
U.S. local (municipal) governments	273	1
Other foreign governments	3,347	3,247
Corporates	7,753	7,217
Other asset-backed securities	6,847	6,633
Mortgage backed securities, including obligations of U.S. federal agencies	3,753	4,182
Other debt securities	4,631	1,065
Total debt securities	**30,419**	**26,572**
Equity securities:		
Equity shares	7,934	7,294
Investment certificates and mutual funds	306	519
Total equity securities	**8,240**	**7,813**
Other equity interests	**1,204**	**1,182**
Loans	**2,431**	**2,470**
Total financial assets available for sale	**42,294**	**38,037**

[14] EQUITY METHOD INVESTMENTS

Investments in associates and jointly controlled entities are accounted for using the equity method of accounting unless they are held for sale. As of December 31, 2007, there were two significant associates which were accounted for as held for sale. For information on assets held for sale please refer to Note [22].

As of December 31, 2007, the following investees were significant, representing 75 % of the carrying value of equity method investments.

Investment[1]	Ownership percentage
AKA Ausfuhrkredit-Gesellschaft mit beschränkter Haftung, Frankfurt	26.89 %
Beijing Guohua Real Estate Co., Ltd., Beijing	30.00 %
Compañía Logística de Hidrocarburos CLH, S.A., Madrid[2]	5.00 %
DB Global Masters (Fundamental Value Trading II) Fund Ltd, George Town	27.88 %
DB Phoebus Lux S.à.r.l., Luxembourg[3]	74.90 %
Deutsche Interhotel Holding GmbH & Co. KG, Berlin	45.51 %
Discovery Russian Realty Paveletskaya Project Ltd., George Town	33.33 %
DMG & Partners Securities Pte. Ltd., Singapore	49.00 %
Fincasa Hipotecaria, S.A. de C.V. Sociedad Financiera de Objeto Limitado, Mexico City	49.00 %
Fondo Immobiliare Chiuso Piramide Globale, Milan	42.45 %
Force 2005–1 Limited Partnership, St. Helier	40.00 %
Gemeng International Energy Group Company Limited, Taiyuan[2]	19.00 %
Hanoi Building Commercial Joint Stock Bank, Hanoi[2]	10.00 %
K&N Kenanga Holdings Bhd, Kuala Lumpur[2]	16.55 %
Ligusterfonds, Amsterdam	25.85 %
Makkolli Trading Ltd, Hamilton	45.00 %
MFG Flughafen-Grundstücksverwaltungsgesellschaft mbH & Co. BETA KG, Gruenwald	25.03 %
Mountaineer Natural Gas Trust, Wilmington	50.00 %
Paternoster Limited, Douglas	30.99 %
PX Holdings Limited, Stockton on Tees	43.00 %
Redwood Russia PLP1 Limited, St. Helier	40.10 %
Rongde Asset Management Company Limited, Beijing	40.70 %
RREEF America REIT III, Inc., Chicago[2]	9.67 %
RREEF Global Opportunities Fund II LLC, Wilmington[2]	9.90 %
STC Capital YK, Tokyo	50.00 %
SWIP Multi Manager Global Real Estate Fund, London	24.70 %
SWIP Property Trust, London	37.38 %
SWIP UK Income Fund, London	35.99 %
SWIP UK Smaller Cos, London	34.24 %
VCG Venture Capital Gesellschaft mbH & Co. Fonds III KG, Munich	36.98 %

1 All significant equity method investments are investments in associates.
2 The Group has significant influence over the investee through board seats or other measures.
3 The Group does not have a controlling financial interest in the investee.

Summarized aggregated financial information of these significant equity method investees were as follows:

in € m.	Dec 31, 2007	Dec 31, 2006
Total assets	22,107	20,062
Total liabilities	13,272	12,113
Revenues	2,368	2,344
Net income/loss	528	1,195

The following are the components of the net income (loss) from all equity method investments:

in € m.	2007	2006
Net income (loss) from equity method investments:		
Pro-rata share of investees' net income (loss)	358	207
Net gains (losses) on disposal of equity method investments[1]	9	217
Impairments	(14)	(5)
Total net income (loss) from equity method investments	**353**	**419**

1 Net gains (losses) on disposal of equity method investments in 2006 included a gain of € 131 million from the sale of the Group's remaining holding in EUROHYPO AG

There was no unrecognized share of losses of an investee, neither for the period, or cumulatively.

Equity method investments for which there are published price quotations had a carrying value of € 160 million and a fair value of € 168 million as of December 31, 2007 and a carrying value of € 219 million and a fair value of € 228 million as of December 31, 2006.

The investees have no significant contingent liabilities to which the Group is exposed.

In 2007 and 2006, none of the Group's investees experienced any significant restrictions to transfer funds in the form of cash dividends, or repayment of loans or advances.

[15] LOANS

The following are the principal components of loans, broken down by industry classification.

in € m.	Dec 31, 2007	Dec 31, 2006
Banks and insurance	12,850	12,364
Manufacturing	16,067	13,727
Households (excluding mortgages)	25,323	25,925
Households – mortgages	45,540	43,658
Public sector	5,086	4,153
Wholesale and retail trade	8,916	10,515
Commercial real estate activities	16,476	14,042
Lease financing	3,344	3,290
Other	67,086	52,644
Gross loans	**200,689**	**180,318**
(Deferred expense)/unearned income	92	124
Loans less (deferred expense)/unearned income	**200,597**	**180,194**
Less: Allowance for loan losses	1,705	1,670
Total loans	**198,892**	**178,524**

Further disclosure on loans is provided in Note [37].

[16] ALLOWANCE FOR CREDIT LOSSES

The allowance for credit losses consists of an allowance for loan losses and an allowance for off-balance sheet positions.

The following table provides a breakdown of the movements in the Group's allowance for loan losses for the periods specified.

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

The following table shows the activity in the Group's allowance for off-balance sheet positions, which consists of contingent liabilities and lending-related commitments.

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

[17] DERECOGNITION OF FINANCIAL ASSETS

The Group's accounting policy regarding derecognition of financial assets, including the application of continuing involvement accounting, is described in Note [1].

The Group enters into transactions in which it transfers previously recognized financial assets, such as debt securities, equity securities and traded loans, but retains substantially all of the risks and rewards of those assets. Due to this retention, the transferred financial assets are not derecognized and the transfers are accounted for as secured financing transactions. The most common transactions of this nature entered into by the Group are repurchase agreements, securities lending agreements and total return swaps, in which the Group retains substantially all of the associated credit, equity price, interest rate and foreign exchange risks and rewards associated with the assets as well as the associated income streams.

The following table provides further information on the asset types and the associated transactions that did not qualify for derecognition, and their associated liabilities.

Carrying amount of transferred assets		
in € m.	**Dec 31, 2007**	**Dec 31, 2006**
Trading securities not derecognized due to the following transactions:		
Repurchase agreements	170,538	86,655
Securities lending agreements	30,884	48,558
Total return swaps	4,871	3,024
Total trading securities	**206,293**	**138,237**
Other trading assets	176	2,830
Total	**206,469**	**141,067**
Carrying amount of associated liability	**168,772**	**98,367**

Continuing involvement accounting is typically applied when the Group retains the rights to future cash flows of an asset, continues to be exposed to a degree of default risk in the transferred assets or holds a residual interest in, or enters into derivative contracts with securitization or special purpose vehicles.

The following table provides further detail on the carrying value of the assets transferred in which the Group still has continuing involvement. The associated liability of the transferred item is approximately equal to the asset that continues to be recognized.

in € m.	Dec 31, 2007	Dec 31, 2006
Carrying amount of the original assets transferred		
Trading securities	9,052	6,522
Other trading assets	3,695	1,257
Carrying amount of the assets continued to be recognized		
Trading securities	6,489	5,615
Other trading assets	1,062	345

[18] ASSETS PLEDGED AND RECEIVED AS COLLATERAL

The Group pledges assets primarily for repurchase agreements and securities borrowing agreements which are generally conducted under terms that are usual and customary for standard securitized borrowing contracts. In addition the Group pledges collateral against other borrowing arrangements and for margining purposes on OTC derivative liabilities. The carrying value of the Group's assets pledged as collateral is as follows.

in € m.	Dec 31, 2007	Dec 31, 2006
Interest-earning deposits with banks	436	119
Financial assets at fair value through profit or loss	199,696	129,057
Financial assets available for sale	866	973
Loans	14,846	12,434
Premises and equipment	183	249
Total	**216,027**	**142,832**

Included in these amounts are items disclosed on the face of the balance sheet where the transferee has the right to sell or repledge the collateral. As of December 31, 2007 and December 31, 2006 these amounts were € 158 billion and € 87 billion, respectively.

As of December 31, 2007 and December 31, 2006, the Group received collateral with a fair value of € 462 billion and € 389 billion, respectively, arising from securities purchased under reverse repurchase agreements, securities borrowed, derivatives transactions, customer margin loans and other transactions. These transactions were generally conducted under terms that are usual and customary for standard securitized lending activities and the other transactions described. The Group, as the secured party has the right to sell or repledge such collateral, subject to the Group returning equivalent securities upon completion of the transaction. As of December 31, 2007 and 2006, the Group had resold or repledged € 438 billion and € 355 billion, respectively. This was primarily to cover short sales, securities loaned and securities sold under repurchase agreements.

[19] PREMISES AND EQUIPMENT

in € m.	Owner occupied properties	Furniture and Equipment	Leasehold improvements	Construction-in-progress	Total
Cost of acquisition:					
Balance as of January 1, 2006	**2,564**	**2,342**	**1,314**	**73**	**6,293**
Changes in the group of consolidated companies	45	13	2	–	60
Additions	249	202	73	82	606
Transfers	3	7	28	(41)	(3)
Reclassifications to 'held for sale'	–	–	–	–	–
Disposals	127	159	45	2	333
Exchange rate changes/other	(90)	(59)	(33)	(1)	(183)
Balance as of December 31, 2006	**2,644**	**2,346**	**1,339**	**111**	**6,440**
Changes in the group of consolidated companies	(219)	10	26	–	(183)
Additions	26	353	209	87	675
Transfers	(2)	10	78	(69)	17
Reclassifications to 'held for sale'	62	10	–	–	72
Disposals	742	312	145	2	1,201
Exchange rate changes/other	(103)	(100)	(63)	(3)	(269)
Balance as of December 31, 2007	**1,542**	**2,297**	**1,444**	**124**	**5,407**
Accumulated Depreciation and Impairment:					
Balance as of January 1, 2006	**700**	**1,746**	**619**	**–**	**3,065**
Changes in the group of consolidated companies	3	8	1	–	12
Depreciation	53	217	139	–	409
Impairment losses	–	1	–	–	1
Reversals of impairment losses	–	–	–	–	–
Transfers	(1)	–	(12)	–	(13)
Reclassifications to 'held for sale'	–	–	–	–	–
Disposals	29	149	32	–	210
Exchange rate changes/other	(14)	(41)	(10)	–	(65)
Balance as of December 31, 2006	**712**	**1,782**	**705**	**–**	**3,199**
Changes in the group of consolidated companies	39	(1)	1	–	39
Depreciation	65	224	142	–	431
Impairment losses	1	1	10	–	12
Reversals of impairment losses	–	–	–	–	–
Transfers	(3)	–	24	–	21
Reclassifications to 'held for sale'	49	8	–	–	57
Disposals	190	250	65	–	505
Exchange rate changes/other	(14)	(90)	(38)	–	(142)
Balance as of December 31, 2007	**561**	**1,658**	**779**	**–**	**2,998**
Carrying amount:					
Balance as of December 31, 2006	**1,932**	**564**	**634**	**111**	**3,241**
Balance as of December 31, 2007	**981**	**639**	**665**	**124**	**2,409**

In 2007, impairment losses, recorded within General and administrative expenses, were primarily related to the renovation of the Group's headquarters at Taunusanlage in Frankfurt.

The carrying values of items of property, plant and equipment on which there is a restriction on sale was € 149 million as of December 31, 2007.

[20] LEASES

The Group is lessee under lease arrangements covering real property and equipment.

FINANCE LEASE COMMITMENTS

The following table shows the net carrying value for each class of leasing objects held under finance leases.

in € m.	Dec 31, 2007	Dec 31, 2006
Land and buildings	97	179
Furniture and equipment	3	4
Other	–	–
Net carrying value	**100**	**183**

Additionally, the Group has sublet leasing objects classified as finance leases with a net carrying value of € 309 million as of December 31, 2007, and € 369 million as of December 31, 2006.

The future minimum lease payments required under the Group's finance leases were as follows.

in € m.	Dec 31, 2007	Dec 31, 2006
Future minimum lease payments		
not later than one year	199	123
later than one year and not later than five years	186	358
later than five years	347	427
Total future minimum lease payments	**732**	**908**
Less: Future interest charges	282	323
Present value of finance lease commitments	**450**	**585**

Future minimum sublease payments of € 421 million and € 437 million for the years ended December 31, 2007 and 2006, respectively, are expected to be received under non-cancelable subleases at the balance sheet date. As of December 31, 2007, the amount of contingent rents recognized in the income statement was € 0.4 million.

OPERATING LEASE COMMITMENTS

The future minimum lease payments required under the Group's operating leases were as follows.

in € m.	Dec 31, 2007	Dec 31, 2006
Future minimum rental payments		
not later than one year	639	564
later than one year and not later than five years	1,789	1,588
later than five years	1,815	1,112
Total future minimum rental payments	**4,243**	**3,264**
Less: Future minimum rentals to be received	253	330
Net future minimum rental payments	**3,990**	**2,934**

In 2007, € 708 million was charged related to lease and sublease agreements, of which € 752 million was for minimum lease payments, € 21 million for contingent rents and € 64 million for sublease rentals received.

[21] GOODWILL AND OTHER INTANGIBLE ASSETS

GOODWILL

CHANGES IN GOODWILL

The changes in the carrying amount of goodwill, as well as gross amounts and accumulated impairment losses of goodwill, by segment for the years ended December 31, 2007 and 2006 are shown below by segment.

in € m.	Corporate Banking & Securities	Global Transaction Banking	Asset and Wealth Management	Private & Business Clients	Corporate Investments	Total
Balance as of January 1, 2006	**3,383**	**485**	**2,837**	**240**	**100**	**7,045**
Goodwill acquired during the year	171	–	419	235	33	858
Transfers	–	1	–	(1)	–	–
Goodwill related to dispositions without being classified as held for sale	–	–	(1)	(1)	–	(2)
Impairment losses[1]	–	–	–	–	(31)	(31)
Exchange rate changes/other	(326)	(38)	(218)	(3)	(15)[2]	(600)
Balance as of December 31, 2006	**3,228**	**448**	**3,037**	**470**	**87**	**7,270**
Gross amount of goodwill	**3,228**	**448**	**3,037**	**470**	**294**	**7,477**
Accumulated impairment losses	**–**	**–**	**–**	**–**	**(207)**	**(207)**
Balance as of January 1, 2007	**3,228**	**448**	**3,037**	**470**	**87**	**7,270**
Purchase accounting adjustments	–	–	–	(8)	–	(8)
Goodwill acquired during the year	177	3	–	514	–	694
Goodwill related to dispositions without being classified as held for sale	–	–	(26)	–	(34)	(60)
Impairment losses[1]	–	–	–	–	(54)	(54)
Exchange rate changes/other	(329)	(35)	(242)	(5)	1	(610)
Balance as of December 31, 2007	**3,076**	**416**	**2,769**	**971**	**–**	**7,232**
Gross amount of goodwill	**3,076**	**416**	**2,769**	**971**	**261**	**7,493**
Accumulated impairment losses	**–**	**–**	**–**	**–**	**(261)**	**(261)**

1 Impairment losses of goodwill are recorded as impairment of intangible assets in the income statement.

2 Includes € 13 million of reduction in goodwill related to prior years held for sale write-downs.

In 2007, the main addition to goodwill in Private & Business Clients was € 508 million related to the acquisition of Berliner Bank. The main addition to goodwill in Corporate Banking & Securities was € 149 million related to MortgageIT Holdings Inc.

In 2006, the main addition to goodwill in Asset and Wealth Management was € 419 million related to the acquisition of Tilney Group Limited. In Private & Business Clients, the acquisition of norisbank resulted in a goodwill of € 230 million and in Corporate Banking & Securities, the acquisition of the remaining 60 % of United Financial Group (UFG) added € 166 million to goodwill.

An impairment review of goodwill was triggered in the first quarter of 2007 in Corporate Investments after the division realized a gain of € 178 million related to its equity method investment in Deutsche Interhotel Holding GmbH & Co. KG. As a result of this review, a goodwill impairment loss totaling € 54 million was recognized.

In 2006, a goodwill impairment loss of € 31 million was recorded in Corporate Investments. This goodwill related to a private equity investment in Brazil, which was not integrated into the cash-generating unit. The impairment loss was triggered by changes in local law that restricted certain businesses. The fair value less costs to sell of the investment was determined using a discounted cash flow methodology.

GOODWILL IMPAIRMENT TEST

Goodwill is allocated to cash-generating units for the purpose of impairment testing, considering the business level at which goodwill is monitored for internal management purposes. On this basis, the Group's goodwill carrying cash-generating units are Global Markets and Corporate Finance within the Corporate Banking & Securities segment, Global Transaction Banking, Asset Management and Private Wealth Management within the Asset and Wealth Management segment, Private & Business Clients and Corporate Investments. At year-end 2007, six out of seven cash-generating units carry goodwill. The carrying amounts of goodwill by cash-generating unit below the segment level for the years ended December 31, 2007 and 2006 are as follows.

in € m.	Global Markets	Corporate Finance	Total Corporate Banking & Securities	Asset Management	Private Wealth Management	Total Asset and Wealth Management
At December 31, 2006	**2,148**	**1,080**	**3,228**	**1,963**	**1,074**	**3,037**
At December 31, 2007	**2,098**	**978**	**3,076**	**1,794**	**975**	**2,769**

The goodwill is tested for impairment annually in the fourth quarter by comparing the recoverable amount of each goodwill carrying cash-generating unit with its carrying amount. The carrying amount of a cash-generating unit is derived based on the amount of equity allocated to a cash-generating unit. The carrying amount also considers the amount of goodwill and unamortized intangible assets of a cash-generating unit. The recoverable amount is the higher of a cash-generating unit's fair value less costs to sell and its value in use. The annual goodwill impairment tests in 2007 and 2006 did not result in an impairment loss as the recoverable amount for all cash-generating units was higher than their respective carrying amount.

The following sections describe how the Group determines the recoverable amount of its goodwill carrying cash-generating units and provides information on certain key assumptions on which management based its determination of the recoverable amount.

RECOVERABLE AMOUNT

The Group determines the recoverable amount of all cash-generating units on the basis of fair value less costs to sell. As observable market prices are ordinarily not available for the Group's cash-generating units, the fair value is based on the best information available to reflect the amount the Group could obtain from a disposal in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal. This consists of recent transactions and market values for similar assets or groups of assets in the relevant industry or market and valuation techniques, such as discounted cash flow ("DCF") calculations.

The fair value for most of the Group's cash-generating units is determined based on DCF calculations. For Asset Management, fair value is determined based on market multiples of a respective group of peer companies for various business-specific metrics (e.g., revenue and price/earnings multiples). In this case, fair value based on a DCF calculation is considered in validating the results of the multiples-based approach.

Under the DCF method, the Group employs a Dividend Discount Model ("DDM"), adjusted to reflect the specifics of the banking business and its regulatory environment. The model calculates the present value of the estimated future earnings that are distributable to shareholders after fulfilling the respective regulatory capital requirements.

The DDM uses earnings projections based on financial plans agreed by management for a three-year period. For purposes of the goodwill impairment test, the agreed plans are extrapolated for two additional years in order to derive a sustainable level of estimated future earnings, which are discounted to their present value. Estimating future earnings requires judgment, considering past and actual performance as well as expected developments in the respective markets and in the overall macro-economic environment. Earnings projections beyond the initial five-year period are assumed to increase by a constant rate using a long-term growth rate, which is based on expectations for the development of gross domestic product (GDP) and inflation, and are captured in the terminal value.

Fair values determined on this basis are further reviewed against the available market participants' view, as evidenced by, for example, equity analysts' valuations of the Group and its segments.

KEY ASSUMPTIONS AND SENSITIVITIES

The fair value of a cash-generating unit is sensitive to the discount rate applied to the earnings projections and, to a much lesser extent, to the long-term growth rate. The discount rates applied have been determined based on the capital asset pricing model which is comprised of a risk-free interest rate, a market risk premium and a factor covering the systematic market risk (beta factor). The values for the risk-free interest rate, the market risk premium and the beta factors are determined using external sources of information. Business-specific beta factors are determined based on a respective group of peer companies. Variations in all of these components might impact the calculation of the discount rates. Discount rates applied to cash-generating units in 2007 range from 9.6 % to 10.5 %.

SENSITIVITIES: In validating the fair values determined for the cash-generating units, the major value drivers of each cash-generating unit are being reviewed annually. In addition, key assumptions used in the DDM and market multiples models, for example the discount rate and the long-term growth rate, were sensitized to test the resilience of fair values. On this basis, management believes that reasonable changes in the key assumptions used to determine the recoverable amount of the Group's cash-generating units will not result in an impairment situation.

OTHER INTANGIBLE ASSETS

Other intangible assets are separated into those that are internally generated, which consist only of internally generated software, and purchased intangible assets. Purchased intangible assets are further split into amortized and unamortized other intangible assets.

The changes of other intangible assets by asset class for the years ended December 31, 2007 and 2006 are as follows.

in € m.	Internally generated intangible assets	Purchased intangible assets							
		Amortized				Unamortized			
	Software	Customer-related intangible assets	Value of business acquired	Other	Total amortized purchased intangible assets	Retail investment management agreements	Other	Total unamortized purchased intangible assets	Total other intangible assets
Cost of acquisition/manufacture:									
Balance as of January 1, 2006	**391**	**215**	**–**	**436**	**651**	**978**	**8**	**986**	**2,028**
Additions	9	30	–	39	69	–	–	–	78
Changes in the group of consolidated companies	–	174	–	15	189	–	–	–	189
Disposals	8	–	–	51	51	–	–	–	59
Reclassifications to held for sale	–	–	–	–	–	–	–	–	–
Exchange rate changes	(23)	(19)	–	(22)	(41)	(101)	–	(101)	(165)
Other	–	–	–	–	–	–	–	–	–
Balance as of December 31, 2006	**369**	**400**	**–**	**417**	**817**	**877**	**8**	**885**	**2,071**
Additions	32	122	–	48	170	–	3	3	205
Changes in the group of consolidated companies	–	40	912	19	971	–	–	–	971
Disposals	–	–	–	28	28	–	–	–	28
Reclassifications to held for sale	–	–	–	4	4	–	–	–	4
Exchange rate changes	(27)	(28)	(49)	(20)	(97)	(91)	–	(91)	(215)
Other	–	–	–	–	–	–	–	–	–
Balance as of December 31, 2007	**374**	**534**	**863**	**432**	**1,829**	**786**	**11**	**797**	**3,000**
Accumulated amortization and impairment:									
Balance as of January 1, 2006	**329**	**82**	**–**	**321**	**403**	**–**	**–**	**–**	**732**
Amortization for the year	28	28	–	33	61	–	–	–	89[1]
Disposals	7	–	–	48	48	–	–	–	55
Reclassifications to held for sale	–	–	–	–	–	–	–	–	–
Impairment losses	–	–	–	–	–	–	–	–	–
Reversals of impairment losses	–	–	–	–	–	–	–	–	–
Exchange rate changes	(16)	(7)	–	(14)	(21)	–	–	–	(37)
Other	–	–	–	–	–	–	–	–	–
Balance as of December 31, 2006	**334**	**103**	**–**	**292**	**395**	**–**	**–**	**–**	**729**
Amortization for the year	17	57	8	31	96	–	–	–	113[2]
Disposals	–	–	–	19	19	–	–	–	19
Reclassifications to held for sale	–	–	–	3	3	–	–	–	3
Impairment losses	–	2	–	3	5	74	–	74	79[3]
Reversals of impairment losses	–	–	–	–	–	–	–	–	–
Exchange rate changes	(23)	(13)	–	(14)	(27)	–	–	–	(50)
Other	–	–	–	–	–	–	–	–	–
Balance as of December 31, 2007	**328**	**149**	**8**	**290**	**447**	**74**	**–**	**74**	**849**
Carrying amount:									
As of December 31, 2006	**35**	**297**	**–**	**125**	**422**	**877**	**8**	**885**	**1,342**
As of December 31, 2007	**46**	**385**	**855**	**142**	**1,382**	**712**	**11**	**723**	**2,151**

1 Of which € 75 million were included in general and administrative expenses and € 14 million were recorded in commissions and fee income. The latter related to the amortization of mortgage servicing rights.

2 Of which € 98 million were included in general and administrative expenses and € 15 million were recorded in commissions and fee income. The latter related to the amortization of mortgage servicing rights.

3 Of which € 74 million were recorded as impairment of intangible assets and € 5 million were included in general and administrative expenses.

AMORTIZED INTANGIBLE ASSETS

The additions to other intangible assets are mainly due to the acquisition of Abbey Life Assurance Company Limited which resulted in the capitalization of a value of business acquired ("VOBA") amounting to € 912 million. The VOBA represents the present value of the future cash flows of a portfolio of long-term insurance and investment contracts. It is amortized and its amortization period is expected to end in 2036 (for further details refer to Notes [1] and [40]).

In 2007, impairment losses relating to purchased software and customer-related intangible assets amounting to € 3 million and € 2 million, respectively were recognized as general and administrative expenses in the income statement. The impairment of the purchased software was recorded in Asset and Wealth Management and the impairment of the customer-related intangible assets was recorded in Global Transaction Banking.

Other intangible assets with finite useful lives are generally amortized over their useful lives based on the straight-line method (except for the VOBA, as explained in Notes [1] and [40], and for mortgage servicing rights). Mortgage servicing rights are amortized in proportion to and over the estimated period of net servicing revenues. The useful lives per asset class are as follows.

	Useful lives in years
Internally generated intangible assets:	
Software	1–3
Purchased intangible assets:	
Customer-related intangible assets	1–20
VOBA	1–29
Other	1–30

UNAMORTIZED INTANGIBLE ASSETS

More than 98 % of unamortized intangible assets relate to the Group's U.S. retail mutual fund business, amounting to € 712 million and are allocated to the Asset Management cash-generating unit. These retail investment management agreements are contracts that give DWS Scudder the exclusive right to manage a variety of mutual funds for a specified period. As the contracts are easily renewable, the cost of renewal is minimal, and they have a long history of renewal, these agreements are not expected to be terminated in the foreseeable future. The rights to manage the associated assets under management are expected to generate cash flows for an indefinite period of time. The intangible assets were valued at fair value based upon a third party valuation at the date of the acquisition of Zurich Scudder Investments, Inc. by the Group in 2002.

In the fourth quarter of 2007, impairment losses of € 74 million were recognized as impairment of intangible assets in the income statement. The impairment losses were related to retail investment management agreements and were recorded in Asset and Wealth Management. The impairment losses were due to declines in both current and projected operating results and cash flows of investment management agreements for certain closed end and variable annuity funds which had been acquired from Zurich Scudder Investments, Inc. The recoverable amounts of the assets were calculated at fair value less costs to sell. As market prices are not observable for such assets, fair value was based on the best information available to reflect the amount the Group could obtain from a disposal in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal. Therefore, fair value was determined based on the income approach, using a post-tax discounted cash flow calculation (multi-period earnings excess method).

[22] ASSETS HELD FOR SALE

As of December 31, 2007, the Group classified three disposal groups (two subsidiaries and a consolidated fund) and several non-current assets as held for sale. The Group reported these items in Other assets and Other liabilities, and valued them at the lower of their carrying amount or fair value less costs to sell, resulting in an impairment loss of € 2 million in 2007, which was recorded in income before income taxes of the Group Division Corporate Investments (CI).

The three disposal groups included two in the Corporate Division Asset and Wealth Management (AWM). They are an Italian life insurance company for which a disposal contract was signed in December 2007 and for which closing is expected in the first half of 2008, and a second, related to a real estate fund in North America, which is planned to be launched in the first quarter of 2008. The last disposal group, a subsidiary in CI, was classified as held for sale at year-end 2006 but due to circumstances arising in 2007 that were previously considered unlikely, was not sold in 2007. A sales transaction is now expected in 2008.

Non-current assets classified as held for sale included two alternative investments of AWM in North America, several office buildings in CI and in the Corporate Division Private & Business Clients (PBC), and other real estate assets in North America, owned by the Corporate Division Corporate Banking & Securities (CB&S) through foreclosure. All these items are expected to be sold in 2008.

As of December 31, 2006, in addition to the CI subsidiary mentioned above, two equity method investments in the Group Division CI, resulting in impairment losses of € 2 million, and two equity method investments in CB&S were classified held for sale. The latter four investments were sold in 2007.

The following are the principal components of assets and liabilities which the Group classified as held for sale for the years ended December 31, 2007 and December 31, 2006.

in € m.	Dec 31, 2007	Dec 31, 2006
Financial assets at fair value through profit or loss	417	–
Financial assets available for sale[1]	675	45
Equity method investments	871	169
Premises and equipment	15	–
Other assets	864	195
Total assets classified as held for sale	**2,842**	**409**
Financial liabilities at fair value through profit or loss	417	–
Long-term debt	294	–
Other liabilities	961	149
Total liabilities classified as held for sale	**1,672**	**149**

1 An amount of € (12) million and € 2 million was recognized directly in equity at December 31, 2007 and December 31, 2006, respectively.

[23] OTHER ASSETS AND OTHER LIABILITIES

The following are the components of Other assets and Other liabilities.

in € m.	Dec 31, 2007	Dec 31, 2006
Other Assets:		
Brokerage and securities related receivables		
Cash/margin receivables	34,277	25,258
Receivables from prime brokerage	44,389	26,090
Pending securities transactions past settlement date	14,307	11,109
Receivables from unsettled regular way trades	58,186	51,543
Total brokerage and securities related receivables	151,159	114,000
Accrued interest receivable	7,549	6,127
Other	24,189	18,894
Total other assets	**182,897**	**139,021**

in € m.	Dec 31, 2007	Dec 31, 2006
Other Liabilities:		
Brokerage and securities related payables		
Cash/margin payables	17,029	15,170
Payables from prime brokerage	39,944	29,136
Pending securities transactions past settlement date	12,535	8,347
Payables from unsettled regular way trades	58,901	54,936
Total brokerage and securities related payables	128,409	107,589
Accrued interest payable	6,785	6,148
Other	36,315	30,392
Total other liabilities	**171,509**	**144,129**

[24] DEPOSITS

The components of deposits are as follows.

in € m.	Dec 31, 2007	Dec 31, 2006
Noninterest-bearing demand deposits	30,187	30,353
Interest-bearing deposits		
Demand deposits	144,349	113,540
Time deposits	236,071	231,403
Savings deposits	47,339	36,620
Total interest-bearing deposits	427,759	381,563
Total deposits	**457,946**	**411,916**

[25] PROVISIONS

The following table presents the movement schedule by class of provisions.

in € m.	Operational/ Litigation	Other	Total[1]
Balance as of January 1, 2007	**919**	**593**	**1,512**
Changes in the group of consolidated companies	15	(32)	(17)
New provisions	266	362	628
Amounts used	(382)	(310)	(692)
Unused amounts reversed	(139)	(143)	(282)
Effects from exchange rate fluctuations/Unwind of discount	(62)	(11)	(73)
Balance as of December 31, 2007	**617**	**459**	**1,076**

1 For the remaining portion of provisions as disclosed on the consolidated balance sheet, please refer to Note [16] to the Group's consolidated financial statements, in which allowances for credit related off-balance sheet positions are disclosed.

OPERATIONAL AND LITIGATION

The Group defines operational risk as the potential for incurring losses in relation to staff, technology, projects, assets, customer relationships, other third parties or regulators, such as through unmanageable events, business disruption, inadequately defined or failed processes or control and system failure.

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

claims, it is the Group's belief that the reasonably possible losses relating to each claim in excess of any provisions are either not material or not estimable.

The Group's significant legal proceedings are described below.

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

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

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

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

OTHER

Other provisions include non-staff related provisions that are not captured on other specific provision accounts and provisions for restructuring. Restructuring provisions are recorded in conjunction with acquisitions as well as business realignments. Other costs primarily include, among others, amounts for lease terminations and related costs.

[26] OTHER SHORT-TERM BORROWINGS

The following table is a summary of the Group's other short-term borrowings.

in € m.	Dec 31, 2007	Dec 31, 2006
Other short-term borrowings:		
Commercial paper	31,187	34,250
Other	22,223	14,183
Total other short-term borrowings	**53,410**	**48,433**

[27] LONG-TERM DEBT AND TRUST PREFERRED SECURITIES

LONG-TERM DEBT

The following table is a summary of the Group's long-term debt by contractual maturity.

By remaining maturities in € m.	Due in 2008	Due in 2009	Due in 2010	Due in 2011	Due in 2012	Due after 2012	Dec 31, 2007 total	Dec 31, 2006 total
Senior debt:								
Bonds and notes:								
Fixed rate	14,497	11,829	7,125	7,318	12,472	18,932	72,173	56,239
Floating rate	8,207	6,218	6,035	5,263	8,456	12,205	46,384	44,175
Subordinated debt:								
Bonds and notes:								
Fixed rate	273	721	–	426	47	2,416	3,883	4,910
Floating rate	279	1,362	1,439	499	498	186	4,263	6,039
Total long term debt	**23,256**	**20,130**	**14,599**	**13,506**	**21,473**	**33,739**	**126,703**	**111,363**

The Group did not have any defaults of principal, interest or other breaches with respect to its liabilities in 2007 and 2006.

TRUST PREFERRED SECURITIES

The following table summarizes the Group's fixed and floating rate trust preferred securities, which are perpetual instruments, redeemable at specific future dates at the Group's option.

in € m.	Dec 31, 2007	Dec 31, 2006
Fixed rate	3,911	4,147
Floating rate	2,434	624
Total trust preferred securities	**6,345**	**4,771**

Additional Notes

[28] OBLIGATION TO PURCHASE COMMON SHARES

The Group enters into derivative instruments indexed to Deutsche Bank common shares in order to acquire shares to satisfy employee share-based compensation awards and for trading purposes. Forward purchases and written put options in which Deutsche Bank common shares are the underlying are reported as obligations to purchase common shares if the number of shares is fixed and physical settlement for a fixed amount of cash is required. As of December 31, 2007 and December 31, 2006, the obligation of the Group to purchase its own common shares amounted to € 3.6 billion and € 4.3 billion, respectively, as summarized in the following table.

	Dec 31, 2007				Dec 31, 2006			
	Amount of obligation	**Number of shares**	**Weighted Average Forward/ Exercise Price**	**Maturity**	**Amount of obligation**	**Number of shares**	**Weighted Average Forward/ Exercise Price**	**Maturity**
	in € m.	in million	in €		in € m.	in million	in €	
Forward purchase contracts	864	13.5	63.84	> 3 months – 1 year	866	21.8	39.70	> 3 months – 1 year
	2,678	31.8	84.27	> 1 year – 5 years	2,591	36.8	70.53	> 1 year – 5 years
Written put options	–	–	–	Up to 3 months	39	0.4	84.46	Up to 3 months
	7	0.1	49.73	> 3 months – 1 year	642	8.9	74.37	> 3 months – 1 year
	4	0.1	80.00	> 1 year – 5 years	189	2.7	74.35	> 1 year – 5 years
Total	**3,553**	**45.5**			**4,327**	**70.6**		

[29] COMMON SHARES

COMMON SHARES

Deutsche Bank's share capital consists of common shares issued in registered form without par value. Under German law, each share represents an equal stake in the subscribed capital. Therefore, each share has a nominal value of € 2.56, derived by dividing the total amount of share capital by the number of shares.

Number of shares	Issued and fully paid	Treasury shares	Outstanding
Common shares, January 1, 2006	**554,535,270**	**(48,977,594)**	**505,557,676**
Shares issued under share-based compensation plans	10,232,739	–	10,232,739
Shares retired	(40,000,000)	40,000,000	–
Shares purchased for treasury	–	(429,180,424)	(429,180,424)
Shares sold or distributed from treasury	–	412,040,283	412,040,283
Common shares, December 31, 2006	**524,768,009**	**(26,117,735)**	**498,650,274**
Shares issued under share-based compensation plans	5,632,091	–	5,632,091
Shares retired	–	–	–
Shares purchased for treasury	–	(414,516,438)	(414,516,438)
Shares sold or distributed from treasury	–	411,299,354	411,299,354
Common shares, December 31, 2007	**530,400,100**	**(29,334,819)**	**501,065,281**

There are no issued ordinary shares that have not been fully paid.

Shares purchased for treasury consist of shares held by the Group for a period of time, as well as any shares purchased with the intention of being resold in the short term. In addition, the Group has launched share buy-back programs. Shares acquired under these programs serve among others share-based compensation programs and allow the Group to balance capital supply and demand. The fourth buy-back program was completed in June 2006, and 40 million shares were retired in January 2006. The fifth buy-back program commenced in June 2006 and was completed in May 2007, when the sixth buy-back program was started. All such transactions were recorded in shareholders' equity and no revenues and expenses were recorded in connection with these activities.

AUTHORIZED AND CONDITIONAL CAPITAL

Deutsche Bank's share capital may be increased by issuing new shares for cash and in some circumstances for non-cash consideration. As of December 31, 2007, Deutsche Bank had authorized but unissued capital of € 454,000,000 which may be issued at various dates through April 30, 2011 as follows.

Authorized capital	Expiration date
€ 128,000,000[1]	April 30, 2008
€ 198,000,000	April 30, 2009
€ 128,000,000[1]	April 30, 2011

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

The Annual General Meeting on May 24, 2007 authorized the Management Board to increase the share capital by up to a total of € 85,000,000 against cash payments. This additional authorized capital became effective upon its entry in the Commercial Register on February 14, 2008. The expiration date is April 30, 2012.

Deutsche Bank also had conditional capital of € 156,269,947. Conditional capital is available for various instruments that may potentially be converted into common shares.

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

Under the DB Global Partnership Plan, € 51,200,000 of conditional capital was available for option rights available for grant until May 10, 2003 and € 64,000,000 for option rights available for grant until May 20, 2005. A total of 1,636,727 option rights were granted and not exercised as of December 31, 2007. Therefore, capital can still be increased by € 4,190,021 under this plan. Also, the Management Board was authorized at the Annual General Meeting on May 17, 2001 to issue, with the consent of the Supervisory Board, up to 12,000,000 option rights on Deutsche Bank shares on or before December 31, 2003 of which 812,471 option rights were granted and not exercised as of December 31, 2007 under the DB Global Share Plan (pre-2004). Therefore, capital still can be increased by € 2,079,926 under this plan. These plans are described in Note [31].

DIVIDENDS

The following table shows the amount of dividends proposed or declared for the years ended December 31, 2007 and December 31, 2006, respectively.

	2007 (proposed)	2006
Cash dividends declared (in € m.)[1]	2,387	2,005
Cash dividends declared per common share (in €)	4.50	4.00

1 Cash dividend for 2007 is based on the number of shares issued as of December 31, 2007.

No dividends have been declared since the balance sheet date.

[30] CHANGES IN EQUITY

in € m.	2007	2006
Common shares		
Balance, beginning of year	1,343	1,420
Common shares issued under share-based compensation plans	15	25
Retirement of common shares	–	(102)
Balance, end of year	1,358	1,343
Additional paid-in capital		
Balance, beginning of year	15,246	14,464
Net change in share awards in the reporting period	122	(258)
Common shares issued under share-based compensation plans	377	663
Tax benefits related to share-based compensation plans	(44)	285
Option premiums on options on Deutsche Bank common shares	76	(81)
Net gains (losses) on treasury shares sold	28	171
Other	3	2
Balance, end of year	15,808	15,246
Retained earnings		
Balance, beginning of year	20,451	17,856
Net income attributable to Deutsche Bank shareholders	6,474	6,070
Cash dividends declared and paid	(2,005)	(1,239)
Dividend related to equity classified as obligation to purchase common shares	277	180
Net gains on treasury shares sold	–	191
Retirement of common shares	–	(2,667)
Other effects from options on Deutsche Bank common shares	3	60
Other	(84)	–
Balance, end of year	25,116	20,451
Common shares in treasury, at cost		
Balance, beginning of year	(2,378)	(3,368)
Purchases of shares	(41,128)	(38,830)
Sale of shares	39,677	35,998
Retirement of shares	–	2,769
Treasury shares distributed under share-based compensation plans	1,010	1,053
Balance, end of year	(2,819)	(2,378)
Equity classified as obligation to purchase common shares		
Balance, beginning of year	(4,307)	(4,449)
Additions	(1,292)	(2,140)
Deductions	2,047	2,282
Balance, end of year	(3,552)	(4,307)
Net gains (losses) not recognized in the income statement, net of tax		
Balance, beginning of year	2,403	2,751
Change in unrealized net gains on financial assets available for sale, net of applicable tax and other[1]	427	466
Change in unrealized net gains (losses) on derivatives hedging variability of cash flows, net of tax[2]	(7)	(54)
Foreign currency translation, net of tax[3]	(1,690)	(760)
Balance, end of year	1,133	2,403
Total shareholders' equity, end of year	**37,044**	**32,758**
Minority interest		
Balance, beginning of year	717	624
Minority interests in net profit or loss	36	9
Increases	1,048	744
Decreases and dividends	(346)	(624)
Foreign currency translation, net of tax	(33)	(36)
Balance, end of year	1,422	717
Total equity, end of year	**38,466**	**33,475**

1 Thereof € (9) million and € (84) million related to the Group's share in changes of equity of associates or jointly controlled entities for the years ended December 31, 2007 and 2006, respectively.

2 Thereof € (7) million related to the Group's share in changes of equity of associates or jointly controlled entities for the year ended December 31, 2006.

3 Thereof € (12) million and € 1 million related to the Group's share in changes of equity of associates or jointly controlled entities for the years ended December 31, 2007 and 2006, respectively.

[31] SHARE-BASED COMPENSATION PLANS

SHARE-BASED COMPENSATION PLANS USED FOR GRANTING NEW AWARDS IN 2007

The Group currently grants share-based compensation under three main plans. All awards represent a contingent right to receive Deutsche Bank common shares after a specified period of time. The award recipient is not entitled to receive dividends before the settlement of the award. The terms of the three main plans are presented in the table below.

Plan		Vesting schedule	Early retirement provisions	Eligibility
Global Partnership Plan Equity Units	Annual Award	80 % : 24 months[1]	No	Group Board
		20 % : 42 months		
DB Equity Plan	Annual Award	50 % : 24 months	Yes	Select employees as annual retention
		25 % : 36 months		
		25 % : 48 months		
	Off Cycle Award	Individual specification[2]	No	Select employees to attract or retain key staff
Global Share Plan		100 % : 12 months	No	All employee plan granting up to 10 shares per employee[3]

1 With delivery after further 18 months
2 Weighted average relevant service period: 21 months
3 Participant must have been active and working for the Group for at least one year at date of grant

An award, or portions of it, may be forfeited if the recipient voluntarily terminates employment before the end of the relevant vesting period. Early retirement provisions for the DB Equity Plan – Annual Award, however, allow continued vesting after voluntary termination of employment, when certain conditions regarding age or tenure are fulfilled.

Vesting usually continues after termination of employment in cases such as redundancy or retirement. Vesting is accelerated if the recipient's termination of employment is due to death or disability.

In countries where legal or other restrictions hinder the delivery of shares, a cash plan variant of the DB Equity Plan and the Global Share Plan was used for making awards in 2007.

The Group intends to discontinue the Global Share Plan in 2008, however, the Management Board has announced its intention to support country specific initiatives to replace the Global Share Plan.

The Group has other local share-based compensation plans, none of which, individually or in the aggregate, are material to the consolidated financial statements.

SHARE-BASED COMPENSATION PLANS USED FOR GRANTING AWARDS PRIOR TO 2007

SHARE PLANS AND STOCK APPRECIATION RIGHT PLANS

Prior to 2007, the Group granted share-based compensation under a number of other plans. The following table summarizes the main features of these prior plans.

Plan		Vesting schedule	Early retirement provisions	Eligibility	Last grant in
Restricted Equity Units (REU) Plan	Annual Award	80 % : 48 months[1] 20 % : 54 months	Yes	Select employees as annual retention	2006
DB Share Scheme	Annual Award	1/3 : 6 months 1/3 : 18 months 1/3 : 30 months	No	Select employees as annual retention	2006
	Off Cycle Award	Individual specification	No	Select employees to attract or retain key staff	2006
DB Key Employee Equity Plan (KEEP)		Individual specification	No	Select executives	2005
Stock Appreciation Rights (SAR) Plan		Exercisable after 36 months Expiry after 72 months	No	Select employees	2002

1 With delivery after further 6 months

The REU Plan, DB Share Scheme and DB KEEP represent a contingent right to receive Deutsche Bank common shares after a specified period of time. The award recipient is not entitled to receive dividends before the settlement of the award.

An award, or portion of it, may be forfeited if the recipient voluntarily terminates employment before the end of the relevant vesting period. Early retirement provisions for the REU Plan, however, allow continued vesting after voluntary termination of employment when certain conditions regarding age or tenure are fulfilled.

Vesting usually continues after termination of employment in certain cases, such as redundancy or retirement. Vesting is accelerated if the recipient's termination of employment is due to death or disability.

The SAR plan provided eligible employees of the Group with the right to receive cash equal to the appreciation of the Group's common shares over an established strike price. The last rights granted under the SAR plan expired in 2007.

PERFORMANCE OPTIONS

Deutsche Bank used performance options as a remuneration instrument under the Global Partnership Plan and the pre-2004 Global Share Plan. No new options were issued under these plans after February 2004. As of December 31, 2007 all options were exercisable.

The following table summarizes the main features related to performance options granted under the Global Partnership Plan and the pre-2004 Global Share Plan.

Plan	Grant Year	Exercise Price	Additional Partnership Appreciation Rights	Exercisable until	Eligibility
Global Share Plan (pre-2004) Performance Options	2001	€ 87.66	No	Nov 2007	All Employees[1]
	2002	€ 55.39	No	Nov 2008	All Employees[1]
	2003	€ 75.24	No	Dec 2009	All Employees[1]
Global Partnership Plan Performance Options	2002	€ 89.96	Yes	Feb 2008	Select Executives
	2003	€ 47.53	Yes	Feb 2009	Select Executives
	2004	€ 76.61	Yes	Feb 2010	Group Board

1 Participant must have been active and working for the Group for at least one year at date of grant

Under both plans, the option represents the right to purchase one of the Group's common shares at an exercise price equal to 120 % of the reference price. This reference price was set as the higher of the fair market value of the Group's common shares on the date of grant or an average of the fair market value of the Group's common shares for the ten trading days on the Frankfurt Stock Exchange up to, and including, the date of grant.

Performance options under the Global Partnership Plan were granted to select executives in the years 2002 to 2004. All these performance options are fully vested. Participants were granted one Partnership Appreciation Right (PAR) for each option granted. PARs represent a right to receive a cash award in an amount equal to 20 % of the reference price. The reference price was determined in the same way as described above for the performance options. PARs vested at the same time and to the same extent as the performance options. They are automatically exercised at the same time, and in the same proportion, as the Global Partnership Plan performance options.

Performance options under the Global Share Plan (pre-2004), a broad-based employee plan, were granted in the years 2001 to 2003. The plan allowed the purchase of up to 60 shares in 2001 and up to 20 shares in both 2002 and 2003. For each share purchased, participants were granted one performance option in 2001 and five performance options in 2002 and 2003. Performance options under the Global Share Plan (pre-2004) are forfeited upon termination of employment. Participants who retire or become permanently disabled retain the right to exercise the performance options.

COMPENSATION EXPENSE

Compensation expense for awards classified as equity instruments is measured at the grant date based on the fair value of the share-based award.

Compensation expense for share-based awards payable in cash is remeasured to fair value at each balance sheet date, and the related obligations are included in other liabilities until paid. For awards granted under the cash plan version of the DB Equity Plan and DB Global Share Plan, remeasurement is based on the current market price of the Group's common shares.

A further description of the underlying accounting principles can be found in Note [1].

The Group recognized compensation expense related to its significant share-based compensation plans as follows:

in € m.	2007	2006
DB Global Partnership Plan	7	9
DB Global Share Plan	49	43
DB Share Scheme/Restricted Equity Units Plan/DB KEEP/DB Equity Plan	1,088	751
Stock Appreciation Rights Plans[1]	1	19
Total	**1,145**	**822**

1 For the years ended December 31, 2007 and 2006, net gains of € 1 million and € 73 million from non-trading equity derivatives, used to offset fluctuations in employee share-based compensation expense, were included.

Of the compensation expense recognized in 2007 approximately € 10 million was attributable to the cash-settled variant of the DB Global Share Plan and the DB Equity Plan.

Share-based payment transactions which will result in a cash payment give rise to a liability, which, as of December 31, 2007, amounted to € 8 million. This liability is attributable to unvested share awards.

As of December 31, 2007, unrecognized compensation cost related to non-vested share-based compensation was approximately € 1.0 billion.

AWARD-RELATED ACTIVITIES

SHARE PLANS

The following table summarizes the activity in plans involving share awards, which are those plans granting a contingent right to receive Deutsche Bank common shares after a specified period of time. It also includes the grants under the cash plan variant of the DB Equity Plan and DB Global Share Plan.

in thousands of units (except per share data)	Global Partnership Plan Equity Units	DB Share Scheme/ DB KEEP/REU/ DB Equity Plan	Global Share Plan (since 2004)	Total	Weighted-average grant date fair value per unit
Balance at December 31, 2005	**290**	**64,952**	**534**	**65,776**	**€ 51.98**
Granted	93	13,801	555	14,449	€ 76.17
Issued	(24)	(14,792)	(524)	(15,340)	€ 68.19
Forfeited	–	(2,357)	(10)	(2,367)	€ 54.43
Balance at December 31, 2006	**359**	**61,604**	**555**	**62,518**	**€ 53.50**
Granted	92	14,490	600	15,182	€ 95.25
Issued	(127)	(23,956)	(518)	(24,601)	€ 41.17
Forfeited	–	(2,829)	(38)	(2,867)	€ 72.85
Balance at December 31, 2007	**324**	**49,309**	**599**	**50,232**	**€ 71.05**

In addition to the amounts shown in the table above, in February 2008 the Group granted awards of approximately 150,000 units with an average fair value of € 59.60 per unit under the DB Global Partnership Plan, and approximately 14.3 million units with an average fair value of € 64.56 per unit under the DB Equity Plan. Approximately 0.3 million of the grants under the DB Equity Plan were granted under the cash plan variant of this plan.

PERFORMANCE OPTIONS

The following table summarizes the activities for performance options granted under the Global Partnership Plan and the DB Global Share Plan (pre-2004).

in thousands of units (except per share data and exercise prices)	Global Partnership Plan Performance Options	Weighted-average exercise price[1]	DB Global Share Plan (pre 2004) Performance Options	Weighted-average exercise price
Balance at December 31, 2005	**16,105**	**€ 77,82**	**2,510**	**€ 69.77**
Exercised	(9,105)	€ 79,21	(1,128)	€ 70.33
Forfeited	(24)	€ 89,96	(55)	€ 74.13
Balance at December 31, 2006	**6,976**	**€ 75,96**	**1,327**	**€ 69.11**
Exercised	(5,339)	€ 82.91	(293)	€ 69.47
Forfeited	–	–	(154)	€ 65.37
Expired	–	–	(68)	€ 87.66
Balance at December 31, 2007	**1,637**	**€ 53.32**	**812**	**€ 68.14**

1 The weighted-average exercise price does not include the effect of the Partnership Appreciation Rights for the DB Global Partnership Plan.

The following two tables present details related to performance options outstanding as of December 31, 2007 and December 31, 2006, by range of exercise price.

Range of exercise price	Performance options outstanding December 31, 2007		
	Performance options outstanding (in thousands)	Weighted-average exercise price[1]	Weighted-average remaining contractual life
€ 40.00 – 59.99	1,704	€ 48.87	13 months
€ 60.00 – 79.99	522	€ 75.24	24 months
€ 80.00 – 99.99	223	€ 89.96	1 month

1 The weighted-average exercise price does not include the effect of the Partnership Appreciation Rights for the DB Global Partnership Plan.

Range of exercise price	Performance options outstanding December 31, 2006		
	Performance options outstanding (in thousands)	Weighted-average exercise price[1]	Weighted-average remaining contractual life
€ 40.00 – 59.99	2,757	€ 48.89	25 months
€ 60.00 – 79.99	804	€ 75.34	36 months
€ 80.00 – 99.99	4,742	€ 89.91	13 months

1 The weighted-average exercise price does not include the effect of the Partnership Appreciation Rights for the DB Global Partnership Plan.

The weighted average share price at the date of exercise was € 99.70 and € 91.72 in the years ended December 31, 2007 and December 31, 2006, respectively.

On February 1, 2008, approximately 223,000 Global Partnership Plan Performance Options granted in 2002, expired.

STOCK APPRECIATION RIGHTS PLAN

The following table summarizes the activities for the Stock Appreciation Rights Plan.

	Stock Appreciation Rights Plan	
in thousands of units (except for strike prices)	**Units**	**Weighted-average strike price**
Balance at December 31, 2005	**7,107**	**€ 69.79**
Exercised	(6,706)	€ 69.48
Forfeited	–	–
Expired	–	–
Balance at December 31, 2006	**401**	**€ 74.83**
Exercised	(330)	€ 75.82
Forfeited	–	–
Expired	(71)	€ 70.31
Balance at December 31, 2007	**–**	**–**

[32] EMPLOYEE BENEFITS

The Group provides a number of post-employment benefit plans. In addition to defined contribution plans, there are plans accounted for as defined benefit plans. The Group's defined benefit plans are classified as post-employment medical plans and retirement benefit plans such as pensions.

The majority of the beneficiaries of retirement benefit plans are located in Germany, the United Kingdom and the United States. The value of a participant's accrued benefit is based primarily on each employee's remuneration and length of service.

The Group's funding policy is to maintain full coverage of the defined benefit obligation ("DBO") by plan assets within a range of 90 % to 110 % of the obligation, subject to meeting any local statutory requirements. Any obligation for the Group's unfunded plans is accrued for as book provision.

Moreover, the Group maintains unfunded contributory post-employment medical plans for a number of current and retired employees who are mainly located in the United States. These plans pay stated percentages of eligible medical and dental expenses of retirees after a stated deductible has been met. The Group funds these plans on a cash basis as benefits are due.

December 31 is the measurement date for all plans. All plans are valued using the projected unit-credit method.

The following table provides reconciliations of opening and closing balances of the defined benefit obligation and of the fair value of plan assets of the Group's defined benefit plans over the two-year period ended December 31, 2007, as well as a statement of the funded status as of December 31 in each year. As required by IFRS 1, the relevant amounts are presented for each accounting period prospectively from the date of transition to IFRS.

	Retirement benefit plans		Post-employment medical plans	
in € m.	2007	2006	2007	2006
Change in defined benefit obligation:				
Opening balance	9,129	9,232	147	191
Current service cost	265	284	3	5
Interest cost	436	395	8	10
Contributions by plan participants	6	1	–	–
Actuarial loss (gain)	(902)	(489)	(21)	(35)
Foreign currency exchange rates changes	(354)	(51)	(15)	(18)
Benefits paid	(378)	(386)	(6)	(9)
Past service cost (credit)	11	32	–	–
Acquisitions[1]	313	41	–	–
Divestitures	(3)	(5)	–	–
Settlements/curtailments	(19)	(35)	–	–
Other[2]	14	110	–	3
Closing balance	**8,518**	**9,129**	**116**	**147**
Change in fair value of plan assets:				
Opening balance	9,447	9,323	–	–
Expected return on plan assets	435	413	–	–
Actuarial gain (loss)	(266)	(371)	–	–
Foreign currency exchange rates changes	(351)	(44)	–	–
Contributions by the employer	171	354	–	–
Contributions by plan participants	6	1	–	–
Benefits paid[3]	(355)	(338)	–	–
Acquisitions[4]	246	35	–	–
Divestitures	–	–	–	–
Settlements	(13)	(23)	–	–
Other[2]	11	97	–	–
Closing balance	**9,331**	**9,447**	**–**	**–**
Funded status at end of year	**813**	**318**	**(116)**	**(147)**

1 Abbey Life, Berliner Bank (2007), Tilney (2006)
2 Includes opening balance of first time application of smaller plans.
3 For funded plans only.
4 Abbey Life (2007), Tilney (2006)

The Group's primary investment objective is to broadly immunize the Bank to large swings in the funded status of the retirement benefit plans, with some limited amount of risk-taking through duration mismatches and asset class diversification. The aim is to maximize returns within a defined risk tolerance level specified by the Group.

The actual return on plan assets for the years ended December 31, 2007 and December 31, 2006 was € 169 million and € 42 million, respectively. In both years, market movements caused the actual returns on plan assets to be lower than expected under the long term actuarial assumptions, but this actuarial loss on plan assets was more than compensated for by an actuarial gain on liabilities due to the same market movements.

The Group expects to contribute approximately € 200 million to its retirement benefit plans in 2008. The final amounts to be contributed in 2008 will be determined in the fourth quarter of 2008.

The table below reflects the benefits expected to be paid in each of the next five fiscal years, and in the aggregate for the five fiscal years thereafter. The amounts include benefits attributable to estimated future employee service.

in € m.	Retirement benefit plans	Post-employment medical plans[1]
2008	352	8
2009	373	8
2010	387	9
2011	411	9
2012	435	9
2013 – 2017	2,400	45

1 Net of expected reimbursements from Medicare for prescription drug benefits of approximately € 1 million each year from 2008 until 2010, € 2 million each year from 2011 until 2012 and € 10 million in the aggregate from 2013 through 2017.

The following table provides an analysis of the defined benefit obligation into amounts arising from plans that are wholly unfunded and amounts arising from plans that are wholly or partly funded.

	Retirement benefit plans		Post-employment medical plans	
in € m.	Dec 31, 2007	Dec 31, 2006	Dec 31, 2007	Dec 31, 2006
Benefit obligation	8,518	9,129	116	147
- unfunded	121	141	116	147
- funded	8,397	8,988	–	–

On transition to IFRS on January 1, 2006, the Group recognized all cumulative actuarial gains and losses in shareholders' equity in accordance with the transitional provisions of IFRS 1. Subsequently, actuarial gains and losses are recognized by applying the 10 % corridor approach.

The following table provides a reconciliation of the funded status to the net amount recognized in the balance sheet as of December 31, 2007 and December 31, 2006, respectively.

	Retirement benefit plans		Post-employment medical plans	
in € m.	Dec 31, 2007	Dec 31, 2006	Dec 31, 2007	Dec 31, 2006
Funded status	813	318	(116)	(147)
Net actuarial loss (gain) not recognized	(752)	(115)	(50)	(35)
Past service cost (credit) not recognized	–	–	–	–
Amount not recognized as an asset because of the limit in IAS 19.58(b)	(4)	(2)	–	–
Net asset (liability) recognized	57	201	(166)	(182)

As of December 31, 2007, the retirement benefit plans are overfunded by € 813 million. Under the corridor approach the recognition of the cumulative net actuarial gain of € 752 million is deferred. Mainly due to this reason, the net pension asset reported in the Group's balance sheet is lower than the funded status. In 2008, € 10 million of the cumulative actuarial gain of € 752 million will be amortized.

As of December 31, 2007, the cumulative net actuarial gain of the post-employment medical plans is € 50 million, of which € 5 million will be amortized in 2008.

Expense for defined benefit plans recognized in the consolidated statement of income for the years ended December 31, 2007 and December 31, 2006 included the following items. All items are part of compensation and benefits expenses.

	Retirement benefit plans		Post-employment medical plans	
in € m.	2007	2006	2007	2006
Current service cost	265	284	3	5
Interest cost	436	395	8	10
Expected return on plan assets	(435)	(413)	–	–
Amortization of actuarial loss (gain)	(1)	–	(3)	–
Past service cost (credit) recognized immediately	11	32	–	–
Amortization of past service cost (credit)	–	–	–	–
Settlements/curtailments	(11)	(7)	–	–
Effect of the limit in IAS 19.58(b)	2	–	–	–
Total expense defined benefit plans	**267**	**291**	**8**	**15**

Expected expense for 2008 is approximately € 210 million for the retirement benefit plans and approximately € 4 million for the post-employment medical plans. This is mainly due to higher discount rates at measurement date compared to the previous year and amortization of actuarial gains.

Expenses for defined contribution plans for the years ended December 31, 2007 and December 31, 2006 totaled € 203 million and € 165 million, respectively. In addition, employer contributions to the mandatory German social security pension plan amounted to € 156 million and € 144 million for the years ended December 31, 2007 and 2006, respectively.

The weighted-average asset allocation of the Group's funded retirement benefit plans as of December 31, 2007 and December 31, 2006, as well as the target allocation by asset category are as follows.

	Target allocation	Percentage of plan assets	
		Dec 31, 2007	Dec 31, 2006
Asset categories:			
Equity instruments	5 %	8 %	10 %
Debt instruments (including Cash)	90 %	89 %	87 %
Alternative Investments (including Property)	5 %	3 %	3 %
Total asset categories	**100 %**	**100 %**	**100 %**

The expected rate of return on assets is developed separately for each plan, using a building block approach recognizing the plan's specific asset allocation and the assumed return on assets for each asset category. The plan's target asset allocation at the measurement date is used, rather than the actual allocation.

The general principle is to use a risk-free rate as benchmark, with adjustments for the effect of duration and specific relevant factors for each major category of plan assets. For example, the expected rate of return for equities and

property is derived by adding a respective risk premium to the yield-to-maturity on ten-year fixed interest government bonds.

Expected returns are adjusted for factors such as taxation, but no allowance is made for expected outperformance due to active management. Finally, the relevant risk premia and overall expected rates of return are confirmed for reasonableness through comparison with other reputable published forecasts and any other relevant market practice.

Plan assets as of December 31, 2007 include derivatives with a negative market value of € 160 million. Derivative transactions are made within the Group and with external counterparties. In addition, there are € 30 million of securities issued by the Group included in the plan assets.

It is not expected that any plan assets will be returned to the Group during the year ended December 31, 2008.

The principal actuarial assumptions applied were as follows. They are provided in the form of weighted averages.

	Retirement benefit plans		Post-employment medical plans	
	Dec 31, 2007	Dec 31, 2006	Dec 31, 2007	Dec 31, 2006
Assumptions used to determine defined benefit obligations, end of year				
Discount rate	5.5 %	4.8 %	6.1 %	5.8 %
Rate of price inflation	2.1 %	2.0 %	N/A	N/A
Rate of nominal increase in future compensation levels	3.3 %	3.2 %	N/A	N/A
Rate of nominal increase for pensions in payment	1.8 %	1.7 %	N/A	N/A
Assumptions used to determine expense, year ended				
Discount rate	4.8 %	4.3 %	5.8 %	5.4 %
Rate of price inflation	2.0 %	2.1 %	N/A	N/A
Rate of nominal increase in future compensation levels	3.2 %	3.3 %	N/A	N/A
Rate of nominal increase for pensions in payment	1.7 %	1.8 %	N/A	N/A
Expected rate of return on plan assets[1]	4.6 %	4.4 %	N/A	N/A

N/A – Not applicable

1 The expected rate of return on assets for determining income in 2008 is 5.0 %.

Mortality assumptions are significant in measuring the Group's obligations under its defined benefit plans. These assumptions have been set in accordance with current best practice in the respective countries. Future longevity improvements have been considered and included where appropriate. The average life expectancy at age 65 used at December 31, 2007 and 2006, weighted on DBO for the Group's retirement benefit plans was as follows.

	Life expectancy at age 65 for a male member currently		Life expectancy at age 65 for a female member currently	
in years	Aged 65	Aged 45	Aged 65	Aged 45
December 31, 2007	19.1	21.0	22.5	24.3
December 31, 2006	18.4	20.5	22.0	24.0

The following table shows the sensitivity to key assumptions of the defined benefit obligation as of December 31, 2007 and the aggregate of service costs and interest costs of the retirement benefit plans for the year ended December 31, 2007. Each assumption is shifted in isolation.

Increase in € million	Defined benefit obligation as of Dec 31, 2007	Aggregate of service costs and interest costs for 2007
Discount rate (fifty basis point decrease)	650	10
Rate of price inflation (fifty basis point increase)	455	40
Rate of real increase in future compensation levels (fifty basis point increase)	80	10
Longevity (improvement by ten percent)[1]	145	10

1 Improvement by ten percent on longevity means that the probability of death at each age is reduced by ten percent. The sensitivity has, broadly, the effect of increasing the expected longevity at age 65 by about one year.

Decreasing the expected return on plan assets assumption by fifty basis points would increase the expense for retirement benefit plans by € 47 million for the year ended December 31, 2007.

In determining expense for post-employment medical plans, an annual weighted-average rate of increase of 8.8 % in the per capita cost of covered health care benefits was assumed for 2008. The rate is assumed to decrease gradually to 4.9 % by the end of 2012 and remain at that level thereafter.

Assumed health care cost trend rates have an effect on the amounts reported for the post-employment medical plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects on the Group's post-employment medical plans.

	One-percentage point increase		One-percentage point decrease	
Increase (Decrease) in € m.	Dec 31, 2007	Dec 31, 2006	Dec 31, 2007	Dec 31, 2006
Effect on defined benefit obligation, end of year	13	17	(11)	(15)
Effect on the aggregate of current service cost and interest cost, year ended	1	2	(1)	(1)

[33] INCOME TAXES

The components of tax expense (income) are as follows.

in € m.	2007	2006
Income tax expense	**2,239**	**2,260**
Current tax expense[1]	**3,157**	**2,095**
Tax expense for current year	3,504	2,782
Adjustments for prior years	(347)	(687)
Deferred tax expense[1]	**(918)**	**165**
Origination and reversal of temporary difference, unused tax losses and tax credits	(651)	288
Effects of changes in tax rates	(181)	(7)
Adjustments for prior years	(86)	(116)

1 Including income taxes which relate to non-current assets or assets and liabilities of disposal groups classified as held for sale. For further information please refer to Note [22] Assets held for sale.

Income tax expense includes policyholder tax attributable to policyholder earnings, amounting to an income tax benefit of € 1 million.

The current tax expense includes benefits from previously unrecognized tax losses, tax credits and deductible temporary differences, which reduced the current tax expense by € 3 million and € 19 million in 2007 and 2006, respectively.

The deferred tax expense includes expenses arising from write-downs of deferred tax assets and benefits from previously unrecognized tax losses (tax credits/temporary differences) and the reversal of previous write-downs of deferred tax assets, which increased the deferred tax expense by € 71 million and € 93 million in 2007 and 2006, respectively.

The following is an analysis of the difference between the amount that results from applying the German statutory (domestic) income tax rate to income before tax and the Group's actual income tax expense.

in € m.	2007	2006
Expected tax expense at domestic income tax rate of 39.2 % (39.2 % for 2006)	**3,429**	**3,269**
Foreign rate differential	(620)	(250)
Tax-exempt gains on securities and other income	(657)	(357)
Loss (income) on equity method investments	(22)	(51)
Non-deductible expenses	393	372
Goodwill impairment	21	10
Changes in recognition and measurement of deferred tax assets	68	74
Effect of changes in tax law or tax rate	(181)	(362)
Effect of policyholder tax	(1)	–
Other	(191)	(445)
Actual income tax expense	**2,239**	**2,260**

The Group is under continuous examinations by tax authorities in various jurisdictions. "Other" in the preceding table mainly includes the nonrecurring effect of these settlements.

The domestic income tax rate, including corporate tax, solidarity surcharge, and trade tax, used for calculating deferred tax assets and liabilities was 30.7 % and 39.2 % for the years ended December 31, 2007 and December 31, 2006, respectively.

In August 2007, the German legislature enacted a tax law change on company taxation ("Unternehmensteuerreformgesetz 2008"), which will lower the statutory corporate income tax rate from 25 % to 15 %, and change the trade tax calculation from 2008 onwards. This tax law change reduced the deferred tax expense for 2007 by € 232 million. Further tax rate changes, mainly in the United Kingdom, Spain, Italy and the United States of America, increased the deferred tax expense for 2007 by € 51 million.

The inventory of each type of temporary differences, each type of unused tax losses and unused tax credits that give rise to significant portions of deferred income tax assets and liabilities are as follows.

in € m.	Dec 31, 2007	Dec 31, 2006
Deferred tax assets	**10,898**	**12,194**
Unused tax losses	1,219	451
Unused tax credits	132	160
Deductible temporary differences:		
Trading activities	5,313	5,858
Property and equipment	319	303
Other assets	821	1,890
Securities valuation	276	697
Allowance for loan losses	162	193
Other provisions	1,510	1,576
Other liabilities	1,146	1,066
Deferred tax liabilities	**8,250**	**10,147**
Taxable temporary differences:		
Trading activities	5,163	5,641
Property and equipment	57	190
Other assets	1,370	1,431
Securities valuation	681	1,119
Allowance for loan losses	89	104
Other provisions	734	1,190
Other liabilities	156	472
Net deferred tax assets	**2,648**	**2,047**

After netting, deferred tax assets and liabilities were included on the balance sheet as follows.

in € m.	Dec 31, 2007	Dec 31, 2006
Disclosed as deferred tax assets	4,772	4,332
Disclosed as deferred tax liabilities	2,124	2,285
Net deferred tax assets	**2,648**	**2,047**

The change in the balance of net deferred tax assets and deferred tax liabilities does not equal the deferred tax expense in this year. This is due to (i) deferred taxes that are booked directly to equity, (ii) the effects of exchange rate changes on tax assets and liabilities denominated in currencies other than euro, (iii) the acquisition and disposal of entities as part of ordinary activities and (iv) the reclassification of deferred tax assets and liabilities which are presented on the face of the balance sheet as components of other assets and liabilities.

Income taxes charged or credited to equity are as follows.

in € m.	2007	2006
Income taxes (charged) credited to recognized income and expenses in total equity	**215**	**(25)**
Financial assets available for sale	197	16
Derivatives hedging variability of cash flows	(1)	22
Other equity movement	19	(63)
Other income taxes (charged) credited to total equity	**(35)**	**195**

As of December 31, 2007 and 2006, no deferred tax assets were recognized for the following items.[1]

in € m.	Dec 31, 2007	Dec 31, 2006
Deductible temporary differences	**(34)**	**(24)**
Unused tax losses	**(1,510)**	**(1,479)**
Not expiring	(1,120)	(1,046)
Expiring in subsequent period	–	(2)
Expiring after subsequent period	(390)	(431)
Unused tax credits	**(100)**	**(84)**
Not expiring	–	–
Expiring in subsequent period	–	–
Expiring after subsequent period	(100)	(84)

1 Amounts in the table refer to unused tax losses and tax credits for federal income tax purposes.

Deferred tax assets were not recognized on these items because it is not probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized.

As of December 31, 2007 and December 31, 2006, the Group recognized deferred tax assets that exceed deferred tax liabilities by € 2,582 million and € 345 million, respectively, in entities which have suffered a loss in either the current or preceding period. This is based on management's assessment that it is probable that the respective entities will have taxable profits against which the deductible temporary differences can be utilized. Generally, in determining the amounts of deferred tax assets to be recognized, management uses historical tax capacity and profitability information and, if relevant, forecasted operating results, based upon approved business plans, including a review of the eligible carry-forward periods, tax planning opportunities and other relevant considerations.

The Group did not recognize deferred tax liabilities, arising from temporary differences associated with the Group's parent company's investments in subsidiaries, branches and associates and interests in jointly controlled entities, of € 255 million and € 228 million at December 31, 2007 and December 31, 2006, respectively.

Since 2007, the payment of dividends to the Group's shareholders no longer has income tax consequences. In 2006, the effect for domestic tax rate differential on the dividend distribution was a tax benefit of € 30 million.

[34] ACQUISITIONS AND DISPOSITIONS

BUSINESS COMBINATIONS FINALIZED IN 2007

In 2007, the Group finalized several acquisitions that were accounted for as business combinations. Of these transactions, the acquisitions of Berliner Bank AG & Co. KG, MortgageIT Holdings, Inc. and Abbey Life Assurance Company Limited were individually significant and are, therefore, presented separately. The other business combinations, which were not individually significant, are presented in the aggregate.

BERLINER BANK AG & CO. KG

Effective January 1, 2007, the Group completed the acquisition of Berliner Bank AG & Co. KG ("Berliner Bank"). The cost of the acquisition consisted of a cash consideration of € 645 million and € 1 million of cost directly attributable to the acquisition. As of year-end 2007, € 508 million of the purchase price was allocated to goodwill, € 45 million was allocated to other intangible assets, and € 93 million reflected net tangible assets. The acquisition expands the Group's market share in the retail banking sector of the German capital. Berliner Bank is included in PBC. The impact of this acquisition on the Group's balance sheet was as follows.

in € m.	Carrying value before the acquisition	Adjustments to fair value	Fair value
Assets			
Cash and due from banks	190	–	190
Interest-earning demand deposits with banks	808	–	808
Interest-earning time deposits with banks	1,945	–	1,945
Loans	2,443	(28)	2,415
Goodwill	–	508	508
Other intangible assets	–	45	45
All remaining assets	18	2	20
Total assets	**5,404**	**527**	**5,931**
Liabilities			
Deposits	5,107	–	5,107
All remaining liabilities	133	45	178
Total liabilities	**5,240**	**45**	**5,285**
Net assets	164	482	646
Total liabilities and equity	**5,404**	**527**	**5,931**

Since the acquisition date, Berliner Bank contributed net revenues and net profits after tax of € 251 million and € 35 million, respectively.

MORTGAGE IT HOLDINGS, INC.

On January 2, 2007, the Group completed the acquisition of 100 % of MortgageIT Holdings, Inc. ("MortgageIT") for a total cash consideration of € 326 million. As of year-end 2007, net tangible assets of € 177 million and goodwill of € 149 million were recorded for this business combination. MortgageIT, a residential mortgage real estate investment trust (REIT) in the U.S., is included in CB&S.

The impact of this acquisition on the Group's balance sheet was as follows.

in € m.	Carrying value before the acquisition	Adjustments to fair value	Fair value
Assets			
Cash and due from banks	29	–	29
Financial assets at fair value through profit or loss	5,854	(5)	5,849
Goodwill	9	140	149
All remaining assets	160	(7)	153
Total assets	**6,052**	**128**	**6,180**
Liabilities			
Financial liabilities at fair value through profit or loss	3,390	–	3,390
Other liabilities	2,349	10	2,359
All remaining liabilities	95	10	105
Total liabilities	**5,834**	**20**	**5,854**
Net assets	218	108	326
Total liabilities and equity	**6,052**	**128**	**6,180**

Since the acquisition date, MortgageIT recorded net negative revenues and net losses after tax of € 38 million and € 212 million, respectively.

ABBEY LIFE ASSURANCE COMPANY LIMITED

On October 1, 2007, the Group completed the acquisition of 100 % of Abbey Life Assurance Company Limited ("Abbey Life") for a cash consideration of € 1,412 million and € 12 million of costs directly related to the acquisition. The allocation of the purchase price resulted in net assets of € 512 million and other intangible assets of € 912 million. These identified intangible assets represent the present value of the future cash flows of the long-term insurance and investment contracts acquired in a business combination (the Value of Business Acquired ("VOBA")). Abbey Life is a UK life assurance company which closed to new business in 2000. The company comprises primarily unit-linked life and pension policies and annuities and is included in CB&S. The impact of this acquisition on the Group's balance sheet was as follows.

in € m.	Carrying value before the acquisition	Adjustments to fair value	Fair value
Assets			
Interest-earning time deposits with banks	232	–	232
Financial assets at fair value through profit or loss	14,145	–	14,145
Financial assets available for sale	2,261	–	2,261
Other intangible assets	–	912	912
All remaining assets	1,317	(1)	1,316
Total assets	**17,955**	**911**	**18,866**
Liabilities			
Financial liabilities at fair value through profit or loss	10,387	–	10,387
Provisions – Insurance policies and reserves	6,339	–	6,339
All remaining liabilities	246	318	564
Total liabilities	**16,972**	**318**	**17,290**
Net assets[1]	983	593	1,576
Total liabilities and equity	**17,955**	**911**	**18,866**

1 Includes minority interest of € 152 million.

Since the acquisition date, Abbey Life contributed net revenues of € 53 million and net profits after tax of € 26 million to the Group.

OTHER BUSINESS COMBINATIONS FINALIZED IN 2007

Other business combinations, not being individually material, which were finalized in 2007, are presented in the aggregate. These transactions involved the acquisition of majority interests ranging between 51 % and 100 % for a total consideration of € 107 million, including € 1 million of costs directly related to these acquisitions. Their impact on the Group's balance sheet was as follows.

in € m.	Carrying value before the acquisition	Adjustments to fair value	Fair value
Total assets	**104**	**132**	**236**
Total liabilities	87	13	100
Net assets	17	119	136
Total liabilities and equity	**104**	**132**	**236**

The effect of these acquisitions on net revenues and net profit or loss of the Group was € 2 million and € 1 million respectively.

POTENTIAL PROFIT OR LOSS IMPACT OF BUSINESS COMBINATIONS FINALIZED IN 2007

If the business combinations described above which were finalized in 2007, had all been effective as of January 1, 2007, the effect on the Group's net revenues and net profit or loss after tax would have been € 426 million and € (74) million, respectively.

BUSINESS COMBINATIONS FINALIZED IN 2006

In 2006, the Group completed several acquisitions that were accounted for as business combinations. The acquisition of United Financial Group, norisbank and Tilney Group Limited were individually significant and are therefore presented separately. The other business combinations, which were not individually significant, are presented in the aggregate.

UNITED FINANCIAL GROUP

On February 27, 2006, the Group completed the acquisition of the remaining 60 % stake of United Financial Group ("UFG"), following the purchase of a 40 % stake in UFG earlier in 2004. The transaction strengthens the Group's position as one of the leading investment banks in Russia. The cost of the acquisition for the 60 % stake consisted of a cash payment of € 189 million and € 2 million of cost directly attributable to the acquisition. An additional € 82 million of the consideration was paid in escrow and deferred until a contingency will be resolved in 2008. The purchase price was allocated as goodwill of € 122 million, other intangible assets of € 13 million and net tangible assets of € 138 million. UFG is included in CB&S.

As of the acquisition date, the impact on the Group's balance sheet was as follows.

in € m.	Carrying value before the acquisition	Adjustments to fair value	Fair value
Assets			
Cash and due from banks	368	33	401
Financial assets at fair value through profit or loss	745	–	745
Goodwill	–	166	166
Other intangible assets	–	13	13
All remaining assets	1,227	(1)	1,226
Total assets	**2,340**	**211**	**2,551**
Liabilities			
Financial liabilities at fair value through profit or loss	728	–	728
All remaining liabilities	1,360	–	1,360
Total liabilities	**2,088**	**–**	**2,088**
Net assets	252	211	463
Total liabilities and equity	**2,340**	**211**	**2,551**

Post-acquisition net revenues and net profits after tax related to UFG in 2006 amounted to € 171 million and € 95 million, respectively.

NORISBANK

On November 2, 2006, the Group completed the acquisition of norisbank's (part of DZ Bank Group) branch network business as well as the "norisbank" brand name. The acquisition, which is reinforcing the Group's strong position in the German consumer finance market, took place by acquiring the assets and liabilities in form of an immediate merger of the acquired entity with the acquirer, which consequently was renamed to norisbank. The cost of the acquisition consisted of a cash consideration of € 414 million and € 1 million of cost directly attributable to the acquisition. The purchase price, which depends on a price-adjustment mechanism and will be finally determined in the course of 2008, was allocated as goodwill of € 230 million, other intangible assets of € 80 million and net tangible assets of € 105 million. norisbank is included in PBC.

The impact of this acquisition on the Group's balance sheet was as follows.

in € m.	Carrying value of the acquirer	Acquired assets and liabilities at fair value	Fair value
Assets			
Cash and due from banks	28	–	28
Interest-earning demand deposits with banks	402	(89)	313
Loans	–	1,641	1,641
Goodwill	–	230	230
Other intangible assets	4	80	84
All remaining assets	3	4	7
Total assets	**437**	**1,866**	**2,303**
Liabilities			
Deposits	–	1,417	1,417
All remaining liabilities	–	449	449
Total liabilities	**–**	**1,866**	**1,866**
Net assets	437	–	437
Total liabilities and equity	**437**	**1,866**	**2,303**

Following the acquisition and up until December 31, 2007, the total consideration, including directly attributable costs, changed to € 417 million due to price adjustments and further acquisition cost. The revised purchase price allocation resulted in goodwill of € 222 million, other intangible assets of € 82 million and net tangible assets of € 113 million. Post-acquisition net revenues and net losses after tax related to norisbank in 2006 amounted to € 30 million and € 5 million, respectively.

TILNEY GROUP LIMITED

The Group closed the acquisition of 100 % of the UK wealth manager Tilney Group Limited ("Tilney") on December 14, 2006, as part of a strategic move to strengthen its presence in the UK private wealth management market. The cost of the acquisition consisted of cash paid of € 317 million, € 11 million in loan notes issued, and € 5 million of cost directly attributable to the acquisition. An additional € 46 million of the consideration was deferred, subject to the acquired entities performance exceeding certain targets over the subsequent three years. The purchase price was allocated as goodwill of € 419 million, other intangible assets of € 97 million and net liabilities of € 137 million. Tilney is included in PWM.

As of the acquisition date, the impact on the Group's balance sheet was as follows.

in € m.	Carrying value before the acquisition	Adjustments to fair value	Fair value
Assets			
Cash and due from banks	47	–	47
Goodwill	163	256	419
Other intangible assets	–	97	97
All remaining assets	36	2	38
Total assets	**246**	**355**	**601**
Liabilities			
Long-term debt	143	8	151
All remaining liabilities	46	25	71
Total liabilities	**189**	**33**	**222**
Net assets	57	322	379
Total liabilities and equity	**246**	**355**	**601**

Following the acquisition and up until December 31, 2007, an adjustment to the consideration led to a repayment of less than € 1 million, resulting in a corresponding adjustment to goodwill. Post-acquisition net revenues and net losses after tax related to Tilney in 2006 amounted to € 3 million and less than € 1 million, respectively.

OTHER BUSINESS COMBINATIONS FINALIZED IN 2006

Other business combinations, not being individually material, which were finalized in 2006, are shown in the aggregate. These transactions involved the acquisition of majority interests ranging between 60 % and 100 % for a total consideration of € 168 million, including € 1 million of costs directly attributable to these acquisitions. Their impact on the Group's balance sheet was as follows.

in € m.	Carrying value before the acquisition	Adjustments to fair value	Fair value
Total assets	**475**	**13**	**488**
Total liabilities	288	8	296
Net assets	187	5	192
Total liabilities and equity	**475**	**13**	**488**

The effect on net revenues and net profit or loss of the Group amounted to € 58 million and € 47 million, respectively.

POTENTIAL PROFIT OR LOSS IMPACT OF BUSINESS COMBINATIONS FINALIZED IN 2006

If the business combinations which were finalized in 2006 had all been effective as of January 1, 2006, the effect on the Group's net revenues and net profit or loss for 2006 would have been € 396 million and € 85 million, respectively.

BUSINESS COMBINATIONS COMPLETED IN 2008

On January 31, 2008, the Group announced that it acquired 100 % of HedgeWorks, LLC, a hedge fund administrator based in the United States. The preliminary cost estimate of the business combination consisted of a cash payment of € 20 million and another € 20 million subject to the acquiree exceeding certain performance targets over the next three years. HedgeWorks will be included in GTB.

On December 20, 2007, the Group's AWM Corporate Division announced the signing of an agreement to acquire a 60 % majority stake in the Taiwanese investment management firm, Far Eastern Alliance Asset Management Co., Ltd. The acquisition is expected to close in March 2008.

DISPOSITIONS

During 2007 and 2006, the Group finalized several dispositions of subsidiaries/businesses. For a list and further detail about these dispositions, please refer to Note [2]. The total cash consideration received for these dispositions in 2007 and 2006 was € 375 million and € 544 million, respectively. The table below includes the assets and liabilities that were included in these disposals.

in € m.	2007	2006
Cash and cash equivalents	52	107
All remaining assets	885	2,810
Total assets disposed	**937**	**2,917**
Total liabilities disposed	**463**	**1,958**

[35] DERIVATIVES

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

Derivative contracts used by the Group include swaps, futures, forwards, options and other similar types of contracts. In the normal course of business, the Group enters into a variety of derivative transactions for both trading and risk management purposes. The Group's objectives in using derivative instruments are to meet customers' risk management needs, to manage the Group's exposure to risks and to generate revenues through proprietary trading activities.

In accordance with the Group's accounting policy relating to derivatives and hedge accounting as described in Note [1], all derivatives are carried at fair value in the balance sheet regardless of whether they are held for trading or non-trading purposes.

DERIVATIVES HELD FOR TRADING PURPOSES

SALES AND TRADING

The majority of the Group's derivatives transactions relate to sales and trading activities. Sales activities include the structuring and marketing of derivative products to customers to enable them to take, transfer, modify or reduce current or expected risks. Trading includes market-making, positioning and arbitrage activities. Market-making involves quoting bid and offer prices to other market participants enabling revenue to be generated based on spreads and volume. Positioning means managing risk positions in the expectation of benefiting from favorable movements in prices, rates or indices. Arbitrage involves identifying and profiting from price differentials between markets and products.

RISK MANAGEMENT

As part of its asset and liability management, the Group uses derivatives for risk management purposes in order to reduce its exposure to credit and market risks. This is achieved by entering into derivatives that hedge specific financial instrument portfolios of fixed rate financial instruments and forecast transactions as well as strategic hedging against overall balance sheet exposures. The Group actively manages interest rate risk through, among other things, the use of derivative contracts. Utilization of derivative financial instruments is modified from time to time within prescribed limits in response to changing market conditions, as well as to changes in the characteristics and mix of the related assets and liabilities.

DERIVATIVES QUALIFYING FOR HEDGE ACCOUNTING

Where derivatives meet the specific criteria set out in Note [1], then the Group applies hedge accounting.

FAIR VALUE HEDGING

The Group undertakes fair value hedging, using primarily interest rate swaps and options, in order to protect itself against movements in the fair value of fixed-rate financial instruments due to movements in market interest rates.

The table below summarizes the value of derivatives held as fair value hedges.

in € m.	Assets 2007	Liabilities 2007	Assets 2006	Liabilities 2006
Derivatives held as fair value hedges:	2,323	961	1,507	1,987

For the years ended December 31, 2007 and 2006, a gain (loss) of € 147 million and € (340) million respectively were recognized on the hedging instruments. For the same period the gain (loss) on the hedged items, which were attributable to the hedged risk, was € (213) million and € 356 million respectively.

CASH FLOW HEDGING

The Group undertakes cash flow hedging, using equity futures, interest rate swaps and foreign exchange forwards, in order to protect itself against exposures to variability in equity indices, interest rates and exchange rates.

The table below summarizes the value of derivatives held as cash flow hedges.

in € m.	Assets 2007	Liabilities 2007	Assets 2006	Liabilities 2006
Derivatives held as cash flow hedges:	14	0	26	18

A schedule indicating the periods when hedged cash flows are expected to occur and when they are expected to affect the income statement is as follows.

in € m.	Within 1 Year	1–3 Years	3–5 Years	Over 5 Years
At December 31, 2007				
Cash inflows from assets	56	163	80	129
Cash outflows from liabilities	(2)	(57)	(5)	(3)
Net cash flows	54	106	75	126
At December 31, 2006				
Cash inflows from assets	11	71	5	9
Cash outflows from liabilities	(3)	(64)	(4)	(7)
Net cash flows	8	7	1	2

Of these expected future cash flows, most will arise in connection with Abbey Life Assurance Company Limited. Under the terms of unit-linked contracts, policyholders are charged an annual management fee expressed as a percentage of assets under management. In order to protect against volatility in the highly probable forecasted cash flow stream arising from the management fees, the Group has entered into 3 month rolling FTSE futures. Other cash flow hedging programs use interest rate swaps and FX forwards as hedging instruments.

For the years ended December 31, 2007 and December 31, 2006, balances of € (79) million and € (73) million, respectively, were reported in equity related to cash flow hedging programs. Of these € (67) million and € (44) million, respectively, related to terminated programs. These amounts will be released to the income statement as appropriate.

For the years ended December 31, 2007 and December 31, 2006, losses of € 19 million and € 68 million, respectively, were recognized in equity in respect of effective cash flow hedging.

For the years ended December 31, 2007 and December 31, 2006, a loss of € 13 million and a gain of € 8 million, respectively, were removed from equity and included in the income statement.

For the years ended December 31, 2007 and December 31, 2006, a loss of € 3 million and a gain of € 3 million, respectively, were recognized due to hedge ineffectiveness.

As of December 31, 2007 the longest term cash flow hedge matures in 2017.

NET INVESTMENT HEDGING

The Group, using foreign exchange forwards and swaps, undertakes hedges of translation adjustments resulting from translating the financial statements of net investments in foreign operations into the reporting currency of the parent.

The table below summarizes the value of derivatives held as net investment hedges.

in € m.	Assets 2007	Liabilities 2007	Assets 2006	Liabilities 2006
Derivatives held as net investment hedges:	193	1,354	550	71

For the years ended December 31, 2007 and December 31, 2006 losses of € 72 million and € 77 million, respectively, were recognized due to hedge ineffectiveness.

[36] REGULATORY CAPITAL

CAPITAL MANAGEMENT AND CAPITAL ADEQUACY

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

Treasury implements the Group's capital strategy which is developed by the Capital and Risk Committee and approved by the Management Board including the issuance and repurchase of shares. The Group is committed to maintaining its sound capitalization. Overall capital demand and supply are constantly monitored and adjusted, if necessary, to meet the need for capital from various perspectives. These include book equity based on IFRS accounting standards, regulatory capital based on the recommendations of the Basel Committee on Banking Supervision, the secretariat of which is provided by the Bank for International Settlements (BIS) and economic capital. Under Basel I, the Group's target range for the BIS Tier 1 capital ratio has been 8-9 %; prospectively, this same range is targeted under Basel II with effect from January 1, 2008.

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

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

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

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

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

The capital adequacy requirements applicable to the Group are set forth in the recommendations of the Basel Committee and by European Union directives, as transposed into German law, in particular the German Banking Act ("Kreditwesengesetz") and regulations and guidelines issued thereunder.

In 2007, being the year of transition from the recommendations made by the Basel Committee in 1988 ("Basel I") to the revised capital framework adopted by the Basel Committee in 2004 ("Basel II"), Deutsche Bank continued to calculate and publish consolidated capital ratios in direct application of Basel I. From 2008 onwards, Deutsche Bank will calculate and publish consolidated capital ratios pursuant to the Banking Act and the Solvency regulation ("*Solvabilitätsverordnung*") which adopt Basel II into German law.

The BIS capital ratio is the principal measure of capital adequacy for internationally active banks. The ratio as defined under the Basel I framework compares a bank's regulatory capital with its counterparty risks and market price risks (which the Group refers to collectively as the "risk position"). Deutsche Bank's calculation of the ratio is based on the consolidated financial statement prepared in accordance with IFRS. Counterparty risk is measured for asset and off-balance sheet exposures according to broad categories of relative credit risk. The Group's market risk component is a multiple of its value-at-risk figure, which is calculated for regulatory purposes based on the Group's internal models. These models were approved by the BaFin for use in determining the Group's market-risk equivalent component of its risk position.

A bank's regulatory capital is divided into three tiers: core or Tier 1 capital, supplementary or Tier 2 capital, and Tier 3 capital. Core or Tier 1 capital consists primarily of share capital (excluding cumulative preference shares), additional paid-in capital, retained earnings and hybrid capital components, such as noncumulative trust preferred securities and equity contributed on silent partnership interests ("*stille Beteiligungen*"), less goodwill and other intangible assets and other deduction items such as common shares in Treasury. Supplementary or Tier 2 capital consists primarily of cumulative preference shares, profit participation rights ("*Genussrechte*"), cumulative trust preferred securities, long-term subordinated debt, unrealized gains on listed securities and other inherent loss allowance. Tier 3 capital consists mainly of certain short-term subordinated liabilities and it may only cover market price risk. Banks may also use Tier 1 and Tier 2 capital that is in excess of the minimum required to cover counterparty risk in order to cover market price risk. The minimum BIS total capital ratio (Tier 1 + Tier 2 + Tier 3) is 8 % of the risk position. The minimum BIS core capital ratio (Tier 1) is 4 % of the risk-weighted positions and 2.29 % of the market-risk equivalent. The minimum core capital ratio for the total risk position therefore depends on the weighted-average of the risk-weighted position and market-risk equivalent. Under BIS guidelines, the amount of subordinated debt that may be included as Tier 2 capital is limited to 50 % of Tier 1 capital. Total Tier 2 capital is limited to 100 % of Tier 1 capital. Tier 3 capital is limited to 250 % of the Tier 1 capital not required to cover counterparty risk.

The following table presents a summary of the Group's capital adequacy calculation according to the BIS guidelines and the average active equity as of December 31, 2007 and December 31, 2006.

in € m. (except percentages)	Dec 31, 2007	Dec 31, 2006
Risk-weighted positions	314,845	263,871
Market-risk equivalent[1]	13,973	11,588
Risk position	**328,818**	**275,459**
Core capital (Tier 1)	28,320	23,539
Supplementary capital (Tier 2)	9,729	10,770
Available Tier 3 capital	–	–
Total regulatory capital	**38,049**	**34,309**
Core capital ratio (Tier 1)	8.6 %	8.5 %
Total capital ratio (Tier 1 + 2)	11.6 %	12.5 %
Average Active Book Equity	**29,846**	**25,468**

1 A multiple of the Group's value-at-risk, calculated with a probability level of 99 % and a ten-day holding period.

BIS rules require the Group to cover its market price risk as of December 31, 2007, with € 1,118 million of regulatory capital (Tier 1 + 2 + 3) compared to € 927 million as per December 31, 2006. The Group met this requirement entirely with Tier 1 and Tier 2 capital.

The Group's supplementary capital (Tier 2) of € 9.7 billion on December 31, 2007 and € 10.8 billion on December 31, 2006, amounted to 34 % and 46 % of core capital, respectively.

The Group's BIS total capital ratio was 11.6 % on December 31, 2007, significantly higher than the 8 % minimum required by the BIS guidelines.

The components of core and supplementary capital for the Group of companies consolidated for regulatory purposes are as follows as of December 31, 2007 and December 31, 2006 according to BIS.

in € m.	Dec 31, 2007	Dec 31, 2006
Core (Tier 1) capital:		
Common shares	1,358	1,343
Additional paid-in capital	15,808	15,246
Retained earnings, common shares in Treasury, equity classified as obligation to purchase common shares, foreign currency translation, minority interest	17,717	13,631
Noncumulative trust preferred securities	5,602	4,496
Items deducted (inter alia intangible assets)	(12,165)	(11,177)
Total core capital	**28,320**	**23,539**
Supplementary (Tier 2) capital:		
Unrealized gains on listed securities (45 % eligible)	1,472	1,235
Other inherent loss allowance	358	359
Cumulative preferred securities	841	759
Subordinated liabilities, if eligible according to BIS	7,058	8,417
Total supplementary capital	**9,729**	**10,770**

While considering BIS capital adequacy as the principal measure for internationally active banks, Deutsche Bank also complies with the German capital adequacy requirements.

Failure to meet minimum capital requirements can result in orders and discretionary actions by the BaFin and other regulators that, if undertaken, could have a direct material effect on the Group's businesses. The Group complied with the regulatory capital adequacy requirements in 2007.

The principal calculation method of the risk position and the regulatory capital according to BIS rules and the Banking Act both as applicable in 2007 are closely aligned. The definition of regulatory capital according to BIS rules and Banking Act include different rules for deduction of first-loss-positions from securitizations, deduction of certain participating interests of other financial institutions and enterprises as well as insurance companies, different treatment of certain items arising on consolidation and different regulatory amortization schedules for subordinated liabilities. In total these variations between BIS rules and the Banking Act did not result in a material difference in the Group's regulatory capital or total risk position for 2007.

The group of companies consolidated for banking regulatory reporting includes all subsidiaries in the meaning of the German Banking Act that are classified as banking institutions, financial services institutions, financial enterprises or bank service enterprises. It does not include insurance companies or companies outside the finance sector.

Insurance companies, however, are included in the capital adequacy calculation for financial conglomerates. The Group has become designated as a financial conglomerate following the acquisition of Abbey Life Assurance Company Limited in October 2007. After determination of the applicable calculation method by the BaFin, the first capital adequacy calculation for the Group as a financial conglomerate will be performed in 2008. It is expected to confirm that the solvency margin as a financial conglomerate is dominated by the Group's banking activities.

[37] RISK DISCLOSURES

The Group has a dedicated and integrated legal, risk & capital function that is independent of the group divisions. The Group manages risk and capital through a framework of principles, organizational structures, and measurement and monitoring processes that are closely aligned with the activities of the group divisions. The Group's Management Board provides overall risk and capital management supervision for the consolidated Group. Within the Management Board, the Chief Risk Officer is responsible for the Group's credit, market, liquidity, operational, business, legal and reputational risk management as well as capital management activities. The Group's Supervisory Board regularly monitors the risk and capital profile.

CREDIT RISK

Credit risk arises from all transactions that give rise to actual, contingent or potential claims against any counterparty, borrower or obligor (which the Group refers to collectively as "counterparties"). This is the largest single risk the Group faces.

The Group distinguishes among three kinds of credit risk:

— Default risk is the risk that counterparties fail to meet contractual payment obligations.
— Country risk is the risk that the Group may suffer a loss, in any given country, due to any of the following reasons: a possible deterioration of economic conditions, political and social upheaval, nationalization and expropriation of assets, government repudiation of indebtedness, exchange controls and disruptive currency depreciation or devaluation. Country risk includes transfer risk, which arises when debtors are unable to meet their obligations owing to an inability to transfer assets to nonresidents due to direct sovereign intervention.
— Settlement risk is the risk that the settlement or clearance of transactions will fail. It arises whenever the exchange of cash, securities and/or other assets is not simultaneous.

The Group manages credit risk in a coordinated manner at all relevant levels within the organization. This also holds true for complex products which the Group typically manages within a framework established for trading exposures. The following principles underpin the Group's approach to credit risk management:

— In all group divisions, consistent standards are applied in the respective credit decision processes.
— The approval of credit limits for counterparties and the management of the Group's individual credit exposures must fit within the Group's portfolio guidelines and credit strategies.
— Every extension of credit or material change to a credit facility (such as its tenor, collateral structure or major covenants) to any counterparty requires credit approval at the appropriate authority level.
— The Group assigns credit approval authorities to individuals according to their qualifications, experience and training, and the Group reviews these periodically.
— The Group measures and consolidates all credit exposures to each obligor on a global consolidated basis that applies across the consolidated Group. The Group defines an "obligor" as a group of individual borrowers that are linked to one another by any of a number of criteria the Group has established, including capital ownership, voting rights, demonstrable control, other indication of group affiliation; or are jointly and severally liable for all or significant portions of the credit the Group has extended.

CREDIT RISK RATINGS

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

The Group has its own in-house assessment methodologies, scorecards and rating scale for evaluating the creditworthiness of its counterparties. The Group's granular 26-grade rating scale, which is calibrated on a probability of default measure based upon a statistical analysis of historical defaults in the Group's portfolio, enables the Group to compare its internal ratings with common market practice and ensures comparability between different sub-portfolios of the Group. Several default ratings therein enable the Group to incorporate the potential recovery rate of defaulted exposure.

The Group generally rates all its credit exposures individually. When the Group assigns its internal risk ratings, the Group compares them with external risk ratings assigned to the Group's counterparties by the major international rating agencies, where possible.

CREDIT LIMITS

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

MONITORING DEFAULT RISK

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

MAXIMUM EXPOSURE TO CREDIT RISK

The following table shows the Group's maximum exposure to credit risk without taking account of any collateral held or other credit enhancements that do not qualify for offset.

in € m.[1]	Dec 31, 2007	Dec 31, 2006
Due from banks	7,458	5,821
Interest earning deposits with banks	21,615	19,199
Central bank funds sold and securities purchased under resale agreements	13,597	14,265
Securities borrowed	55,961	62,943
Financial assets at fair value through profit and loss[2]	1,343,257	974,927
Financial assets available for sale[2]	32,850	29,042
Loans	200,597	180,194
Other assets subject to credit risk	84,761	54,678
Financial guarantees and other credit related contingent liabilities[3]	49,905	43,047
Irrevocable lending commitments and other credit related commitments[3]	128,511	141,331
Maximum exposure to credit risk	**1,938,511**	**1,525,447**

1 All amounts at carrying value unless otherwise indicated.
2 Excludes equities and other equity interests.
3 Financial guarantees, other credit related contingent liabilities and irrevocable lending commitments (including commitments designated under the fair value option) are reflected at notional amounts.

COLLATERAL HELD AS SECURITY

The Group regularly agrees upon collateral in the lending contracts to be received from borrowers. Collateral is security in the form of an asset or third-party obligation that serves to mitigate the inherent risk of credit loss in an exposure, by either substituting the borrower default risk or improving recoveries in the event of a default. While collateral can be an alternative source of repayment, it does not mitigate or compensate for questionable reputation of a borrower or structure.

The Group segregates collateral received into the following two types:

— Financial collateral which substitutes the borrower's ability to fulfill its obligation under the legal contract and as such is provided by third parties. Letters of Credit, insurance contracts, received guarantees and risk participations typically fall into this category.
— Physical collateral which enables the Group to recover all or part of the outstanding exposure by liquidating the collateral asset provided, in cases where the borrower is unable or unwilling to fulfill its primary obligations. Cash collateral, securities (equity, bonds), inventory, equipment (plant, machinery, aircraft) and real estate typically fall into this category.

Additionally the Group is actively managing the credit risk of the Group's loans and lending-related commitments. A specialized unit within the Group, the Loan Exposure Management Group, is concentrating on two primary initiatives within the credit risk framework to further enhance risk management discipline, improve returns and use capital more efficiently:

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

To better manage the Group's derivatives-related credit risk, the Group enters into collateral arrangements that generally provide risk mitigation through periodic (usually daily) margining of the covered portfolio or transactions and termination of the master agreement if the counterparty fails to honor a collateral call.

CONCENTRATIONS OF CREDIT RISK

Significant concentrations of credit risk exist where the Group has material exposures to a number of counterparties with similar economic characteristics, or who are engaged in comparable activities, where these similarities may cause their ability to meet contractual obligations to be affected in the same manner by changes in economic or industry conditions. A concentration of credit risk may also exist at an individual counterparty level.

In order to monitor and manage credit risks, the Group uses a comprehensive range of quantitative tools and metrics. Credit limits relating to counterparties, countries, products and other factors set the maximum credit exposures that the Group intends to incur.

The Group's largest concentrations of credit risk with loans are in Western Europe and North America, with a significant share in households. The concentration in Western Europe is principally in the Group's home market Germany, which includes most of the mortgage lending business.

CREDIT QUALITY OF ASSETS THAT ARE NEITHER PAST DUE NOR IMPAIRED

The following table breaks down the Group's corporate credit exposure, according to the creditworthiness of the Group's counterparties, for several of the main exposure categories subject to credit risk. For the Group's derivatives-related credit risk, the Group regularly seeks the execution of master agreements (such as the International Swaps and Derivatives Association's master agreements for derivatives) with the Group's clients. A master agreement allows the netting of obligations arising under all of the derivatives transactions that the agreement covers upon the counterparty's default, resulting in a single net claim against the counterparty (called "close-out netting"). For parts of the Group's derivatives business, the Group also enters into payment netting agreements under which the Group sets off amounts payable on the same day in the same currency and in respect to all transactions covered by these agreements, reducing the Group's principal risk. For the OTC derivative credit exposure in the following table, the Group has applied netting only when the Group believes it is legally enforceable for the relevant jurisdiction and counterparty.

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

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

The table below presents the total consumer credit exposure split by German and non-German exposure.

	Total exposure	
in € m.	**Dec 31, 2007**	**Dec 31, 2006**
Consumer credit exposure Germany:	56,504	53,446
Consumer and small business financing	14,489	12,261
Mortgage lending	42,015	41,185
Consumer credit exposure outside Germany	23,864	20,253
Total consumer credit exposure[1]	**80,368**	**73,699**

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

The following table provides an overview of nonimpaired Troubled Debt Restructurings representing the Group's renegotiated loans that would otherwise be past due or impaired.

in € m.	**Dec 31, 2007**	**Dec 31, 2006**
Troubled Debt Restructurings not impaired	43	43

The following table breaks down the nonimpaired past due loan exposure carried at amortized cost according to the past due status.

in € m.	Dec 31, 2007	Dec 31, 2006
Loans less than 30 days past due	8,644	6,268
Loans 30 or more but less than 60 days past due	1,511	1,093
Loans 60 or more but less than 90 days past due	502	280
Loans 90 days or more past due	333	352
Total loans past due but not impaired	**10,990**	**7,993**

The following table shows the aggregated value of collateral – with fair values capped at transactional outstandings – the Group held against the Group's loans past due but not impaired.

in € m.	Dec 31, 2007	Dec 31, 2006
Financial collateral	915	292
Physical collateral	3,724	3,577
Total capped fair value of collateral held for loans past due but not impaired	**4,639**	**3,869**

IMPAIRED LOANS

Under IFRS the Group considers loans to be impaired when the Group recognizes objective evidence that an impairment loss has been incurred. While the Group assesses the impairment for the Group's corporate credit exposure individually, the Group considers smaller-balance, standardized homogeneous loans to be impaired once the credit contract with the customer has been terminated.

The following table shows the breakdown of the Group's impaired loans between German and non-German borrowers based on the country of domicile of borrowers.

in € m.	Dec 31, 2007	Dec 31, 2006
Individually evaluated impaired loans:		
German borrowers	957	1,194
Non-German borrowers	559	431
Total individually evaluated impaired loans	**1,516**	**1,625**
Collectively evaluated impaired loans:		
German borrowers	817	852
Non-German borrowers	312	241
Total collectively evaluated impaired loans	**1,129**	**1,092**
Total impaired loans	**2,645**	**2,717**

The following table shows the aggregated value of collateral – with fair values capped at transactional outstandings – the Group held against impaired loans.

in € m.	Dec 31, 2007	Dec 31, 2006
Financial collateral	26	55
Physical collateral	874	757
Total capped fair value of collateral held for impaired loans	**899**	**812**

The following table shows the aggregated value of collateral the Group obtained on the balance sheet during the reporting period by taking possession of collateral held as security or by calling upon other credit enhancements.

in € m.	2007	2006
Commercial real estate	–	1
Residential real estate	533	15
Other	723	–
Total collateral obtained during the reporting period	**1,255**	**16**

Collateral obtained is made available for sale in an orderly fashion or through public auctions, with the proceeds used to repay or reduce outstanding indebtedness. Generally the Group does not occupy obtained properties for the Group's business use.

The residential real estate collateral obtained in 2007 includes € 396 million in relation to residential real estate obtained and held by securitization trusts which are consolidated for IFRS but where the bank does not hold the majority stake nor has control. Instead the Trustee, on behalf of all note and shareholders, controls the foreclosure and sale process. The collateral obtained by these trusts as reported above represent year-end balances. The bulk of other collateral obtained relates to one individual structured transaction where the Group originally held debt securities as collateral and has subsequently sold off the majority of collateral as of year-end.

GOVERNMENT ASSISTANCE

In the course of the Group's business we regularly apply for and receive government support by means of Export Credit Agency ("ECA") guarantees covering transfer and default risks for the financing of exports and investments into Emerging Markets and to a lesser extent developed markets for Structured Trade & Export Finance business. Almost all export-oriented states have established such ECAs to support its domestic exporters. The ECAs act in the name and on behalf of the government of their respective country but are either constituted directly as governmental departments or organized as private companies vested with the official mandate of the government to act on its behalf. Terms and conditions of such ECA guarantees granted for mid-term and long-term financings are quite comparable due to the fact that most of the ECAs act within the scope of the Organisation for Economic Co-operation and Development ("OECD") consensus rules. The OECD consensus rules, an intergovernmental Agreement of the OECD member states defines benchmarks to ensure that a fair competition between the different exporting nations will take place. The majority of such ECA guarantees we have received were issued by the Euler-Hermes Kredit-versicherungs AG acting on behalf of the Federal Republic of Germany. The Group also receives as collateral, in certain financings, government guarantees from national and international governmental institutions to support financings in the interest of the respective governments.

MARKET RISK

Substantially all of the Group's businesses are subject to the risk that market prices and rates will move and result in profits or losses for the Group. The Group distinguishes among four types of market risk:

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

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

MARKET RISK MANAGEMENT FRAMEWORK

The Group assumes market risk in both its trading and nontrading activities. The Group assumes risk by making markets and taking positions in debt, equity, foreign exchange, other securities and commodities as well as in equivalent derivatives.

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

The Group's Management Board and Risk Executive Committee, supported by Market Risk Management, which is part of the independent legal, risk & capital function, set a Group-wide value-at-risk limit for the market risks in the trading book. Market Risk Management sub-allocates this overall limit to the group divisions. Below that, limits are allocated to specific business lines and trading portfolio groups and geographical regions. The overall value-at-risk limit for the Corporate and Investment Bank Group Division started 2007 at € 90 million and was increased to € 105 million on February 27, 2007. The overall value-at-risk limit for the consolidated Group trading positions was € 92 million at the start of 2007 and was increased to € 110 million on February 27, 2007 (with a 99 % confidence level, as described below, and a one-day holding period).

ASSESSMENT OF MARKET RISK IN TRADING PORTFOLIOS

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

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

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

The Group's value-at-risk model is designed to take into account all material risk factors assuming normal market conditions. Examples of these factors are interest rates (including credit spreads), equity prices, foreign exchange rates and commodity prices, as well as their implied volatilities. The model incorporates both linear and, especially for derivatives, nonlinear effects of the risk factors on the portfolio value. The statistical parameters required for the value-at-risk calculation are based on a 261 trading day history (corresponding to at least one calendar year of trading days) with equal weighting being given to each observation. The Group calculates value-at-risk using the Monte Carlo simulation technique and assuming that changes in risk factors follow a normal or logarithmic normal distribution. In 2007, the Group integrated all risks that had been treated under the variance-covariance approach, namely, specific interest rate risk for some portfolios such as in the credit trading business, into the Monte Carlo simulation.

To determine the aggregated value-at-risk, the Group uses historically-observed correlations between the different general market risk factors. However, when aggregating general and specific market risks, it is assumed that there is zero correlation between them.

LIMITATIONS OF PROPRIETARY RISK MODELS

Although the Group believes that its proprietary market risk models are of a high standard, the Group is committed to their ongoing development and allocates substantial resources to reviewing and improving them.

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

The value-at-risk analyses should also be viewed in the context of the limitations of the methodology used and are therefore not maximum amounts that the Group can lose on its market risk positions.

The limitations of the value-at-risk methodology include the following:

— The use of historical data as a proxy for estimating future events may not capture all potential events, particularly those that are extreme in nature.
— The assumption that changes in risk factors follow a normal or logarithmic normal distribution. This may not be the case in reality and may lead to an underestimation of the probability of extreme market movements.
— The use of a holding period of one day (or ten days for regulatory value-at-risk calculations) assumes that all positions can be liquidated or hedged in that period of time. This assumption does not fully capture the market risk arising during periods of illiquidity, when liquidation or hedging in that period of time may not be possible. This is particularly the case for the use of a one-day holding period.
— The use of a 99 % confidence level does not take account of, nor makes any statement about, any losses that might occur beyond this level of confidence.
— The Group calculates value-at-risk at the close of business on each trading day. The Group does not subject intra-day exposures to intra-day value-at-risk calculations.
— Value-at-risk does not capture all of the complex effects of the risk factors on the value of positions and portfolios and could, therefore, underestimate potential losses. For example, the way sensitivities are represented in the value-at-risk model may only be exact for small changes in market parameters.

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

MARKET RISK OF TRADING PORTFOLIOS

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

Trading Portfolios		**Value-at-Risk**
in € m.	**Dec 31, 2007**	**Dec 31, 2006**
Interest rate risk	90.8	50.3
Equity price risk	49.5	53.0
Foreign exchange risk	11.3	12.2
Commodity price risk	8.7	5.4
Diversification effect	(59.7)	(44.0)
Total	**100.6**	**76.9**

Besides selectively increased interest rate risk exposures and/or equity positions during the first half of 2007, the increase in the value-at-risk observed in 2007 was mainly driven by an increase in the market volatility and, to a minor extent, by refinements to the value-at-risk measurement in the second half of 2007. The year-end value-at-risk in 2007 was € 101 million which is 31 % above the 2006 year-end value-at-risk of € 77 million.

MARKET RISK OF NONTRADING PORTFOLIOS

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

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

ASSESSMENT OF MARKET RISK IN NONTRADING PORTFOLIOS

Due to the nature of these positions and the lack of transparency of some of the pricing, the Group does not use value-at-risk to assess the market risk in nontrading portfolios. Rather the Group assesses the risk through the use of stress testing procedures that are particular to each risk class and which consider, among other factors, large historically-observed market moves as well as the liquidity of each asset class. This assessment forms the basis of the economic capital estimates which enable the Group to actively monitor and manage the nontrading market risk. As an example, for industrial holdings the Group applies individual price shocks between 23 % and 51 %, which are based on historically-observed market moves. For private equity exposures, all positions are stressed using the standard credit risk economic capital model, as well as market price shocks up to 100 %, depending on the individual asset.

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

There is nontrading market risk held and managed in each of the group divisions. The nontrading market risk, as measured by economic capital in the Corporate and Investment Bank Group Division is the largest in the Group and is incurred mainly through principal investments. The Corporate Investments Group Division assumes nontrading market risk through industrial holdings, private equity investments and certain other corporate investments. The nontrading market risk in the Private Clients and Asset Management Group Division primarily arises from proprietary

investments in real estate, hedge funds and mutual funds, which support the client asset management businesses mainly in the form of minority seed and co-invest fund capital.

The table below shows the economic capital usages separately for the Group's major industrial holdings, other corporate investments and alternative assets.

Nontrading Portfolios	Economic capital usage	
in € bn.	Dec 31, 2007	Dec 31, 2006[1]
Major industrial holdings	0.1	0.2
Other corporate investments	0.7	0.6
Alternative assets	0.9	0.6
Total	**1.7**	**1.4**

1 Revised economic capital usages reflecting the adoption of IFRS accounting standards.

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

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

In the Group's total economic capital figures no diversification benefits between these different asset categories are currently taken into account.

LIQUIDITY RISK

Liquidity risk management safeguards the ability of the bank to meet all payment obligations when they come due. Treasury is responsible for the management of liquidity risk. The liquidity risk management framework is designed to identify, measure and manage the liquidity risk position based on underlying policies which are reviewed and approved regularly by the Capital and Risk Committee. In order to ensure adequate liquidity and a healthy funding profile for the Group, Treasury uses various internal tools and systems which are designed and tailored to support the Group's specific management needs:

The Group's liquidity risk management approach starts at the intraday level (operational liquidity) managing the daily payments queue, forecasting cash flows and factoring in the Group's access to Central Banks. The reporting system tracks cash flows on a daily basis over an 18-month horizon. This system allows management to assess the Group's short-term liquidity position in each location, region and globally on a by-currency, by-product and by-division basis. The system captures all cash flows from transactions on the balance sheet, as well as liquidity risks resulting from off-balance sheet transactions. The Group models products that have no specific contractual maturities using statistical methods to capture the behavior of their cash flows. Liquidity outflow limits (Maximum Cash Outflow Limits), which have been set to limit cumulative global and local cash outflows, are monitored on a daily basis and safeguard the Group's access to liquidity.

The Group's approach then moves to tactical liquidity risk management, dealing with access to unsecured funding sources and the liquidity characteristics of the Group's asset inventory (asset liquidity). Unsecured funding is a finite resource. Total unsecured funding represents the amount of external liabilities which the Group takes from the market irrespective of instrument, currency or tenor. Unsecured funding is measured on a regional basis by currency and aggregated to a global utilization report. The Capital and Risk Committee sets limits by business division to protect access to unsecured funding at attractive levels. The Asset Liquidity component tracks the volume and booking location within the consolidated inventory of unencumbered, liquid assets which the Group can use to raise liquidity via secured funding transactions. Securities inventories include a wide variety of securities. As a first step, the Group segregates illiquid and liquid securities in each inventory. Subsequently the Group assigns liquidity values to different classes of liquid securities.

The strategic liquidity perspective comprises the maturity profile of all assets and liabilities (Funding Matrix) on the Group's balance sheet and the Group's Issuance Strategy. The Funding Matrix identifies the excess or shortfall of assets over liabilities in each time bucket facilitating management of open liquidity exposures. The Funding Matrix is a key input parameter for the Group's annual capital market issuance plan, which upon approval by the Capital and Risk Committee establishes issuing targets for securities by tenor, volume and instrument.

The framework is completed by employing stress testing and scenario analysis to evaluate the impact of sudden stress events on the Group's liquidity position. The scenarios have been based on historic events such as the stock market crash of 1987, 1990 U.S. liquidity crunch, September 2001 terrorist attacks, liquidity crises case studies and hypothetical events. The scenarios now also incorporate challenges presented by the 2007 financial markets crisis: prolonged term money-market freeze, collateral repudiation, non-fungibility of currencies and stranded syndications. The hypothetical events encompass internal shocks, such as operational risk events and 3-notch ratings downgrades, as well as external shocks, such as market risk events, emerging market crises and system dislocations. Under each

of these scenarios the Group assumes that all maturing loans to customers will need to be rolled over and require funding whereas rollover of liabilities will be partially impaired resulting in a funding gap. The Group then models the steps it would take to counterbalance the resulting net shortfall in funding. Action steps include selling assets, switching from unsecured to secured funding and adjusting the price the Group would pay on liabilities.

MATURITY ANALYSIS OF FINANCIAL LIABILITIES

The following table shows a maturity analysis of the earliest contractual undiscounted cash flows for financial liabilities as at December 31, 2007 and 2006.

Dec 31, 2007 in € m.	**On demand**	**Due within 3 months**	**Due between 3 and 12 months**	**Due between 1 and 5 years**	**Due after 5 years**
Noninterest bearing deposits	30,187	–	–	–	–
Interest bearing deposits	143,787	206,046	38,067	22,538	17,290
Trading liabilities[2]	715,583	–	–	–	–
Financial liabilities designated at fair value through profit or loss	78,648	127,122	34,001	9,628	30,480
Investment contract liabilities[3]		638	285	1,687	7,186
Negative market values from derivative financial instruments qualifying for hedge accounting[2]	2,315	–	–	–	–
Central bank funds purchased	6,130	16,200	–	–	–
Securities sold under repurchase agreements	43,204	93,119	18,815	452	821
Securities loaned	9,132	266	7	160	–
Other short-term borrowings	2,876	50,025	478	–	–
Long-term debt	4,221	1,759	19,911	70,189	30,879
Trust preferred securities	–	–	–	4,526	1,819
Other financial liabilities	140,005	5,739	495	22	49
Off-balance sheet loan commitments	94,190	–	–	–	–
Financial guarantees	22,444	–	–	–	–
Total[1, 4, 5]	**1,292,722**	**500,914**	**112,059**	**109,202**	**88,524**

1 The balances in the Note will not agree to the numbers in the Group balance sheet as the cash flows included in the table are undiscounted.

2 The only exceptions to this are the trading liabilities and the derivatives balances which represent the present value of all future cash flows. The Group believes that this best represents the cash flow that would have to be paid if these positions had to be closed out. Trading and derivatives balances are shown within 'On Demand' which management believes most accurately reflects the short-term nature of trading activities. The contractual maturity of the instruments may however extend over significantly longer periods.

3 These are investment contracts where the policy terms and conditions result in their redemption value equaling fair value. Refer to Note [40] for more detail on these contracts.

4 This analysis represents the worst case scenario for the Group if they were required to repay all liabilities earlier than expected. The Group believes that the likelihood of such an event occurring is remote.

5 Interest cash flows have been excluded from the table.

Dec 31, 2006 in € m.	On demand	Due within 3 months	Due between 3 and 12 months	Due between 1 and 5 years	Due after 5 years
Noninterest bearing deposits	30,354	–	–	–	–
Interest bearing deposits	113,533	194,712	37,449	21,926	14,167
Trading liabilities[2]	523,628	–	–	–	–
Financial liabilities designated at fair value through profit or loss	73,422	72,155	23,383	1,645	34,260
Investment contract liabilities[3]	–	–	–	–	–
Negative market values from derivative financial instruments qualifying for hedge accounting[2]	2,076	–	–	–	–
Central bank funds purchased	11,961	14,850	–	–	–
Securities sold under repurchase agreements	45,664	29,337	188	200	–
Securities loaned	20,912	262	–	–	–
Other short-term borrowings	2,661	40,724	5,130	–	–
Long-term debt	2,852	2,893	15,401	58,475	32,278
Trust preferred securities	120	–	–	2,807	1,963
Other financial liabilities	119,000	7,804	540	75	139
Off-balance sheet loan commitments	113,757	–	–	–	–
Financial guarantees	23,442	–	–	–	–
Total[1, 4, 5]	**1,083,382**	**362,737**	**82,091**	**85,128**	**82,807**

1 The balances in the Note will not agree to the numbers in the Group balance sheet as the cash flows included in the table are undiscounted.

2 The only exceptions to this are the trading liabilities and the derivatives balances which represent the present value of all future cash flows. The Group believes that this best represents the cash flow that would have to be paid if these positions had to be closed out. Trading and derivatives balances are shown within 'On Demand' which management believes most accurately reflects the short-term nature of trading activities. The contractual maturity of the instruments may however extend over significantly longer periods.

3 These are investment contracts where the policy terms and conditions result in their redemption value equaling fair value. Refer to Note [40] for more detail on these contracts.

4 This analysis represents the worst case scenario for the Group if they were required to repay all liabilities earlier than expected. The Group believes that the likelihood of such an event occurring is remote.

5 Interest cash flows have been excluded from the table.

INSURANCE RISK

The Group's exposure to insurance risk increased upon the acquisition of Abbey Life Assurance Company Limited in October 2007. Abbey Life was closed to new business in 2000 except where it is contractually obliged to do so in existing policies. Insurance risk results from the Group having a contractual obligation to make a payment to a policyholder based on an uncertain event (that is not a financial risk).

The Group's insurance activities are characterized as follows:

— ANNUITY PRODUCTS – these are subject to mortality or morbidity risk over a period that extends beyond the premium collection period, with fixed and guaranteed contractual terms.
— UNIVERSAL LIFE PRODUCTS – these are long duration contracts which provide either death or annuity benefits, with terms that are not fixed and guaranteed.
— INVESTMENT CONTRACTS – these do not contain any insurance risk.

The Group also holds an equity investment in Paternoster Limited, which is a regulated insurance company taking on the risks associated with companies' final salary/defined pension schemes and assumes the responsibility for paying their pensioners into the future by writing annuity contracts.

The Group is primarily exposed to the following insurance-related risks:

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

The Group monitors the actual claims and persistency against the assumptions used and refines the assumptions for the future assessment of liabilities. Experience may vary from estimates, the more so the further into the future it is projected. Liabilities are evaluated at least annually.

To the extent that actual experience is less favorable than the underlying assumptions, or it is necessary to increase provisions due to more onerous assumptions, the amount of capital required in the insurance entities may be affected.

The profitability of the non unit-linked long-term insurance businesses within the Group depends to a significant extent on the values of claims paid in the future relative to the assets accumulated to the date of claim. Typically, over the lifetime of a contract, premiums and investment returns exceed claim costs in the early years and it is necessary to set aside these amounts to meet future obligations. The amount of such future obligations is assessed on actuarial principles by reference to assumptions about the development of financial and insurance risks.

For unit-linked investment contracts, profitability is based on the charges taken being sufficient to meet expenses and profit. The premium and charges are assessed on actuarial principles by reference to assumptions about the development of financial and insurance risks.

As stated above, reinsurance is used as a mechanism to reduce risk. The Group's strategy is to continue to utilize reinsurance as appropriate.

[38] RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to directly or indirectly control the other party or exercise significant influence over the other party in making financial or operational decisions. The Group's related parties include

— key management personnel, close family members of key management personnel and entities which are controlled, significantly influenced by, or for which significant voting power is held by key management personnel or their close family members,
— subsidiaries, joint ventures and associates, and
— post-employment benefit plans for the benefit of Deutsche Bank employees.

The Group has several business relationships with related parties. Transactions with such parties are made in the ordinary course of business and on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other parties. These transactions also did not involve more than the normal risk of collectibility or present other unfavorable features.

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of Deutsche Bank, directly or indirectly. The Group considers the members of the Management Board and of the Supervisory Board to constitute key management personnel for purposes of IAS 24.

The below table sets forth the compensation of the key management personnel in 2007 and 2006.

Key management compensation: in € m.	**2007**	**2006**
Short-term employee benefits	30	27
Post-employment benefits	4	4
Other long-term benefits	–	–
Termination benefits	–	8
Share-based payment	8	9
Total key management compensation	**42**	**48**

Among the Group's transactions with key management personnel as of December 31, 2007 were loans and commitments of € 4 million and deposits of € 1 million. In addition the Group provides banking services, such as payment and account services as well as investment advice, to key management personnel and their close family members.

TRANSACTIONS WITH SUBSIDIARIES, JOINT VENTURES, ASSOCIATES AND OTHER RELATED PARTIES

Transactions between Deutsche Bank AG and its subsidiaries also meet the definition of related party transactions. Where these transactions are eliminated on consolidation, they are not disclosed in the Group's financial statements. A list of the Group's significant subsidiaries is shown in Note [39].

LOANS

During the years ended December 31, 2007 and December 31, 2006, the Group made loans to third parties and entered into guarantees on behalf of certain related parties. The table below shows the amounts of loans made and repaid, loan balances outstanding, and guarantees made by the Group on behalf of related parties.

	Associated companies and other related parties	
in € m.	2007	2006
Loans outstanding, beginning of year	**622**	**1,934**
Loans issued during the year	728	565
Loan repayment during the year	161	664
Changes in the group of consolidated companies	(1)	(121)
Exchange rate changes	(36)	(5)
Other changes	(107)	(1,087)
Loans outstanding, end of year[1,2]	**1,045**	**622**
Other credit risk related transactions:		
Provision for loan losses	–	22
Guarantees and commitments[3]	233	190

1 The amount of these loans that are past due totaled € 3 million and € 20 million as of December 31, 2007 and 2006, respectively. Loans include also € 24 million loans with joint ventures as of December 31, 2007.
2 For the above loans the Group held collateral of € 616 million and € 27 million as of December 31, 2007 and as of December 31, 2006, respectively.
3 The guarantees above include credit and finance guarantees, financial letter of credits and standby letter of credits as well as guarantees that are related to leasing transactions.

DEPOSITS

	Associated companies and other related parties	
in € m.	2007	2006
Deposits outstanding, beginning of year	**855**	**917**
Deposits received during the year	294	736
Deposits repaid during the year	89	23
Changes in the group of consolidated companies	(43)	(789)
Exchange rate changes	(55)	14
Other changes	–	–
Deposits outstanding, end of year[1]	**962**	**855**

1 The above deposits were made in the ordinary course of business. The deposits are unsecured. Deposits include also € 3 million deposits from joint ventures as of December 31, 2007.

OTHER TRANSACTIONS

In addition, the Group conducted trading transactions with associated companies in the amount of € 67 million in 2007. Other transactions with related parties also reflected the following:

XCHANGING ETB GMBH: The Group holds a stake of 44 % in Xchanging etb GmbH and accounts for it under the equity method. Xchanging etb GmbH is the holding company of Xchanging Transaction Bank GmbH ("XTB"). Two of the four executive directors of Xchanging etb GmbH and one member of the supervisory board of XTB are employees of the Group. The Group's arrangements reached with Xchanging in 2004 include a 12-year outsourcing agreement with XTB for security settlement services and are aimed at reducing costs without compromising service quality. In 2007 and 2006, the Group received services from XTB with volumes of € 95 million and € 100 million, respectively. In 2007 and 2006, the Group provided supply services (e.g., IT and real estate-related services) with volumes of € 28 million and € 35 million, respectively, to XTB.

GRUNDBESITZ-EUROPA: In 2005, grundbesitz europa, formerly grundbesitz-invest ("Grundbesitz"), an open-end property fund sponsored and managed by a subsidiary of the Group, temporarily suspended the issuance and redemption of its share units pending an extraordinary revaluation of its real estate assets. Grundbesitz re-opened for issuance and redemption on March 3, 2006. The Group committed to support Grundbesitz's liquidity upon its re-opening by various means. In December 2006, the fund manager sold a major portion of Grundbesitz's German real estate portfolio to Eurocastle, and Grundbesitz realized significant book gains for its investors on this sale. As a result and as of the date hereof, the Group does not expect to have any further material risk from prior commitments made in relation to Grundbesitz. In 2006, the Group released € 111 million of provision. As of December 2007, a € 5 million provision remained.

TRANSACTIONS WITH PENSION PLANS

Under IFRS, certain post-employment benefit plans are considered related parties. The Group has business relationships with a number of its pension plans pursuant to which it provides financial services to these plans, including investment management services. The Group's pension funds may hold or trade Deutsche Bank shares or securities. A summary of transactions with related party pension plans follows.

in € m.	
Deutsche Bank AG Securities held in plan assets at December 31, 2007:	
Equities	–
Bonds	9
Other Securities	21
Total	**30**
Property occupied by/other assets used by Deutsche Bank	–
Derivatives: Market value as at year-end 2007 for which DB (or subsidiary) is a counterparty	(98)
Derivatives: Notional amount as at year-end 2007 for which DB (or subsidiary) is a counterparty	4,441
Fees paid from Fund to any Deutsche Bank asset manager(s) in 2006	23
Fees paid from Fund to any Deutsche Bank asset manager(s) in 2007	22

[39] INFORMATION ON SUBSIDIARIES

Deutsche Bank AG is the direct or indirect holding company for the Group's subsidiaries.

SIGNIFICANT SUBSIDIARIES

The following table sets forth the significant subsidiaries Deutsche Bank AG owns, directly or indirectly.

Subsidiary	Place of Incorporation
Taunus Corporation[1]	Delaware, United States
Deutsche Bank Trust Company Americas[2]	New York, United States
Deutsche Bank Securities Inc.[3]	Delaware, United States
Deutsche Bank Privat- und Geschäftskunden Aktiengesellschaft[4]	Frankfurt am Main, Germany
DB Capital Markets (Deutschland) GmbH[5]	Frankfurt am Main, Germany
DWS Investment GmbH[6]	Frankfurt am Main, Germany

1 This company is a holding company for most of the Group's subsidiaries in the United States.
2 This company is a subsidiary of Taunus Corporation. Deutsche Bank Trust Company Americas is a New York State-chartered bank which originates loans and other forms of credit, accepts deposits, arranges financings and provides numerous other commercial banking and financial services.
3 This company is a subsidiary of Taunus Corporation. Deutsche Bank Securities Inc. is a U.S. SEC-registered broker dealer and a member of, and regulated by, the New York Stock Exchange. It is also regulated by the individual state securities authorities in the states in which it operates.
4 The company serves private individuals, affluent clients and small business clients with banking products.
5 This company is a German limited liability company and operates as a holding company for a number of European subsidiaries, mainly institutional and mutual fund management companies located in Germany, Luxembourg, France, Austria, Switzerland, Italy, Poland and Russia.
6 This company, in which DB Capital Markets (Deutschland) GmbH indirectly owns 100 % of the equity and voting interests, is a limited liability company that operates as a mutual fund manager.

The Group owns 100 % of the equity and voting interests in these significant subsidiaries. They prepare financial statements as of December 31 and are included in the Group's consolidated financial statements. Their principal countries of operation are the same as their countries of incorporation.

In 2007, none of the Group's subsidiaries experienced significant restrictions on paying dividends or repaying loans and advances.

SUBSIDIARIES WHERE THE GROUP OWNS 50 PER CENT OR LESS OF THE VOTING RIGHTS

The Group also consolidates certain subsidiaries where it owns 50 per cent or less of the voting rights. Most of those subsidiaries are special purpose entities ("SPEs") that are sponsored by the Group for a variety of purposes.

In the normal course of business, the Group becomes involved with SPEs, primarily through the following types of transactions: asset securitizations, structured finance, commercial paper programs, mutual funds, commercial real estate leasing and closed-end funds. The Group's involvement includes transferring assets to the entities, entering into derivative contracts with them, providing credit enhancement and liquidity facilities, providing investment management and administrative services, and holding ownership or other investment interests in the entities.

INVESTEES WHERE THE GROUP OWNS MORE THAN HALF OF THE VOTING RIGHTS

The Group owns directly or indirectly more than half of the voting rights of investees but does not have control over these investees when

- another investor has the power over more than half of the voting rights by virtue of an agreement with the Group, or
- another investor has the power to govern the financial and operating policies of the investee under a statute or an agreement, or
- another investor has the power to appoint or remove the majority of the members of the board of directors or equivalent governing body and the investee is controlled by that board or body, or when
- another investor has the power to cast the majority of votes at meetings of the board of directors or equivalent governing body and control of the entity is by that board or body.

The 'List of Shareholdings 2007' is published as a separate document and deposited with the German Electronic Federal Gazette ("elektronischer Bundesanzeiger"). It is available in the Investor Relations section of Deutsche Bank's website (http://www.deutsche-bank.de/ir/en/content/reports.htm).

[40] INSURANCE AND INVESTMENT CONTRACTS

LIABILITIES ARISING FROM INSURANCE AND INVESTMENT CONTRACTS

			Dec 31, 2007			Dec 31, 2006
in € m.	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Insurance contracts	6,450	(119)	6,331	1,411	(187)	1,224
Investment contracts	9,796	–	9,796	–	–	–
Total	**16,246**	**(119)**	**16,127**	**1,411**	**(187)**	**1,224**

CARRYING AMOUNT

An analysis of the change in insurance and investment contracts liabilities is as follows.

	2007		2006	
in € m.	Insurance contracts	Investment contracts	Insurance contracts	Investment contracts
Balance as of January 1	**1,411**	**–**	**1,297**	**–**
Business classified as held for sale	(847)	–	–	–
Business acquired	6,339	10,387	–	–
New business	114	14	128	–
Claims paid	(340)	(214)	(143)	–
Other changes in existing business	111	168	129	–
Foreign exchange rate movements	(338)	(559)	–	–
Balance as of December 31	**6,450**	**9,796**	**1,411**	**–**

Included in Other changes in existing business for the investment contracts is € 122 million attributable to changes in the underlying assets' fair value in the year ended December 31, 2007.

KEY ASSUMPTIONS IN RELATION TO INSURANCE BUSINESS

The liabilities will vary with movements in interest rates, which is applicable, in particular, to the cost of guaranteed benefits payable in the future, investment returns and the cost of life assurance and annuity benefits where future mortality is uncertain.

Assumptions are made in respect of all material factors affecting future cash flows, including future interest rates, mortality and costs. The assumptions to which the long term business amount is most sensitive are the interest rates used to discount the cash flows and the mortality assumptions, particularly those for annuities.

The assumptions are set out below:

INTEREST RATES

Interest rates are used that reflect a best estimate of future investment returns taking into account the nature and term of the assets used to support the liabilities. Suitable margins for default risk are allowed for in the assumed interest rate.

MORTALITY

Mortality rates are based on published tables, adjusted appropriately to take account of changes in the underlying population mortality since the table was published, company experience and forecast changes in future mortality. Where appropriate, a margin is added to assurance mortality rates to allow for adverse future deviations. Annuitant mortality rates are adjusted to make allowance for future improvements in pensioner longevity. Improvements in annuitant mortality are based on a percentage of the medium cohort projection subject to a minimum of rate of improvement of 1.25 % per annum.

COSTS

For non-linked contracts, allowance is made for future expected per policy costs explicitly.

OTHER ASSUMPTIONS

The take-up rate of guaranteed annuity rate options on pension business is assumed as 57 %.

KEY ASSUMPTIONS IMPACTING VALUE OF BUSINESS ACQUIRED (VOBA)

The opening VOBA arising on the purchase of Abbey Life Assurance Company Limited was determined by capitalizing the present value of the future cash flows of the business over the reported liability at the date of acquisition. Where assumptions were required about future mortality, morbidity, persistency and expenses, these were determined on a best estimate basis taking account of the business's own experience. General economic assumptions were set considering the economic indicators at the date of acquisition.

The rate of VOBA amortization is determined by considering the profile of the business acquired and the expected depletion in future value. At the end of each accounting period, the remaining VOBA is tested against the future net profit expected to arise in respect of the business that was in force at the date of acquisition. If there is insufficient net profit, the VOBA will be written down to its supportable value.

KEY CHANGES IN ASSUMPTIONS

Upon acquisition of Abbey Life Assurance Company Limited, in October 2007, liabilities for insurance contracts were recalculated from a UK GAAP to a U.S. GAAP best estimate basis in line with the provisions of IFRS 4. The non-economic assumptions set at that time have not been changed before December 31, 2007, but the economic assumptions have been reviewed in line with changes in key economic indicators. For annuity contracts, the liability was valued using the locked-in basis determined at the date of acquisition.

SENSITIVITY ANALYSIS (IN RESPECT OF INSURANCE CONTRACTS ONLY)

The following table shows the sensitivity of the Group's profit before tax and equity to changes in some of the key assumptions used for insurance contract liability calculations. For each sensitivity test, the impact of a reasonably possible change in a single factor is shown with other assumptions left unchanged.

	Impact on profit before tax		Impact on equity	
in € m.	2007	2006	2007	2006
Variable:				
Mortality (worsening by ten percent)[1]	(16)	(44)	(16)	(44)
Renewal expense (ten percent increase)	(1)	(2)	(1)	(2)
Interest rate (one percent increase)	(115)	(25)	88	(25)

1 The impact of mortality assumes a ten percent decrease in annuitant mortality and a ten percent increase in mortality for other business.

For certain insurance contracts, the underlying valuation basis contains a Provision for Adverse Deviations ("PADs"). For these contracts, under U.S. GAAP, any worsening of expected future experience would not change the level of reserves held until all the PADs have been eroded while any improvement in experience would not result in an increase to these reserves. Therefore, in the sensitivity analysis, where the variable change represents a worsening of experience, the impact shown represents the excess of the best estimate liability over the PADs held at the balance sheet date. As a result, the figures disclosed in this table should not be used to imply the impact of a different level of change, and it should not be assumed that the impact would be the same if the change occurred at a different point in time.

[41] CURRENT AND NON-CURRENT ASSETS AND LIABILITIES

The following tables present an analysis of each asset and liability line item by contractual maturity as of December 31, 2007 and December 31, 2006.

Asset items as of December 31, 2007 follow.

	Amounts recovered or settled		Total
in € m.	within one year	after one year	Dec 31, 2007
Cash and due from banks	8,632	–	8,632
Interest earning deposits with banks	21,156	459	21,615
Central bank funds sold and securities purchased under resale agreements	12,193	1,404	13,597
Securities borrowed	55,548	413	55,961
Financial assets at fair value through profit or loss	1,441,656	32,447	1,474,103
Financial assets available for sale	6,168	36,126	42,294
Equity method investments	–	3,366	3,366
Loans	73,826	125,066	198,892
Premises and equipment	–	2,409	2,409
Goodwill and intangible assets	–	9,383	9,383
Other assets	180,489	2,408	182,897
Assets for current tax	2,014	414	2,428
Total assets before deferred tax assets	**1,801,682**	**213,895**	**2,015,577**
Deferred tax assets			4,772
Total assets			**2,020,349**

Liability items as of December 31, 2007 follow.

	Amounts recovered or settled		Total
in € m.	within one year	after one year	Dec 31, 2007
Deposits	417,994	39,952	457,946
Central bank funds purchased and securities sold under repurchase agreements	177,468	1,273	178,741
Securities loaned	9,405	160	9,565
Financial liabilities at fair value through profit or loss	914,528	51,649	966,177
Other short-term borrowings	53,410	–	53,410
Other liabilities	168,135	3,374	171,509
Provisions	1,295	–	1,295
Liabilities for current tax	2,754	1,761	4,515
Long-term debt	23,255	103,448	126,703
Trust preferred securities	–	6,345	6,345
Obligation to purchase common shares	871	2,682	3,553
Total liabilities before deferred tax liabilities	**1,769,115**	**210,644**	**1,979,759**
Deferred tax liabilities			2,124
Total liabilities			**1,981,883**

Asset items as of December 31, 2006 follow.

in € m.	Amounts recovered or settled within one year	Amounts recovered or settled after one year	Total Dec 31, 2006
Cash and due from banks	7,008	–	7,008
Interest earning deposits with banks	17,493	1,706	19,199
Central bank funds sold and securities purchased under resale agreements	13,758	507	14,265
Securities borrowed	62,527	416	62,943
Financial assets at fair value through profit or loss	1,103,470	1,180	1,104,650
Financial assets available for sale	7,019	31,018	38,037
Equity method investments	–	2,541	2,541
Loans	59,281	119,243	178,524
Premises and equipment	–	3,241	3,241
Goodwill and intangible assets	–	8,612	8,612
Other assets	136,159	2,862	139,021
Assets for current tax	1,772	348	2,120
Total assets before deferred tax assets	**1,408,487**	**171,674**	**1,580,161**
Deferred tax assets			4,332
Total assets			**1,584,493**

Liability items as of December 31, 2006 follow.

in € m.	Amounts recovered or settled within one year	Amounts recovered or settled after one year	Total Dec 31, 2006
Deposits	375,837	36,079	411,916
Central bank funds purchased and securities sold under repurchase agreements	102,000	200	102,200
Securities loaned	21,174	–	21,174
Financial liabilities at fair value through profit or loss	669,274	25,345	694,619
Other short-term borrowings	48,433	–	48,433
Other liabilities	141,205	2,924	144,129
Provisions	1,768	–	1,768
Liabilities for current tax	2,237	1,796	4,033
Long-term debt	16,226	95,137	111,363
Trust preferred securities	–	4,771	4,771
Obligation to purchase common shares	1,547	2,780	4,327
Total liabilities before deferred tax liabilities	**1,379,701**	**169,032**	**1,548,733**
Deferred tax liabilities			2,285
Total liabilities			**1,551,018**

[42] SUPPLEMENTARY INFORMATION TO THE CONSOLIDATED FINANCIAL STATEMENTS ACCORDING TO SECTION 315A HGB

As required by Section 315a German Commercial Code ("HGB") the consolidated financial statements prepared in accordance with IFRS have to provide additional disclosures which are given below.

STAFF COSTS

in € m.	2007	2006
Staff costs:		
Wages and salaries	11,298	10,721
Social security costs	1,824	1,777
thereof: those relating to pensions	478	471
Total	**13,122**	**12,498**

STAFF

The average number of effective staff employed in 2007 was 75,047 (2006: 65,745) of whom 31,898 (2006: 27,510) were women. Part-time staff is included in these figures proportionately. An average of 47,540 (2006: 39,451) staff members worked outside Germany.

MANAGEMENT BOARD AND SUPERVISORY BOARD REMUNERATION

The total compensation of the Management Board was € 33,182,395 and € 32,901,538 for the years ended December 31, 2007 and 2006, respectively, thereof € 28,832,085 and € 28,294,058 for variable components.

Former members of the Management Board of Deutsche Bank AG or their surviving dependents received € 33,479,343 and € 27,453,021 for the years ended December 31, 2007 and 2006, respectively.

The Supervisory Board received in addition to a fixed payment (including meeting fees) of € 2,366,000 and € 998,000 (excluding value-added tax), variable emoluments totaling € 3,656,084 and € 2,390,583 for the years ended December 31, 2007 and 2006, respectively.

Provisions for pension obligations to former members of the Management Board and their surviving dependents totaled € 176,061,752 and € 193,366,824 at December 31, 2007 and 2006, respectively.

Loans and advances granted and contingent liabilities assumed for members of the Management Board amounted to € 2,186,400 and € 1,219,000 and for members of the Supervisory Board of Deutsche Bank AG to € 1,713,528 and € 1,567,000 for the years ended December 31, 2007 and 2006, respectively. Members of the Supervisory Board repaid € 1.1 million loans in 2007.

OTHER PUBLICATIONS

The 'List of Shareholdings 2007' is published as a separate document and deposited with the German Electronic Federal Gazette ("elektronischer Bundesanzeiger"). It is available in the Investor Relations section of Deutsche Bank's website (http://www.deutsche-bank.de/ir/en/content/reports.htm).

CORPORATE GOVERNANCE

Deutsche Bank AG and its only German listed consolidated subsidiary, Varta AG, have approved the Declaration of Conformity in accordance with section 161 of the German Corporation Act (AktG) and made it accessible to shareholders.

PRINCIPAL ACCOUNTING FEES AND SERVICES

The table below gives a breakdown of the fees charged by our auditors for the 2007 and 2006 financial year.

Fee category in € m.	2007	2006
Audit fees	43	44
thereof to KPMG Germany	18	18
Audit-related fees	8	10
thereof to KPMG Germany	2	4
Tax fees	8	7
thereof to KPMG Germany	2	3
Total fees	**59**	**61**

For further information please refer to our Corporate Governance Report.

[43] SUBSEQUENT EVENTS

In 2008, financial markets have continued to experience the exceptionally difficult conditions that began in the second half of 2007, and which have been reflected in considerably lower volumes of business activity in the areas most directly affected. Among the principally affected areas in which the Group does business were the leveraged finance markets. In particular, deteriorating prices in these markets have made it likely that the value of the Group's leveraged lending commitments will require further write-downs if market conditions fail to improve. As of December 31, 2007, the Group had total exposures of € 36.2 billion in its Leveraged Finance business. The financial effect of potential further adjustments on the Group's 2008 results will depend on exposures and conditions at the respective balance sheet dates, and is therefore not estimable at this point in time.

[44] RECONCILIATION OF IFRS COMPARABLES FROM PREVIOUS GAAP

MAIN POLICY DIFFERENCES BETWEEN U.S. GAAP AND IFRS

Until December 31, 2006, the Group prepared its consolidated financial statements in accordance with U.S. GAAP. The following sets out, by accounting topic, the main differences between the Group's U.S. GAAP accounting policies applied at that date and the IFRS accounting policies set out in Note [1].

U.S. GAAP	IFRS
CONSOLIDATION (A)	
Three models are used to assess consolidation status: voting rights, variable interest entities ('VIEs') and Qualifying Special Purpose Entities ('QSPEs'). Voting rights: Ownership of a majority voting interest (of over 50 %), directly or indirectly, of voting shares leads to consolidation, unless control does not rest with the majority owners. VIEs: VIEs are consolidated by the interest holder that is exposed to the majority of the entity's expected losses or residual returns, that is, the primary beneficiary. QSPE: A special purpose entity ('SPE') that qualifies as a QSPE is not consolidated.	For operating companies, ownership of the majority of voting rights, either directly or indirectly, leads to consolidation. Potential voting rights are considered. A SPE is consolidated by the Group where it is deemed to control it. Indicators of control include the SPE conducting activities on behalf of the Group and/or the Group holding the majority of the risks and rewards of the SPE. There is no concept of a QSPE under IFRS.
LOAN ORIGINATION COSTS (B)	
All cost of the loan origination activities, for example, the costs of evaluating a prospective borrower's financial condition, which are deemed directly attributable to loan origination, using a per unit cost calculation, are deferred regardless of whether they are incremental or not.	Only those costs associated with loan origination activities which are directly attributable and incremental to the origination of a loan are deferred together with the related fees and thus, included in the calculation of the effective yield.
FAIR VALUE OPTION (C)	
The fair value option available in U.S. GAAP was never adopted as a U.S. GAAP policy for the Group reporting under U.S. GAAP.	Financial assets and financial liabilities may be designated as at fair value through profit or loss (the fair value option) on initial recognition/on transition to IFRS where; — a measurement or recognition inconsistency (accounting mismatch) is significantly reduced that would otherwise arise from measuring financial assets or liabilities or recognizing the gains and losses on them on different bases; — they are managed and their performance is evaluated on a fair value basis with a documented risk management or investment strategy and reported to key management personnel on that basis; or — they contain one or more embedded derivatives that significantly modify the cash flows resulting from those financial instruments. Transaction costs in relation to financial assets and financial liabilities designated as at fair value through profit or loss are recognized in the income statement at inception. The decision to classify financial assets or financial liabilities under the fair value option is irrevocable.
EQUITY METHOD INVESTMENTS (D)	
There is specific accounting guidance on limited partnerships and entities of similar nature. A 3-20 % or more interest is required to be accounted for under the equity method of accounting as it is deemed to represent an 'other than minor influence'.	There is no specific guidance on accounting for limited partnerships and similar entities; significant influence is usually demonstrated by a holding of 20-50 % of voting rights including the consideration of potential voting rights.

U.S. GAAP	IFRS
DEFINITION OF A DERIVATIVE (E)	
Derivative contracts must have a notional and a mechanism to settle net or alternatively the derivative or the underlying asset is readily convertible to cash.	Derivative contracts are not required to have a mechanism to settle net to be classified as derivatives under IFRS.
HEDGE ACCOUNTING (P)	
Under U.S. GAAP, the entire term of the hedged item must be considered when assessing hedge effectiveness, not only for a portion of the hedged item's life. Where hedge accounting is achieved under IFRS but not under U.S. GAAP the hedge accounting has been reversed for U.S. GAAP.	IFRS permits more hedging relationships than U.S. GAAP. Under IFRS it is permitted to designate a derivative as hedging for only a portion of the time period to maturity of a hedged item in a fair value hedge.
LOANS HELD FOR SALE RECLASSIFIED TO TRADING (F)	
Loans held for sale are held at lower of cost or market value. Loan origination fees and costs are recognized upon disposal of the loan. Temporary impairment on loans held for sale under U.S. GAAP is taken through the income statement.	There is no 'loans held for sale' classification. Loans with the intention to sell or securitize in the near term are classified as trading.
FINANCIAL ASSETS CLASSIFIED AS AVAILABLE FOR SALE (G)	
EQUITY INVESTMENTS Equity securities that do not have a readily determinable fair value and other non-securitized equity interests are classified as other investments and carried at cost, less any other than temporary impairment.	Non-marketable equity investments and other non-securitized equity interests are classified as financial assets available for sale and are accounted for at fair value unless it can not be reliably determined.
AVAILABLE-FOR-SALE SECURITIES – TREATMENT OF FOREIGN EXCHANGE Changes in the fair value of available for sale debt securities arising from changes in foreign exchange rates are recorded in accumulated other comprehensive income and transferred to income on disposal of the security.	Changes in the fair value of debt instruments classified as available for sale due to changes in foreign exchange rates are reflected in the income statement.
IMPAIRMENT OF ASSETS AVAILABLE FOR SALE Impairments on available for sale debt securities cannot be subsequently reversed if they are no longer considered to be impaired.	Impairments on debt instruments classified as available for sale should be reversed if, in a subsequent period, the fair value increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the income statement.
INVESTMENT WITH A SALE RESTRICTION In general, investments with a sale restriction of more than one year are classified as other investments and carried at cost, less any other than temporary impairment. When an investment with a sale restriction is held by an entity that is regulated in the U.S. as a broker-dealer then it is carried at fair value with changes through the income statement.	Investments with a restriction on sale are classified as financial assets available for sale with changes through equity.
FINANCIAL ASSET DERECOGNITION (H)	
Derecognition of financial assets is primarily based on control. The relationship between true sale analysis and consolidation generally is that derecognition is considered first and then consolidation. Special rules apply to accounting for repurchase and reverse repurchase agreements – a collateralization close to 100 % is required to preserve financing accounting.	Derecognition is based on risks and rewards. Control is only considered when substantially all risks and rewards have been neither transferred nor retained. The consolidated group has to be determined prior to applying the derecognition criteria. A partial derecognition of transferred financial assets may occur where the Group has a continuing involvement in them.

U.S. GAAP	IFRS
REAL ESTATE & LEASING (I)	
GAINS ON SALE AND LEASEBACK Gains arising from a sale and operating leaseback transaction are deferred and amortized over the period of the operating lease.	Gains arising from a sale and operating leaseback transaction are recognized immediately in profit or loss provided that the transaction has been entered into at fair value.
CONTINUING INVOLVEMENT IN SALE AND LEASEBACKS Any form of continuing involvement precludes sales accounting.	If continuing involvement exists, this needs to be considered when determining the classification of the lease arrangement.
IMPAIRMENT OF INVESTMENT PROPERTIES The assessment as to whether an investment property is impaired is calculated by assessing the undiscounted expected future cash flows arising from the property.	The assessment of impairment is performed on a net present value basis, applying a discounting factor to the expected future cash flows.
SHARE-BASED COMPENSATION (J)	
SHARE AWARDS – 'EARLY RETIREMENT' Where plan rules allow staff of a certain age and/or service period to retain their awards on leaving, the expense is fully accelerated at the date the employee becomes eligible for early retirement. Early retirement rules were applied prospectively for awards granted after January 1, 2006.	Early retirement rules (accelerated amortization) are applied to all awards granted after November 7, 2002.
SHARE AWARDS – FORFEITURES Amortization of the total number of shares expected to vest over the service period (net of expected forfeitures) is required. Forfeitures were no longer accounted for on an actual basis from January 1, 2006.	The rules relating to expected forfeitures apply to all share awards granted after November 7, 2002.
PENSIONS (K)	
PENSIONS – ACCUMULATED ACTUARIAL GAINS AND LOSSES From December 31, 2006, any unrecognized gains/losses at year-end are reported as part of accumulated other comprehensive income ('OCI'). The Group used the corridor method whereby actuarial gains and losses exceeding 10 % of the greater of plan assets and plan liabilities are recognized in profit or loss in equal amounts over the remaining service lives of current employees.	On transition the Group recognized all cumulative actuarial gains and losses in shareholders' equity in accordance with the transitional provisions of IFRS 1. Since transition, the corridor approach is used for actuarial gains and losses.
PENSIONS – LONG-TERM EMPLOYEE BENEFITS No specific valuation rules apply.	Long-Term Employee Benefits are required to be valued using actuarial methods.
DERIVATIVES ON DEUTSCHE BANK SHARES (L)	
Put and call options indexed to Deutsche Bank shares which are physically settled are classified as derivatives.	Put and call options indexed to Deutsche Bank shares which are physically settled are classified as equity instruments. For the physically settled written put options on Deutsche Bank shares the present value of the redemption amount is recorded as a liability. The liability is accreted over the life of the options to the redemption amount recognizing interest expense in accordance with the effective interest rate method.

U.S. GAAP	IFRS
TAX (O)	
DEFERRED TAX ON SHARE-BASED COMPENSATION	
If a jurisdiction allows a tax deduction for expenses relating to share-based compensation the permissible amount for the tax deduction might differ from the cumulative remuneration expense recognized in the income statement and/or the deduction might be allowed in a later period (e.g. with delivery of the shares).	
The difference between the tax deductible amount of compensation expense and the cumulative compensation expense recognized for financial reporting (tax benefit/shortfall) has to be recognized only at delivery of the shares to the employees. Benefits are recorded in additional paid-in capital ('APIC'), and shortfalls are recognized through the income statement.	In addition to the recognition of excess tax benefits/shortfalls in taxes when shares are delivered the difference between the expected future tax deduction for share awards outstanding and the cumulative compensation expense recognized for financial reporting (tax benefit/shortfall) has to be (i) estimated based on the current share price and (ii) recognized at any reporting date.
Any credit to APIC is conditional upon the tax-paying position of the respective entity/tax group.	As IFRS allows for recognition of the expected future tax deduction a credit to APIC would be disallowed only if it is expected that the entity will not be in the position to make use of the excess tax deduction.
Shortfalls can be offset against excess tax benefits recognized in the same accounting period and in prior accounting periods.	Possibilities to offset shortfalls against excess tax benefits are limited.
DEFERRED TAXES AND TAX REVERSAL ON AVAILABLE FOR SALE SECURITIES	
The impact of changes in tax rate/tax law are included in net income even if the original deferred taxes have been recognized in equity.	Tax rate/tax law changes are accounted for consistently with the accounting for the transaction itself. Therefore, if the underlying temporary difference and related deferred taxes have been recorded in equity, a change due to tax law/tax rates is recorded in equity as well.

The following tables show reconciliations from U.S. GAAP to IFRS for the income statement for the year ended December 31, 2006, the consolidated balance sheets as of January 1, 2006 and December 31, 2006 and the impacts on shareholders' equity as of January 1, 2006 and December 31, 2006.

As the consolidated financial statements for the year ending December 31, 2007 were prepared, a number of adjustments relating to the 2006 transition year were identified and applied to the previously unaudited IFRS financial information that was presented in the Group's Transition Report (which was published on April 19, 2007) and subsequent Interim Reports. These adjustments were limited to the balance sheet and had no effect on net income. These adjustments are indicated below and reflected in the following reconciliation tables. These adjustments should be considered when referring to the Transition Report for interim periods.

— shareholders' equity as of the transition date of January 1, 2006 increased by € 91 million;
— total assets and total liabilities each increased by € 17.5 billion as of January 1, 2006 and by € 12.7 billion as of December 31, 2006, and there were similar effects as of each interim quarter end; and
— several reclassification adjustments between asset and liability categories were made, all of which did not exceed € 16 billion in any category or period affected.

Both the gross-up of assets and liabilities and the reclassifications between asset and liability categories were driven by the consolidation of certain securitization vehicles.

INCOME STATEMENT AND BALANCE SHEET RECONCILIATIONS

U.S.GAAP/IFRS RECONCILIATIONS

Consolidated Statement of Income	U.S. GAAP	Reclassi-fication						Revaluation
			Consoli-dation	Loan origination costs	Fair value option	Equity method invest-ments	Definition of a derivative	Hedge Accounting
in € m.			(A)	(B)	(C)	(D)	(E)	(P)
Year ended Dec 31, 2006								
Interest revenues	55,217	572	2,203	91	–	3	–	–
Interest expense	48,298	630	2,245	–	–	–	–	–
Net interest income	**6,919**	**(57)**	**(42)**	**91**	**–**	**3**	**–**	**–**
Provision for loan losses	330	(330)						
Net interest income after provision for loan losses	**6,589**	**(6,589)**						
Provision for credit losses		268	(3)	–	(1)	–	–	–
Net interest income after provision for credit losses		**6,594**	**(38)**	**91**	**1**	**3**	**–**	**–**
Commissions and fees from fiduciary activities	3,995	(3,995)						
Commissions, broker's fees, markups on securities underwriting and other securities activities	5,019	(5,019)						
Fees for other customer services	2,530	(2,530)						
Commissions and fee income		11,123	76	–	–	–	–	–
Trading revenues, net	8,247	(8,247)						
Net gains (losses) on financial assets/liabilities at fair value through profit or loss		9,061	53	–	(44)	(11)	61	–
Net gains on securities available for sale	407	(407)						
Net gains (losses) on financial assets available for sale	–	582	2	–	–	1	(1)	–
Net income (loss) from equity method investments	512	(53)	(27)	–	–	(19)	–	–
Other revenues	709	(473)	24	32	85	–	6	–
Total noninterest revenues	**21,419**	**41**	**127**	**32**	**41**	**(29)**	**66**	**–**
Compensation and benefits	12,649	–	–	154	–	–	–	–
Occupancy expense of premises	1,020	(1,020)						
Furniture and equipment	157	(157)						
IT costs	1,586	(1,586)						
Professional service fees	1,202	(1,202)						
Communication and data services	634	(634)						
Other expenses	2,412	(2,412)						
General and administrative expenses		6,982	57	4	–	–	–	–
Policyholder benefits and claims		67						
Impairment of intangible assets	31	–	–	–	–	–	–	–
Restructuring activities	192	–	–	–	–	–	–	–
Total noninterest expenses	**19,883**	**37**	**57**	**157**	**–**	**–**	**–**	**–**
Income before income tax expense	8,125	8	32	(34)	42	(26)	66	–
Income tax expense	2,186	–	(10)					
Reversal of 1999/2000 credits for tax rate changes	(1)	–	–					
Cumulative effect of accounting changes, net of tax	46	–	–	–	–	–	–	–
Net income	**5,986**	**8**	**41**					
Net income attributable to minority interest	–	9	–	–	–	–	–	–
Net income attributable to Deutsche Bank's shareholders	5,986	–	41	(34)	42	(26)	66	–

by accounting topic											IFRS
Loans held for sale re-classified to trading	Financial assets available for sale	Financial asset derecog-nition	Real estate & leasing	Share-based compen-sation	Pensions	Deriva-tives on Deutsche Bank shares	Currency trans-lation adjust-ments	Other	Tax	Total revalu-ation	
(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)	(N)	(O)		
(4)	–	132	–	–	–	–	–	28	32	2,486	58,275
(1)	–	64	(1)	–	–	19	–	–	13	2,339	51,267
(3)	**–**	**68**	**1**	**–**	**–**	**(19)**	**–**	**28**	**19**	**146**	**7,008**
–	–	1	–	–	–	–	–	34	–	30	298
(3)	**–**	**68**	**1**	**–**	**–**	**(19)**	**–**	**(5)**	**19**	**116**	**6,710**
1	–	(4)	–	–	–	–	–	–	–	72	11,195
(48)	(35)	(65)	–	–	–	(75)	1	(7)	–	(169)	8,892
–	7	–	–	–	–	–	–	–	–	9	591
–	–	–	–	–	–	–	2	3	–	(40)	419
–	(16)	22	(7)	–	–	–	(1)	11	–	153	389
(47)	**(45)**	**(47)**	**(7)**	**–**	**–**	**(75)**	**2**	**8**	**–**	**26**	**21,486**
–	–	–	–	(232)	(73)	–	–	–	–	(151)	12,498
–	2	1	11	–	–	–	–	13	–	87	7,069
											67
–	–	–	–	–	–	–	–	–	–	–	31
–	–	–	–	–	–	–	–	–	–	–	192
–	**2**	**1**	**11**	**(232)**	**(73)**	**–**	**–**	**13**	**–**	**(63)**	**19,857**
(50)	(46)	20	(17)	232	73	(94)	2	(11)	19	206	8,339
									84	74	2,260
									1	1	–
–	–	–	–	(68)	(8)	–	–	–	30	(46)	–
									(37)	**85**	**6,079**
–	–	–	–	–	–	–	–	–	–	–	9
(50)	(46)	20	(17)	163	65	(94)	2	(11)	(37)	84	6,070

Consolidated Balance Sheet	U.S. GAAP	Gross up	Reclassi-fication						Revaluation
				Consoli-dation	Loan origina-tion costs	Fair value option	Equity method invest-ments	Definition of a derivative	Hedge Account-ing
in € m.				(A)	(B)	(C)	(D)	(E)	(P)
Balance at January 1, 2006									
Cash and due from banks	6,571	–	–	297	–	–	–	–	–
Interest-earning deposits with banks	11,963	–	–	160	–	–	–	–	–
Central bank funds sold and securities purchased under resale agreements	130,993	35,240	(149,680)	–	–	–	–	–	–
Securities borrowed	101,125	16,322	(64,083)	–	–	–	–	–	–
Trading assets	448,393		(448,393)						
Financial assets at fair value through profit or loss		313,717	689,321	22,996	–	(163)	1	55	–
Securities available for sale	21,675		(21,675)	–	–	–	–	–	–
Financial assets available for sale		7	23,536	9,753	–	–	60	–	–
Other investments	7,382		(7,382)						
Equity method investments		–	4,607	(60)	–	–	12	–	–
Loans	151,355	–	(283)	12,579	(266)	–	–	–	–
Premises and equipment	5,079	(97)	(1,798)	44	–	–	–	–	–
Goodwill	7,045		(7,045)						
Other intangible assets, net	1,198		(1,198)						
Intangible assets		–	8,340	1	–	–	–	–	–
Other assets	99,382	42,676	(29,657)	1,333	(6)	–	–	–	–
Income tax assets		–	5,390	119	–	–	–	–	–
Total assets	**992,161**	**407,865**	**–**	**47,222**	**(272)**	**(163)**	**73**	**55**	**–**
Deposits	380,787	–	(1,089)	(568)	–	–	–	–	–
Central bank funds purchased and securities sold under repurchase agreements	143,524	51,561	(108,386)	–	–	–	–	–	–
Securities loaned	24,581	–	(411)	–	–	–	–	–	–
Trading liabilities	194,347		(194,347)						
Financial liabilities at fair value through profit or loss		314,548	317,117	14,994	–	261	–	63	–
Other short-term borrowings	20,549	–	20	23,214	–	–	–	–	–
Other liabilities	81,377	41,756	(10,932)	1,055	(12)	(18)	–	1	–
Provisions		–	2,336	(3)	–	(2)	–	–	–
Income tax liabilities		–	6,893	227	–	–	–	–	–
Long-term debt	113,554	–	(11,118)	3,726	–	–	–	–	(55)
Trust preferred securities	–	–	(706)	4,628	–	–	–	–	–
Obligation to purchase common shares	3,506	–	–	–	–	–	–	–	–
Total liabilities	**962,225**	**407,865**	**(623)**	**47,272**	**(12)**	**240**	**–**	**63**	**(55)**
Common shares, no par value, nominal value of € 2.56	1,420	–	–	–	–	–	–	–	–
Additional paid-in capital	13,793	–	–	–	–	–	–	–	–
Retained earnings	22,628	–	–	(93)	(260)	(285)	12	(8)	55
Common shares in treasury, at cost	(3,368)	–	–	–	–	–	–	–	–
Equity classified as obligation to purchase common shares	(3,506)	–	–	–	–	–	–	–	–
Accumulated other comprehensive income (loss)	(1,031)		1,031						
Net gains (losses) not recognized in the income statement, net of tax		–	(1,031)	42	–	(118)	61	–	–
Total shareholders' equity	**29,936**	**–**	**–**	**(51)**	**(260)**	**(403)**	**73**	**(8)**	**55**
Minority interest	–	–	624	–	–	–	–	–	–
Total equity	**29,936**	**–**	**624**	**(51)**	**(260)**	**(403)**	**73**	**(8)**	**55**
Total liabilities and equity	**992,161**	**407,865**	**–**	**47,222**	**(272)**	**(163)**	**73**	**55**	**–**

by accounting topic											IFRS
Loans held for sale re-classified to trading	Financial assets available for sale	Financial asset derecog-nition	Real estate & leasing	Share-based compen-sation	Pensions	Deriva-tives on Deutsche Bank shares	Currency transla-tion adjust-ments	Other	Tax	Total revalu-ation	
(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)	(N)	(O)		
–	–	–	–	–	–	–	–	–	–	298	6,869
–	–	–	–	–	–	–	–	–	–	160	12,123
–	–	–	–	–	–	–	–	–	–	–	16,553
–	–	–	–	–	–	–	–	–	–	–	53,364
44	–	1,907	–	–	–	(357)	–	15	–	24,497	1,027,535
–	–	–	–	–	–	–	–	–	–	–	–
–	263	(564)	–	–	–	–	–	1	–	9,513	33,055
–	–	–	–	–	–	–	–	(5)	–	(53)	4,554
–	(2)	2,094	–	–	–	–	–	(1)	(67)	14,338	165,411
–	–	–	–	–	–	–	–	1	–	44	3,228
–	–	–	–	–	–	–	–	–	–	1	8,341
–	–	(595)	(74)	–	(909)	–	–	–	–	(253)	112,148
–	–	–	–	–	–	–	–	–	741	860	6,250
44	**261**	**2,842**	**(74)**	**–**	**(909)**	**(357)**	**–**	**11**	**674**	**49,405**	**1,449,431**
–	–	4,849	–	–	–	–	–	–	–	4,281	383,979
–	–	–	–	–	–	–	–	–	–	–	86,699
–	–	(161)	–	–	–	–	–	–	–	(160)	24,010
–	–	(407)	–	–	–	(220)	–	–	–	14,688	646,353
–	–	(106)	–	–	–	–	–	–	–	23,108	43,677
(3)	–	204	(136)	50	133	–	–	6	–	1,281	113,482
–	2	–	–	–	–	–	–	–	–	(3)	2,333
–	–	–	–	–	–	–	(36)	–	(460)	(269)	6,624
–	–	(1,499)	–	–	–	(1)	–	–	–	2,171	104,606
–	–	–	–	–	–	–	–	–	–	4,627	3,921
–	–	–	–	–	–	943	–	–	–	943	4,449
(3)	**2**	**2,880**	**(136)**	**50**	**133**	**722**	**(36)**	**6**	**(460)**	**50,667**	**1,420,133**
–	–	–	–	–	–	–	–	–	–	–	1,420
–	–	–	–	493	–	(94)	–	–	272	671	14,464
47	(2)	(39)	62	(543)	(1,056)	(41)	(1,344)	6	(1,281)	(4,772)	17,856
–	–	–	–	–	–	–	–	–	–	–	(3,368)
–	–	–	–	–	–	(943)	–	–	–	(943)	(4,449)
–	261	–	–	–	14	–	1,380	(1)	2,143	3,782	2,751
47	**259**	**(39)**	**62**	**(50)**	**(1,042)**	**(1,078)**	**36**	**5**	**1,133**	**(1,262)**	**28,674**
–	–	–	–	–	–	–	–	–	–	–	624
47	**259**	**(39)**	**62**	**(50)**	**(1,042)**	**(1,078)**	**36**	**5**	**1,133**	**(1,262)**	**29,298**
44	**261**	**2,842**	**(74)**	**–**	**(909)**	**(357)**	**–**	**11**	**674**	**49,405**	**1,449,431**

Consolidated Balance Sheet	U.S. GAAP	Gross up	Reclassi-fication						Revaluation
				Consoli-dation	Loan origina-tion costs	Fair value option	Equity method invest-ments	Definition of a derivative	Hedge Account-ing
in € m.				(A)	(B)	(C)	(D)	(E)	(P)
Balance at Dec 31, 2006									
Cash and due from banks	7,009	(4)	–	3	–	–	–	–	–
Interest-earning deposits with banks	19,470	–	–	(279)	–	–	–	–	–
Central bank funds sold and securities purchased under resale agreements	138,763	34,342	(159,532)	–	–	–	–	–	–
Securities borrowed	108,266	16,897	(62,220)	–	–	–	–	–	–
Trading assets	516,839		(516,839)						
Financial assets at fair value through profit or loss		300,752	778,513	25,590	–	(113)	(10)	89	–
Securities available for sale	22,054		(22,054)	–	–	–	–	–	–
Financial assets available for sale		–	28,263	9,355	–	–	89	–	–
Other investments	5,357		(5,357)						
Equity method investments		–	2,627	(85)	–	–	(1)	–	–
Loans	168,134	–	(7,383)	16,786	(292)	–	–	–	–
Premises and equipment	4,149	(67)	(886)	45	–	–	–	–	–
Goodwill	7,144		(7,144)						
Other intangible assets, net	1,267		(1,267)						
Intangible assets		50	8,561	1	–	–	–	–	–
Other assets	127,778	53,499	(41,033)	536	(10)	–	–	5	–
Income tax assets		–	5,751	83	–	–	–	–	–
Total assets	**1,126,230**	**405,468**	**–**	**52,035**	**(301)**	**(113)**	**78**	**94**	**–**
Deposits	408,782	–	(1,252)	(898)	–	–	–	–	–
Central bank funds purchased and securities sold under repurchase agreements	187,129	51,239	(136,167)	–	–	–	–	–	–
Securities loaned	23,240	–	(669)	–	–	–	–	–	–
Trading liabilities	218,854		(218,854)						
Financial liabilities at fair value through profit or loss		300,834	382,803	12,397	–	139	–	34	–
Other short-term borrowings	19,793	–	172	28,566	–	–	–	–	–
Other liabilities	99,672	53,395	(9,888)	626	(6)	2	–	–	–
Provisions		–	1,768	(1)	–	(3)	–	–	–
Income tax liabilities		–	6,646	158	–	–	–	–	–
Long-term debt	132,495	–	(24,972)	6,114	–	–	–	–	(55)
Trust preferred securities	–	–	(304)	5,075	–	–	–	–	–
Obligation to purchase common shares	3,457	–	–	–	–	–	–	–	–
Total liabilities	**1,093,422**	**405,468**	**(717)**	**52,038**	**(6)**	**138**	**–**	**34**	**(55)**
Common shares, no par value, nominal value of € 2.56	1,343	–	–	–	–	–	–	–	–
Additional paid-in capital	14,424	–	–	–	–	–	–	–	–
Retained earnings	25,069	–	–	(86)	(295)	(250)	(14)	61	55
Common shares in treasury, at cost	(2,378)	–	–	–	–	–	–	–	–
Equity classified as obligation to purchase common shares	(3,457)	–	–	–	–	–	–	–	–
Accumulated other comprehensive income (loss)	(2,193)		2,193						
Net gains (losses) not recognized in the income statement, net of tax		–	(2,193)	84	–	(1)	92	–	–
Total shareholders' equity	**32,808**	**–**	**–**	**(2)**	**(295)**	**(251)**	**78**	**61**	**55**
Minority interest	–	–	717	–	–	–	–	–	–
Total equity	**32,808**	**–**	**717**	**(2)**	**(295)**	**(251)**	**78**	**61**	**55**
Total liabilities and equity	**1,126,230**	**405,468**	**–**	**52,035**	**(301)**	**(113)**	**78**	**94**	**–**

by accounting topic											IFRS
Loans held for sale re-classified to trading	Financial assets available for sale	Financial asset derecogni-tion	Real estate & leasing	Share-based compen-sation	Pensions	Deriva-tives on Deutsche Bank shares	Currency transla-tion adjust-ments	Other	Tax	Total revalu-ation	
(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)	(N)	(O)		
–	–	–	–	–	–	–	–	–	–	3	7,008
–	–	–	–	–	–	–	–	7	–	(271)	19,199
–	–	692	–	–	–	–	–	–	–	692	14,265
–	–	–	–	–	–	–	–	–	–	–	62,943
(2)	–	52	–	–	–	(225)	–	3	–	25,385	1,104,650
–	–	–	–	–	–	–	–	–	–	–	–
–	331	–	–	–	–	–	–	–	–	9,775	38,037
–	–	–	–	–	–	–	–	–	–	(86)	2,541
(3)	(1)	1,342	–	–	–	–	–	(10)	(50)	17,773	178,524
–	–	–	–	–	–	–	–	–	–	45	3,241
–	–	–	–	–	–	–	–	–	–	1	8,612
(10)	–	(1,582)	(80)	–	(82)	–	–	–	–	(1,224)	139,021
–	–	–	–	–	–	–	–	–	618	701	6,452
(14)	**330**	**504**	**(80)**	**–**	**(82)**	**(225)**	**–**	**–**	**568**	**52,795**	**1,584,493**
–	–	5,283	–	–	–	–	–	–	–	4,386	411,916
–	–	–	–	–	–	–	–	–	–	(1)	102,200
–	–	(1,396)	–	–	–	–	–	–	–	(1,397)	21,174
–	–	(1,379)	–	–	–	(209)	–	–	–	10,981	694,619
–	–	(98)	–	–	–	–	–	–	–	28,468	48,433
(9)	–	335	(125)	36	86	–	–	6	1	951	144,129
–	3	–	–	–	–	–	–	–	–	–	1,768
–	–	–	–	–	–	–	(36)	–	(450)	(328)	6,318
–	–	(2,220)	–	–	–	–	–	–	–	3,841	111,363
–	–	–	–	–	–	–	–	–	–	5,075	4,771
–	–	–	–	–	–	870	–	–	–	870	4,327
(9)	**3**	**525**	**(125)**	**36**	**86**	**660**	**(36)**	**6**	**(449)**	**52,846**	**1,551,018**
–	–	–	–	–	–	–	–	–	–	–	1,343
–	–	–	–	344	–	(4)	–	–	482	822	15,246
(3)	(56)	(20)	45	(380)	(966)	(32)	(1,328)	(5)	(1,343)	(4,618)	20,451
–	–	–	–	–	–	–	–	–	–	–	(2,378)
–	–	–	–	–	–	(850)	–	–	–	(850)	(4,307)
(3)	383	–	–	–	798	–	1,364	(1)	1,878	4,595	2,403
(6)	**327**	**(20)**	**45**	**(36)**	**(168)**	**(886)**	**36**	**(6)**	**1,017**	**(51)**	**32,758**
–	–	–	–	–	–	–	–	–	–	–	717
(6)	**327**	**(20)**	**45**	**(36)**	**(168)**	**(886)**	**36**	**(6)**	**1,017**	**(51)**	**33,475**
(14)	**330**	**504**	**(80)**	**–**	**(82)**	**(225)**	**–**	**–**	**568**	**52,795**	**1,584,493**

Independent Auditors' Report

We have audited the consolidated financial statements prepared by the Deutsche Bank Aktiengesellschaft, comprising the balance sheet, the income statement, the statement of recognized income and expense, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from January 1, 2007 to December 31, 2007. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to section 315a paragraph 1 HGB (German Commercial Code) are the responsibility of Deutsche Bank Aktiengesellschaft's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit. In addition we have been instructed to express an opinion as to whether the consolidated financial statements comply with full IFRS.

We conducted our audit of the consolidated financial statements in accordance with section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany), and in supplementary compliance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to section 315a paragraph 1 HGB and full IFRS and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, March 10, 2008

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Becker
Wirtschaftsprüfer

Bose
Wirtschaftsprüfer

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Audited Consolidated Financial Statements (U.S. GAAP) of Deutsche Bank Aktiengesellschaft for the Fiscal Year ending 31 December 2006

Incorporated by reference to the Registration Document of Deutsche Bank AG dated April 29, 2008, pages F-385 to F-482 (see "*Documents Incorporated by Reference*")

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Audited Annual Financial Statements 2008 (HGB) of Deutsche Bank Aktiengesellschaft for the Fiscal Year ending 31 December 2008

Balance Sheet

Assets in € m.				Dec 31, 2008	Dec 31, 2007
Cash reserve					
a) cash on hand			18		20
b) balances with central banks			29,851		11,619
thereof: with Deutsche Bundesbank	24,594				(9,238)
				29,869	11,639
Debt instruments of public-sector entities and bills of exchange eligible for refinancing at central banks					
a) Treasury bills, discountable Treasury notes and similar debt instruments of public-sector entities			1,006		2,675
thereof: eligible for refinancing at Deutsche Bundesbank	238				(1,494)
b) bills of exchange			1		433
thereof: eligible for refinancing at Deutsche Bundesbank	–				(0)
				1,007	3,108
Receivables from banks					
a) repayable on demand			120,673		108,188
b) other receivables			121,195		149,193
				241,868	257,381
thereof: reverse repos	37,916				(79,892)
Receivables from customers				405,850	588,926
thereof: secured by mortgage charges	3,878				(2,564)
loans to or guaranteed by public-sector entities	8,105				(5,816)
reverse repos	70,176				(158,377)
Bonds and other fixed-income securities					
a) money market instruments					
aa) of public-sector issuers		2,248			1,006
ab) of other issuers		7,120			7,830
thereof: eligible as collateral for Deutsche Bundesbank advances	9				(78)
			9,368		8,836
b) bonds and notes					
ba) of public-sector issuers		34,541			87,709
thereof: eligible as collateral for Deutsche Bundesbank advances	10,385				(40,937)
bb) of other issuers		93,984			130,908
thereof: eligible as collateral for Deutsche Bundesbank advances	31,638				(20,218)
			128,525		218,617
c) own debt instruments			3,358		2,970
nominal amount	3,785				3,090
				141,251	230,423
Equity shares and other variable-yield securities				68,468	127,892
Participating interests				2,964	870
thereof: in banks	502				(224)
in financial services institutions	112				(67)
Investments in affiliated companies				37,071	38,323
thereof: in banks	6,106				(6,035)
in financial services institutions	1,495				(1,417)
Assets held in trust				757	1,034
thereof: loans on a trust basis	291				(334)
Intangible assets				406	530
Tangible assets				892	911
Own shares (notional par value € 21 million)				227	2,610
Sundry assets				1,317,648	525,503
Tax deferral				1,477	899
Prepaid expenses				910	627
Total assets				**2,250,665**	**1,790,676**

Liabilities and Shareholders' Equity in € m.				Dec 31, 2008	Dec 31, 2007
Liabilities to banks					
a) repayable on demand			199,235		286,102
b) with agreed period or notice period			168,458		209,430
				367,693	495,532
thereof:					
repos	20,234				(85,371)
Liabilities to customers					
a) savings deposits					
aa) with agreed notice period of three months		3,402			2,953
ab) with agreed notice period of more than three months		4,936			2,185
			8,338		5,138
b) other liabilities					
ba) repayable on demand		225,899			258,296
bb) with agreed period or notice period		142,643			256,905
			368,542		515,201
				376,880	520,339
thereof:					
repos	33,433				(98,844)
Liabilities in certificate form					
a) bonds in issue			54,974		33,374
b) other liabilities in certificate form			125,709		155,751
				180,683	189,125
thereof:					
money market instruments	9,514				(26,550)
own acceptances and promissory notes in circulation	169				(3,768)
Liabilities held in trust				757	1,034
thereof: loans on a trust basis	291				(334)
Sundry liabilities				1,276,950	531,348
Deferred income				968	520
Provisions					
a) provisions for pensions and similar obligations			3,190		3,105
b) provisions for taxes			1,162		2,297
c) other provisions			4,402		6,936
				8,754	12,338
Subordinated liabilities				17,038	13,784
Fund for general banking risks				–	3,475
Capital and reserves					
a) subscribed capital			1,461		1,358
conditional capital € 154 m. (Dec 31, 2007: € 156 m.)					
b) capital reserve			15,091		12,973
c) revenue reserves					
ca) statutory reserve		13			13
cb) reserve for own shares		227			2,610
cc) other revenue reserves		3,840			3,840
			4,080		6,463
d) distributable profit			310		2,387
				20,942	23,181
Total liabilities and shareholders' equity				**2,250,665**	**1,790,676**
Contingent liabilities					
a) contingent liabilities from rediscounted bills of exchange			0		–
b) liabilities from guarantees and indemnity agreements					
(see also page 48)			52,836		52,434
c) liability arising from the provision of collateral for third-party liabilities			55		101
				52,891	52,535
Other obligations					
a) repurchase obligations under agreements to sell securities with an option to repurchase them			–		–
b) placement and underwriting obligations			–		–
c) irrevocable credit commitments			113,321		134,825
				113,321	134,825

Income Statement

Expenses in € m.			2008	2007
Interest expenses			34,153	36,925
Commission expenses			1,530	1,689
Net loss from financial transactions			6,201	–
Administrative expenses				
a) staff expenses				
aa) wages and salaries	3,743			5,764
ab) compulsory social security contributions and expenses for pensions and other employee benefits	958			1,278
		4,701		7,042
thereof: for pensions	419			(451)
b) other administrative expenses		4,459		4,695
			9,160	11,737
Depreciation, amortization and write-down of and value adjustments to tangible and intangible assets			257	226
Other operating expenses			1,941	1,849
Write-downs of and value adjustments to claims and certain securities as well as additions to provisions for possible loan losses			2,938	453
Write-downs of and value adjustments to participating interests, investments in affiliated companies and securities treated as fixed assets			1,551	582
Expenses from assumption of loss			0	140
Extraordinary expenses			–	2
Income taxes			(1,387)	1,835
Other taxes, unless reported under other operating expenses			75	62
Net income			–	2,757
Total expenses			**56,419**	**58,257**

		2008	2007
Net loss/Net income		(2,185)	2,757
Profit carried forward from the previous year		113	94
		(2,072)	2,851
Withdrawal from revenue reserves			
– from reserve for own shares	2,382		–
– from other revenue reserves	–		–
		2,382	–
Allocations to revenue reserves			
– to reserve for own shares	–		244
– to other revenue reserves	–		220
		–	464
Distributable profit		**310**	**2,387**

Income in € m.		2008	2007
Interest income from			
a) lending and money market business	29,517		32,504
b) fixed-income securities and government-inscribed debt	5,638		6,337
		35,155	38,841
Current income from			
a) equity shares and other variable-yield securities	2,616		4,067
b) participating interests	121		22
c) investments in affiliated companies	2,165		530
		4,902	4,619
Income from profit-pooling, profit-transfer and partial profit-transfer agreements		2,218	1,369
Commission income		6,361	7,355
Net income from financial transactions		–	5,438
Other operating income		2,123	627
Income from release of the fund for general banking risks		3,475	–
Extraordinary income		–	8
Net loss		2,185	–
Total income		**56,419**	**58,257**

Notes to the Accounts

The annual financial statements of Deutsche Bank AG for the 2008 financial year have been prepared in accordance with the regulations of the Bank Accounting Directives Act (Sections 340 et seq. of the German Commercial Code (HGB), Statutory Order on Banks' Accounts (RechKredV)); company-law regulations have been complied with. For the sake of clarity, the figures are reported in millions of euros (€).

To improve comparability, prior year figures were revised in the captions current income from equities and other non-fixed income securities und net income from financial transactions without impact on net income. The reduction of current income from equities and other non-fixed income securities by € 3,031 million is offset by an increase of net income from financials transactions. Furthermore, prior year figures were revised in the captions other assets and other liabilities by an amount of € 96,092 million due to additional counterparty netting for financial instruments.

Basis of Presentation

Accounting policies for:

Receivables

Receivables from banks and customers are generally reported at their nominal amount or at acquisition cost. Necessary impairments are deducted. Loan receivables held for sale are reported at the lower-of-cost-or-market value. Loans held in trading portfolios are accounted for as described in the separate paragraph 'Trading Activities'.

Securities

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

Certain holdings of bonds and other fixed-income securities for which the intent is to hold them for the foreseeable future are classified as non-current investments and accounted for using the moderate lower-of-cost-or-market rule in accordance with Section 253 (1) and (2) HGB. This means that the respective securities are carried at acquisition cost less other than temporary impairment.

If bonds and other fixed-income securities neither are held for the foreseeable future nor form part of the trading portfolio, they are classified as current assets and are accounted for using the strict lower-of-cost-or-market rule, pursuant to Section 253 (1) and (3) HGB. This means that they are carried at the lower of acquisition cost or market respectively attributable value. The same applies to equity shares and other variable-yield securities which, if they are not part of the trading portfolio, are generally accounted for as current assets.

Embedded Derivatives

Some hybrid contracts contain both a derivative and a non derivative component. In such cases, the derivative component is referred to as embedded derivative, with the non derivative component representing the host contract. Where the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract, and the hybrid contract itself is not carried at fair value through profit or loss, the embedded derivative is bifurcated. Valuation differences, to the extent they are recognized, are reported as net income from financial transactions. The host contract is accounted for at amortized cost.

Trading activities

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

Fair value is defined as the price at which a financial instrument could be exchanged in a current transaction between knowledgeable, willing parties, other than in a forced sale or liquidation. Where available, fair value is based on observable market prices and parameters or derived from such prices or parameters. The availability of observable data varies by product and market and may change over time. Where observable prices or inputs are not available, valuation techniques appropriate to the particular instrument are applied.

If fair value is estimated by using a valuation technique or derived from observable prices or parameters, significant judgment may be required. Such estimates are inherently uncertain susceptible to change. Therefore, actual results and the financial position may differ from these estimates.

Reclassifications

Receivables and securities have to be classified as trading activities, liquidity reserve or non-current investments at inception (Section 247 (1) and (2) HGB). A reclassification between the respective categories occurs when there has been a clear change in management intent after initial recognition which is documented. The reclassifications were made when the intent changed.

Participating interests, investments in affiliated companies, tangible and intangible assets

Since 2006, participating interests and investments in affiliated companies have been recognized either at cost or – utilizing the option available under Section 253 HGB – at their lower fair value. Participating interests and investments in affiliated companies are written up pursuant to the requirement to reinstate original values (Section 280 HGB). The offsetting option available under Section 340c (2) HGB has been utilized.

Tangible assets and acquired intangible assets are reported at their acquisition or manufacturing cost less any depreciation or amortization. Write-downs are made for any impairment that is likely to be permanent. Low-value assets are written off in the year in which they are acquired.

Liabilities

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

Provisions

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

For fund-based defined-contribution pension plans set up for employees, the pension provisions are recognized as the sum of the fair value of the employees' defined-contribution plan assets and the present value of the risk premium. If this value is lower than the amount calculated under the entry-age normal method pursuant to Section 6a of the German Income Tax Act (EStG), the provision will be adjusted to reflect the higher amount.

Provisions for taxes and other provisions that have been set aside either for contingent liabilities or for onerous contracts are recognized according to the principles of prudent commercial judgment in accordance with Section 253 (1) HGB.

Risk provisioning

Provisioning for possible loan losses comprises impairments and provisions for all identifiable credit and country risks, for inherent default risks and the provision for general banking risks. Provisions for credit risks are reflected in accordance with the prudence principle at the amount of expected losses.

The transfer risk for loans to borrowers in foreign states (country risk) is assessed using a rating system that takes into account the economic, political and regional situation. When recognizing provisions for cross-border exposures to certain countries the prudence principle is applied.

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

Currency translation

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

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

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

The items on the balance sheets and the income statements of foreign branches are translated into euros at mid-rates at the respective balance sheet dates (closing-rate method). Differences resulting from the translation of balance sheet items within the bank – with the exception of exchange-rate losses on the translation of the capital allocated to our branches outside Germany (including gains and losses carried forward) – are reported as sundry assets or sundry liabilities not affecting net income.

Notes to the Balance Sheet

Reclassifications

In 2008 receivables from customers were reclassified from trading or held for sale to cost portfolio. In addition bonds and other fixed-income securities were reclassified from trading portfolio or liquidity reserve to fixed assets and valued accordingly. The intrinsic values of the assets exceeded their estimated fair values at reclassification date.

Due to significantly reduced liquidity in the financial markets assets were identified for which a change of intent to hold for the foreseeable future rather than exit or trade in the short term occurred. The assets were reclassified with the lower fair value at reclassification date.

The following table shows the carrying values and fair values of the reclassified assets:

		Dec 31, 2008	
in € m.	Carrying value at reclassification date	Carrying value	Fair value
Receivables from customers	14,207	13,802	12,375
Bonds and other fixed-income securities – trading	3,263	3,020	2,580
Bonds and other fixed-income securities – liquidity reserve	1,016	973	842
Total assets reclassified	**18,486**	**17,795**	**15,797**

Securities

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

	listed		unlisted	
in € m.	Dec 31, 2008	Dec 31, 2007	Dec 31, 2008	Dec 31, 2007
Bonds and other fixed-income securities	103,894	198,974	37,357	31,449
Equity shares and other variable-yield securities	55,655	107,037	7,055	13,270
Participating interests	452	181	0	76
Investments in affiliated companies	–	–	203	115

Equity shares and other variable-yield securities (€ 68,468 million) include mutual fund units of € 3,441 million (December 31, 2007: € 3,489 million) that have been transferred to an independent trustee and may only be used to meet pension obligations towards staff members and retired employees in Germany and to meet liabilities for pre-retirement part-time employment.

Bonds and other fixed-income securities include securities of € 105,705 million (December 31, 2007: € 226,186 million) that are held for trading purposes and recognized at fair value. Equity shares and other variable-yield securities include securities of € 64,268 million (December 31, 2007: € 123,700 million) that are held for trading purposes and recognized at fair value.

Bonds and other fixed-income securities held as fixed assets are reported at amortized cost, the corresponding fair value amounted to € 4,475 million as of December 31, 2008. The assets are reported at amortized cost, since the fair value does not reflect the intrinsic value due to the current lack of liquidity in the financial markets and the intrinsic value can be realized in the long term.

Where available, the fair value is derived from observable prices or parameters. Where observable market prices or inputs are not available, valuation techniques appropriate for the particular instrument are applied. In one case the determination of the fair value of these fixed assets neither included the changes in liquidity spread since trade date following the intent to hold them in the long term, nor the changes in the credit spread since the credit risk had already been considered in the provisions for credit losses.

Fixed Assets

The following schedule shows the changes in fixed assets:

	Acquisition/manufacturing costs			Depreciation/amortization, write-downs and value adjustments				Book values
in € m.	Balance at Jan 1, 2008	Additions	Disposals	Cumula-tive	therein current year	therein disposals	Balance at Dec 31, 2008	Balance at Dec 31, 2007
Intangible assets	725	54	5	368	90	3	406	530
Tangible assets	2,001	240	118	1,231	167	85	892	911
land and buildings	268	1	1	30	12	1	238	253
office furniture and equipment	1,733	239	117	1,201	155	84	654	658
leasing	0	–	0	–	0	–	–	0
			Change					
Participating interests			+ 2,094				2,964	870
Investments in affiliated companies			(1,252)				37,071	38,323
Bonds and other fixed-income securities			+ 4,941				4,941	–
Equity shares and other variable-yield securities			(82)				74	156

The option to combine financial assets pursuant to Section 34 (3) RechKredV has been utilized. Exchange rate changes at foreign branches resulting from currency translation at closing rates have been recognized in acquisition/manufacturing costs (balance at January 1, 2008) and in cumulative depreciation/amortization, write-downs and value adjustments. Land and buildings with a total book value of € 230 million were used as part of our own activities.

Subordinated assets

Subordinated assets are reported as follows:

in € m.	Dec 31, 2008	Dec 31, 2007
Receivables from banks	1,210	1,249
Receivables from customers	997	1,126
Bonds and other fixed-income securities	1,360	7,127
Equity shares and other variable-yield securities	0	1

Intangible assets

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

Sundry assets

Sundry assets primarily comprise positive fair values of € 1,298,807 million (December 31, 2007: € 513,887 million) from derivative financial instruments held for trading purposes. They also include margin payments on swaps, precious metals holdings, checks, matured bonds and claims on tax refunds from the tax authorities.

Tax deferral

The net deferred tax assets reported pursuant to Section 274 (2) HGB amount to € 1,476.5 million. They correspond to the future tax benefit arising from the reversal of the differences between commercial law and tax law gains and losses based country-specific income tax rates.

Sundry liabilities

Sundry liabilities primarily comprise negative fair values of € 1,257,785 million (December 31, 2007: € 523,418 million) from derivative financial instruments held for trading purposes. Under this item we also report the value-at-risk adjustment, accrued but not yet matured interest on subordinated liabilities, and translation adjustment losses.

Subordinated liabilities

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

Interest expenses for all subordinated liabilities totaled € 853 million. Accrued but not yet matured interest of € 305 million included in this figure is reported under sundry liabilities.

Material subordinated liabilities:

Currency	Amount	Issuer/type	Interest rate	Maturity
€	1,100,000,000	Deutsche Bank AG, bond of 2003	5.13 %	31.1.2013
€	1,000,000,000	Deutsche Bank AG, bond of 2004	3.88 %	16.1.2014
€	750,000,000	Deutsche Bank AG, bond of 2005	3.33 %	22.9.2015
€	500,000,000	Deutsche Bank AG, bond of 2004	3.43 %	20.9.2016
€	500,000,000	Deutsche Bank AG, bond of 2005	3.63 %	9.3.2017
€	1,000,000,000	Deutsche Bank AG, registered bond of 2003 (DB Capital Funding LLC IV, Wilmington/USA, issue proceeds passed on to us)	5.33 %	19.9.2023
€	300,000,000	Deutsche Bank AG, registered bond of 2003 (DB Capital Funding LLC V, Wilmington/USA, issue proceeds passed on to us)	6.15 %	2.12.2033
€	900,000,000	Deutsche Bank AG, registered bond of 2005 (DB Capital Funding LLC VI, Wilmington/USA, issue proceeds passed on to us)	4.94 %	28.1.2035
€	300,000,000	Deutsche Bank AG, registered bond of 2005 (DB Capital Finance LLC I, Wilmington/USA, issue proceeds passed on to us)	4.71 %	27.6.2035
€	1,000,001,000	DB Contingent Capital LLC IV, Wilmington/USA, issue proceeds passed on to us	8.00 %	unlimited
GBP	225,000,000	Deutsche Bank AG, bond of 2004	5.25 %	15.12.2015
U.S.$	318,000,000	DB Capital LLC I, Wilmington/USA, issue proceeds passed on to us	7.06 %	30.3.2009
U.S.$	550,000,000	Deutsche Bank Financial Inc., Dover/USA, issue proceeds passed on to us	7.50 %	25.4.2009
U.S.$	250,000,000	Deutsche Bank AG (taken over from Deutsche Bank Finance N.V., Curaçao/ Netherlands Antilles, in 2005; formerly issue proceeds passed on to us)	3.79 %	30.4.2009
U.S.$	650,000,000	DB Capital Funding LLC I, Wilmington/USA, issue proceeds passed on to us	7.87 %	30.6.2009
U.S.$	225,000,000	DB Capital LLC V, Wilmington/USA, issue proceeds passed on to us	7.16 %	30.6.2010
U.S.$	1,150,000,000	DB Capital Funding LLC IX, Wilmington/USA, issue proceeds passed on to us	6.63 %	20.8.2012
U.S.$	350,000,000	Deutsche Bank AG, bond of 2004	2.45 %	17.2.2015
U.S.$	800,000,000	Deutsche Bank Financial Inc., Dover/USA, issue proceeds passed on to us	5.38 %	2.3.2015
U.S.$	800,000,000	Deutsche Bank AG, registered bond of 2006 (DB Capital Funding LLC VII, Wilmington/USA, issue proceeds passed on to us)	5.63 %	19.1.2016
U.S.$	600,000,000	Deutsche Bank AG, registered bond of 2006 (DB Capital Funding LLC VIII, Wilmington/USA, issue proceeds passed on to us)	6.38 %	unlimited
U.S.$	800,000,000	DB Contingent Capital LLC II, Wilmington/USA, issue proceeds passed on to us	6.55 %	unlimited
U.S.$	805,000,000	DB Capital Funding LLC X, Wilmington/USA, issue proceeds passed on to us	7.35 %	unlimited
U.S.$	1,265,000,000	DB Contingent Capital LLC V, Wilmington/USA, issue proceeds passed on to us	8.05 %	unlimited
U.S.$	1,975,000,000	DB Contingent Capital LLC III, Wilmington/USA, issue proceeds passed on to us	7.60 %	unlimited

Own shares

In the course of 2008, the bank or its affiliated companies bought 368,349,606 Deutsche Bank shares at prevailing market prices and sold 368,390,824 Deutsche Bank shares at prevailing market prices for trading purposes. The purchase of its own shares was based on the authorizations given by the General Meetings on May 24, 2007 and May 29, 2008 pursuant to Section 71 (1) No. 7 AktG, whose restrictions were complied with for every share purchase and sale. The authorization given on May 24, 2007 expired once the authorization of May 29, 2008 became effective. The average purchase price was € 58.74; the average selling price was € 58.55 per share. The resulting loss was recognized in the operating profit.

The bank's own shares bought and sold for trading purposes during 2008 represented about 65 % of its share capital. The largest holding on any one day was 1.00 % and the average daily holding 0.10 % of its share capital.

The bank was authorized by the General Meeting resolution of May 29, 2008 to purchase its own shares amounting to up to 10 % of its share capital on or before October 31, 2009 pursuant to Section 71 (1) No. 8 AktG. Together with the bank's own shares – purchased for trading purposes or for other reasons – that are either in the company's possession or attributed to it pursuant to Sections 71a et seq. AktG, the shares purchased on the basis of this authorization must not at any time exceed 10 % of the company's share capital; compliance with these limits was monitored on a timely basis. The shares may be purchased either through the stock market or by means of a public offering to all shareholders. If the shares are purchased through the stock market, the price paid for them must not be more than 10 % above or more than 20 % below the average share prices quoted (closing prices quoted for Deutsche Bank shares in the Xetra trading system or in a similar successor system replacing the Xetra system on the Frankfurt Stock Exchange) on the last three trading days prior to the obligation to purchase the shares. If the shares are purchased through a public offering, the price paid for them must not be more than 10 % below or more than 15 % above the average share prices quoted (closing prices quoted for Deutsche Bank shares in the Xetra trading system or in a similar successor system replacing the Xetra system on the Frankfurt Stock Exchange) on the last three trading days prior to the date on which the offering is made public. If, when a public offering is made, the volume of shares offered exceeds the intended repurchase volume, acceptance of the offering must be proportionate to the volume of shares offered in each case. It is possible to allow preferential acceptance of small numbers of up to 50 shares per shareholder for the purchase of Deutsche Bank shares on offer.

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

to be used to fulfill option rights or purchase rights or purchase obligations attaching to shares of the bank granted to employees of the bank or of affiliated companies.

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

The Management Board was also authorized to retire shares purchased as a result of this authorization without requiring any further resolution to be adopted by the General Meeting. The authorization for the bank to purchase its own shares, which was given by the General Meeting on May 24, 2007 and was valid until October 31, 2008, expired as soon as the authorization of May 29, 2008 came into effect.

At the end of 2008, Deutsche Bank AG held 43,007 of its own shares pursuant to Section 71 (1) No. 7 AktG. This amounted to 0.01 % of its share capital. Its holdings pursuant to Section 71 (1) No. 8 AktG amounted to 8,109,140 shares, or 1.42 % of its share capital. The bank's total holdings of its own shares at the balance sheet date required a reserve for these shares in the amount of their carrying value of € 226,874,150.58. On December 31, 2008, 3,544,833 (end of 2007: 1,304,964) Deutsche Bank shares, i.e. 0.62 % (end of 2007: 0.25 %) of our share capital, were pledged to the bank and its affiliated companies as security for loans.

Changes in subscribed, authorized and conditional capital

The bank's subscribed capital is divided into 570,859,015 registered no-par-value shares. During the year under review, 40,000,000 shares were issued through a capital increase against cash payments and 458,915 shares were issued to staff under stock option programs.

Excluding holdings of the bank's own shares, the number of shares in issue at December 31, 2008 came to 562,706,868 (end of 2007: 501,208,022); the average number of shares in issue in the year under review was 516,796,763.

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

in €	Subscribed capital	Authorized capital	Conditional capital (yet to be utilized)
Balance as of Dec 31, 2007	**1,357,824,256.00**	**454,000,000.00**	**156,269,946.88**
Expiry of the General Meeting resolution of June 10, 2003		(128,000,000.00)	
Use pursuant to the General Meeting resolution of June 2, 2004 for capital increase against cash payment	48,000,000.00	(48,000,000.00)	
Increase pursuant to the General Meeting resolution of May 24, 2007		85,000,000.00	
Partial use pursuant to the General Meeting resolution of May 24, 2007, for capital increase against cash payment	54,400,000.00	(54,400,000.00)	
Exercise of option rights issued to members of the Management Board and executives of Deutsche Bank AG and to members of the managements and executives of affiliated companies under Global Partnership Plans	1,109,056.00		(1,109,056.00)
Exercise of option rights issued to employees of the Deutsche Bank Group under Global Share Plans	65,766.40		(65,766.40)
Expiry of option rights issued to employees of the Deutsche Bank Group under Global Partnership Plans			(571,799.04)
Expiry of option rights issued to employees of the Deutsche Bank Group under Global Share Plans			(708,226.56)
Balance as of Dec 31, 2008	**1,461,399,078.40**	**308,600,000.00**	**153,815,098.88**

Authorizations given by the General Meeting

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

Authorized capital

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

— by up to a total of € 128,000,000 against cash payments or contributions in kind, on one or more occasions on or before April 30, 2011, with pre-emptive rights generally being granted to shareholders; however, pre-emptive rights can be excluded if a capital increase against contributions in kind was made for the purpose of acquiring companies or holdings in companies (General Meeting resolution of June 1, 2006);

— by up to a total of € 30,600,000 against cash payments, on one or more occasions on or before April 30, 2012; shareholders' general pre-emptive rights can be excluded unless the issue price of the new shares is substantially lower than the market price of the already listed shares at the time the issue price is fixed (General Meeting resolution of May 24, 2007). This additional authorized capital became effective upon its entry into the Commercial Register on February 14, 2008;

— by up to a total of € 140,000,000 against cash payments or contributions in kind, on one or more occasions on or before April 30, 2013, with pre-emptive rights generally being granted to shareholders; however, pre-emptive rights can be excluded if a capital increase against contributions in kind was made for the purpose of acquiring companies or holdings in companies (General Meeting resolution of May 29, 2008). This authorized capital is subject of an ongoing law suit (summary proceeding according to Section 246a AktG) and not yet entered into the Commercial Register. It will become effective upon its entry into the Commercial Register.

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

Conditional capital

— The Management Board was allowed, as a result of the authorization of May 17, 2001 and with the consent of the Supervisory Board, to issue up to 12,000,000 option rights on Deutsche Bank shares to employees of the Deutsche Bank Group on or before December 31, 2003. Their issue price, performance target and exercise periods were the same as those for the issue of option rights to executives. The conditional capital amounted to € 10,000,000. Option rights on shares amounting to € 1,305,932.80 had not yet been exercised under this authorization by December 31, 2008. This conditional capital can no longer be utilized.

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

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

Option rights on shares amounting to € 2,509,166.08 had not yet been exercised under these authorizations by December 31, 2008. This conditional capital can no longer be utilized.

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

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

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

The Management Board was authorized by the General Meeting on May 29, 2008 to issue bearer or registered participatory certificates on one or more occasions on or before April 30, 2013 and, instead of or in addition to participatory certificates, to issue warrant-linked bonds and/or convertible bonds for a term of no more than 20 years or with a perpetual maturity on one or more occasions. Bearer warrants may be attached to the participatory certificates, or they may be linked to a conversion right for the bearer. The holders of warrant-linked bonds and convertible bonds may be granted option rights and conversion rights respectively to new shares of Deutsche Bank AG subject to the conditions governing warrant-linked bonds and convertible bonds. The total amount of participatory certificates, warrant-linked bonds and convertible bonds issued under this authorization must not exceed € 9,000,000,000 in total (conditional capital of € 150,000,000). This conditional capital is not yet entered into the Commercial Register. It will become effective upon its entry into the Commercial Register.

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

Changes in capital and reserves

in € m.		
Balance as of Dec 31, 2007		**23,181**
Distribution in 2008		(2,274)
Profit carried forward		(113)
Capital increase against cash payments		
– increase in subscribed capital	102	
– allocation to capital reserve	2,098	2,200
Capital increase through exercise of options		
– increase in subscribed capital	1	
– allocation to capital reserve	19	20
Withdrawal from reserve for own shares		(2,382)
Distributable profit for 2008		310
Balance as of Dec 31, 2008		**20,942**

Contingent liabilities

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

in € m.	Dec 31, 2008	Dec 31, 2007
Guarantees	34,517	31,986
Letters of credit	5,328	4,899
Credit liabilities	12,991	15,549

Other obligations

The irrevocable credit commitments shown on the balance sheet (€ 113,321 million) include commitments of € 102,403 million for loans and discounts in favor of non-banks.

Sundry obligations

Payment obligations under rental agreements and leases amount to € 1.1 billion with residual maturities of up to 15 years. These obligations include € 47 million owed to affiliated companies. There are also purchase commitments of € 1.9 billion for goods and services, which include future payments for, among other things, services such as processing, information technology and custody.

Liabilities for possible calls on not fully paid-up shares in public and private limited companies and other shares amounted to € 24 million at the end of 2008. Joint liabilities pursuant to Section 24 of the German Private Limited Companies Act (GmbHG) amounted to € 5 million. Where other joint liabilities exist, the credit standing of the co-shareholders is impeccable in all cases.

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

Liabilities for possible calls on other shares totaled € 3 million at December 31, 2008.

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

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

Obligations arising from transactions on futures and options exchanges and towards clearing houses for which securities were pledged as collateral amounted to € 14 billion at December 31, 2008.

There are contingent liabilities totaling € 43 million in connection with the resale of the trading company Klöckner & Co. AG, Duisburg.

Declaration of Backing[1]

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

Berliner Bank AG & Co. KG, Berlin

DB Investments (GB) Limited, London

Deutsche Asset Management International GmbH, Frankfurt am Main

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

Deutsche Australia Limited, Sydney

Deutsche Bank A.Ş., Istanbul

Deutsche Bank Americas Holding Corp., Wilmington

Deutsche Bank (China) Co., Ltd., Beijing

Deutsche Bank Luxembourg S.A., Luxembourg

Deutsche Bank (Malaysia) Berhad, Kuala Lumpur

Deutsche Bank Polska S.A., Warsaw

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

Deutsche Bank ZRt., Budapest

Deutsche Bank S.A., Buenos Aires

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

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

Deutsche Bank, Sociedad Anónima Española, Barcelona

Deutsche Bank Società per Azioni, Milan

Deutsche Bank (Suisse) S.A., Geneva

Deutsche Futures Singapore Pte Ltd., Singapore

Deutsche Morgan Grenfell Group plc, London

Deutsche Securities Asia Limited, Hong Kong

Deutsche Securities Limited, Hong Kong

DWS Holding & Service GmbH, Frankfurt am Main

DWS Investment GmbH, Frankfurt am Main

DWS Investment S.A., Luxembourg

OOO Deutsche Bank, Moscow

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

Maturity structure of receivables

in € m.	Dec 31, 2008	Dec 31, 2007
Other receivables from banks	**121,195**	**149,193**
with a residual period of		
up to three months	64,359	97,813
more than three months and up to one year	27,236	28,271
more than one year and up to five years	10,386	10,284
more than five years	19,214	12,825
Receivables from customers	**405,850**	**588,926**
with a residual period of		
up to three months	297,731	475,153
more than three months and up to one year	35,526	37,800
more than one year and up to five years	39,366	41,009
more than five years	27,599	27,192
with an indefinite period	5,628	7,772

Of the bonds and other fixed-income securities of € 141,251 million, € 34,505 million mature in 2009.

Maturity structure of liabilities

in € m.	Dec 31, 2008	Dec 31, 2007
Liabilities to banks with agreed period or notice period	**168,458**	**209,430**
with a residual period of		
up to three months	105,114	159,001
more than three months and up to one year	31,206	22,567
more than one year and up to five years	20,782	16,647
more than five years	11,356	11,215
Savings deposits with agreed notice period of more than three months	**4,936**	**2,185**
with a residual period of		
up to three months	1,179	878
more than three months and up to one year	3,490	1,162
more than one year and up to five years	263	143
more than five years	4	2
Other liabilities to customers with agreed period or notice period	**142,643**	**256,905**
with a residual period of		
up to three months	88,139	199,110
more than three months and up to one year	26,690	26,764
more than one year and up to five years	12,284	21,540
more than five years	15,530	9,491
Other liabilities in certificate form	**125,709**	**155,751**
with a residual period of		
up to three months	17,625	34,726
more than three months and up to one year	17,126	28,313
more than one year and up to five years	56,420	56,170
more than five years	34,538	36,542

Of the issued bonds and notes of € 54,974 million, € 22,801 million mature in 2009.

Prepaid expenses and deferred income

Prepaid expenses of € 910 million include a balance of € 483 million pursuant to Section 250 (3) HGB. Deferred income of € 968 million contains balances of € 40 million pursuant to Section 340e (2) HGB.

Trust business

	Assets held in trust			Liabilities held in trust	
in € m.	Dec 31, 2008	Dec 31, 2007	in € m.	Dec 31, 2008	Dec 31, 2007
Receivables from banks	–	36	Liabilities to banks	0	0
Receivables from customers	291	334	Liabilities to customers	757	1,034
Bonds and other fixed-income securities	317	397			
Equity shares and other variable-yield securities	29	15			
Participating interests	41	47			
Sundry assets	79	205			
Total	**757**	**1,034**	**Total**	**757**	**1,034**

Information on affiliated, associated and related companies

	Affiliated companies		Associated and related companies	
in € m.	Dec 31, 2008	Dec 31, 2007	Dec 31, 2008	Dec 31, 2007
Receivables from banks	86,227	73,356	10	0
Receivables from customers	152,786	228,278	982	351
Bonds and other fixed-income securities	54	352	9	–
Positive fair value of derivatives held for trading purposes (incl. in sundry assets)	80,189	14,682	50	–
Liabilities to banks	104,684	100,980	21	492
Liabilities to customers	92,171	132,238	508	615
Liabilities in certificate form	9,778	902	–	–
Subordinated liabilities	11,076	7,418	–	–
Negative fair value of derivatives held for trading purposes (incl. in sundry liabilities)	83,704	12,226	11	–

Shareholdings

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

Assets pledged as collateral

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

in € m.	Dec 31, 2008	Dec 31, 2007
Liabilities to banks	26,789	24,193
Liabilities to customers	422	677

Transactions subject to sale and repurchase agreements

The book value of assets reported on the balance sheet and sold subject to a repurchase agreement in the amount of € 6,466 million related exclusively to securities sold under repo agreements.

Foreign currencies

The total amount of assets denominated in foreign currencies was equivalent to € 1,303,765 million at the balance sheet date; the total value of liabilities was equivalent to € 1,219,779 million.

Forward transactions

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

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

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

Fair value of derivatives

			Dec 31, 2008
in € m.	Notional amount	Positive fair value	Negative fair value
OTC products			
interest rate-linked transactions	40,246,887	660,635	644,452
exchange rate-linked transactions	4,429,553	184,714	180,786
equity- and index-linked transactions	890,883	67,944	71,450
credit derivatives	4,716,205	352,348	323,514
other transactions	412,287	34,905	34,433
Exchange-traded products			
interest rate-linked transactions[1]	63,870	0	0
exchange rate-linked transactions[1]	0	0	0
equity- and index-linked transactions	405,268	4,612	4,728
other transactions	41,767	616	442
Total	**51,206,720**	**1,305,774**	**1,259,805**

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

The positive fair values of € 1,305,774 million and the negative fair values of € 1,259,805 million include trading derivatives and derivatives held for hedging purposes. The positive and negative fair values of trading derivatives are reported under sundry assets or sundry liabilities.

Notes to the Income Statement

Income by geographical market

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

in € m.	2008	2007
Germany	19,260	14,248
Europe excl. Germany	17,474	29,596
Americas	6,337	7,702
Africa/Asia/Australia	5,470	5,334
Total	**48,541**	**56,880**

Administrative and agency services provided for third parties

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

Other administrative expenses

The following table shows the fees charged by our auditors for the 2008 financial year by category:

Category in € m.	2008	2007
Audit fees	10	12
Fees for audit-related services	5	2
Fees for tax advice	1	1
Total	**16**	**15**

Other operating income

Other operating income of € 2,123 million includes a gain of € 1,450 million of mergers, € 295 million from write-ups of loans held for sale as well as € 127 million from the refund of value added tax paid in prior years.

Other operating expenses

Other operating expenses of € 1,941 million primarily comprise valuation adjustments of € 1,642 million for loans held for sale. Other operating expenses also include guarantee expenses of € 132 million and litigation-related expenses of € 97 million.

Other Information

Management Board and Supervisory Board

The total remuneration paid to the Management Board is detailed on pages 11 to 16 of the Compensation Report. Former members of the Management Board of Deutsche Bank AG or their surviving dependants received € 19,741,906 for the year ended December 31, 2008. The Supervisory Board received a fixed payment (including meeting fees) of € 2,478,500 (excluding value-added tax). The Supervisory Board resolved to forgo any variable compensation for the financial year 2008.

Provisions for pension obligations to former members of the Management Board or their surviving dependants totaled € 167,420,222 at December 31, 2008.

At the end of 2008, loans and advances granted and contingent liabilities assumed for members of the Management Board amounted to € 2,641,142 and for members of the Supervisory Board of Deutsche Bank AG to € 1,396,955. Members of the Supervisory Board repaid € 0.1 million loans in 2008.

The members of the Management Board and the Supervisory Board are listed on pages 59 and 60.

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

Information pursuant to Section 160 (1) No. 8 AktG

As of December 31, 2008 the following shareholders reported a share of at least 3 % in the voting rights each pursuant to Section 21 of the German Securities Trading Act (Wertpapierhandelsgesetz): since May 6, 2008 – AXA S.A., Paris holds 5.36 % Deutsche Bank shares. Since October 17, 2008 – Credit Suisse Group, Zurich holds 3.86 % Deutsche Bank shares (via financial instruments).

Employees

The average number of full-time equivalent staff employed during the reporting year was 29,434 (2007: 28,013), 10,898 of whom were women. Part-time employees are included proportionately in these figures based on their working hours. An average of 17,973 (2007: 16,557) staff members worked at branches outside Germany.

Corporate governance

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

Frankfurt am Main, March 5, 2009

Deutsche Bank Aktiengesellschaft
The Management Board

Josef Ackermann

Hermann-Josef Lamberti

Hugo Bänziger

Stefan Krause

Responsibility Statement by the Management Board

To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements of Deutsche Bank AG give a true and fair view of the assets, liabilities, financial position and profit or loss of Deutsche Bank AG, and the management report of Deutsche Bank AG includes a fair review of the development and performance of the business and the position of Deutsche Bank AG, together with a description of the principal opportunities and risks associated with the expected development of Deutsche Bank AG.

Frankfurt am Main, March 5, 2009

Josef Ackermann

Hermann-Josef Lamberti

Hugo Bänziger

Stefan Krause

Auditor's Report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of the Deutsche Bank AG for the business year from January 1, 2008 to December 31, 2008. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

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

Our audit has not led to any reservations.

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

Frankfurt am Main, March 11, 2009

KPMG AG
Wirtschaftsprüfungsgesellschaft

(formerly
KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft)

Becker
Wirtschaftsprüfer

Bose
Wirtschaftsprüfer

GLOSSARY

Alternative assets/ investments	Direct investments in Private equity, venture capital, mezzanine capital, real estate capital investments and investments in leveraged buyout funds, venture capital funds and Hedge funds.
Asset-backed securities	Particular type of securitized payment receivables in the form of tradable securities. These securities are created by the repackaging of certain financial assets (Securitization).
Average Active Equity	The Bank calculates active equity to make it easier to compare to its competitors and the Bank refers to active equity for several ratios. However, active equity is not a measure provided for in IFRS and you should not compare the ratios of the Bank based on average active equity to other companies' ratios without considering the differences in the calculation. The items for which the Bank adjusts the average shareholders' equity are average unrealized net gains on assets available for sale, average fair value adjustments on cash flow hedges (both components net of applicable taxes), as well as average dividends, for which a proposal is accrued on a quarterly basis and for which payments occur once a year following the approval by the general shareholders' meeting.
Back-testing	Back-testing is used to verify the predictive power of the Value-at-risk model. Hypothetical daily profits and losses are compared with the estimates the Bank had forecasted using the Value-at-risk model.
Banking book	All risk positions that are not allocated to the Trading book.
Basel II	Revised capital framework of the Basel Committee which has replaced the former Basel I-regulations especially on the calculation of the regulatory risk position.
Basic	Undilluted.
BIS	Bank for International Settlements domiciled in Basel.
BIS capital ratio	Key figure for international banks expressing in % the ratio between their capital and their risk-weighted position for regulatory purposes. The minimum total capital ratio to be complied with is 8% and the minimum core capital ratio 4%.
Bookbuilding	Placement procedure specifically designed to establish a fair balance of interests between issuer and investor with regard to the size of the issue price.
Broker/brokerage	Brokers accept orders to buy and sell securities from banks and private investors and execute them on behalf of the customer. For this activity, the broker usually receives a commission.
Buyout	Purchase (in full or in part) of a company or specific corporate activities.
Capital according to Basel II	Capital recognized for regulatory purposes according to the Basel Capital Adequacy Accord of 1988 (last amended in January 1996) for international banks. Total capital consists of: • core capital or Tier 1 capital: primarily share capital, reserves and hybrid capital components,

- supplementary capital or Tier 2 capital: primarily participatory capital, long-term subordinated debt, unrealized gains on listed securities and other inherent loss allowances,

- Tier 3 capital: mainly short-term subordinated debt and excess Tier 2 capital.

Supplementary capital is limited to 100 % of core capital and the amount of long-term subordinated debt that can be recognized as supplementary capital is limited to 50 % of core capital.

Cash flow statement Calculation and presentation of the cash flow generated or consumed by a company during a financial year as a result of its business, investing and financing activities, and reconciliation of holdings of cash and cash equivalents (cash reserve) at the beginning and end of a financial year.

Cash management Refers to the management of liquid assets in dollars, euro and other currencies for companies and financial institutions to optimize financial transactions.

Cash margin receivables/payables Balances placed by/placed with Deutsche Bank at/by broker-dealers and clearing organizations for clearing purposes.

Clearing The process of transmitting, reconciling and, in some cases, confirming payment orders, partly the charging among each others.

Collateralized debt obligations (CDOs) Investment vehicles based on a portfolio of assets that can include bonds, loans or derivatives.

Compliance Entirety of measures adopted to ensure that relevant laws, rules and internal regulations are adhered to and to prevent legal or regulatory sanctions as well as financial or reputational damage.

Conduit Specific form of a special purpose vehicle (SPV → Securitzation) that purchases → ABS or → CDOs and finances such purchases, in full or in part, by issuing Asset Backed Commercial Papers (ABCP).

Confidence level Within the value-at-risk concept framework, the confidence level reflects the probability a potential loss will occur within a specified interval.

Corporate finance General term for capital marketrelated, innovative financing services to satisfy special consulting requirements in business with corporate customers.

Correlation Reciprocal relationship between at least two variables (e.g. assets). It can be positive, in which case the variables move in the same direction, or negative when they move in opposite directions. However, correlation says nothing about causality (i.e. cause/effect). Correlation is an important tool used in asset allocation to diversify and/or hedge risks.

Cost/income ratio In general: a ratio expressing a company's cost effectiveness which sets operating expenses in relation to operating income.

Country risk The risk that the Bank may suffer a loss, in any given country, due to political and social unrest, nationalization and expropriation of assets, government repudiation of external indebtedness, exchange controls and currency depreciation or devaluation.

Credit default swap A Credit Default Swap (CDS) is a credit derivative hedging credit risks related to loans, bonds or other borrower-related securities. The secured party usually

	makes a periodic (often quarterly or semi-annually) payment and receives a compensation at the occurrence of a credit event, as defined on the date of the agreement, e. g. default of repayment due to insolvency of the creditor.
Credit derivatives	Financial instruments with which Credit risk connected with loans, bonds or other risk-weighted assets or market risk positions is transferred to parties providing protection. This does not alter or re-establish the underlying credit relationship of the original risk-takers (parties selling the credit risks).
Credit risk	Risk that customers may not be able to meet their contractual payment obligations. Credit risk includes default risk, Country risk and settlement risk.
Custody	Custody and administration of securities as well as additional securities services.
Derivatives	Financial instruments whose value derives largely from the price, price fluctuations and price expectations of an underlying instrument (e. g. share, bond, foreign exchange or index). Derivatives include Swaps, Options and Futures.
Deferred taxes	Income tax to be paid or received as a result of temporary differences between the carrying amounts in the financial accounts and the relevant tax base or the value of unused tax losses and unused tax credits. At the balance sheet date, deferred taxes do not yet represent actual amounts receivable or payable from or to tax authorities.
Earnings per share	Also: profit per share. Key figure for assessing a company's earning power. It expresses how much of a company's net income is attributable to each individual share. This figure is needed to work out the price-earnings ratio (PER) of a share.
Economic capital	A figure which states with a high degree of certainty the amount of equity capital the Bank needs at any given time to absorb unexpected losses arising from current exposures. It must be clearly distinguished from reported capital and reserves.
Emerging markets	Expanding markets in developing nations, primarily financial markets.
Equity method	Valuation method for investments in companies over which significant influence can be exercised. The pro-rata share of the company's net income (loss) increases (decreases) the carrying value of the investment affecting net income. Distributions decrease the carrying value of the investment without affecting net income.
Event risk scenarios	Scenarios representing important events, e. g. large movements in interest or exchange rates.
Expected loss	Measurement of the default loss to be expected in the Bank's loan portfolio within one year on the basis of historical loss data.
Exposure	The amount which the bank may lose as a result of losses incurred due to risks taken, e. g. in case of a borrower's or counterparty's default.
Fair value	Amount at which assets or liabilities would be exchanged between knowledgeable, willing and independent counterparties. Fair value is often identical to market price.
Family office	Financial services which are designed for families with very large and complex portfolios of assets and which protect customers' interests on the basis of

absolute independence through optimal management and comprehensive coordination of individual.

Financial assets available for sale

Non-derivatives financial assets that are designated as available for sale or are not classified as loans and receivables or financial assets at fair value through profit and loss. They are reported in the balance sheet at their Fair value. Changes in Fair value are generally reported in Net gains/losses not recognized in the income statement in shareholders' equity. Impairments and realized gains and losses are reported in the consolidated statement of income.

Futures

Forward contracts standardized with respect to quantity, quality and delivery date, in which an instrument traded on the money, capital, precious metal or foreign exchange markets, is to be delivered or taken receipt of at an agreed price at a certain future time. Cash settlement is often stipulated for such contracts (e.g. futures based on equity indices) to meet the obligation (instead of delivery or receipt of securities).

Goodwill

The amount which the buyer of a company pays, taking account of future earnings, over and above the Fair value of the company's individually identifiable assets and liabilities.

Group Executive Commitee

The Group Executive Committee (GEC) is made up of the members of the Management Board, the heads of the five core businesses, and the Head of Regional Management. The GEC supports the Management Board in its decision-making. At regular meetings, it reviews developments within the businesses, discusses matters of Group strategy and formulates recommendations for the Management Board.

Hedge accounting

Financial Reporting of multiple agreements in a hedging relationship. The relationship between two or more agreements is based on opposite terms which cause certain risks – mainly financial risks. Due to the terms of these agreements risks can be compensated in whole or in part. One of two agreements is usually referred to as underlying transaction – i.e. the contract that causes a risk or multiple risks – the other agreement is referred to as hedging contract or hedge which mitigates such risk or risks. Hedge Accounting is a method which allows an accounting of such hedging relationships that deviates from general accounting principals.

Hedge fund

Hedge funds are part of Alternative Investments. They are not distinguished by the kind of investments like equity and fixed income funds. In fact hedge funds are Asset Managers which are not subject to regulatory obligations or at least less stringent regulatory obligations and can therefore employ a wide variety of investment instruments and strategies which mutual funds are not permitted to use. Examples include short selling, leveraging and Derivatives. Hedge funds offer chances for high profits but also bear the risk of losing invested capital, thus their returns are uncorrelated with traditional investment returns.

Hybrid debt securities

Hybrid debt securities ("hybrids") are securities that are designed to have features similar to both debt and equity. They are designed to be considered as capital / equity by the issuing company's ratings agency or regulator, but treated as debt for other purposes such as taxation.

IFRS (International Financial Reporting Standards) / previously IAS (International Accounting Standards)	Financial Reporting Rules of the International Accounting Standards Board to ensure globally transparent and comparable accounting and disclosure. Main objective is to present information that is useful in making economic decisions, mainly for investors.
Investment banking	Generic term for capital market-oriented business. This includes primarily the issuing and trading of securities and their Derivatives, interest and currency management, corporate finance, M&A advisory, structured finance and Private equity.
Investor relations	Investor relations describes the systematic and continuous two-way communication between companies and both current and potential providers of capital. Information is supplied on major corporate events, financial results, business strategy and the capital market's expectations of management. One objective of investor relations activities is to ensure that a company's equity is appropriately valued by the market.
Leveraged buyout	Debt-financed purchase of all or parts of a company or specific activities of a company. Interest and principal payments are financed from the acquired company's future revenues.
Liquidity risk	Risk to Deutsche Bank's earnings and capital arising from the bank's potential inability to meet matured obligations without incurring unacceptably high losses.
Market risk	Arises from the uncertainty concerning changes in market prices and rates (including interest rates, share prices, foreign exchange rates and commodity prices), the correlations among them and their levels of volatility.
Mezzanine	Mixed form of financing comprising equity and debt capital. Here: long-term subordinated financing instrument used to finance growth while at the same time strengthening the borrower's economic equity capital base.
Monte Carlo simulation	A Monte Carlo simulation is a model that calculates the gain or loss from a transaction by analyzing a large number of different market scenarios (e. g. 10,000).
Mortgage-backed securities (MBS)	Securities backed by mortgage loans
Netting agreements	Contracts between two parties that under certain circumstances – e. g. insolvency – mutual claims from outstanding business can be offset against each other. The inclusion of a legally binding netting agreement reduces the default risk from a gross to a net amount.
Net gains (losses) not recognized in the income statement	Primarily includes unrealized gains and losses on foreign currency translation and on financial assets available for sale. These unrealized gains and losses are not included in net income but reported in net gains (losses) not recognized in the income statement in shareholders' equity.
Non-compensation ratio	Non-compensation noninterest expenses, which is defined as total noninterest expenses less compensation and benefits, as a percentage of total net revenues, which is defined as net interest income before provision for credit losses plus noninterest income.

Operational risk	The potential for failure in relation to employees, contractual specifications and documentation, technology, infrastructure failure and disasters, external influences and customer relationships. This excludes business, strategic and reputational risk.
Option	Right to purchase (call option) or sell (put option) a specific underlying (e. g. security or foreign exchange) from or to a counterparty (option seller) at a predetermined price on or before a specific future date.
OTC derivatives	Nonstandardized financial instruments (Derivatives) not traded on a stock exchange, but directly between market participants (over the counter).
Portfolio	In general: part or all of one or all categories of assets (e. g. securities, loans, equity investments or real estate). Portfolios are formed primarily to diversify risk. Here: combination of similar transactions, especially in securities and/or Derivatives, under price risk considerations.
Portfolio management	Management and administration of a Portfolio of securities for a client. This can involve the continous review of the portfolio and, if agreed with the client, purchases and sales.
Prime services/ brokerage	Suite of products including Clearing and settlement, Custody, reporting, and financing of positions for institutional investors.
Private banking	Business with investment-oriented and high net worth clients
Private equity	Equity investment in non-listed companies. Examples are venture capital and buyout funds.
Probability of default	States the expected average probability of counterparty default, based on a statistical analysis of historical defaults in Deutsche Bank's Portfolio.
Projected unit credit method	An accrued benefit valuation method, according to IAS 19, used to determine the actuarial present value of an enterprise's defined benefit obligations and the related current service cost. This method takes into account the expected rates of salary increases, for instance, as the basis for future benefit increases. The rate used to discount post-employment benefit obligations is determined by reference to market yields at the balance sheet date on high quality corporate bonds
Rating	External: standardized evaluation of creditworthiness of an obligor and/or debt instruments, provided by specialized agencies. Internal: risk assessment of credit risk in relation to the exposure associated with a certain obligor.
Receivables/ payables related to cash and clearing payments	Balances in Deutsche Bank's accounts with Clearing Systems and Brokers/ Dealers held for clearing purposes.
Receivables/ payables related to prime brokerage	Receivables/payables related to prime brokerage are amounts owed to/owed by Deutsche Bank from activities such as acting as settlement agent, custody provider, financing/funding provider and preparer of account statements for clients who are money managers, hedge funds, market makers and other professional investors.

Registered shares	Shares registered in a person's name. As required under joint stock company law, that person is registered in the share register with several personal details and the number of shares owned. Only those persons entered in the share register are deemed to be shareholders of the company and are entitled, for instance, to exercise rights at the General Meeting.
Repo (repurchase agreement)	An agreement to repurchase securities sold (genuine repurchase agreement where the asset remains the seller's property). From the buyer's viewpoint, the transaction is a reverse repo.
Pre-tax return on average active equity	Income before income tax expense attributable to Deutsche Bank shareholders (annualized), which is defined as Income before income taxes less minority interest, as a percentage of average active equity.
Sarbanes-Oxley-Act (SOX)	U.S. capital market law passed in 2002 to strengthen corporate governance and restore investor confidence in response to a number of major corporate and accounting scandals. Legislation establishes new or enhanced standards ranging from additional Corporate Board responsibilities to criminal penalties for all companies that have listed their shares on a U.S. stock exchange.
Securitization	Creation of tradable securities from loan claims, deposit positions (i.e. future cash flows) and ownership rights in the wider sense. Examples of securitized rights are asset-backed securities and mortgage-backed securities (MBS). Rights are often evidenced through so-called SPVs (special purpose vehicles), companies whose sole purpose is to issue these securities and whose assets are comprised of the ownership rights contributed to the company.
Segment reporting	Component of company financial reporting. Provides information on a company's key businesses and its environment. Apart from providing information on the company's asset, financial and earnings situation, risks and opportunities are also addressed. Segment reporting is primarily based on the operative segments of the company and reflects the company's internal organizational and reporting structure.
Shareholder value	Management concept that focuses strategic and operational decision-making on the steady growth of a company's value. The guiding principle is that only returns above the cost of capital add value for shareholders.
Subprime	Used as a term to categorize U.S. mortgages representing loans with a higher expectation of risk.
Swaps	In general: exchange of one payment flow for another. Interest rate swap: exchange of interest payment flows in the same currency with different terms and conditions (e.g. fixed or floating). Currency swap: exchange of interest payment flows and principal amounts in different currencies.
Target definition	Target definition excludes significant gains (such as gains from the sale of industrial holdings, businesses or premises) or significant charges (such as charges from restructuring, goodwill impairment or litigation) if they are not indicative of the future performance of Deutsche Bank core businesses.
Total recognized income and expense	Change of equity excluding transactions with shareholders (e.g. dividends, issuance of shares). It consists primarily of net income recognized in the income statement and Net gains (losses) not recognized in the income statement.

Trade Finance	Comprises Trade Finance Services as well as Trade and Risk Services. The business segment serves the export finance and risk mitigation business of financial institutions and corporates. These include multinational companies, established and emerging companies as well as public sector companies.
Trading book	A bank-regulatory term for positions in financial instruments, shares and tradable claims held by a bank which are intended for resale in the short term to benefit from price and interest rate fluctuations. This also includes business that is closely associated with trading book positions (e. g. for hedging purposes). Risk positions not belonging to the trading book are shown in the Banking book.
Trust & Securities Services	Broad range of administrative services for securities. They include, for example, securities custody, trust administration, issuing and paying agent services, depositary bank function for American Depositary Receipts (ADRs).
U. S. GAAP (United States Generally Accepted Accounting Principles)	U. S. accounting principles drawn up by the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants (AICPA). In addition, the interpretations and explanations furnished by the Securities and Exchange Commission (SEC) are particularly relevant for companies listed on the stock exchange. As in the case of IFRS the main objective is to provide decision useful information, especially for investors.
Value-at-risk	Value-at-risk measures, for a given Portfolio, the potential future loss (in terms of market value) that, under normal market conditions, will not be exceeded in a given period and with a given Confidence level.

SIGNATURES

Frankfurt am Main, April 2009

Deutsche Bank AG

gez. Zabel	gez. Brunckhorst