

# Notes to 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 [4].

The accompanying consolidated financial statements are stated in euros, the presentation currency of the Group. All financial information presented in million euros has been rounded to the nearest million. The consolidated financial statements 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”). The Group’s application of IFRS results in no differences between IFRS as issued by the IASB and IFRS as endorsed by the EU. In accordance with IFRS 4, “Insurance Contracts”, the Group has applied its previous accounting practices (U.S. GAAP) for the measurement of insurance contracts.

Risk disclosures under IFRS 7, “Financial Instruments: Disclosures” about the nature and extent of risks arising from financial instruments are incorporated herein by reference to the portions marked by a bracket in the margins of the Risk Report.

The preparation of financial statements under 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 other intangibles, the recognition and measurement of deferred tax assets, provisions for uncertain income tax positions, legal and regulatory contingencies, 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. Refer to Note [2] for a description of the critical accounting estimates and judgments used in the preparation of the financial statements.

The Group applies estimates in determining the allowance for loan losses in its homogeneous loan portfolio which use statistical models based on historical experience. On a regular basis the Group performs procedures to align input parameters and model assumptions with historically evidenced loss levels which led to a lower level of provisions for credit losses of € 145.8 million for the 2009 reporting period.

In preparation of the 2009 and 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.

	Balance (as reported)	Change in accounting policy	Adjustments				Balance (adjusted)
			LCH Offsetting	Interest	Income tax liabilities	Financial guarantees	
in € m.							
<b>Dec 31, 2007</b>							
<b>Income Statement</b>							
Interest and similar income	67,706			(3,031)			64,675
Interest expense	58,857			(3,031)			55,826
Commissions and fee income	12,289					(7)	12,282
Other income	1,286				91		1,377
General and administrative expenses	7,954				91	(7)	8,037
<b>Balance Sheet</b>							
<b>Assets:</b>							
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
<b>Liabilities:</b>							
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
<b>Equity:</b>							
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)
<b>2008</b>							
Commissions and fee income	9,749					(8)	9,741
Other income	568				131		699
General and administrative expenses	8,216				131	(8)	8,339

### 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. 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 the 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 net 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 or on shareholders' equity.

### 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.

### Financial Guarantees

In the second quarter 2009 retrospective adjustments were made in the income statement to present premiums paid for financial guarantees as expenses instead of offsetting them against revenues because they are not directly related to a revenue generating activity. The adjustment did not have any impact on net income or shareholders' equity but resulted in an increase of both noninterest income and noninterest expenses.

### Significant Accounting Policies

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 2007, 2008 and 2009.

## 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, or (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 minority interests.

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 and are reported in the income statement as net income (loss) from equity method investments. 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). As goodwill is not reported separately it is not specifically tested for impairment. Rather, the entire equity method investment is tested for impairment.

At each balance sheet date, the Group assesses whether there is any objective evidence that the investment in an associate or jointly controlled entity is impaired. If there is objective evidence of an impairment, an impairment test is performed by comparing the investment's recoverable amount, which is the higher of its value in use and fair value less costs to sell, with its carrying amount. An impairment loss recognized in prior periods is reversed only if there has been a change in the estimates used to determine the investment's recoverable amount since the last impairment loss was recognized. If this is the case the carrying amount of the investment is increased to its higher recoverable amount. That increase is a reversal of an 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.

Financial instruments 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 trading 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. An active market exists when quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

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. 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 and reported in net gains (losses) on financial assets available for 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 Financial Assets

The Group may reclassify certain financial assets out of the financial assets at fair value through profit or loss classification (trading assets) 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.

In addition to the above criteria the Group also requires that persuasive evidence exists to assert that the expected repayment of the asset exceeds the estimated fair value and the returns on the asset will be optimized by holding it for the foreseeable future.

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". Any change in the timing of the cash flows of reclassified assets which are not deemed impaired are recorded as an adjustment to the carrying amount of the asset.

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.

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.

#### 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. Refer to Note [2] Critical Accounting Estimates – Fair Value Estimates – Methods of Determining Fair Value for further discussion of the accounting estimates and judgments required in the determination of fair value.

#### 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 profile of the instrument as the market develops or as the instrument itself progresses to maturity. Any remaining trade date deferred profit is recognized in the income statement when the transaction becomes observable or the Group enters into off-setting 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. Refer to Note [2] Critical Accounting Estimates – Fair Value Estimates – Methods of Determining Fair Value for further discussion of the estimates and judgments required in assessing observability of inputs and risk mitigation.

### 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 net gains (losses) 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 the fair value of assets, liabilities or unrecognized firm commitments (fair value hedges); (2) hedges of the 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 the 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 net gains (losses) 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, liability or unrecognized firm commitment, 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 hedge accounting 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(s) 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 fair value 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 future 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.

Hedge ineffectiveness is recorded in other income and is measured as changes in the excess (if any) in the absolute cumulative change in fair value of the actual hedging derivative over the absolute cumulative change in the fair value of the hypothetically perfect hedge.

When hedges of variability in cash flows attributable to interest rate risk 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, unless the hedged transaction is no longer expected to occur in which case the amount will be reclassified into other income immediately. When hedges of variability in cash flows attributable to other risks 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 into 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 (hedges of net investments in foreign operations) 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 rates 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.

Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized in profit or loss on disposal of the foreign operations.

### **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 homogeneous 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 is due 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, any amounts 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.

### 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 net 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 presented in the balance sheet, only if the Group holds 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. When financial assets and financial liabilities are offset in the balance sheet, the associated income and expense items will also be offset in the income statement, unless specifically prohibited by an applicable accounting standard.

### **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 10 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 primary 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.

In addition, for certain nonintegrated investments which are not allocated to the respective segments' primary cash-generating units, goodwill is tested individually for impairment on the level of each of these nonintegrated investments.

Goodwill on the acquisitions of associates and jointly controlled entities is included in the cost of the investments and the entire carrying amount of the equity method investment 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 impairment 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.

The Group has chosen to apply the fair value option to certain written financial guarantees that are managed on a fair value basis. Financial guarantees that the Group has not designated at fair value 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 in provision for credit losses.

### **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 the profit recognition is a function of the difference between the sales price and fair value. When it is clear that the 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 benefit 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 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.

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) the legally enforceable right to offset exists and (3) 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 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 underlying gain or loss to which the deferred tax relates 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), an asset 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 interchangeable 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 for single premium business are recognized as income when received. 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.

The costs directly attributable to the acquisition of incremental insurance and investment business are deferred to the extent that they are expected to be recoverable out of future margins in revenues on these contracts. These costs will be amortized systematically over a period no longer than that in which they are expected to be recovered out of these future margins.

#### 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.

### [2] Critical Accounting Estimates

Certain of the accounting policies described in Note [1] 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 Group's 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. The Group has identified the following significant accounting policies that involve critical accounting estimates.

### Fair Value Estimates

Certain of the Group's 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, commodities 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 Group's 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 those 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 with 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 Group'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 the 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 the Group's own credit risk in relation to financial liabilities which are at fair value through profit or loss).

The fair value of the Group's financial liabilities which are at fair value through profit or loss (e.g., OTC derivative liabilities and structured note liabilities designated at fair value through profit or loss) incorporates the change in the Group's own credit risk of the financial liability. For derivative liabilities the Group considers its own creditworthiness by assessing all counterparties' potential future exposure to us, taking into account any collateral held, the effect of any master netting agreements, expected loss given default and the Group's own credit risk based on historic default levels. The change in the Group's 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.

Under IFRS, if there are significant unobservable inputs used in the valuation technique as of the trade date the financial instrument is recognized at the transaction price and any trade date profit is deferred. Management judgment is required in determining whether there exist significant unobservable inputs in the valuation technique. Once deferred the decision to subsequently recognize the trade date profit requires a careful assessment of the then current facts and circumstances supporting observability of parameters and/or risk mitigation.

The Group 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.

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.

#### Fair Value Estimates Used in Disclosures

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 (level 1), valuation techniques based on observable parameters (level 2) and valuation techniques using significant unobservable parameters (level 3). This disclosure is provided in Note [13]. The financial assets held at fair value categorized in level 3 were € 58.2 billion at December 31, 2009, compared to € 87.7 billion at December 31, 2008. The financial liabilities held at fair value categorized in level 3 were € 18.2 billion at December 31, 2009 and € 34.4 billion at December 31, 2008. 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.

In addition to the fair value hierarchy disclosure in Note [13] the Group provides a sensitivity analysis of the impact upon the level 3 financial instruments of using a reasonably possible alternative for the unobservable parameter. The determination of reasonably possible alternatives requires significant management judgment.

For financial instruments measured at amortized cost (of which includes loans, deposits and short and long-term debt issued) the Group discloses the fair value. This disclosure is provided in Note [14]. Generally there is limited or no trading activity in these instruments and therefore the fair value determination requires significant management judgment.

### Reclassification of Financial Assets

The Group classifies 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 (trading assets) 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. Refer to Note [12] Amendments to IAS 39 and IFRS 7, “Reclassification of Financial Assets” for further information on the assets reclassified by the Group.

Significant management judgment and assumptions are required to identify assets eligible under the amendments for which expected repayment 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 can be particularly challenging in the highly volatile and uncertain economic and financial market conditions such as those which existed in 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. Refer to Note [1] Significant Accounting Policies – Reclassification of Financial Assets for the Group’s minimum guidelines for what constitutes foreseeable future.

### Impairment of Loans and Provision for Off-Balance Sheet Positions

The accounting estimates and judgments 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 and may significantly affect the Group’s results of operations.

In assessing assets for impairment, management judgment is required, particularly in circumstances of 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.

The provision for credit losses totaled € 2,630 million, € 1,076 million and € 612 million for the years ended December 31, 2009, 2008 and 2007.

The determination of the impairment allowance required for loans which are deemed to be individually significant often requires the use of considerable management judgment concerning such matters as local economic conditions, the financial performance of the counterparty and the value of any collateral held, for which there may not be a readily accessible market. In certain situations, such as for certain leveraged loans, the Group may assess the enterprise value of the borrower to assess impairment. This requires use of considerable management judgment regarding timing of exit and the market value of the borrowing entity. The actual amount of the future cash flows and their timing may differ from the estimates used by management and consequently may cause actual losses to differ from the reported allowances.

The impairment allowance for portfolios of smaller-balance homogenous loans, such as those to individuals and small business customers of the private and retail business, and for those loans which are individually significant but for which no objective evidence of impairment exists, is determined on a collective basis. The collective impairment allowance is calculated on a portfolio basis using statistical models which incorporate numerous estimates and judgments. The Group performs a regular review of the models and underlying data and assumptions. The probability of defaults, loss recovery rates, and judgments concerning the ability of borrowers in foreign countries to transfer the foreign currency necessary to comply with debt repayments, amongst other things, are all taken into account during this review. For further discussion of the methodologies used to determine the Group's allowance for credit losses, see Note [1]. Refer also to Note [18].

### **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. If there is objective evidence of an impairment of an associate or jointly-controlled entity, an impairment test is performed by comparing the investments' recoverable amount, which is the higher of its value in use and fair value less costs to sell, with its carrying amount. 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 the Group makes its evaluation, the Group may be required to recognize 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, the Group considers this to be a critical accounting estimate. The impairment reviews for equity method investments and financial assets available for sale resulted in net impairment charges of € 1,125 million in 2009, € 970 million in 2008 and € 286 million in 2007. For additional information on financial assets classified as available for sale, see Note [15] and for equity method investments, see Note [16].

### Impairment of Non-financial Assets

Certain non-financial assets, including goodwill and other intangible assets, are subject to impairment review. The Group records impairment losses on assets in this category when the Group believes that their carrying value may not be recoverable. A reversal of an impairment loss (excluding goodwill) is recognized immediately.

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 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, the Group considers this estimate to be critical. As of December 31, 2009 and 2008, goodwill had carrying amounts of €7.4 billion and €7.5 billion, respectively, and other intangible assets had carrying amounts of €2.7 billion and €2.3 billion, respectively. Evaluation of impairment of these assets is a significant estimate for multiple businesses.

In 2009, goodwill and other intangible assets impairment losses of €157 million were recorded, of which €151 million related to investments in Corporate Investments. In addition, €291 million were recorded as reversals of impairment losses of other intangible assets in Asset and Wealth Management, which had been taken in the fourth quarter of 2008. In 2008, goodwill and other intangible assets impairment losses of €586 million were recorded, of which €580 million related to investments in Asset and Wealth Management. In 2007, goodwill and other intangible assets impairment losses were €133 million, of which €77 million were recognized in Asset and Wealth Management and €54 million in Corporate Investments. For further discussion on goodwill and other intangible assets, see Note [23].

### Deferred Tax Assets

The Group 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, the Group 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, the Group re-evaluates its estimate related to unrecognized deferred tax assets, including its assumptions about future profitability. As of December 31, 2009 and December 31, 2008 the amount of unrecognized deferred tax assets was € 1.3 billion and € 1.7 billion, respectively and the amount of recognized deferred tax assets was € 7.2 billion and € 8.5 billion, respectively.

The Group 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 Group was not able to realize all or part of its net deferred tax assets in the future, an adjustment to its deferred tax assets would be charged to income tax expense or directly to equity in the period such determination was made. If the Group was to recognize previously unrecognized deferred tax assets in the future, an adjustment to its 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 Group's deferred taxes see Note [33].

### Legal and Regulatory Contingencies and Tax Risks

The Group 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 Group 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 Group's 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 Group's final liability may ultimately be materially different. The Group's 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 Group's experience and the experience of others in similar cases, and the opinions and views of legal counsel. Predicting the outcome of the Group's litigation matters is inherently difficult, particularly in cases in which claimants seek substantial or indeterminate damages. See Note [27] for information on the Group's judicial, regulatory and arbitration proceedings.

### **[3] Recently Adopted and New Accounting Pronouncements**

#### **Recently Adopted Accounting Pronouncements**

The following are those accounting pronouncements which are relevant to the Group and which have been adopted during 2009 in the preparation of these consolidated financial statements.

##### **IFRIC 9 and IAS 39**

In March 2009, the IASB issued amendments to IFRIC 9, "Reassessment of Embedded Derivatives", and IAS 39, "Financial Instruments: Recognition and Measurement", entitled "Embedded Derivatives". The amendments require entities to assess whether they need to separate an embedded derivative from a hybrid financial instrument when financial assets are reclassified out of the fair value through profit or loss category. When the fair value of an embedded derivative that would be separated cannot be measured reliably, the reclassification of the hybrid financial asset out of the fair value through profit or loss category is not permitted. The amendments are effective for annual periods ending on or after June 30, 2009. The adoption of the amendments did not have a material impact on the Group's consolidated financial statements.

##### **IFRS 7**

In March 2009, the IASB issued amendments to IFRS 7, "Financial Instruments: Disclosures", entitled "Improving Disclosures about Financial Instruments". The amendments require disclosures of financial instruments measured at fair value to be based on a three-level fair value hierarchy that reflects the significance of the inputs in such fair value measurements. The amendments also require additional qualitative and quantitative disclosures of liquidity risk. They are effective for annual periods beginning on or after January 1, 2009, with earlier application permitted. The adoption of the amendments only has a disclosure impact on the Group's consolidated financial statements.

### Improvements to IFRS 2008

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 did not have a material impact on the Group's consolidated financial statements.

### IAS 1

In September 2007, the IASB issued a revised version of IAS 1, "Presentation of Financial Statements" ("IAS 1 R"). The revised standard sets overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content. IAS 1 R is effective for annual periods beginning on or after January 1, 2009, with earlier application permitted. The adoption of the IAS 1 R did only have a presentation impact on the Group's consolidated financial statements.

### New Accounting Pronouncements

The following accounting pronouncements will be relevant to the Group but were not effective as at December 31, 2009 and therefore have not been applied in preparing these 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 noncontrolling interests and the loss of control of a subsidiary. Under IFRS 3 R, the acquirer can elect to measure any noncontrolling 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 noncontrolling 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.

### Improvements to IFRS 2009

In April 2009, the IASB issued amendments to IFRS, which resulted from the IASB's annual improvement 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, 2010, with earlier application permitted. While approved by the IASB, the standard has yet to be endorsed by the EU. The adoption of the amendments is not expected to have a material impact on the Group's consolidated financial statements.

### IAS 24

In November 2009, the IASB issued a revised version of IAS 24, "Related Party Disclosures" ("IAS 24 R"). IAS 24 R provides a partial exemption from the disclosure requirements for government-related entities and clarifies the definition of a related party. The revised standard is effective for annual periods beginning on or after January 1, 2011, with earlier application permitted. While approved by the IASB, the standard has yet to be endorsed by the EU. The Group is currently evaluating the potential impact that the adoption of IAS 24 R will have on its consolidated financial statements.

### IFRS 9

In November 2009, the IASB issued IFRS 9, "Financial Instruments", as a first step in its project to replace IAS 39, "Financial Instruments: Recognition and Measurement". IFRS 9 introduces new requirements for how an entity should classify and measure financial assets that are in the scope of IAS 39. The standard requires all financial assets to be classified on the basis of the entity's business model for managing the financial assets, and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost if two criteria are met: (a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and (b) the contractual cash flows under the instrument solely represent payments of principal and interest. If a financial asset meets the criteria to be measured at amortized cost, it can be designated at fair value through profit or loss under the fair value option, if doing so would significantly reduce or eliminate an accounting mismatch. If a financial asset does not meet the business model and contractual terms criteria to be measured at amortized cost, then it is subsequently measured at fair value. IFRS 9 also removes the requirement to separate embedded derivatives from financial asset hosts. It requires a hybrid contract with a financial asset host to be classified in its entirety at either amortized cost or fair value. IFRS 9 requires reclassifications when the entity's business model changes, which is expected to be an infrequent occurrence; in this case, the entity is required to reclassify affected financial assets prospectively. There is specific guidance for contractually linked instruments that create concentrations of credit risk, which is often the case with investment tranches in a securitization. In addition to assessing the instrument itself against the IFRS 9 classification criteria, management should also 'look through' to the underlying pool of instruments that generate cash flows to assess their characteristics. To qualify for amortized cost, the investment must have equal or lower credit risk than the weighted-average credit risk in the underlying pool of instruments, and those instruments must meet certain criteria. If a 'look through' is impracticable, the tranche

must be classified at fair value through profit or loss. Under IFRS 9, all equity investments should be measured at fair value. However, management has an option to present directly in equity unrealized and realized fair value gains and losses on equity investments that are not held for trading. Such designation is available on initial recognition on an instrument-by-instrument basis and is irrevocable. There is no subsequent recycling of fair value gains and losses to profit or loss; however, dividends from such investments will continue to be recognized in profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. IFRS 9 should be applied retrospectively; however, if adopted before January 1, 2012, comparative periods do not need to be restated. In addition, entities adopting before January 1, 2011 are allowed to designate any date between the date of issuance of IFRS 9 and January 1, 2011, as the date of initial application that will be the date upon which the classification of financial assets will be determined. While approved by the IASB, the standard has 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.

#### **[4] 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, 2009, 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 Group and other debt and equity positions.

Changes in the composition of segments can arise from either changes in management responsibility, or from acquisitions and divestitures.

The following describes changes in management responsibilities with a significant impact on segmental reporting during 2009:

- On April 1, 2009, management responsibility for The Cosmopolitan Resort and Casino property changed from the corporate division CB&S to the corporate division CI.
- During the first quarter 2009, management responsibility for certain assets changed from the corporate division AWM to the corporate division CI. These assets included Maher Terminals, a consolidated infrastructure investment, and RREEF Global Opportunity Fund III, a consolidated real estate investment fund.

The following describes acquisitions and divestitures which had a significant impact on the Group's segment operations:

- In November 2009, the Group completed the acquisition of Dresdner Bank's Global Agency Securities Lending business from Commerzbank AG. The business is included in the corporate division GTB.
- On February 25, 2009, the Group completed the acquisition of a minority stake in Deutsche Postbank AG, one of Germany's major financial services providers. As of that date, the Group also entered into a mandatorily-exchangeable bond as well as options to increase its stake in the future. All components of the transaction are included in the corporate division CI.
- 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 is 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 was Maher Terminals. The investment is included in the corporate division CI.
- 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 in 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. The investment 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 U.K. 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 was 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 included in 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 United States. 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.

### 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 “Reconciliation of Segmental Results of Operations to Consolidated Results of Operations” section of this note. 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, or C&A) 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 invested via the wholesale money and capital markets. Therefore, to create comparability with those competitors who have legally independent units with their own equity funding, the Group allocates the net notional interest credit on its consolidated capital (after deduction of certain related charges such as hedging of net investments in certain foreign operations) to the business segments, in proportion to each business segment’s allocated average active equity.

The Group reviewed its internal funding systems as a reaction to the significant changes of funding costs during the financial crisis, and adopted in 2009 a refinement of internal funding rates used to more adequately reflect risk of certain assets and the value of liquidity provided by unsecured funding sources.

The financial impact on the business segments for 2009 was as follows:

- GTB (€ 160 million), AWM (€ 32 million) and PBC (€ 4 million) received additional funding benefit.
- CB&S (€ 167 million) and CI (€ 30 million) received additional funding costs.

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 measures include:

- **Average Active Equity:** The Group calculates active equity to facilitate comparison to its peers. The Group uses average active equity to calculate several ratios. However, active equity is not a measure provided for in IFRS and therefore 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 average shareholders' equity is adjusted are average unrealized net gains (losses) on assets available for sale and 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 payments occur once a year following the approval by the Annual General Meeting. Tax rates applied in the calculation of average active equity are those used in the financial statements for the individual items and not an average overall tax rate. The Group's average active equity is allocated to the business segments and to C&A in proportion to their economic risk exposures, which consist of economic capital, goodwill and unamortized other intangible assets. The total amount allocated is the higher of the Group's overall economic risk exposure or regulatory capital demand. In 2007 and 2008, this demand for regulatory capital was derived by assuming a Tier 1 ratio of 8.5%. In 2009, the Group derived 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 C&A.
- **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, 2009, 2008 and 2007, respectively. The presentation of revenues and noninterest expenses in prior periods has been adjusted for changes in accounting policy relating to premiums paid for financial guarantees and certain clearing and settlement fees, in accordance with Note [1].

2009	Corporate and Investment Bank			Private Clients and Asset Management			Corporate Investments	Total Management Reporting <sup>5</sup>
	Corporate Banking & Securities	Global Transaction Banking	Total	Asset and Wealth Management	Private & Business Clients	Total		
in € m. (unless stated otherwise)								
<b>Net revenues<sup>1</sup></b>	<b>16,197</b>	<b>2,606</b>	<b>18,804</b>	<b>2,688</b>	<b>5,576</b>	<b>8,264</b>	<b>1,044</b>	<b>28,112</b>
<b>Provision for credit losses</b>	<b>1,789</b>	<b>27</b>	<b>1,816</b>	<b>17</b>	<b>790</b>	<b>806</b>	<b>8</b>	<b>2,630</b>
<b>Total noninterest expenses</b>	<b>10,874</b>	<b>1,804</b>	<b>12,678</b>	<b>2,476</b>	<b>4,328</b>	<b>6,804</b>	<b>581</b>	<b>20,063</b>
therein:								
Depreciation, depletion and amortization	71	5	76	18	69	87	8	171
Severance payments	138	7	145	106	192	297	0	442
Policyholder benefits and claims	541	–	541	0	–	0	–	541
Impairment of intangible assets	5	–	5	(291)	–	(291)	151	(134)
Restructuring activities	–	–	–	–	–	–	–	–
<b>Minority interest</b>	<b>(2)</b>	<b>–</b>	<b>(2)</b>	<b>(7)</b>	<b>0</b>	<b>(7)</b>	<b>(1)</b>	<b>(10)</b>
<b>Income (loss) before income taxes</b>	<b>3,537</b>	<b>776</b>	<b>4,312</b>	<b>202</b>	<b>458</b>	<b>660</b>	<b>456</b>	<b>5,428</b>
Cost/income ratio	67 %	69 %	67 %	92 %	78 %	82 %	56 %	71 %
Assets <sup>2, 3</sup>	1,308,220	47,416	1,343,824	43,761	131,013	174,738	28,456	1,491,108
Expenditures for additions to long-lived assets	73	17	89	56	42	98	395	583
Risk-weighted assets	188,116	15,846	203,962	12,201	36,872	49,073	16,935	269,969
Average active equity <sup>4</sup>	17,881	1,160	19,041	4,791	3,617	8,408	4,323	31,772
Pre-tax return on average active equity	20 %	67 %	23 %	4 %	13 %	8 %	11 %	17 %
1 Includes:								
Net interest income	7,480	1,037	8,516	381	3,493	3,874	(108)	12,283
Net revenues from external customers	17,000	2,127	19,127	2,528	5,372	7,900	1,053	28,079
Net intersegment revenues	(802)	479	(323)	160	204	364	(9)	33
Net income (loss) from equity method investments	(77)	1	(76)	(14)	1	(12)	155	67
2 Includes:								
Equity method investments	1,543	40	1,584	202	42	244	5,911	7,739

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 useful 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 unamortized other intangible assets.

5 Includes a gain from the sale of industrial holdings (Daimler AG) of € 236 million, a reversal of impairment of intangible assets (Asset Management) of € 291 million (the related impairment had been recorded in 2008), an impairment charge of € 278 million on industrial holdings and an impairment of intangible assets (Corporate Investments) of € 151 million which are excluded from the Group's target definition.

2008	Corporate and Investment Bank			Private Clients and Asset Management			Corporate Investments	Total Management Reporting <sup>5</sup>
	Corporate Banking & Securities	Global Transaction Banking	Total	Asset and Wealth Management	Private & Business Clients	Total		
in € m. (unless stated otherwise)								
<b>Net revenues<sup>1</sup></b>	<b>428</b>	<b>2,774</b>	<b>3,201</b>	<b>3,264</b>	<b>5,777</b>	<b>9,041</b>	<b>1,290</b>	<b>13,532</b>
<b>Provision for credit losses</b>	<b>402</b>	<b>5</b>	<b>408</b>	<b>15</b>	<b>653</b>	<b>668</b>	<b>(1)</b>	<b>1,075</b>
<b>Total noninterest expenses</b>	<b>8,550</b>	<b>1,663</b>	<b>10,213</b>	<b>3,794</b>	<b>4,178</b>	<b>7,972</b>	<b>95</b>	<b>18,279</b>
therein:								
Depreciation, depletion and amortization	53	6	57	17	77	93	8	158
Severance payments	334	3	337	29	84	113	0	450
Policyholder benefits and claims	(273)	–	(273)	18	–	18	–	(256)
Impairment of intangible assets	5	–	5	580	–	580	–	585
Restructuring activities	–	–	–	–	–	–	–	–
<b>Minority interest</b>	<b>(48)</b>	<b>–</b>	<b>(48)</b>	<b>(20)</b>	<b>0</b>	<b>(20)</b>	<b>2</b>	<b>(66)</b>
<b>Income (loss) before income taxes</b>	<b>(8,476)</b>	<b>1,106</b>	<b>(7,371)</b>	<b>(525)</b>	<b>945</b>	<b>420</b>	<b>1,194</b>	<b>(5,756)</b>
Cost/income ratio	N/M	60 %	N/M	116 %	72 %	88 %	7 %	135 %
Assets <sup>2, 3</sup>	2,011,983	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
Risk-weighted assets	234,344	15,400	249,744	16,051	37,482	53,533	2,677	305,953
Average active equity <sup>4</sup>	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) %
<b>1 Includes:</b>								
Net interest income	7,683	1,157	8,840	496	3,249	3,746	7	12,592
Net revenues from external customers	546	2,814	3,359	3,418	5,463	8,881	1,259	13,499
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
<b>2 Includes:</b>								
Equity method investments	1,687	40	1,727	321	44	365	71	2,163

N/M – Not meaningful

<sup>3</sup> 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.

<sup>4</sup> For management reporting purposes goodwill and other intangible assets with indefinite useful 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 unamortized other intangible assets.

<sup>5</sup> Includes gains from the sale of industrial holdings (Daimler AG, Allianz SE and Linde AG) of € 1,228 million, a gain from the sale of the investment in Arcor AG & Co. KG of € 97 million and an impairment of intangible assets (Asset Management) of € 572 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 <sup>5</sup>
	Corporate Banking & Securities	Global Transaction Banking	Total	Asset and Wealth Management	Private & Business Clients	Total		
in € m. (unless stated otherwise)								
<b>Net revenues<sup>1</sup></b>	<b>16,591</b>	<b>2,585</b>	<b>19,176</b>	<b>4,374</b>	<b>5,755</b>	<b>10,129</b>	<b>1,517</b>	<b>30,822</b>
<b>Provision for credit losses</b>	<b>102</b>	<b>7</b>	<b>109</b>	<b>1</b>	<b>501</b>	<b>501</b>	<b>3</b>	<b>613</b>
<b>Total noninterest expenses</b>	<b>12,253</b>	<b>1,633</b>	<b>13,886</b>	<b>3,453</b>	<b>4,108</b>	<b>7,560</b>	<b>220</b>	<b>21,667</b>
therein:								
Depreciation, depletion and amortization	52	8	57	20	82	102	17	176
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)
<b>Minority interest</b>	<b>34</b>	<b>–</b>	<b>34</b>	<b>7</b>	<b>0</b>	<b>8</b>	<b>(5)</b>	<b>37</b>
<b>Income (loss) before income taxes</b>	<b>4,202</b>	<b>945</b>	<b>5,147</b>	<b>913</b>	<b>1,146</b>	<b>2,059</b>	<b>1,299</b>	<b>8,505</b>
Cost/income ratio	74 %	63 %	72 %	79 %	71 %	75 %	15 %	70 %
Assets <sup>2, 3</sup>	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
Risk-weighted assets	218,663	18,363	237,026	15,864	69,722	85,586	4,891	327,503
Average active equity <sup>4</sup>	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 %
<b>1 Includes:</b>								
Net interest income	4,362	1,106	5,467	165	3,083	3,248	(5)	8,710
Net revenues from external customers	16,775	2,498	19,273	4,615	5,408	10,023	1,492	30,788
Net intersegment revenues	(184)	87	(97)	(241)	347	106	25	34
Net income (loss) from equity method investments	72	1	74	142	3	145	197	416
<b>2 Includes:</b>								
Equity method investments	2,430	39	2,469	560	45	605	221	3,295

N/M – Not meaningful

<sup>3</sup> 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.

<sup>4</sup> For management reporting purposes goodwill and other intangible assets with indefinite useful 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 unamortized other intangible assets.

<sup>5</sup> 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, a gain from the sale of premises (sale/leaseback transaction of 60 Wall Street) of € 317 million and an impairment of intangible assets (Asset Management) of € 74 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, 2009, 2008 and 2007, respectively.

in € m.	2009			2008			2007		
	Total Management Reporting	Consolidation & Adjustments	Total Consolidated	Total Management Reporting	Consolidation & Adjustments	Total Consolidated	Total Management Reporting	Consolidation & Adjustments	Total Consolidated
Net revenues <sup>1</sup>	28,112	(159)	27,952	13,532	82	13,613	30,822	7	30,829
Provision for credit losses	2,630	(0)	2,630	1,075	1	1,076	613	(1)	612
Noninterest expenses	20,063	57	20,120	18,279	(0)	18,278	21,667	(199)	21,468
Minority interest	(10)	10	–	(66)	66	–	37	(37)	–
<b>Income (loss) before income taxes</b>	<b>5,428</b>	<b>(226)</b>	<b>5,202</b>	<b>(5,756)</b>	<b>15</b>	<b>(5,741)</b>	<b>8,505</b>	<b>243</b>	<b>8,749</b>
Assets	1,491,108	9,556	1,500,664	2,189,313	13,110	2,202,423	1,916,304	8,699	1,925,003
Risk-weighted assets	269,969	3,507	273,476	305,953	1,779	307,732	327,503	1,315	328,818
Average active equity	31,772	2,840	34,613	28,979	3,100	32,079	29,725	368	30,093

<sup>1</sup> Net interest income and noninterest income.

In 2009, loss before income taxes in C&A was € 226 million. Noninterest expenses included charges related to litigation provisions and other items outside the management responsibility of the business segments. Partly offsetting were value-added tax benefits. The main adjustments to net revenues in C&A in 2009 were:

- Adjustments related to positions which were marked-to-market for management reporting purposes and accounted for on an accrual basis under IFRS. These adjustments, which decreased net revenues by approximately € 535 million, relate to economically hedged short-term positions as well as economically hedged debt issuance trades and were mainly driven by movements in short-term interest rates in both euro and U.S. dollar.
- Hedging of net investments in certain foreign operations decreased net revenues by approximately € 225 million.
- Derivative contracts used to hedge effects on shareholders' equity, resulting from obligations under share-based compensation plans, resulted in an increase of approximately € 460 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 2008, income before income taxes in C&A was € 15 million. Noninterest expenses included charges related to litigation provisions offset by value-added tax benefits. The main adjustments to net revenues in C&A 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. These adjustments, which increased net revenues by approximately € 450 million, relate to economically hedged short-term positions and were driven by the significant volatility and overall decline of short-term interest rates.
- 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 CB&S. 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 C&A 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 reimbursements associated with several litigation cases. The main adjustments to net revenues in C&A 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 CB&S. 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.

Assets and risk-weighted assets in C&A 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 C&A reflects the residual amount of equity that is not allocated to the segments as described in the “Measurement of Segment Profit or Loss” section of 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, 2009, 2008 and 2007, respectively.

in € m.	Corporate and Investment Bank		
	2009	2008	2007
Sales & Trading (equity)	2,734	(631)	4,612
Sales & Trading (debt and other products)	9,795	116	8,401
<b>Total Sales &amp; Trading</b>	<b>12,529</b>	<b>(514)</b>	<b>13,013</b>
Origination (equity)	663	334	860
Origination (debt)	1,132	(713)	714
<b>Total origination</b>	<b>1,795</b>	<b>(379)</b>	<b>1,573</b>
Advisory	402	589	1,089
Loan products	1,623	1,393	1,067
Transaction services	2,606	2,774	2,585
Other products	(151)	(661)	(151)
<b>Total</b>	<b>18,804</b>	<b>3,201</b>	<b>19,176</b>

in € m.	Private Clients and Asset Management		
	2009	2008	2007
Portfolio/fund management	2,033	2,457	3,017
Brokerage	1,456	1,891	2,172
Loan/deposit	3,531	3,251	3,154
Payments, account & remaining financial services	1,005	1,066	1,030
Other products	239	376	756
<b>Total</b>	<b>8,264</b>	<b>9,041</b>	<b>10,129</b>

The following table presents total net revenues (before provisions for credit losses) by geographic area for the years ended December 31, 2009, 2008 and 2007, 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 CI and C&A is presented on a global level only, as management responsibility for these areas is held centrally.

in € m.	2009	2008	2007
Germany:			
CIB	2,353	2,997	3,012
PCAM	4,769	5,208	5,514
<b>Total Germany</b>	<b>7,122</b>	<b>8,205</b>	<b>8,525</b>
Europe, Middle East and Africa:			
CIB	8,483	(629)	7,713
PCAM	2,482	2,391	2,816
<b>Total Europe, Middle East and Africa<sup>1</sup></b>	<b>10,964</b>	<b>1,762</b>	<b>10,530</b>
Americas (primarily United States):			
CIB	5,295	(838)	4,628
PCAM	724	971	1,331
<b>Total Americas</b>	<b>6,020</b>	<b>133</b>	<b>5,959</b>
Asia/Pacific:			
CIB	2,672	1,671	3,823
PCAM	289	471	468
<b>Total Asia/Pacific</b>	<b>2,961</b>	<b>2,142</b>	<b>4,291</b>
CI	1,044	1,290	1,517
Consolidation & Adjustments	(159)	82	7
<b>Consolidated net revenues<sup>2</sup></b>	<b>27,952</b>	<b>13,613</b>	<b>30,829</b>

1 For the years ended December 31, 2009 and 2007, respectively, the United Kingdom accounted for roughly 60 % of these revenues. The United Kingdom reported negative revenues for the year ended December 31, 2008.

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

## [5] 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.	2009	2008	2007
<b>Interest and similar income:</b>			
Interest-earning deposits with banks	633	1,313	1,384
Central bank funds sold and securities purchased under resale agreements	320	964	1,090
Securities borrowed	67	1,011	3,784
Financial assets at fair value through profit or loss	13,634	34,938	42,920
Interest income on financial assets available for sale	496	1,260	1,596
Dividend income on financial assets available for sale	91	312	200
Loans	10,555	12,269	10,901
Other	1,157	2,482	2,800
<b>Total interest and similar income</b>	<b>26,953</b>	<b>54,549</b>	<b>64,675</b>
<b>Interest expense:</b>			
Interest-bearing deposits	5,119	13,015	17,371
Central bank funds purchased and securities sold under repurchase agreements	280	4,425	6,869
Securities loaned	269	304	996
Financial liabilities at fair value through profit or loss	4,503	14,811	20,989
Other short-term borrowings	798	1,905	2,665
Long-term debt	2,612	5,273	4,912
Trust preferred securities	680	571	339
Other	233	1,792	1,685
<b>Total interest expense</b>	<b>14,494</b>	<b>42,096</b>	<b>55,826</b>
<b>Net interest income</b>	<b>12,459</b>	<b>12,453</b>	<b>8,849</b>

Interest income recorded on impaired financial assets was € 133 million, € 65 million and € 57 million for the years ended December 31, 2009, 2008 and 2007, 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.	2009	2008	2007
<b>Trading income:</b>			
Sales & Trading (equity)	2,148	(9,615)	3,797
Sales & Trading (debt and other products)	5,668	(25,369)	(427)
Total Sales & Trading	7,816	(34,984)	3,370
Other trading income	(2,182)	1,155	548
<b>Total trading income</b>	<b>5,634</b>	<b>(33,829)</b>	<b>3,918</b>
<b>Net gains (losses) on financial assets/liabilities designated at fair value through profit or loss:</b>			
Breakdown by financial asset/liability category:			
Securities purchased/sold under resale/repurchase agreements	(73)	–	(41)
Securities borrowed/loaned	(2)	(4)	33
Loans and loan commitments	3,929	(4,016)	(570)
Deposits	(162)	139	10
Long-term debt <sup>1</sup>	(2,550)	28,630	3,782
Other financial assets/liabilities designated at fair value through profit or loss	333	(912)	43
<b>Total net gains (losses) on financial assets/liabilities designated at fair value through profit or loss</b>	<b>1,475</b>	<b>23,837</b>	<b>3,257</b>
<b>Total net gains (losses) on financial assets/liabilities at fair value through profit or loss</b>	<b>7,109</b>	<b>(9,992)</b>	<b>7,175</b>

<sup>1</sup> Includes € 176 million, € 17.9 billion and € 3.5 billion from securitization structures for the years ended December 31, 2009, December 31, 2008 and December 31, 2007, respectively. Fair value movements on related instruments of € (49) million, € (20.1) billion and € (4.4) billion for December 31, 2009, December 31, 2008 and December 31, 2007, respectively, are reported within trading income. Both are reported under Sales & Trading (debt and other products). The total of these gains and losses represents the Group's share of the losses in these consolidated securitization structures.

### 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.

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, 2009, 2008 and 2007, respectively.

in € m.	2009	2008	2007
Net interest income	12,459	12,453	8,849
Net gains (losses) on financial assets/liabilities at fair value through profit or loss	7,109	(9,992)	7,175
<b>Total net interest income and net gains (losses) on financial assets/liabilities at fair value through profit or loss</b>	<b>19,568</b>	<b>2,461</b>	<b>16,024</b>
<b>Net interest income and net gains (losses) on financial assets/liabilities at fair value through profit or loss by Group Division/CIB product:</b>			
Sales & Trading (equity)	2,047	(1,895)	3,117
Sales & Trading (debt and other products)	9,735	317	7,483
Total Sales & Trading	11,782	(1,578)	10,600
Loan products <sup>1</sup>	767	1,014	499
Transaction services	1,177	1,358	1,297
Remaining products <sup>2</sup>	239	(1,821)	(118)
Total Corporate and Investment Bank	13,966	(1,027)	12,278
Private Clients and Asset Management	4,160	3,871	3,529
Corporate Investments	793	(172)	157
Consolidation & Adjustments	649	(211)	61
<b>Total net interest income and net gains (losses) on financial assets/liabilities at fair value through profit or loss</b>	<b>19,568</b>	<b>2,461</b>	<b>16,024</b>

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.

## [6] Commissions and Fee Income

The following are the components of commission and fee income and expense.

in € m.	2009	2008	2007
<b>Commission and fee income and expense:</b>			
Commission and fee income	11,377	12,449	15,199
Commission and fee expense	2,466	2,708	2,917
<b>Net commissions and fee income</b>	<b>8,911</b>	<b>9,741</b>	<b>12,282</b>

in € m.	2009	2008	2007
<b>Net commissions and fee income:</b>			
Net commissions and fees from fiduciary activities	2,925	3,414	3,965
Net commissions, brokers' fees, mark-ups on securities underwriting and other securities activities	3,449	3,790	5,490
Net fees for other customer services	2,537	2,537	2,827
<b>Net commissions and fee income</b>	<b>8,911</b>	<b>9,741</b>	<b>12,282</b>

**[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.	2009	2008	2007
<b>Net gains (losses) on financial assets available for sale:</b>			
Net gains (losses) on debt securities:	37	(534)	(192)
Net gains (losses) from disposal	119	17	8
Impairments	(82)	(551)	(200)
Net gains (losses) on equity securities:	(295)	1,156	944
Net gains (losses) from disposal	443	1,428	1,004
Impairments	(738)	(272)	(60)
Net gains (losses) on loans:	(56)	(63)	(12)
Net gains (losses) from disposal	9	(12)	(8)
Impairments	(81)	(52)	(4)
Reversal of impairments	16	1	–
Net gains (losses) on other equity interests:	(89)	107	53
Net gains (losses) from disposal	–	108	60
Impairments	(89)	(1)	(7)
<b>Total net gains (losses) on financial assets available for sale</b>	<b>(403)</b>	<b>666</b>	<b>793</b>

**[8] Other Income**

The following are the components of other income.

in € m.	2009	2008	2007
<b>Other income:</b>			
Net income (loss) from investment properties	(117)	8	29
Net gains (losses) on disposal of investment properties	(2)	–	8
Net gains (losses) on disposal of consolidated subsidiaries	61	85	321
Net gains (losses) on disposal of loans	2	50	44
Insurance premiums <sup>1</sup>	129	308	134
Remaining other income <sup>2</sup>	(256)	248	841
<b>Total other income</b>	<b>(183)</b>	<b>699</b>	<b>1,377</b>

<sup>1</sup> Net of reinsurance premiums paid. The development is primarily driven by Abbey Life Assurance Company Limited.

<sup>2</sup> The decrease from 2008 to 2009 in remaining other income was primarily driven by an impairment charge of € 575 million on The Cosmopolitan Resort and Casino property recorded in 2009. The decrease from 2007 to 2008 was primarily driven by the non-recurrence of 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 recorded in 2007.

## [9] General and Administrative Expenses

The following are the components of general and administrative expenses.

in € m.	2009	2008	2007
<b>General and administrative expenses:</b>			
IT costs	1,759	1,818	1,863
Occupancy, furniture and equipment expenses	1,457	1,434	1,347
Professional service fees	1,088	1,164	1,257
Communication and data services	672	698	678
Travel and representation expenses	408	504	554
Payment, clearing and custodian services	406	415	436
Marketing expenses	278	373	411
Other expenses	2,334	1,933	1,492
<b>Total general and administrative expenses</b>	<b>8,402</b>	<b>8,339</b>	<b>8,038</b>

Other expenses include, among other items, regulatory and insurance related costs, other taxes, operational losses and other non-compensation staff related expenses. The increase in other expenses was mainly driven by charges of € 316 million from a legal settlement with Huntsman Corp. and of € 200 million related to the Group's offer to repurchase certain products from private investors.

## [10] 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.

The following table presents the computation of basic and diluted earnings per share for the years ended December 31, 2009, 2008 and 2007, respectively.

in € m.	2009	2008	2007
<b>Net income (loss) attributable to Deutsche Bank shareholders – numerator for basic earnings per share</b>	<b>4,973</b>	<b>(3,835)</b>	<b>6,474</b>
Effect of dilutive securities:			
Forwards and options	–	–	–
Convertible debt	2	(1)	–
<b>Net income (loss) attributable to Deutsche Bank shareholders after assumed conversions – numerator for diluted earnings per share</b>	<b>4,975</b>	<b>(3,836)</b>	<b>6,474</b>
Number of shares in m.			
<b>Weighted-average shares outstanding – denominator for basic earnings per share</b>	<b>628.1</b>	<b>504.1</b>	<b>474.2</b>
Effect of dilutive securities:			
Forwards	0.0	0.0	0.3
Employee stock compensation options	0.1	0.0	1.8
Convertible debt	0.7	0.1	0.7
Deferred shares	26.4	0.0	18.6
Other (including trading options)	0.1	0.0	0.5
Dilutive potential common shares	27.3	0.1	21.9
<b>Adjusted weighted-average shares after assumed conversions – denominator for diluted earnings per share</b>	<b>655.4</b>	<b>504.2</b>	<b>496.1</b>

in €	2009	2008	2007
Basic earnings per share	7.92	(7.61)	13.65
Diluted earnings per share	7.59	(7.61)	13.05

Due to the net loss situation, potentially dilutive instruments were generally not considered for the calculation of diluted earnings per share for the year ended December 31, 2008, 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, 2009, 2008 and 2007, the following instruments were outstanding and were not included in the calculation of diluted earnings per share, because to do so would have been anti-dilutive.

Number of shares in m.	2009	2008	2007
Forward purchase contracts	0.0	0.0	39.4
Put options sold	0.0	0.1	0.2
Call options sold	0.0	0.3	0.7
Employee stock compensation options	0.3	1.8	0.1
Deferred shares	0.0	26.9	0.6

# 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, 2009	Dec 31, 2008
<b>Trading assets:</b>		
Trading securities	206,710	204,994
Other trading assets <sup>1</sup>	28,200	42,468
<b>Total trading assets</b>	<b>234,910</b>	<b>247,462</b>
<b>Positive market values from derivative financial instruments</b>	<b>596,410</b>	<b>1,224,493</b>
<b>Financial assets designated at fair value through profit or loss:</b>		
Securities purchased under resale agreements	89,977	94,726
Securities borrowed	19,987	29,079
Loans	12,964	18,739
Other financial assets designated at fair value through profit or loss	11,072	9,312
<b>Total financial assets designated at fair value through profit or loss</b>	<b>134,000</b>	<b>151,856</b>
<b>Total financial assets at fair value through profit or loss</b>	<b>965,320</b>	<b>1,623,811</b>

1 Includes traded loans of € 21,847 million and € 31,421 million at December 31, 2009 and 2008 respectively.

in € m.	Dec 31, 2009	Dec 31, 2008
<b>Trading liabilities:</b>		
Trading securities	62,402	56,967
Other trading liabilities	2,099	11,201
<b>Total trading liabilities</b>	<b>64,501</b>	<b>68,168</b>
<b>Negative market values from derivative financial instruments</b>	<b>576,973</b>	<b>1,181,617</b>
<b>Financial liabilities designated at fair value through profit or loss:</b>		
Securities sold under repurchase agreements	52,795	52,633
Loan commitments	447	2,352
Long-term debt	15,395	18,439
Other financial liabilities designated at fair value through profit or loss	4,885	4,579
<b>Total financial liabilities designated at fair value through profit or loss</b>	<b>73,522</b>	<b>78,003</b>
Investment contract liabilities <sup>1</sup>	7,278	5,977
<b>Total financial liabilities at fair value through profit or loss</b>	<b>722,274</b>	<b>1,333,765</b>

1 These are investment contracts where the policy terms and conditions result in their redemption value equaling fair value. See Note [39] 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 € 123 billion and € 143 billion as of December 31, 2009, and 2008, respectively. Exposure to credit risk also exists for undrawn irrevocable loan commitments.

The credit risk on the securities purchased under resale agreements and securities borrowed designated under the fair value option was € 110.0 billion and € 123.8 billion at December 31, 2009 and December 31, 2008 respectively, this credit risk is mitigated by the holding of collateral. The valuation of these instruments takes into account the credit enhancement in the form of the collateral received. As such there is no material movement during the year or cumulatively due to movements in counterparty credit risk on these instruments. The credit risk on the loans designated under the fair value option of € 13.0 billion and € 18.7 billion as of December 31, 2009 and 2008, respectively, is mitigated in a number of ways. The majority of the drawn loan balance is mitigated through the purchase of credit default swaps, the remainder is mitigated by the holding of collateral.

The valuation of collateralized loans takes into account the credit enhancement received. Where the instruments are over-collateralized there is no material movement in valuation during the year or cumulatively due to movements in counterparty credit risk, rather the fair value movement of the instruments is due to market risk movements in the value of the collateral and interest rates.

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 € 48.9 billion and € 50.5 billion as of December 31, 2009, and 2008, 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 € 32.7 billion and € 36.5 billion as of December 31, 2009, and 2008, respectively.

The changes in fair value attributable to movements in counterparty credit risk are detailed in the table below.

in € m.	Dec 31, 2009		Dec 31, 2008	
	Loans	Loan commitments	Loans	Loan commitments
<b>Changes in fair value of loans and loan commitments due to credit risk</b>				
Cumulative change in the fair value	28	(24)	(870)	(2,731)
Annual change in the fair value in 2009/2008	938	1,565	(815)	(2,558)
<b>Changes in fair value of credit derivatives used to mitigate credit risk</b>				
Cumulative change in the fair value	(47)	(51)	844	2,674
Annual change in the fair value in 2009/2008	(1,250)	(1,355)	784	2,482

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 the Group's credit risk are detailed in the table below. The changes in the fair value of financial liabilities designated at fair value through profit or loss issued by consolidated SPEs have been excluded as this is not related to the Group's credit risk but to that of the legally isolated SPE, which is dependent on the collateral it holds.

in € m.	Dec 31, 2009	Dec 31, 2008
Cumulative change in the fair value	30	364
Annual change in the fair value in 2009/2008	(264)	349

The fair value of the debt issued 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.

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 € 36.8 billion and € 33.7 billion more than the carrying amount as of December 31, 2009 and 2008, 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 € 0.6 billion and € 1.4 billion as of December 31, 2009, and 2008, respectively.

### [12] Amendments to IAS 39 and IFRS 7, “Reclassification of Financial Assets”

Under the amendments to IAS 39 and IFRS 7 certain financial assets were reclassified in the second half of 2008 and the first quarter of 2009 from the financial assets at fair value through profit or loss and the available for sale classifications into the loans classification. The reclassifications were made in instances where management believed that the expected repayment of the assets exceeded their estimated fair values, which reflected the significantly reduced liquidity in the financial markets, and that 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, the Group concluded that the reclassifications aligned the accounting more closely with the business intent. Assets that were reclassified in the third quarter 2008 were reclassified with effect from July 1, 2008 at the fair value as of that date. Where the business decision to reclassify was made by November 1, 2008 and these assets met the reclassification rules and the Group’s internal reclassification criteria, the reclassifications were made with effect from October 1, 2008. Business decisions to reclassify assets after November 1, 2008 were made on a prospective basis at fair value on the date reclassification was approved. The disclosures below detail the impact of the reclassifications on the Group.

The following table shows carrying values and fair values of the assets reclassified in 2008 and 2009.

in € m.	Carrying value at reclassification date	Cumulative reclassifications through Dec 31, 2009		Carrying value at reclassification date	Cumulative reclassifications through Dec 31, 2008	
		Dec 31, 2009			Dec 31, 2008	
		Carrying value	Fair value		Carrying value	Fair Value
<b>Assets reclassified in 2008:</b>						
Trading assets reclassified to loans	23,633	21,397	18,837	23,633	23,637	20,717
Financial assets available for sale reclassified to loans	11,354	9,267	8,290	11,354	10,787	8,628
<b>Total financial assets reclassified to loans</b>	<b>34,987</b>	<b>30,664<sup>1</sup></b>	<b>27,127</b>	<b>34,987</b>	<b>34,424</b>	<b>29,345</b>
<b>Assets reclassified in 2009:</b>						
Trading assets reclassified to loans	2,961	2,890	2,715			
<b>Total financial assets reclassified to loans</b>	<b>2,961</b>	<b>2,890</b>	<b>2,715</b>			

<sup>1</sup> The decline of the carrying values since reclassification was mainly attributable to repayments, credit loss provisions and foreign exchange movements.

The following table shows the ranges of effective interest rates based on weighted average rates by business and the expected recoverable cash flows estimated at reclassification date.

in € bn. (unless stated otherwise)	Cumulative reclassifications through Dec 31, 2009		Cumulative reclassifications through Dec 31, 2008	
	Trading assets reclassified to loans	Financial assets available for sale reclassified to loans	Trading assets reclassified to loans	Financial assets available for sale reclassified to loans
<b>Effective interest rates at reclassification date:</b>				
upper range	13.1 %	9.9 %	13.1 %	9.9 %
lower range	2.8 %	3.9 %	2.8 %	3.9 %
<b>Expected recoverable cash flows at reclassification date</b>	<b>39.6</b>	<b>17.6</b>	<b>35.9</b>	<b>17.6</b>

The additional impact on the Group's income statement and shareholders' equity if the reclassifications had not been made is shown in the table below.

in € m.	2009	2008 <sup>1</sup>
Unrealized fair value losses on the reclassified trading assets, gross of provisions for credit losses	(884)	(3,230)
Impairment losses on the reclassified financial assets available for sale which were impaired	(9)	(209)
Movement in shareholders' equity representing additional unrealized fair value gains (losses) on the reclassified financial assets available for sale	1,147	(1,826)

<sup>1</sup> Reclassifications were made from 1 July 2008 and so the 2008 balances represent a six month period.

After reclassification, the pre-tax contribution of all reclassified assets to the income statement was as follows.

in € m.	2009	2008 <sup>1</sup>
Interest income	1,368	659
Provision for credit losses	(1,047)	(166)
<b>Income before income taxes on reclassified trading assets</b>	<b>321</b>	<b>493</b>
Interest income	227	258
Provision for credit losses	(205)	(91)
<b>Income before income taxes on reclassified financial assets available for sale</b>	<b>22</b>	<b>167</b>

<sup>1</sup> Reclassifications were made from 1 July 2008 and so the 2008 balances represent a six month period.

Prior to their reclassification, assets reclassified in 2009 contributed fair value losses of € 252 million to the income statement for the year ended December 31, 2008 and fair value losses of € 48 million to the income statement for the year ended December 31, 2009.

Prior to their reclassification, assets reclassified from trading in 2008 contributed fair value losses of € 1.8 billion to the income statement for the year ended December 31, 2008 and € 613 million of fair value losses for the year ended December 31, 2007. Assets reclassified from available for sale during 2008 contributed, prior to their reclassification, impairment charges of € 174 million to the income statement and additional unrealized losses of € 736 million to the consolidated statement of recognized income and expense for the year ended December 31, 2008 and no impairment losses and additional unrealized losses of € 275 million to the consolidated statement of recognized income and expense for the year ended December 31, 2007.

As of the reclassification dates, unrealized fair value losses recorded directly in shareholders' equity amounted to € 1.1 billion, which relate to reclassifications made during 2008. This amount is released from shareholders' equity to the income statement on an effective interest rate basis. Where 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.

### **[13] 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 forced 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 valuation technique 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 market evidence, which may include historic default levels, fundamental analysis of financial information, and CDS spreads.

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, 2009.

Where there is uncertainty in the assumptions used within a modeling technique, an additional adjustment is taken to calibrate the model price to 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 model validation group that is part of the Group's Risk Management function.

Quotes for transactions and parameter inputs 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 where possible.

**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 the fair value 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].

in € m.	Dec 31, 2009			Dec 31, 2008		
	Quoted prices in active market (Level 1)	Valuation technique observable parameters (Level 2)	Valuation technique unobservable parameters (Level 3)	Quoted prices in active market (Level 1)	Valuation technique observable parameters (Level 2)	Valuation technique unobservable parameters (Level 3)
<b>Financial assets held at fair value:</b>						
Trading securities	84,833	106,268	15,609	72,240	115,486	17,268
Positive market values from derivative financial instruments	19,684	551,514	25,211	36,062	1,139,639	48,792
Other trading assets	456	16,963	10,782	348	28,560	13,560
Financial assets designated at fair value through profit or loss	5,698	124,892	3,410	8,630	137,421	5,805
Financial assets available for sale	10,789	4,863	3,167	11,911	11,474	1,450
Other financial assets at fair value <sup>1</sup>	–	7,014	41	–	9,691	788
<b>Total financial assets held at fair value</b>	<b>121,460</b>	<b>811,514</b>	<b>58,220</b>	<b>129,191</b>	<b>1,442,271</b>	<b>87,663</b>
<b>Financial liabilities held at fair value:</b>						
Trading securities	43,182	18,787	431	38,921	17,380	666
Negative market values from derivative financial instruments	18,699	542,683	15,591	38,380	1,114,499	28,738
Other trading liabilities	1	1,817	283	–	11,027	174
Financial liabilities designated at fair value through profit or loss	177	70,724	2,621	708	71,265	6,030
Investment contract liabilities <sup>2</sup>	–	7,278	–	–	5,977	–
Other financial liabilities at fair value <sup>1</sup>	–	2,698	(757)	–	5,513	(1,249)
<b>Total financial liabilities held at fair value</b>	<b>62,059</b>	<b>643,987</b>	<b>18,169</b>	<b>78,009</b>	<b>1,225,661</b>	<b>34,359</b>

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 [39] for more detail on these contracts.

There have been no significant transfers of instruments between level 1 and level 2 of the fair value hierarchy.

## Valuation Techniques

The following is an explanation of the valuation techniques used in establishing the fair value of the different types of financial instruments that the Group trades.

**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 and appropriate.

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, management judgment is required to determine fair values 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 the relevant credit-adjusted yield curve. 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, according to IFRS they are required to be presented as gross assets and liabilities in the table below.

in € m.	Dec 31, 2009	Dec 31, 2008
<b>Financial assets held at fair value:</b>		
Trading securities:		
Sovereign and quasi-sovereign obligations	335	602
Mortgage and other asset-backed securities	7,068	5,870
Corporate debt securities and other debt obligations	7,444	10,669
Equity securities	762	127
<b>Total trading securities</b>	<b>15,609</b>	<b>17,268</b>
Positive market values from derivative financial instruments	25,211	48,792
Other trading assets	10,782	13,560
Financial assets designated at fair value through profit or loss:		
Loans	2,905	5,531
Other financial assets designated at fair value through profit or loss	505	274
<b>Total financial assets designated at fair value through profit or loss</b>	<b>3,410</b>	<b>5,805</b>
Financial assets available for sale	3,167	1,450
Other financial assets at fair value	41	788
<b>Total financial assets held at fair value</b>	<b>58,220</b>	<b>87,663</b>
<b>Financial liabilities held at fair value:</b>		
Trading securities	431	666
Negative market values from derivative financial instruments	15,591	28,738
Other trading liabilities	283	174
Financial liabilities designated at fair value through profit or loss:		
Loan commitments	447	2,195
Long-term debt	1,723	1,488
Other financial liabilities designated at fair value through profit or loss	451	2,347
<b>Total financial liabilities designated at fair value through profit or loss</b>	<b>2,621</b>	<b>6,030</b>
Other financial liabilities at fair value	(757)	(1,249)
<b>Total financial liabilities held at fair value</b>	<b>18,169</b>	<b>34,359</b>

**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.

**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 may include certain correlations, certain longer-term volatilities, certain prepayment rates, 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 tranching 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 2009, the market value of derivatives instruments in the third level of the hierarchy has significantly declined primarily as a result of changes to input parameters, in particular tightening credit spreads. In addition there has been an increase in liquidity for some products which has enabled some migration to the second level of the fair value hierarchy.

**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 was significantly reduced in the year due to falls in the value of the loans as well as from positions which have matured during the year.

**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. The balance has reduced during 2009 mainly as a result of reduced drawings on revolving loan facilities and loan facilities which have matured during the year.

In addition, certain hybrid debt issuances designated at fair value through profit or loss containing embedded derivatives are valued based on significant unobservable parameters. These unobservable parameters include single stock volatility 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.

### **Reconciliation of financial instruments classified in Level 3**

The table below presents a reconciliation of financial instruments categorized in level 3 of the fair value hierarchy followed by an analysis and discussion of the financial instruments so categorized. Some of the instruments in level 3 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. Further, certain instruments are hedged with instruments in level 1 or level 2 but the table below does not include the gains and losses on these hedging instruments. Additionally, both observable and unobservable parameters may be used to determine the fair value of an instrument classified within level 3 of the fair value hierarchy; the gains and losses presented below are attributable to movements in both the observable and unobservable parameters.

Transfers in and transfers out of level 3 during the year are recorded at their fair value at the beginning of year in the table below. For instruments transferred into level 3 the table shows the gains and losses and cash flows on the instruments as if they had been transferred at the beginning of the year. Similarly for instruments transferred out of level 3 the table does not show any gains or losses or cash flows on the instruments during the year since the table is presented as if they have been transferred out at the beginning of the year.

in € m.	Balance, beginning of year	Total gains/ losses <sup>1</sup>	Purchases	Sales	Issuances <sup>5</sup>	Settle- ments <sup>6</sup>	Transfers into Level 3	Transfers out of Level 3	Balance, end of year
<b>Financial assets held at fair value:</b>									
Trading securities	17,268	(2,304)	2,883	(5,084)	–	(1,570)	8,410	(3,994)	15,609
Positive market values from derivative financial instruments	48,792	(15,563) <sup>7</sup>	–	–	–	(6,397)	7,510	(9,131)	25,211
Other trading assets	13,560	1,832	1,919	(3,057)	246	(3,184)	2,309	(2,843)	10,782
Financial assets designated at fair value through profit or loss	5,805	1,507	222	(60)	952	(5,267)	695	(444)	3,410
Financial assets available for sale	1,450	(221) <sup>2</sup>	136	(143)	–	(97)	2,135	(93)	3,167
Other financial assets at fair value	788	70	9	–	–	–	–	(826)	41
<b>Total financial assets held at fair value</b>	<b>87,663</b>	<b>(14,679)<sup>3,4</sup></b>	<b>5,169</b>	<b>(8,344)</b>	<b>1,198</b>	<b>(16,515)</b>	<b>21,059</b>	<b>(17,331)</b>	<b>58,220</b>
<b>Financial liabilities held at fair value:</b>									
Trading securities	666	26	–	–	–	113	186	(560)	431
Negative market values from derivative financial instruments	28,738	(4,374) <sup>7</sup>	–	–	–	(5,546)	5,034	(8,261)	15,591
Other trading liabilities	174	68	–	–	–	205	–	(164)	283
Financial liabilities designated at fair value through profit or loss	6,030	(1,753)	–	–	208	(269)	1,443	(3,038)	2,621
Other financial liabilities at fair value	(1,249)	649	–	–	–	93	(253)	3	(757)
<b>Total financial liabilities held at fair value</b>	<b>34,359</b>	<b>(5,384)<sup>3,4</sup></b>	<b>–</b>	<b>–</b>	<b>208</b>	<b>(5,404)</b>	<b>6,410</b>	<b>(12,020)</b>	<b>18,169</b>

1 Total gains and losses predominantly relate to net gains (losses) on financial assets/liabilities at fair value through profit or loss reported in the consolidated statement of income. The balance also includes net gains (losses) on financial assets available for sale reported in the consolidated statement of income and unrealized net gains (losses) on financial assets available for sale and exchange rate changes reported in net gains (losses) not recognized in the income statement net of tax.

2 Total gains and losses on available for sale include a gain of € 177 million recognized in Total net gains (losses) not recognized in the income statement, net of tax, and a loss of € 398 million recognized in the income statement presented in Net gains (losses) on financial assets available for sale.

3 This amount includes the effect of exchange rate changes. For total financial assets held at fair value this effect is a positive € 6.6 billion and for total financial liabilities held at fair value this is a negative € 2.3 billion. This predominately relates to derivatives. The effect of exchange rate changes is reported in total gains (losses) not recognized in the income statement, net of tax.

4 For assets positive balances represent gains, negative balances represent losses. For liabilities positive balances represent losses, negative balances represent gains.

5 Issuances relates to the cash amount received on the issuance of a liability and the cash amount paid on the primary issuance of a loan to a borrower.

6 Settlements represent cash flows to settle the asset or liability. For debt and loan instruments this includes principal on maturity, principal amortizations and principal repayments. For derivatives all cash flows are presented in settlements.

7 The gains and losses on derivatives arise as a result of changes to input parameters, in particular tightening of credit spreads.

### 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, 2009, it could have increased fair value by as much as € 4.3 billion or decreased fair value by as much as € 3.9 billion. 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. In estimating these impacts, the Group either re-valued certain financial instruments using reasonably possible alternative parameter values, or used an approach based on its valuation adjustment methodology for bid/offer spread valuation adjustments. Bid/offer spread valuation adjustments reflect the amount 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.

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.

in € m.	Dec 31, 2009		Dec 31, 2008	
	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
<b>Derivatives:</b>				
Credit	2,585	2,689	3,606	3,731
Equity	213	106	226	105
Interest Related	103	117	40	31
Hybrid	342	168	140	76
Other	264	314	178	124
<b>Securities:</b>				
Debt securities	311	277	162	152
Equity securities	36	28	8	2
Mortgage and asset backed	206	50	243	243
<b>Loans:</b>				
Leveraged loans	5	5	32	17
Commercial loans	88	88	70	70
Traded loans	136	83	197	126
<b>Total</b>	<b>4,289</b>	<b>3,925</b>	<b>4,902</b>	<b>4,677</b>

### Total gains or losses on level 3 instruments held or in issue at the reporting date

The total gains or losses are 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 gain or loss is partly 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. The offsetting gains and losses that have been recorded on all such hedges are not included in the table below, which only shows the gains and losses related to the level 3 classified instruments themselves, in accordance with IFRS 7.

An analysis of the total gains and losses recorded in profit or loss.

Total gains or losses recorded in net gains (losses) on financial instruments at fair value through profit or loss in € m.	Dec 31, 2009
<b>Financial assets held at fair value:</b>	
Trading securities	(433)
Positive market values from derivative financial instruments	(10,325)
Other trading assets	(404)
Financial assets designated at fair value through profit or loss	554
Financial assets available for sale <sup>1</sup>	(200)
Other financial assets at fair value	(8)
<b>Total financial assets held at fair value</b>	<b>(10,816)</b>
<b>Financial liabilities held at fair value:</b>	
Trading securities	(15)
Negative market values from derivative financial instruments	2,226
Other trading liabilities	(35)
Financial liabilities designated at fair value through profit or loss	1,121
Other financial liabilities at fair value	(197)
<b>Total financial liabilities held at fair value</b>	<b>3,100</b>
<b>Total</b>	<b>(7,716)</b>

<sup>1</sup> This amount relates to impairment losses on level 3 financial assets available for sale.

### 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.	2009	2008
<b>Balance, beginning of year</b>	<b>697</b>	<b>521</b>
New trades during the period	467	587
Amortization	(182)	(152)
Matured trades	(138)	(141)
Subsequent move to observability	(41)	(94)
Exchange rate changes	19	(24)
<b>Balance, end of year</b>	<b>822</b>	<b>697</b>

#### [14] 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 [13], Financial Instruments carried at fair value.

As described in Note [12], Amendments to IAS 39 and IFRS 7, "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 [13], Financial Instruments carried at Fair Value, to the reclassified assets.

Other financial instruments not carried at fair value are not part of a trading portfolio and are not managed on a fair value basis, for example, retail loans and deposits and credit facilities extended to corporate clients. For these instruments fair values are calculated for disclosure purposes only and do not impact the balance sheet or income statement. Additionally since the instruments generally do not trade there is significant management judgment required to determine these fair values.

The valuation techniques the Group applies 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.

<b>Assets</b>	<b>Liabilities</b>
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 and appropriate.

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 discounting at the margins which could be earned on similar loans if issued at the balance sheet date. For other portfolios the present value calculation is adjusted for credit risk by calculating the expected loss over the estimated life of the loan based on various parameters including probability of default and 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. These products are typically short-term and highly collateralized, therefore the fair value is not significantly different to the carrying value.

**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 an instrument with similar characteristics could be issued 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.

in € m.	Dec 31, 2009		Dec 31, 2008 <sup>1</sup>	
	Carrying value	Fair value	Carrying value	Fair value
<b>Financial assets:</b>				
Cash and due from banks	9,346	9,346	9,826	9,826
Interest-earning deposits with banks	47,233	47,236	64,739	64,727
Central bank funds sold and securities purchased under resale agreements	6,820	6,820	9,267	9,218
Securities borrowed	43,509	43,509	35,022	34,764
Loans	258,105	249,661	269,281	254,536
Other assets <sup>1</sup>	105,004	104,995	115,871	115,698
<b>Financial liabilities:</b>				
Deposits	344,220	344,700	395,553	396,148
Central bank funds purchased and securities sold under repurchase agreements	45,495	45,511	87,117	87,128
Securities loaned	5,564	5,564	3,216	3,216
Other short-term borrowings	42,897	42,833	39,115	38,954
Other liabilities <sup>2</sup>	127,777	127,789	131,156	130,989
Long-term debt	131,782	132,577	133,856	126,432
Trust preferred securities	10,577	9,518	9,729	6,148

<sup>1</sup> Only includes financial assets or financial liabilities.

<sup>2</sup> Prior year amounts have been adjusted by € 84.7 billion to include certain short-term liabilities which meet the definition of a financial instrument.

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 difference between fair value and carrying value at December 31, 2009 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 since initial recognition. These reductions in fair value are partially offset by an increase in fair value due to interest rate movements on fixed rate instruments. The difference between fair value and carrying value has declined during 2009 primarily due to a reduction in the size of the loan portfolio as well as a decrease in expected default rates as implied from the market pricing during 2009.

**Long-term debt and trust preferred securities:** The difference between fair value and carrying value is due to the effect of changes in the rates at which the Group could issue debt with similar maturity and subordination at the balance sheet date compared to when the instrument was issued. The decrease in the difference between the fair value and carrying value during the year is primarily due to the tightening of the Group's credit spread since the prior year.

**[15] Financial Assets Available for Sale**

The following are the components of financial assets available for sale.

in € m.	Dec 31, 2009	Dec 31, 2008
<b>Debt securities:</b>		
German government	2,585	2,672
U.S. Treasury and U.S. government agencies	901	302
U.S. local (municipal) governments	1	1
Other foreign governments	3,832	3,700
Corporates	4,280	6,035
Other asset-backed securities	999	372
Mortgage-backed securities, including obligations of U.S. federal agencies	815	87
Other debt securities	438	4,797
<b>Total debt securities</b>	<b>13,851</b>	<b>17,966</b>
<b>Equity securities:</b>		
Equity shares	3,192	4,539
Investment certificates and mutual funds	76	208
<b>Total equity securities</b>	<b>3,268</b>	<b>4,747</b>
<b>Other equity interests</b>	<b>699</b>	<b>893</b>
<b>Loans</b>	<b>1,001</b>	<b>1,229</b>
<b>Total financial assets available for sale</b>	<b>18,819</b>	<b>24,835</b>

**[16] 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, 2009, there were three associates which were accounted for as held for sale. For information on assets held for sale please refer to Note [24].

As of December 31, 2009, the most significant equity method investment was the investment in Deutsche Postbank AG, Bonn, representing approximately 75 % of the carrying value of equity method investments.

On February 25, 2009, the Group acquired a 22.9 % stake in Deutsche Postbank AG as a contribution-in-kind against 50 million Deutsche Bank shares, which became effective with the registration of the shares in the commercial register on March 6, 2009. Together with a stake of approximately 2.1 % held at that point in time as well as additional shares purchased after that transaction, the Group held an investment of 29.88 % in Deutsche Postbank AG as of December 31, 2009. In addition to the acquisition of the shares, the transaction comprised two further tranches: a mandatorily-exchangeable bond of € 3.0 billion covering an additional 27.4 % stake and put and call options covering an additional 12.1 % stake in Deutsche Postbank AG. Due to its specific terms and conditions, the mandatorily-exchangeable bond primarily contains equity risk and is reported as part of the equity method investment. In addition, the net fair value of the derivative liability resulting from the put/call structure upon completion of the transaction was added to the acquisition cost of the equity method investment.

The following table provides summarized financial information of Deutsche Postbank AG for the years ended December 31, 2009, 2008 and 2007. The information for the year ended December 31, 2009 is based on preliminary data, which was published by Deutsche Postbank AG on February 25, 2010. Complete financial statements for the year ended December 31, 2009 are not yet publicly available.

in € m.	Preliminary Dec 31, 2009	Dec 31, 2008 <sup>1</sup>	Dec 31, 2007
Total assets	226,609	231,219	202,913
Total liabilities	221,358	226,267	197,688
Revenues	3,088	2,288	4,244
Net income (loss)	76	(886)	856

<sup>1</sup> On February 25, 2010, Deutsche Postbank AG disclosed preliminary results for the year ended December 31, 2009. According to this information, the net loss for the year ended December 31, 2008 was retrospectively adjusted to € 886 million instead of € 821 million as reported before. The impact of this change on other financial information in the table above has been adjusted as well.

The following are the components of the net income (loss) from all equity method investments.

in € m.	2009	2008
<b>Net income (loss) from equity method investments:</b>		
Pro-rata share of investees' net income (loss)	189	53
Net gains (losses) on disposal of equity method investments	21	87
Impairments	(151)	(94)
<b>Total net income (loss) from equity method investments</b>	<b>59</b>	<b>46</b>

There was no unrecognized share of losses of an investee, neither for the period, nor cumulatively.

Equity method investments for which there were published price quotations had a carrying value of € 6.1 billion and a fair value of € 3.8 billion as of December 31, 2009, and a carrying value of € 154 million and a fair value of € 147 million as of December 31, 2008.

The difference between fair value and carrying value of equity method investments is mainly related to the investment in Deutsche Postbank AG. For this investment, an impairment test was performed based on the recoverable amount defined as the higher of the fair value less costs to sell and the value in use which is derived from future cash flows expected to be generated by Deutsche Postbank AG discounted to their present value. The future cash flows are derived from the estimate as to the development of the future capital requirements and the expected corresponding annual return on that future capital base. The assessment of the capital development and the corresponding profitability is based on publicly available information issued by Deutsche Postbank AG, such as annual and quarterly reports, management and investor relations announcements as well as broker reports on Deutsche Postbank AG. This information is further substantiated by internal analysis. In addition, the expected benefits of the signed cooperation agreement between Deutsche Bank AG and Deutsche Postbank AG are taken into account further contributing to the value in use. The impairment test based on the discounted cash flow model did not indicate an impairment of the investment as the derived value in use exceeded the fair value less costs to sell as well as the book value as of December 31, 2009.

The investees have no significant contingent liabilities to which the Group is exposed.

In 2009 and 2008, 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.

## [17] Loans

The following are the principal components of loans by industry classification.

in € m.	Dec 31, 2009	Dec 31, 2008
Banks and insurance	22,002	26,998
Manufacturing	17,314	19,043
Households (excluding mortgages)	27,002	30,923
Households – mortgages	58,673	52,453
Public sector	9,572	9,972
Wholesale and retail trade	10,938	11,761
Commercial real estate activities	28,959	27,083
Lease financing	2,078	2,700
Fund management activities	26,462	31,158
Other	59,698	60,276
<b>Gross loans</b>	<b>262,698</b>	<b>272,367</b>
(Deferred expense)/unearned income	1,250	1,148
<b>Loans less (deferred expense)/unearned income</b>	<b>261,448</b>	<b>271,219</b>
Less: Allowance for loan losses	3,343	1,938
<b>Total loans</b>	<b>258,105</b>	<b>269,281</b>

## 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 their domestic exporters. The ECAs act in the name and on behalf of the government of their respective country and 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 short-term, 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 Cooperation 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. Almost 50 % of such ECA guarantees received by the Group were issued by the Euler-Hermes Kreditversicherungs 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.

### [18] 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.

in € m.	2009			2008			2007		
	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total
<b>Allowance, beginning of year</b>	<b>977</b>	<b>961</b>	<b>1,938</b>	<b>930</b>	<b>775</b>	<b>1,705</b>	<b>985</b>	<b>684</b>	<b>1,670</b>
Provision for loan losses	1,789	808	2,597	382	702	1,084	146	505	651
Net charge-offs:	(637)	(419)	(1,056)	(301)	(477)	(778)	(149)	(378)	(527)
Charge-offs	(670)	(552)	(1,222)	(364)	(626)	(990)	(244)	(508)	(752)
Recoveries	33	133	166	63	149	212	95	130	225
Changes in the group of consolidated companies	–	–	–	–	–	–	–	–	–
Exchange rate changes/other	(101)	(36)	(137)	(34)	(39)	(74)	(52)	(36)	(88)
<b>Allowance, end of year</b>	<b>2,029</b>	<b>1,314</b>	<b>3,343</b>	<b>977</b>	<b>961</b>	<b>1,938</b>	<b>930</b>	<b>775</b>	<b>1,705</b>

The following table presents the activity in the Group's allowance for off-balance sheet positions, which consists of contingent liabilities and lending-related commitments.

in € m.	2009			2008			2007		
	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total
<b>Allowance, beginning of year</b>	<b>98</b>	<b>112</b>	<b>210</b>	<b>101</b>	<b>118</b>	<b>219</b>	<b>127</b>	<b>129</b>	<b>256</b>
Provision for off-balance sheet positions	21	12	33	(2)	(6)	(8)	(32)	(6)	(38)
Usage	(45)	–	(45)	–	–	–	–	–	–
Changes in the group of consolidated companies	–	–	–	–	–	–	7	3	10
Exchange rate changes/other	10	–	10	(1)	–	(1)	(1)	(8)	(8)
<b>Allowance, end of year</b>	<b>83</b>	<b>124</b>	<b>207</b>	<b>98</b>	<b>112</b>	<b>210</b>	<b>101</b>	<b>118</b>	<b>219</b>

## [19] 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, 2009	Dec 31, 2008 <sup>1</sup>
<b>Trading securities not derecognized due to the following transactions:</b>		
Repurchase agreements	58,584	47,882
Securities lending agreements	18,943	10,518
Total return swaps	10,028	10,971
<b>Total trading securities</b>	<b>87,555</b>	<b>69,371</b>
Other trading assets	2,915	2,560
Financial assets available for sale	492	472
Loans	2,049	2,250
<b>Total</b>	<b>93,011</b>	<b>74,653</b>
<b>Carrying amount of associated liability</b>	<b>84,381</b>	<b>66,597</b>

<sup>1</sup> 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, 2009	Dec 31, 2008
<b>Carrying amount of the original assets transferred:</b>		
Trading securities	4,688	7,250
Other trading assets	4,594	4,190
<b>Carrying amount of the assets continued to be recognized:</b>		
Trading securities	2,899	4,490
Other trading assets	1,429	1,262
<b>Carrying amount of associated liability</b>	<b>4,253</b>	<b>6,383</b>

## [20] 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, 2009	Dec 31, 2008 <sup>1</sup>
Interest-earning deposits with banks	59	69
Financial assets at fair value through profit or loss	88,663	81,555
Financial assets available for sale	558	517
Loans	19,537	22,534
Other <sup>2</sup>	56	24
<b>Total</b>	<b>108,873</b>	<b>104,699</b>

<sup>1</sup> Prior year amounts have been adjusted.

<sup>2</sup> Includes Property and equipment pledged as collateral.

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, 2009, and December 31, 2008, these amounts were € 80 billion and € 69 billion, respectively.

As of December 31, 2009, and December 31, 2008, the Group had received collateral with a fair value of € 225 billion and € 255 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, 2009, and 2008, the Group had resold or repledged € 200 billion and € 232 billion, respectively. This was primarily to cover short sales, securities loaned and securities sold under repurchase agreements.

**[21] Property and Equipment**

in € m.	Owner occupied properties	Furniture and equipment	Leasehold improvements	Construction- in-progress	Total
<b>Cost of acquisition:</b>					
<b>Balance as of January 1, 2008</b>	<b>1,528</b>	<b>2,297</b>	<b>1,444</b>	<b>124</b>	<b>5,394</b>
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)
<b>Balance as of December 31, 2008</b>	<b>1,467</b>	<b>2,500</b>	<b>1,513</b>	<b>1,317</b>	<b>6,797</b>
Changes in the group of consolidated companies	5	(2)	(2)	–	1
Additions	4	242	70	277	592
Transfers	2	23	19	(1,121)	(1,076)
Reclassifications (to)/from 'held for sale'	(2)	–	–	–	(2)
Disposals	11	75	34	–	120
Exchange rate changes	4	53	25	(6)	76
<b>Balance as of December 31, 2009</b>	<b>1,469</b>	<b>2,741</b>	<b>1,592</b>	<b>466</b>	<b>6,268</b>
<b>Accumulated depreciation and impairment:</b>					
<b>Balance as of January 1, 2008</b>	<b>547</b>	<b>1,658</b>	<b>779</b>	<b>–</b>	<b>2,985</b>
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)
<b>Balance as of December 31, 2008</b>	<b>556</b>	<b>1,705</b>	<b>824</b>	<b>–</b>	<b>3,085</b>
Changes in the group of consolidated companies	(1)	(3)	(2)	–	(7)
Depreciation	36	232	150	–	417
Impairment losses	5	–	11	5	21
Reversals of impairment losses	–	–	–	–	–
Transfers	(1)	10	3	–	12
Reclassifications (to)/from 'held for sale'	–	–	–	–	–
Disposals	5	55	24	–	85
Exchange rate changes	–	37	9	–	47
<b>Balance as of December 31, 2009</b>	<b>589</b>	<b>1,926</b>	<b>970</b>	<b>5</b>	<b>3,491</b>
<b>Carrying amount:</b>					
<b>Balance as of December 31, 2008</b>	<b>911</b>	<b>795</b>	<b>689</b>	<b>1,317</b>	<b>3,712</b>
<b>Balance as of December 31, 2009</b>	<b>880</b>	<b>815</b>	<b>621</b>	<b>461</b>	<b>2,777</b>

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. The asset was then reclassified as construction-in-progress in Property and Equipment, in the 2008 financial statements. In 2009, following a change in the relevant accounting standards, the Group changed the accounting treatment for this asset and reclassified it to investment property under Other Assets in the 2009 financial statements.

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 € 72 million as of December 31, 2009.

Commitments for the acquisition of property and equipment were € 145 million at year-end 2009.

## [22] 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, 2009	Dec 31, 2008
Land and buildings	91	95
Furniture and equipment	2	2
Other	–	–
<b>Net carrying value</b>	<b>93</b>	<b>97</b>

Additionally, the Group has sublet leased assets classified as finance leases with a net carrying value of € 67 million as of December 31, 2009, and € 60 million as of December 31, 2008.

The future minimum lease payments required under the Group's finance leases were as follows.

in € m.	Dec 31, 2009	Dec 31, 2008
<b>Future minimum lease payments:</b>		
not later than one year	25	32
later than one year and not later than five years	106	118
later than five years	144	202
<b>Total future minimum lease payments</b>	<b>275</b>	<b>352</b>
less: Future interest charges	108	160
<b>Present value of finance lease commitments</b>	<b>167</b>	<b>192</b>

Future minimum sublease payments of € 111 million are expected to be received under non-cancelable subleases as of December 31, 2009. As of December 31, 2008 future minimum sublease payments of € 193 million were expected. As of December 31, 2009 the amount of contingent rent recognized in the income statement was (0.7) million. As of December 31, 2008 contingent rent was € 1 million. The contingent rent is based on market interest rates; below a certain rate the Group receives a rebate.

### Operating Lease Commitments

The future minimum lease payments required under the Group's operating leases were as follows.

in € m.	Dec 31, 2009	Dec 31, 2008
<b>Future minimum rental payments:</b>		
not later than one year	728	765
later than one year and not later than five years	2,046	2,187
later than five years	2,352	2,797
<b>Total future minimum rental payments</b>	<b>5,126</b>	<b>5,749</b>
less: Future minimum rentals to be received	255	245
<b>Net future minimum rental payments</b>	<b>4,871</b>	<b>5,504</b>

In 2009, € 804 million were charges relating to lease and sublease agreements, of which € 819 million was for minimum lease payments, € 22 million for contingent rents and € 37 million for sublease rentals received.

## [23] 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, 2009, and 2008, are shown below by business segment.

in € m.	Corporate Banking & Securities	Global Transaction Banking	Asset and Wealth Management	Private & Business Clients	Corporate Investments	Total
<b>Balance as of January 1, 2008</b>	<b>3,076</b>	<b>416</b>	<b>2,769</b>	<b>971</b>	<b>–</b>	<b>7,232</b>
Purchase accounting adjustments	–	–	–	–	–	–
Goodwill acquired during the year	1	28	33	2	–	64
Reclassifications from (to) held for sale	–	–	564	–	–	564
Goodwill related to dispositions without being classified as held for sale	–	–	(21)	–	–	(21)
Impairment losses <sup>1</sup>	(5)	–	(270)	–	–	(275)
Exchange rate changes/other	56	12	(100) <sup>2</sup>	1	–	(31)
<b>Balance as of December 31, 2008</b>	<b>3,128</b>	<b>456</b>	<b>2,975</b>	<b>974</b>	<b>–</b>	<b>7,533</b>
<b>Gross amount of goodwill</b>	<b>3,133</b>	<b>456</b>	<b>3,245</b>	<b>974</b>	<b>261</b>	<b>8,069</b>
<b>Accumulated impairment losses</b>	<b>(5)</b>	<b>–</b>	<b>(270)</b>	<b>–</b>	<b>(261)</b>	<b>(536)</b>
<b>Balance as of January 1, 2009</b>	<b>3,128</b>	<b>456</b>	<b>2,975</b>	<b>974</b>	<b>–</b>	<b>7,533</b>
Purchase accounting adjustments	–	–	–	–	–	–
Goodwill acquired during the year	2	1	–	–	–	3
Transfers	–	–	(306)	–	306	–
Reclassifications from (to) held for sale	(14)	–	–	–	–	(14)
Goodwill related to dispositions without being classified as held for sale	–	–	–	–	–	–
Impairment losses <sup>1</sup>	–	–	–	–	(151)	(151)
Exchange rate changes/other	(11)	(4)	46	–	18	49
<b>Balance as of December 31, 2009</b>	<b>3,105</b>	<b>453</b>	<b>2,715</b>	<b>974</b>	<b>173</b>	<b>7,420</b>
<b>Gross amount of goodwill</b>	<b>3,109</b>	<b>453</b>	<b>2,715</b>	<b>974</b>	<b>849</b>	<b>8,100</b>
<b>Accumulated impairment losses</b>	<b>(4)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(676)</b>	<b>(680)</b>

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 2009, additions to goodwill totaled € 3 million and included € 2 million in Corporate Banking & Securities (CB&S) resulting from the acquisition of outstanding minority interest in an Algerian financial advisory company and € 1 million in Global Transaction Banking (GTB) related to the acquisition of Dresdner Bank's Global Agency Securities Lending business. Effective January 1, 2009 and following a change in management responsibility, goodwill of € 306 million related to Maher Terminals LLC and Maher Terminals of Canada Corp., collectively and hereafter referred to as Maher Terminals, was transferred from Asset and Wealth Management (AWM) to Corporate Investments (CI). Due to their reclassification to the held for sale category in the third quarter 2009, goodwill of € 14 million (CB&S) related to a nonintegrated investment in a renewable energy development project was transferred as part of a disposal group to other assets (see Note [24]).

In 2008, the main addition to goodwill in AWM was € 597 million related to Maher Terminals. The total of € 597 million consisted 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 GTB was € 28 million related to the acquisition of HedgeWorks LLC.

In the second quarter of 2009, a goodwill impairment loss of € 151 million was recorded in CI related to its nonintegrated investment in Maher Terminals, following the continued negative outlook for container and business volumes. The fair value less costs to sell of the investment was determined based on a discounted cash flow model.

In 2008, a total goodwill impairment loss of € 275 million was recorded. Of this total, € 270 million related to an investment in AWM and € 5 million related to a listed investment in CB&S. 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 economic climate at that time. 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.

In the first quarter of 2007, an impairment review of goodwill was triggered in CI 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.

#### 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 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 CI carry goodwill resulting from the acquisition of nonintegrated investments which are not allocated to the respective segments' primary cash-generating units. Such goodwill is tested individually for impairment on the level of each of the nonintegrated investments and summarized as Others in the table below. The nonintegrated investment in CI constitutes Maher Terminals, which was transferred from AWM to CI effective January 1, 2009.

The carrying amounts of goodwill by cash-generating unit for the years ended December 31, 2009, and 2008, are as follows.

	Global Markets	Corporate Finance	Global Trans- action Banking	Asset Manage- ment	Private Wealth Manage- ment	Private & Business Clients	Corporate Invest- ments	Others	Total Goodwill
in € m.									
As of December 31, 2008	2,113	1,000	456	1,765	904	974	–	321	7,533
As of December 31, 2009	2,106	998	453	1,788	927	974	–	174	7,420

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 2009, 2008 and 2007 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 and 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, where applicable, adjusted to derive a sustainable level and assumed to increase by or converging towards a constant long-term growth rate, which is based on expectations for the development of gross domestic product 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 the value in use of the cash-generating units in 2009 and 2008 are as follows.

Primary cash-generating units	Discount rate (pre-tax)	
	2009	2008
<b>Corporate and Investment Bank</b>		
Global Markets	14.7 %	13.1 %
Corporate Finance	14.5 %	13.4 %
Global Transaction Banking	12.5 %	12.9 %
<b>Private Clients and Asset Management</b>		
Asset Management	13.5 %	14.1 %
Private Wealth Management	13.2 %	14.1 %
Private & Business Clients	13.1 %	13.2 %

**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 earnings projections) are sensitized to test the resilience of value in use. Management believes that the only circumstance where reasonably possible changes in key assumptions might have caused an impairment loss to be recognized was in respect of Corporate Finance where the recoverable amount was 126 % of its respective carrying amount. An increase of approximately 20 % in the discount rate or a decrease of approximately 20 % 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 recoverable amount of Corporate Finance is based on, among other things, a financial plan which reflects management's assumptions, such as expected development of global fee pools and market shares, which are key revenue drivers. While these estimates reflect management's assessment and expectations of future economic conditions, it is inherently uncertain whether the reported amounts will actually be in line with plan. For example, if projected global fee pools do not develop as expected or assumed market shares are not achieved, revenues might significantly differ from plan assumptions, negatively impacting the recoverable amount of Corporate Finance.

The backdrop of a fragile recovery of the global economy and likely significant changes in the regulation of 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, 2009, and 2008, are as follows.

	Internally generated intangible assets					Purchased intangible assets				Total other intangible assets
	Software	Customer-related intangible assets	Value of business acquired	Contract-based intangible assets	Other	Amortized		Unamortized		
						Total amortized purchased intangible assets	Retail investment management agreements	Other	Total unamortized purchased intangible assets	
in € m.										
<b>Cost of acquisition/manufacture:</b>										
<b>Balance as of January 1, 2008</b>	<b>374</b>	<b>534</b>	<b>863</b>	<b>109</b>	<b>323</b>	<b>1,829</b>	<b>786</b>	<b>11</b>	<b>797</b>	<b>3,000</b>
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 (to) held for sale	–	42	–	562	166	770	–	–	–	770
Exchange rate changes	(9)	(37)	(214)	–	(7)	(258)	31	(2)	29	(238)
<b>Balance as of December 31, 2008</b>	<b>411</b>	<b>563</b>	<b>654</b>	<b>708</b>	<b>495</b>	<b>2,420</b>	<b>817</b>	<b>17</b>	<b>834</b>	<b>3,665</b>
Additions	128	37	12	15	35	99	–	–	–	227
Changes in the group of consolidated companies	–	–	–	–	(1)	(1)	–	–	–	(1)
Disposals	14	–	–	28	3	31	–	–	–	45
Reclassifications from (to) held for sale	–	–	–	–	–	–	–	(11)	(11)	(11)
Transfers	(22)	–	14	–	21	35	–	–	–	13
Exchange rate changes	4	9	63	(5)	4	71	(9)	3	(6)	69
<b>Balance as of December 31, 2009</b>	<b>507</b>	<b>609</b>	<b>743</b>	<b>690</b>	<b>551</b>	<b>2,593</b>	<b>808</b>	<b>9</b>	<b>817</b>	<b>3,917</b>
<b>Accumulated amortization and impairment:</b>										
<b>Balance as of January 1, 2008</b>	<b>328</b>	<b>149</b>	<b>8</b>	<b>52</b>	<b>238</b>	<b>447</b>	<b>74</b>	<b>–</b>	<b>74</b>	<b>849</b>
Amortization for the year	13	68	42	47	22	179	–	–	–	192 <sup>1</sup>
Disposals	–	–	–	–	4	4	–	–	–	4
Reclassifications from (to) held for sale	–	–	–	–	–	–	–	–	–	–
Impairment losses	–	6	–	1	–	7	304	–	304	311 <sup>2</sup>
Exchange rate changes	(12)	(2)	(10)	–	(5)	(17)	2	–	2	(27)
<b>Balance as of December 31, 2008</b>	<b>329</b>	<b>221</b>	<b>40</b>	<b>100</b>	<b>251</b>	<b>612</b>	<b>380</b>	<b>–</b>	<b>380</b>	<b>1,321</b>
Amortization for the year	13	61	29	40	31	161	–	–	–	174 <sup>3</sup>
Changes in the group of consolidated companies	–	–	–	–	(1)	(1)	–	–	–	(1)
Disposals	14	–	–	27	2	29	–	–	–	43
Reclassifications from (to) held for sale	–	–	–	–	–	–	–	(2)	(2)	(2)
Impairment losses	–	–	–	4	–	4	–	1	1	5 <sup>4</sup>
Reversals of impairment losses	–	4	–	–	–	4	287	–	287	291 <sup>5</sup>
Transfers	–	–	–	–	(1)	(1)	–	–	–	(1)
Exchange rate changes	3	1	4	(3)	4	6	(4)	–	(3)	6
<b>Balance as of December 31, 2009</b>	<b>331</b>	<b>279</b>	<b>73</b>	<b>114</b>	<b>282</b>	<b>748</b>	<b>89</b>	<b>–</b>	<b>89</b>	<b>1,168</b>
<b>Carrying amount:</b>										
<b>As of December 31, 2008</b>	<b>82</b>	<b>342</b>	<b>614</b>	<b>608</b>	<b>244</b>	<b>1,808</b>	<b>437</b>	<b>17</b>	<b>454</b>	<b>2,344</b>
<b>As of December 31, 2009</b>	<b>176</b>	<b>330</b>	<b>670</b>	<b>576</b>	<b>269</b>	<b>1,845</b>	<b>719</b>	<b>9</b>	<b>728</b>	<b>2,749</b>

1 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.

2 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.

3 Of which € 162 million were included in general and administrative expenses and € 12 million were recorded in commissions and fee income. The latter related to the amortization of mortgage servicing rights.

4 Of which € 5 million were recorded as impairment of intangible assets.

5 € 291 million were recorded as reversal of a prior year's impairment and are included under impairment of intangible assets.

### Amortized Intangible Assets

In 2009, additions and transfers to amortized intangible assets amounted to € 134 million and mainly included purchased software of € 35 million, the capitalization of deferred policy acquisition costs (DAC) of € 26 million related to incremental costs of acquiring investment management contracts, which are commissions payable to intermediaries and business counterparties of the Group's insurance business (see Note [39]), and the recognition of customer relationships resulting from the acquisition of Dresdner Bank's Global Agency Securities Lending business of € 21 million (see Note [34]).

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 of intangible assets were reclassified from assets held for sale to amortized intangible assets. The total comprised contract-based (lease rights to operate the ports), other (trade names) and customer-related intangible assets. As of December 31, 2009 and December 31, 2008, respectively, the carrying values were € 520 million and € 551 million for the lease rights, € 153 million and € 161 million for the trade names, and € 35 million 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.

In 2009, impairment of intangible assets in the income statement included an impairment loss of € 4 million relating to contract-based intangible assets as well as a reversal of an impairment loss of € 4 million relating to customer-related intangible assets, which had been taken in the fourth quarter of 2008. The impairment loss was included in CB&S, the impairment reversal was recorded in AWM.

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 AWM and the impairment of contract-based intangible assets was recorded in CB&S.

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 AWM and the impairment of the customer-related intangible assets was recorded in GTB.

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 [39], 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 of other amortized intangible assets by asset class are as follows.

	Useful lives in years
<b>Internally generated intangible assets:</b>	
Software	up to 3
<b>Purchased intangible assets:</b>	
Customer-related intangible assets	up to 20
Contract-based intangible assets	up to 35
Value of business acquired	up to 30
Other	up to 20

#### Unamortized Intangible Assets

Almost 99 % of unamortized intangible assets, amounting to € 719 million, relate to the Group's U.S. retail mutual fund business and are allocated to the Asset Management cash-generating unit. This asset comprises retail investment management agreements, which are contracts that give DWS Investments 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 have a foreseeable limit on the contract period. Therefore, the rights to manage the associated assets under management are expected to generate cash flows for an indefinite period of time. The intangible asset was 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 2009, a reversal of an impairment loss of € 287 million was recognized and recorded as impairment of intangible assets in the income statement. A related impairment loss had been taken in the fourth quarter of 2008. The impairment reversal was related to retail investment management agreements for certain open end funds and was recorded in AWM. The impairment reversal was due to an increase in fair value as a result of increases 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 recoverable amount of the asset was calculated as fair value less costs to sell. As market prices are ordinarily not observable for such assets, the fair value was determined based on the income approach, using a post-tax discounted cash flow calculation (multi-period excess earnings method).

In 2008 and 2007, impairment losses of € 304 million and € 74 million, respectively, were recognized in the income statement as impairment of intangible assets. The losses were related to retail investment management agreements and were recorded in AWM. The impairment losses were due to a decrease in fair values as a result of 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 as fair value less costs to sell.

#### **[24] Assets Held for Sale**

As of December 31, 2009, the Group classified several disposal groups (comprising nineteen subsidiaries), three investments in associates, a loan and several real estate assets allocated to the Corporate Division Corporate Banking & Securities (CB&S) 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 € 10 million relating to the disposal groups which was recorded in other income in CB&S. The disposal groups, the three investments in associates and the loan related to a series of renewable energy development projects. The real estate assets included commercial and residential property in North America owned through foreclosure. These items are expected to be sold in 2010.

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 CB&S through foreclosure. The real estate assets in Germany and most of the items in North America were 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 market conditions the timing of the ultimate disposal of this investment was 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 were 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 market conditions the timing of the ultimate disposal of these investments was 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.

The following are the principal components of assets and liabilities which the Group classified as held for sale for the years ended December 31, 2009, and 2008, respectively.

in € m.	Dec 31, 2009	Dec 31, 2008
Investments in associates	18	–
Property and equipment	21	1
Other assets	53	131
<b>Total assets classified as held for sale</b>	<b>92</b>	<b>132</b>
Long-term debt	21	–
Other liabilities	2	–
<b>Total liabilities classified as held for sale</b>	<b>23</b>	<b>–</b>

**[25] Other Assets and Other Liabilities**

The following are the components of other assets and other liabilities.

in € m.	Dec 31, 2009	Dec 31, 2008
<b>Other assets:</b>		
Brokerage and securities related receivables		
Cash/margin receivables	43,890	56,492
Receivables from prime brokerage	6,837	17,844
Pending securities transactions past settlement date	9,229	8,383
Receivables from unsettled regular way trades	33,496	21,339
Total brokerage and securities related receivables	93,452	104,058
Accrued interest receivable	3,426	4,657
Other	24,660	29,114
<b>Total other assets</b>	<b>121,538</b>	<b>137,829</b>

in € m.	Dec 31, 2009	Dec 31, 2008
<b>Other liabilities:</b>		
Brokerage and securities related payables		
Cash/margin payables	40,448	40,955
Payables from prime brokerage	31,427	46,602
Pending securities transactions past settlement date	5,708	4,530
Payables from unsettled regular way trades	33,214	19,380
Total brokerage and securities related payables	110,797	111,467
Accrued interest payable	3,713	5,112
Other	39,771	44,019
<b>Total other liabilities</b>	<b>154,281</b>	<b>160,598</b>

**[26] Deposits**

The following are the components of deposits.

in € m.	Dec 31, 2009	Dec 31, 2008
Noninterest-bearing demand deposits	51,731	34,211
Interest-bearing deposits		
Demand deposits	117,955	143,702
Time deposits	108,730	152,481
Savings deposits	65,804	65,159
Total interest-bearing deposits	292,489	361,342
<b>Total deposits</b>	<b>344,220</b>	<b>395,553</b>

## [27] Provisions

The following table presents movements by class of provisions.

in € m.	Operational/ Litigation	Other	Total <sup>1</sup>
<b>Balance as of January 1, 2008</b>	<b>617</b>	<b>459</b>	<b>1,076</b>
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)	–
<b>Balance as of December 31, 2008</b>	<b>762</b>	<b>446</b>	<b>1,208</b>
Changes in the group of consolidated companies	2	4	6
New provisions	338	152	490
Amounts used	(164)	(155)	(319)
Unused amounts reversed	(183)	(115)	(298)
Effects from exchange rate fluctuations/Unwind of discount	3	9	12
<b>Balance as of December 31, 2009</b>	<b>758</b>	<b>341</b>	<b>1,099</b>

<sup>1</sup> For the remaining portion of provisions as disclosed on the consolidated balance sheet, please see Note [18] 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, which are required to be disclosed in accordance with IAS 37 are described below.

**Tax-Related Products.** Deutsche Bank AG, along with certain affiliates, and current and/or 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 90 legal proceedings have been resolved and dismissed with prejudice with respect to Deutsche Bank. Approximately ten other legal proceedings remain pending as against Deutsche Bank and are currently at various pre-trial stages, including discovery. Deutsche Bank has received a number of unfiled claims as well, and has resolved certain of those unfiled claims. Approximately seven unfiled claims also remain pending against Deutsche Bank.

The United States Department of Justice ("DOJ") is also conducting a criminal investigation of tax-oriented transactions that were executed from approximately 1997 through early 2002. 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. In December 2008, following a trial of four of the individuals against whom DOJ had brought criminal charges in 2005, three of those individuals were convicted. In May 2009, following a trial of four additional individuals against whom

DOJ had brought criminal charges based on their participation in certain tax-oriented transactions while employed by an entity other than Deutsche Bank, those individuals were convicted. In June 2009, DOJ brought criminal charges against five additional individuals, based on their participation in certain tax-oriented transactions while employed by entities other than Deutsche Bank, and two former employees of Deutsche Bank based on their participation in certain tax-oriented transactions while employed by Deutsche Bank. DOJ's criminal investigation is ongoing. 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, 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. After having changed the basis for the computation of his alleged damages in the meantime, Dr. Kirch currently claims payment of approximately € 1.3 billion plus interest. In these proceedings Dr. Kirch will have to prove that such statement caused financial damages to PrintBeteiligungs GmbH and the amount thereof. In the view of Deutsche Bank AG, 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 District Court Munich I dismissed the lawsuit in its entirety. The plaintiff 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 neither the causality in respect of the basis and scope of the claimed damages nor the effective assignment of the alleged claims to KGL Pool GmbH has been sufficiently substantiated.

**Asset Backed Securities Matters.** Deutsche Bank AG, along with certain affiliates (collectively referred to as “Deutsche Bank”), has received subpoenas and requests for information from certain regulators and government entities concerning its activities regarding the origination, purchase, securitization, sale and trading of asset backed securities, asset backed commercial paper and credit derivatives, including, among others, residential mortgage backed securities, collateralized debt obligations and credit default swaps. 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 federal and state securities laws and state common law, related to residential mortgage backed securities. Included in those litigations are (1) a putative class action 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 issued by Countrywide Financial Corporation or an affiliate (“Countrywide”), and a putative class action pending in the United States District Court for the Central District of California regarding the role of DBSI, along with other financial institutions, as an underwriter of offerings of certain mortgage pass-through certificates issued by Countrywide; (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 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 IndyMac MBS, Inc.; (4) a putative class action pending in the United States District Court for the Northern District of California 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, of certain mortgage pass-through certificates issued by affiliates of Residential Accredited 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 AG and DBSI are the subjects 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 AG and DBSI between March 17, 2003 and February 13, 2008. Deutsche Bank AG, DBSI and/or Deutsche Bank Alex. Brown, a division of DBSI, have also been named as defendants in 16 individual actions asserting various claims under the federal securities laws and state common law arising out of the sale of ARS. The purported class action and 12 of the individual actions are pending, and four of the individual actions have been resolved and dismissed with prejudice. Deutsche Bank AG was 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 allege that the defendants conspired to artificially support and then, in February 2008, restrain the ARS market. On or about January 26, 2010, the court dismissed the two putative class actions.

Deutsche Bank AG and DBSI have also been the subjects of proceedings by state and federal securities regulatory and enforcement agencies relating to the marketing and sale of ARS. In August 2008, Deutsche Bank AG and its subsidiaries, entered into agreements in principle with the New York Attorney General’s Office (“NYAG”) and the North American Securities Administration Association, representing a consortium of other states and U.S. territories, pursuant to which Deutsche Bank AG 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 AG 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 AG and its subsidiaries; to pay an aggregate penalty of U.S.\$ 15 million to state regulators; and to be subject to state orders requiring future compliance with applicable state laws. On June 3, 2009, DBSI finalized settlements with the NYAG and the New Jersey Bureau of Securities that were consistent with the August 2008 agreements in principle, and DBSI entered into a settlement with Securities and Exchange Commission (“SEC”) that incorporated the terms of the agreements in principle with the states and contained certain additional terms, including authority by the SEC to seek an additional monetary penalty from DBSI if the SEC believes that DBSI has not complied with its undertakings under the settlement. DBSI has since received proposed settled orders from a number of state and territorial agencies pursuant to which those agencies have claimed their respective shares of the U.S.\$ 15 million penalty. DBSI expects to finalize those settled orders and pay the requisite shares of the penalty to the requesting states over the next several months.

**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.

In June 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 argued that the transaction violates Austrian law, and alleged to have been misled about certain features of the PCDS. ÖBB’s claim was dismissed by the Trade Court in January 2009. On June 25, 2009, the Vienna Higher Court dismissed ÖBB’s appeal against the decision of the Trade Court. On September 21, 2009, ÖBB filed an extraordinary further appeal in the matter to the Austrian Supreme Court. On January 15, 2010, ÖBB and Deutsche Bank AG agreed to settle the case. The settlement does not have a material adverse impact on Deutsche Bank AG.

**Trust Preferred Securities.** Deutsche Bank AG and certain of its affiliates and officers are the subject of a consolidated putative class action, filed in the United States District Court for the Southern District of New York, asserting claims under the federal securities laws on behalf of persons who purchased certain trust preferred securities issued by Deutsche Bank and its affiliates between October 2006 and May 2008. Claims are asserted under Sections 11, 12(a)(2), and 15 of the Securities Act of 1933. An amended and consolidated class action complaint was filed on January 25, 2010. The litigation is in its early stages.

#### **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.

**[28] Other Short-Term Borrowings**

The following are the components of other short-term borrowings.

in € m.	Dec 31, 2009	Dec 31, 2008
<b>Other short-term borrowings:</b>		
Commercial paper	20,906	26,095
Other	21,991	13,020
<b>Total other short-term borrowings</b>	<b>42,897</b>	<b>39,115</b>

**[29] 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 2010	Due in 2011	Due in 2012	Due in 2013	Due in 2014	Due after 2014	Total Dec 31, 2009	Total Dec 31, 2008
<b>Senior debt:</b>								
Bonds and notes:								
Fixed rate	6,738	11,544	11,703	8,615	9,462	28,474	76,536	76,527
Floating rate	9,607	7,437	5,378	4,289	4,705	16,230	47,646	49,127
<b>Subordinated debt:</b>								
Bonds and notes:								
Fixed rate	27	314	197	1,166	729	1,115	3,548	3,780
Floating rate	2,523	513	513	45	288	170	4,052	4,422
<b>Total long-term debt</b>	<b>18,895</b>	<b>19,808</b>	<b>17,791</b>	<b>14,115</b>	<b>15,184</b>	<b>45,989</b>	<b>131,782</b>	<b>133,856</b>

The Group did not have any defaults of principal, interest or other breaches with respect to its liabilities in 2009 and 2008.

**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, 2009	Dec 31, 2008
Fixed rate	9,971	9,147
Floating rate	606	582
<b>Total trust preferred securities</b>	<b>10,577</b>	<b>9,729</b>

## Additional Notes

### [30] 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
<b>Common shares, January 1, 2008</b>	<b>530,400,100</b>	<b>(29,334,819)</b>	<b>501,065,281</b>
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
<b>Common shares, December 31, 2008</b>	<b>570,859,015</b>	<b>(8,192,060)</b>	<b>562,666,955</b>
Shares issued under share-based compensation plans	–	–	–
Capital increase	50,000,000	–	50,000,000
Shares purchased for treasury	–	(476,284,991)	(476,284,991)
Shares sold or distributed from treasury	–	483,793,356	483,793,356
<b>Common shares, December 31, 2009</b>	<b>620,859,015</b>	<b>(683,695)</b>	<b>620,175,320</b>

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 sixth buy-back program was completed in May 2008. In the fourth quarter of 2008, the majority of the remaining shares were sold in the market. The seventh share buy-back program was started in July 2009. All such transactions were recorded in shareholders' equity and no revenues and expenses were recorded in connection with these activities.

On March 6, 2009, Deutsche Bank AG issued 50 million new common shares against a contribution-in-kind of 50 million ordinary shares of Deutsche Postbank AG, resulting in a share capital increase of € 128 million. 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, 2009, Deutsche Bank had authorized but unissued capital of € 485,480,000 which may be issued at various dates through April 30, 2014 as follows.

Authorized capital	Expiration date
€ 30,600,000	April 30, 2012
€ 140,000,000 <sup>1</sup>	April 30, 2013
€ 314,880,000	April 30, 2014

<sup>1</sup> 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 26, 2009 authorized the Management Board to increase the share capital by up to a total of € 128,000,000 against cash payments with the consent of the Supervisory Board. The expiration date is April 30, 2014. This additional authorized capital was subject of a law suit (summary proceeding according to Section 246a AktG) which ended February 23, 2010, with the approval by the Higher Regional Court Frankfurt. The entry in the Commercial Register will follow shortly. This authorized capital will become effective upon its entry.

Additionally, the Annual General Meeting on May 26, 2009 authorized the Management Board to increase the share capital by up to a total of € 176,640,000 against cash payments or contributions-in-kind with the consent of the Supervisory Board. The expiration date is April 30, 2014. This authorized capital was also subject of a law suit (summary proceeding according to Section 246a AktG) which ended February 23, 2010, with the approval by the Higher Regional Court Frankfurt. The entry in the Commercial Register will follow shortly. This authorized capital will become effective upon its entry.

Deutsche Bank also had conditional capital of € 406,000,000. Conditional capital is available for various instruments that may potentially be converted into common shares.

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.

The Annual General Meeting on May 26, 2009 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, 2014. For this purpose, share capital was increased conditionally by up to € 256,000,000.

## Dividends

The following table presents the amount of dividends proposed or declared for the years ended December 31, 2009, 2008 and 2007, respectively.

	2009 (proposed)	2008	2007
Cash dividends declared <sup>1</sup> (in € m.)	466	309	2,274
Cash dividends declared per common share (in €)	0.75	0.50	4.50

<sup>1</sup> Cash dividend for 2009 is based on the number of shares issued as of December 31, 2009.

No dividends have been declared since the balance sheet date.

## [31] Share-Based Compensation Plans

### Share-Based Compensation Plans used for Granting New Awards in 2009

In 2009, the Group made grants of share-based compensation under the DB Equity Plan. 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 DB Equity Plan are presented in the table below.

Plan	Vesting schedule	Early retirement provisions	Eligibility
DB Equity Plan	Annual Award	No	Select employees as annual retention
	Retention/New Hire	Individual specification <sup>1</sup>	Select employees to attract or retain key staff

<sup>1</sup> Weighted average relevant service period: 20 months.

An award, or portions of it, may be forfeited if the recipient voluntarily terminates employment before the end of the relevant vesting period.

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 was used for making awards from 2007 onwards.

A successor plan for the former Global Share Plan has been developed over the course of 2009 and will be implemented in early 2010 for entities in selected countries.

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 2009

#### Share Plans and Stock Appreciation Right Plans

Prior to 2009, 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 <sup>1</sup> 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
Global Partnership Plan Equity Units	Annual Award	80 % : 24 months <sup>2</sup> 20 % : 42 months	No	Group Board	2008
Global Share Plan – Germany	–	100 % : 12 months	No	Employee plan granting up to 10 shares per employee in Germany <sup>3</sup>	2008
DB Equity Plan	Annual Award	50 % : 24 months 25 % : 36 months 25 % : 48 months	Yes	Select employees as annual retention	2008

1 With delivery after further 6 months.

2 With delivery after further 18 months.

3 Participant must have been active and working for the Group for at least one year at date of grant.

All Plans except for the SAR plan 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 or DB Equity Plan, however, allow continued vesting after voluntary termination of employment when certain conditions regarding age or tenure are fulfilled.

In countries where legal or other restrictions hinder the delivery of shares, a cash plan variant of the plans used for making awards from 2007 onwards.

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.

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)	2001	€ 87.66	No	Nov 2007	All employees <sup>1</sup>
	2002	€ 55.39	No	Nov 2008	All employees <sup>1</sup>
Performance Options	2003	€ 75.24	No	Dec 2009	All employees <sup>1</sup>
Global Partnership Plan	2002	€ 89.96	Yes	Feb 2008	Select executives
	2003	€ 47.53	Yes	Feb 2009	Select executives
Performance Options	2004	€ 76.61	Yes	Feb 2010	Group Board

<sup>1</sup> 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. 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.	2009	2008	2007
DB Global Partnership Plan	4	10	7
DB Global Share Plan	6	39	49
DB Share Scheme/Restricted Equity Units Plan/DB KEEP/DB Equity Plan	637	1,249	1,088
Stock Appreciation Rights Plan <sup>1</sup>	–	–	1
<b>Total</b>	<b>647</b>	<b>1,298</b>	<b>1,145</b>

<sup>1</sup> For the year ended December 31, 2007 net gains of € 1 million from non-trading equity derivatives, used to offset fluctuations in employee share-based compensation expense, were included.

Of the compensation expense recognized in 2009 and 2008 approximately € 22 million and € 4 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 € 26 million and € 10 million for the years ended December 31, 2009 and 2008 respectively. This liability is attributable to unvested share awards.

As of December 31, 2009 and 2008, unrecognized compensation cost related to non-vested share-based compensation was approximately € 0.4 billion and € 0.6 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
<b>Balance as of December 31, 2007</b>	<b>324</b>	<b>49,309</b>	<b>599</b>	<b>50,232</b>	<b>€ 71.05</b>
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
<b>Balance as of December 31, 2008</b>	<b>335</b>	<b>48,267</b>	<b>258</b>	<b>48,860</b>	<b>€ 70.22</b>
Granted	–	23,809	–	23,809	€ 22.02
Issued	(93)	(18,903)	(253)	(19,249)	€ 68.76
Forfeited	–	(3,059)	(5)	(3,064)	€ 43.51
<b>Balance as of December 31, 2009</b>	<b>242</b>	<b>50,114</b>	<b>–</b>	<b>50,356</b>	<b>€ 49.61</b>

In addition to the amounts shown in the table above, in February 2010 the Group granted awards of approximately 35.2 million units, with an average fair value of € 44.01 per unit under the DB Equity Plan with modified plan conditions for 2010. Approximately 0.8 million of these grants under the DB Equity Plan were granted under the cash plan variant of this plan.

Approximately 10.6 million shares were issued to plan participants in February 2010, resulting from the vesting of prior years DB Equity Plan and DB Share Scheme 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 <sup>1</sup>	DB Global Share Plan (pre-2004) Performance Options	Weighted- average exercise price
<b>Balance as of December 31, 2007</b>	<b>1,637</b>	<b>€ 53.32</b>	<b>812</b>	<b>€ 68.14</b>
Exercised	(434)	€ 47.53	(26)	€ 57.67
Forfeited	-	-	(16)	€ 65.75
Expired	(223)	€ 89.96	(260)	€ 55.39
<b>Balance as of December 31, 2008</b>	<b>980</b>	<b>€ 47.53</b>	<b>510</b>	<b>€ 75.24</b>
Exercised	-	-	-	-
Forfeited	-	-	(9)	€ 75.24
Expired	(980)	€ 47.53	(501)	€ 75.24
<b>Balance as of December 31, 2009</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

<sup>1</sup> 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, 2008 and 2007, by range of exercise prices.

As of December 31, 2009 no more performance options were outstanding since those granted in 2004 were already exercised and all others not previously exercised expired in 2009.

Range of exercise prices	Performance options outstanding December 31, 2008		
	Options outstanding (in thousands)	Weighted- average exercise price <sup>1</sup>	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	-	-	-

<sup>1</sup> 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 <sup>1</sup>	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

<sup>1</sup> 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 and €99.70 in the years ended December 31, 2008 and 2007, respectively.

## **[32] Employee Benefits**

### **Deferred Compensation**

In February 2009 awards of approximately € 1.0 billion were granted under the terms and conditions of the DB Restricted Cash Plan. As a rule, the awards are only paid out to the employee if there is a non-terminated employment relationship between the employee and Deutsche Bank at the respective vesting date. The award consists of three tranches each amounting to one third of the grant volume. The first tranche vested in early 2010 and was paid out, net of those parts of the awards forfeited during the course of 2009 according to the terms and conditions of the plan. The two remaining tranches vest in early 2011 and early 2012, respectively. Each tranche is expensed over its vesting period.

In February 2010 new awards of approximately € 0.5 billion were granted under the terms and conditions of the DB Restricted Incentive Plan. The award consists of three tranches each amounting to one third of the grant volume. The tranches vest in early 2011, 2012 and 2013. Each tranche is expensed over its vesting period. In line with regulatory requirements this plan includes performance-indexed clawback rules for the most senior employees. Thus, there is the possibility that parts of the awards will be subject to forfeiture in the event of non-achievement of defined targets, breach of policy or financial impairment.

In addition, as described in Note [31], the Group granted share awards totaling approximately € 1.5 billion in February 2010. Total deferred compensation awards of approximately € 2.0 billion were therefore granted in February 2010.

### **Post-employment Benefit Plans**

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, 2009 and 2008, a statement of the funded status as well as its reconciliation to the amounts recognized on balance sheet as of December 31 in each year.

in € m.	Retirement benefit plans		Post-employment medical plans	
	2009	2008	2009	2008
<b>Change in defined benefit obligation:</b>				
Balance, beginning of year	8,189	8,518	119	116
Current service cost	186	264	3	2
Interest cost	457	453	7	7
Contributions by plan participants	6	8	–	–
Actuarial loss (gain)	846	(160)	14	1
Exchange rate changes	181	(572)	–	1
Benefits paid	(467)	(393)	(7)	(8)
Past service cost (credit)	18	14	–	–
Acquisitions	–	–	–	–
Divestitures	–	–	–	–
Settlements/curtailments	–	(1)	–	–
Other <sup>1</sup>	–	58	–	–
<b>Balance, end of year</b>	<b>9,416</b>	<b>8,189</b>	<b>136</b>	<b>119</b>
thereof: unfunded	201	245	136	119
thereof: funded	9,215	7,944	–	–
<b>Change in fair value of plan assets:</b>				
Balance, beginning of year	8,755	9,331	–	–
Expected return on plan assets	403	446	–	–
Actuarial gain (loss)	92	(221)	–	–
Exchange rate changes	231	(689)	–	–
Contributions by the employer	264	239	–	–
Contributions by plan participants	6	8	–	–
Benefits paid <sup>2</sup>	(398)	(358)	–	–
Acquisitions	–	–	–	–
Divestitures	–	–	–	–
Settlements	(1)	(1)	–	–
Other	–	–	–	–
<b>Balance, end of year</b>	<b>9,352</b>	<b>8,755</b>	<b>–</b>	<b>–</b>
<b>Funded status, end of year</b>	<b>(64)</b>	<b>566</b>	<b>(136)</b>	<b>(119)</b>
Past service cost (credit) not recognized	–	–	–	–
Asset ceiling	(7)	(9)	–	–
<b>Net asset (liability) recognized</b>	<b>(71)</b>	<b>557</b>	<b>(136)</b>	<b>(119)</b>
thereof: other assets	276	885	–	–
thereof: other liabilities	(347)	(328)	(136)	(119)

1 Includes opening balance of first time application of smaller plans.

2 For funded plans only.

The principal actuarial assumptions applied were as follows. They are provided in the form of weighted averages.

<b>Assumptions used for retirement benefit plans</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
<b>to determine defined benefit obligations, end of year</b>			
Discount rate	5.4 %	5.6 %	5.5 %
Rate of price inflation	2.7 %	2.1 %	2.1 %
Rate of nominal increase in future compensation levels	3.4 %	3.0 %	3.3 %
Rate of nominal increase for pensions in payment	2.4 %	1.8 %	1.8 %
<b>to determine expense, year ended</b>			
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 %
Expected rate of return on plan assets <sup>1</sup>	4.5 %	5.0 %	4.6 %
<b>Assumptions used for post-employment medical plans</b>			
<b>to determine defined benefit obligations, end of year</b>			
Discount rate	5.9 %	6.1 %	6.1 %
<b>to determine expense, year ended</b>			
Discount rate	6.1 %	6.1 %	5.8 %
<b>Assumed life expectancy at age 65</b>			
for a male aged 65 at measurement date	19.4	19.1	19.1
for a male aged 45 at measurement date	21.5	21.1	21.0
for a female aged 65 at measurement date	22.8	22.6	22.5
for a female aged 45 at measurement date	24.8	24.5	24.3

<sup>1</sup> The expected rate of return on assets for determining income in 2010 is 5.0 %.

In determining expenses for post-employment medical plans, an annual weighted-average rate of increase of 8.9 % in the per capita cost of covered health care benefits was assumed for 2010. The rate is assumed to decrease gradually to 4.9 % by the end of 2017 and to remain at that level thereafter.

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 price inflation assumptions in the U.K. and eurozone are set with reference to market implied measures of inflation based on inflation swap rates in those markets at December 31, 2009, to better estimate the impact of inflation on the Group's pension commitments. In previous years, these assumptions were set predominantly with reference to the long-term inflation forecasts by Consensus Economics Inc. This change results in an increase of the Defined Benefit Obligation at December 31, 2009 by approximately € 540 million.

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 weighted-average asset allocation of the Group's funded retirement benefit plans as of December 31, 2009 and 2008, as well as the target allocation by asset category are as follows.

	Target allocation	Percentage of plan assets	
		Dec 31, 2009	Dec 31, 2008
<b>Asset categories:</b>			
Equity instruments	5 %	8 %	7 %
Debt instruments (including Cash and Derivatives)	90 %	90 %	90 %
Alternative Investments (including Property)	5 %	2 %	3 %
<b>Total asset categories</b>	<b>100 %</b>	<b>100 %</b>	<b>100 %</b>

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.

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, 2009, and December 31, 2008, was € 495 million and € 225 million, respectively.

Plan assets as of December 31, 2009, include derivatives with a positive market value of € 249 million. Derivative transactions are made within the Group and with external counterparties. In addition, there are € 26 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, 2010.

The Group expects to contribute approximately € 275 million to its retirement benefit plans in 2010. The final amounts to be contributed in 2010 will be determined in the fourth quarter of 2010.

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	
		Gross amount	Reimbursement <sup>1</sup>
2010	415	9	(1)
2011	409	11	(1)
2012	424	11	(1)
2013	441	12	(2)
2014	449	12	(2)
2015 – 2019	2,619	65	(11)

1 Expected reimbursements from Medicare for prescription drugs.

The Group applies the 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 the Consolidated Statement of Changes in Equity. The following table shows the cumulative amounts recognized as at December 31, 2009 since inception of IFRS on January 1, 2006 as well as the amounts recognized in the years ended December 31, 2009 and 2008, 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].

in € m.	Amount recognized in shareholders' equity (gain(loss))		
	Dec 31, 2009 <sup>1</sup>	2009	2008
<b>Retirement benefit plans:</b>			
Actuarial gain (loss)	(89)	(754)	(61)
Asset ceiling	(7)	1	–
<b>Total retirement benefit plans</b>	<b>(96)</b>	<b>(753)</b>	<b>(61)</b>
<b>Post-employment medical plans:</b>			
Actuarial gain (loss)	38	(14)	(1)
<b>Total post-employment medical plans</b>	<b>38</b>	<b>(14)</b>	<b>(1)</b>
<b>Total amount recognized</b>	<b>(58)</b>	<b>(767)</b>	<b>(62)</b>

1 Accumulated since inception of IFRS and inclusive of the impact of exchange rate changes.

The following table shows the amounts for the current annual period and the previous 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, 2009	Dec 31, 2008	Dec 31, 2007	Dec 31, 2006
<b>Retirement benefit plans:</b>				
Defined benefit obligation	9,416	8,189	8,518	9,129
thereof: experience adjustments (loss (gain))	(72)	24	(68)	18
Fair Value of plan assets	9,352	8,755	9,331	9,447
thereof: experience adjustments (gain (loss))	92	(221)	(266)	(368)
<b>Funded status</b>	<b>(64)</b>	<b>566</b>	<b>813</b>	<b>318</b>
<b>Post-employment medical plans:</b>				
Defined benefit obligation	136	119	116	147
thereof: experience adjustments (loss (gain))	–	(5)	(17)	(27)
<b>Funded status</b>	<b>(136)</b>	<b>(119)</b>	<b>(116)</b>	<b>(147)</b>

Expenses for defined benefit plans and other selected employee benefits recognized in the Consolidated Statement of Income for the years ended December 31, 2009, 2008 and 2007 included the following items. All items are part of compensation and benefits expenses.

in € m.	2009	2008	2007
<b>Expenses for retirement benefit plans:</b>			
Current service cost	186	264	265
Interest cost	457	453	436
Expected return on plan assets	(403)	(446)	(435)
Past service cost (credit) recognized immediately	18	14	11
Settlements/curtailments	1	–	(5)
Recognition of actuarial losses (gains) due to settlements/curtailments <sup>1</sup>	–	9	(6)
Amortization of actuarial losses (gains) <sup>1</sup>	–	1	(1)
Asset ceiling <sup>1</sup>	–	(2)	2
<b>Total retirement benefit plans</b>	<b>259</b>	<b>293</b>	<b>267</b>
<b>Expenses for post-employment medical plans:</b>			
Current service cost	3	2	3
Interest cost	7	7	8
Amortization of actuarial losses (gains) <sup>1</sup>	–	2	(3)
<b>Total post-employment medical plans</b>	<b>10</b>	<b>11</b>	<b>8</b>
<b>Total expenses defined benefit plans</b>	<b>269</b>	<b>304</b>	<b>275</b>
Total expenses for defined contribution plans	203	206	203
<b>Total expenses for post-employment benefits</b>	<b>472</b>	<b>510</b>	<b>478</b>
<b>Disclosures of other selected employee benefits</b>			
Employer contributions to mandatory German social security pension plan	162	159	156
Expenses for cash retention plans	688	13	18
Expenses for severance payments	629	555	225

<sup>1</sup> Items accrued under the corridor approach in 2006 and 2007 were reversed in 2008 due to the change in accounting policy.

Expected expenses for 2010 are € 225 million for the retirement benefit plans and € 11 million for the post-employment medical plans. The average remaining service period at measurement date for retirement benefit plans is 11 years and for post-employment medical plans 7 years respectively.

The following table presents the sensitivity to key assumptions of the defined benefit obligation as of December 31, 2009, and the aggregate of service costs and interest costs as well as the expected return on plan assets for the year ended December 31, 2009. Each assumption is shifted in isolation.

Increase (decrease) in € m.	Defined benefit obligation as at		Expenses for	
	Dec 31, 2009	Dec 31, 2008	2009	2008
<b>Retirement benefit plans sensitivity:</b>				
Discount rate (fifty basis point decrease)	695	560	5	15
Rate of price inflation (fifty basis point increase)	420	370	30	40
Rate of real increase in future compensation levels (fifty basis point increase)	80	75	10	10
Longevity (improvement by ten percent) <sup>1</sup>	175	130	10	10
Expected rate of return (fifty basis point decrease)	–	–	45	45
<b>Post-employment medical plans sensitivity:</b>				
Health care cost rate (100 basis point increase)	16	13	2	1
Health care cost rate (100 basis point decrease)	(14)	(12)	(1)	(1)

<sup>1</sup> 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.

### [33] Income Taxes

The components of income tax expense (benefit) for 2009, 2008 and 2007 are as follows.

in € m.	2009	2008	2007
<b>Current tax expense (benefit):</b>			
Tax expense (benefit) for current year	970	(32)	3,504
Adjustments for prior years	(430)	(288)	(347)
<b>Total current tax expense (benefit)</b>	<b>540</b>	<b>(320)</b>	<b>3,157</b>
<b>Deferred tax expense (benefit):</b>			
Origination and reversal of temporary difference, unused tax losses and tax credits	570	(1,346)	(651)
Effects of changes in tax rates	3	26	(181)
Adjustments for prior years	(869)	(205)	(86)
<b>Total deferred tax expense (benefit)</b>	<b>(296)</b>	<b>(1,525)</b>	<b>(918)</b>
<b>Total income tax expense (benefit)</b>	<b>244</b>	<b>(1,845)</b>	<b>2,239</b>

Income tax expense (benefit) includes policyholder tax attributable to policyholder earnings, amounting to an income tax benefit of € 1 million, € 79 million and € 1 million in 2009, 2008 and 2007, respectively.

Total current tax expense includes benefits from previously unrecognized tax losses, tax credits and deductible temporary differences, which reduced the current tax expense by € 0.2 million in 2009. In 2008 these effects increased the current tax benefit by € 45 million and reduced the current tax expense by € 3 million in 2007.

Total deferred tax 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 increased the deferred tax benefit by € 537 million in 2009. In 2008 these effects reduced the deferred tax benefit by € 971 million and by € 71 million in 2007.

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.	2009	2008	2007
<b>Expected tax expense at domestic income tax rate of 30.7 % (30.7 % for 2008 and 39.2 % for 2007)</b>	<b>1,595</b>	<b>(1,760)</b>	<b>3,429</b>
Foreign rate differential	(63)	(665)	(620)
Tax-exempt gains on securities and other income	(763)	(746)	(657)
Loss (income) on equity method investments	(29)	(36)	(22)
Nondeductible expenses	624	403	393
Goodwill impairment	0	1	21
Changes in recognition and measurement of deferred tax assets	(537)	926	68
Effect of changes in tax law or tax rate	3	26	(181)
Effect related to share based payments	(95)	227	–
Effect of policyholder tax	(1)	(79)	(1)
Other	(490)	(142)	(191)
<b>Actual income tax expense (benefit)</b>	<b>244</b>	<b>(1,845)</b>	<b>2,239</b>

The Group is under continuous examinations by tax authorities in various jurisdictions. The line item other in the preceding table includes mainly the nonrecurring effect of settling examinations in 2009.

The domestic income tax rate, including corporate tax, solidarity surcharge, and trade tax, used for calculating deferred tax assets and liabilities was 30.7 % for the years ended December 31, 2009, 2008 and 2007.

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.

Income taxes charged or credited to equity are as follows.

in € m.	2009	2008	2007
<b>Tax (charge)/credit on actuarial gains (losses) related to defined benefit plans</b>	<b>113</b>	<b>1</b>	<b>(192)</b>
Financial assets available for sale			
Unrealized net gains (losses) arising during the period	(195)	892	154
Net (gains) losses reclassified to profit or loss	(214)	(194)	43
Derivatives hedging variability of cash flows			
Unrealized net gains (losses) arising during the period	90	(34)	4
Net (gains) losses reclassified to profit or loss	(2)	–	(5)
Other equity movement			
Unrealized net gains (losses) arising during the period	54	67	19
Net (gains) losses reclassified to profit or loss	13	–	–
<b>Income taxes (charged) credited to recognized income and expenses in total equity</b>	<b>(254)</b>	<b>731</b>	<b>215</b>
<b>Other income taxes (charged) credited to total equity</b>	<b>(35)</b>	<b>(75)</b>	<b>(35)</b>

Major components of the Group's gross deferred income tax assets and liabilities are as follows.

in € m.	Dec 31, 2009	Dec 31, 2008
<b>Deferred tax assets:</b>		
Unused tax losses	2,986	3,477
Unused tax credits	218	134
Deductible temporary differences:		
Trading activities	7,244	8,769
Property and equipment	654	380
Other assets	1,544	1,167
Securities valuation	563	654
Allowance for loan losses	353	144
Other provisions	1,088	1,016
Other liabilities	439	568
<b>Total deferred tax assets</b>	<b>15,089</b>	<b>16,309</b>
<b>Deferred tax liabilities:</b>		
Taxable temporary differences:		
Trading activities	6,666	7,819
Property and equipment	55	53
Other assets	652	1,042
Securities valuation	652	605
Allowance for loan losses	122	167
Other provisions	932	1,221
Other liabilities	1,017	716
<b>Total deferred tax liabilities</b>	<b>10,096</b>	<b>11,623</b>
<b>Net deferred tax assets</b>	<b>4,993</b>	<b>4,686</b>

After offsetting, deferred tax assets and liabilities are presented on the balance sheet as follows.

in € m.	Dec 31, 2009	Dec 31, 2008
Presented as deferred tax assets	7,150	8,470
Presented as deferred tax liabilities	2,157	3,784
<b>Net deferred tax assets</b>	<b>4,993</b>	<b>4,686</b>

The change in the balance of net deferred tax assets and deferred tax liabilities does not equal the deferred tax expense. 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.

As of December 31, 2009 and 2008, no deferred tax assets are recognized for the following items.<sup>1</sup>

in € m.	Dec 31, 2009	Dec 31, 2008
<b>Deductible temporary differences</b>	<b>(69)</b>	<b>(26)</b>
Not expiring	(1,598)	(617)
Expiring in subsequent period	0	(1)
Expiring after subsequent period	(659)	(2,851)
<b>Unused tax losses</b>	<b>(2,257)</b>	<b>(3,469)</b>
Expiring in subsequent period	–	–
Expiring after subsequent period	(87)	(90)
<b>Unused tax credits</b>	<b>(87)</b>	<b>(90)</b>

<sup>1</sup> Amounts in the table refer to deductible temporary differences, 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, unused tax credits and deductible temporary differences can be utilized.

As of December 31, 2009 and December 31, 2008, the Group recognized deferred tax assets of € 6 billion and € 5.6 billion, respectively that exceed deferred tax liabilities 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, 2009 and December 31, 2008, 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 € 105 million and € 157 million respectively, in respect of which no deferred tax liabilities were recognized.

### [34] Acquisitions and Dispositions

#### Business Combinations finalized in 2009

In 2009, the Group finalized several acquisitions that were accounted for as business combinations. Of these transactions, none were individually significant and are, therefore, presented in the aggregate. These transactions involved the acquisition of interests of 100 % respectively for a total consideration of € 22 million, including cash payments of € 20 million and costs of € 2 million directly related to these acquisitions. Based on provisional values, the aggregated purchase prices were allocated as other intangible assets of € 21 million, reflecting customer relationships, and goodwill of € 1 million. Among these transactions is the acquisition of Dresdner Bank's Global Agency Securities Lending business which closed on November 30, 2009. The business is operating from offices in London, New York and Frankfurt and was integrated into GTB. The completion of this transaction added one of the largest third-party agency securities lending providers to the Group's existing custody platform, closing a strategic product gap in the securities servicing area.

The aggregate impact from these acquisitions on the Group's balance sheet was as follows.

in € m.	Carrying value before the acquisition	Adjustments to fair value	Fair value
<b>Assets:</b>			
Cash and due from banks	–	–	–
Goodwill	–	1	1
Other intangible assets	–	21	21
All remaining assets	–	–	–
<b>Total assets</b>	<b>–</b>	<b>22</b>	<b>22</b>
<b>Liabilities:</b>			
Long-term debt	–	–	–
All remaining liabilities	–	3	3
<b>Total liabilities</b>	<b>–</b>	<b>3</b>	<b>3</b>
Net assets	–	19	19
<b>Total liabilities and equity</b>	<b>–</b>	<b>22</b>	<b>22</b>

Their related effect on net revenues and net profit or loss after tax of the Group in 2009 was € 1 million and € (1) million, respectively.

### Potential Profit or Loss Impact of Business Combinations finalized in 2009

If the business combinations described above which were finalized in 2009 had all been effective as of January 1, 2009, the effect on the Group's net revenues and net profit or loss after tax in 2009 would have been € 22 million and less than € 1 million, respectively.

### 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 strengthened 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 € 15 million subject to the acquiree exceeding certain performance targets over the following three years. The purchase price was allocated as goodwill of € 28 million, other intangible assets of € 5 million and net tangible assets of € 1 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
<b>Assets:</b>			
Cash and due from banks	1	–	1
Goodwill	–	28	28
Other intangible assets	–	5	5
All remaining assets	1	–	1
<b>Total assets</b>	<b>2</b>	<b>33</b>	<b>35</b>
<b>Liabilities:</b>			
Long-term debt	–	15	15
All remaining liabilities	1	–	1
<b>Total liabilities</b>	<b>1</b>	<b>15</b>	<b>16</b>
Net assets	1	18	19
<b>Total liabilities and equity</b>	<b>2</b>	<b>33</b>	<b>35</b>

Following the acquisition in 2008, DB HedgeWorks recorded net revenues and net losses after tax of € 6 million and € 2 million, respectively.

### Maier Terminals LLC and Maier Terminals of Canada Corp.

Commencing June 30, 2008, the Group has consolidated Maier Terminals LLC and Maier Terminals of Canada Corp., collectively and hereafter referred to as Maier Terminals, a privately held operator of port terminal facilities in North America. Maier Terminals was acquired as seed asset for the North American Infrastructure Fund. The Group initially owned 100 % of Maier 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 [24]). 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 was Maier 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 Maier Terminals were reclassified from the held for sale category, with the reacquisition accounted for as a purchase transaction. The cost of this acquisition was allocated as goodwill of € 33 million and net tangible assets of € 76 million. At acquisition, Maier Terminals was included in AWM. Following a change in management responsibility, Maier Terminals was transferred to CI effective January 1, 2009.

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
<b>Assets:</b>			
Interest-earning time deposits with banks	–	30	30
Property and equipment	–	169	169
Goodwill	–	597	597
Other intangible assets	–	770	770
All remaining assets	1,840	(1,656)	184
<b>Total assets</b>	<b>1,840</b>	<b>(90)</b>	<b>1,750</b>
<b>Liabilities:</b>			
Long-term debt	–	839	839
All remaining liabilities	983	(845)	138
<b>Total liabilities</b>	<b>983</b>	<b>(6)</b>	<b>977</b>
Net assets	857	(84)	773
<b>Total liabilities and equity</b>	<b>1,840</b>	<b>(90)</b>	<b>1,750</b>

Post-acquisition net revenues and net losses after tax related to Maier Terminals in 2008 amounted to negative € 7 million and € 256 million, respectively. The latter included a charge of € 175 million net of tax reflecting a goodwill impairment loss recognized in the fourth quarter 2008 (see Note [23]).

### 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
<b>Assets:</b>			
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
<b>Total assets</b>	<b>32</b>	<b>15</b>	<b>47</b>
<b>Liabilities:</b>			
Other liabilities	1	7	8
All remaining liabilities	–	1	1
<b>Total liabilities</b>	<b>1</b>	<b>8</b>	<b>9</b>
Net assets	31	7	38
<b>Total liabilities and equity</b>	<b>32</b>	<b>15</b>	<b>47</b>

The effect of these acquisitions on net revenues and net profit or loss after tax 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 in 2008 would have been € 44 million and € (223) million, respectively. The latter included 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 were 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
<b>Assets:</b>			
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
<b>Total assets</b>	<b>5,404</b>	<b>527</b>	<b>5,931</b>
<b>Liabilities:</b>			
Deposits	5,107	–	5,107
All remaining liabilities	133	45	178
<b>Total liabilities</b>	<b>5,240</b>	<b>45</b>	<b>5,285</b>
Net assets	164	482	646
<b>Total liabilities and equity</b>	<b>5,404</b>	<b>527</b>	<b>5,931</b>

Post-acquisition net revenues and net profits after tax related to Berliner Bank in 2007 amounted to € 251 million and € 35 million, respectively.

**MortgageIT 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 as 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
<b>Assets:</b>			
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
<b>Total assets</b>	<b>6,052</b>	<b>128</b>	<b>6,180</b>
<b>Liabilities:</b>			
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
<b>Total liabilities</b>	<b>5,834</b>	<b>20</b>	<b>5,854</b>
Net assets	218	108	326
<b>Total liabilities and equity</b>	<b>6,052</b>	<b>128</b>	<b>6,180</b>

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 U.K. life assurance company which closed to new business in 2000 but still holds a valid license under which it is permitted to write new contracts if required. 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
<b>Assets:</b>			
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
<b>Total assets</b>	<b>17,955</b>	<b>911</b>	<b>18,866</b>
<b>Liabilities:</b>			
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
<b>Total liabilities</b>	<b>16,972</b>	<b>318</b>	<b>17,290</b>
Net assets <sup>1</sup>	983	593	1,576
<b>Total liabilities and equity</b>	<b>17,955</b>	<b>911</b>	<b>18,866</b>

<sup>1</sup> 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
<b>Assets:</b>			
Cash and due from banks	3	77	80
Goodwill	3	25	28
Other intangible assets	8	–	8
All remaining assets	91	44	135
<b>Total assets</b>	<b>105</b>	<b>146</b>	<b>251</b>
<b>Total liabilities</b>	<b>87</b>	<b>13</b>	<b>100</b>
Net assets	18	133	151
<b>Total liabilities and equity</b>	<b>105</b>	<b>146</b>	<b>251</b>

The effect of these acquisitions on net revenues and net profit or loss after tax 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 subject to completion in 2010

The following acquisitions have been or will be completed in 2010 and therefore are accounted for under the revised IFRS 3 R, "Business Combinations", which the Group decided to adopt as of January 1, 2010. However, disclosure requirements for these transactions at year-end 2009 are still governed by current IFRS 3.

**Sal. Oppenheim.** On October 28, 2009, Deutsche Bank AG ("Deutsche Bank") and the owners of Luxembourg based holding company Sal. Oppenheim jr. & Cie. S.C.A. ("Sal. Opp. S.C.A.") signed a framework agreement which allowed Deutsche Bank to acquire 100 % of Sal. Oppenheim Group ("Sal. Opp. Group") at a purchase price of approximately € 1.0 billion. The previous shareholders in Sal. Opp. S.C.A. have the option of acquiring a long-term shareholding of up to 20 % in the German subsidiary Sal. Oppenheim KGaA ("Sal. Opp. KGaA").

With the purchase of Sal. Opp. S.C.A., all activities of Sal. Opp. KGaA, BHF BANK AG ("BHF") and the private equity fund of funds business managed in the separate holding Sal. Oppenheim Private Equity Partners S.A. ("SOPEP") have transferred to Deutsche Bank. In addition, Deutsche Bank acquired 94.9 % (49 % of voting rights) of BHF Asset Servicing GmbH ("BAS") which was held by the Sal. Opp. S.C.A. shareholders. In addition to the envisaged sale of BAS, Deutsche Bank also intends to resell parts of Sal. Opp. KGaA's investment banking activities to third parties.

On provisional values, the purchase price for the different entities acquired is expected to total approximately € 1.3 billion. Further agreements have been reached with the owners of Sal. Opp. S.C.A. that could lead to an increase of the purchase price contingent upon the future performance of specific risk positions. The allocation of the purchase price and the determination of the net fair value of the identifiable assets, liabilities, and contingent liabilities for the Sal. Opp. Group as of the acquisition date is not yet finalized.

Sal. Oppenheim's Asset and Wealth Management activities will be maintained and expanded in the future under the private bank's established brand "Oppenheim" and "Sal. Oppenheim" and will preserve Sal. Oppenheim's identity, values, culture and service quality. With this transaction, the Group strengthens its position among high-net-worth private clients, family offices and trusts, especially in Germany.

The acquisition of the Sal. Opp. Group closes in the first quarter of 2010 and is implemented via various execution agreements which, in accordance with definitions provided in IAS 28, resulted in the Group having significant influence over the Sal. Opp. Group at year end 2009. As all significant legal and regulatory approvals have been obtained by January 29, 2010, the date of acquisition was set for that date and accordingly, the Group commenced consolidation of the Sal. Opp. Group in the first quarter 2010.

**ABN AMRO.** In December 2009, the Group signed a definitive agreement with ABN AMRO Bank N.V. ("ABN AMRO") to acquire parts of ABN AMRO's corporate and commercial banking activities in the Netherlands. The businesses to be acquired remain the same as those in the original agreement announced in July 2008, encompassing a network of 15 ABN AMRO branches: two corporate client units serving large corporate clients and 13 commercial advisory branches serving medium-sized clients in the Netherlands. In addition, as part of the transaction, the Group will acquire the Rotterdam-based bank, Hollandsche Bank Unie N.V. and the Dutch IFN Finance B.V which provides factoring services. The transaction is expected to be completed in the second quarter 2010.

#### Other Business Combinations completed in 2010

Other business combinations, not being individually material, which were finalized in 2010, include the step-acquisition of an additional 47.5 % interest in an existing associate domiciled in the Philippines. The acquisition resulted in a controlling ownership interest of 95 % and the consolidation of the investment in the first quarter 2010. The total consideration of € 6 million paid in cash was allocated to net assets acquired (including liabilities assumed) of € 10 million, resulting in negative goodwill of € 4 million which will be recognized as other income in the Group's income statement of the first quarter 2010.

## Dispositions

During 2009, 2008 and 2007, the Group finalized several dispositions of subsidiaries/businesses. For a list and further details about these dispositions, please see Note [4]. The total cash consideration received for these dispositions in 2009, 2008 and 2007 was € 51 million, € 182 million and € 375 million, respectively. The table below includes the assets and liabilities that were included in these disposals.

in € m.	2009	2008	2007
Cash and cash equivalents	49	66	52
All remaining assets	15	4,079	885
<b>Total assets disposed</b>	<b>64</b>	<b>4,145</b>	<b>937</b>
<b>Total liabilities disposed</b>	<b>73</b>	<b>3,490</b>	<b>463</b>

## [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 2009	Liabilities 2009	Assets 2008	Liabilities 2008
Derivatives held as fair value hedges	6,726	3,240	8,441	3,142

For the years ended December 31, 2009 and 2008, a loss of € 1.6 billion and a gain of € 4.1 billion, respectively, were recognized on the hedging instruments. For the same periods the gain on the hedged items, which were attributable to the hedged risk, was € 1.5 billion and a loss of € 3.8 billion, 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 following table presents the value of derivatives held as cash flow hedges.

in € m.	Assets 2009	Liabilities 2009	Assets 2008	Liabilities 2008
Derivatives held as cash flow hedges	2	197	12	355

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
<b>As of December 31, 2009</b>				
Cash inflows from assets	42	79	65	106
Cash outflows from liabilities	(40)	(58)	(27)	(140)
<b>Net cash flows</b>	<b>2</b>	<b>21</b>	<b>38</b>	<b>(34)</b>
<b>As of December 31, 2008<sup>1</sup></b>				
Cash inflows from assets	102	65	58	111
Cash outflows from liabilities	(71)	(38)	(49)	(304)
<b>Net cash flows</b>	<b>31</b>	<b>27</b>	<b>9</b>	<b>(194)</b>

<sup>1</sup> Prior year amounts have been adjusted.

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, 2009 and December 31, 2008, balances of €(217) million and €(342) million, respectively, were reported in equity related to cash flow hedging programs. Of these, €(48) million and €(56) million, respectively, related to terminated programs. These amounts will be released to the income statement as appropriate.

For the years ended December 31, 2009 and December 31, 2008, a gain of €119 million and a loss of €265 million, respectively, were recognized in equity in respect of effective cash flow hedging.

For the years ended December 31, 2009 and December 31, 2008, losses of €6 million and €2 million, respectively, were removed from equity and included in the income statement.

For the years ended December 31, 2009 and December 31, 2008, a loss of € 7 million and a gain of € 27 million, respectively, were recognized due to hedge ineffectiveness.

As of December 31, 2009 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 2009	Liabilities 2009	Assets 2008	Liabilities 2008
Derivatives held as net investment hedges	94	364	1,081	1,220

For the years ended December 31, 2009 and December 31, 2008 losses of € 238 million and € 151 million respectively, were recognized due to hedge ineffectiveness.

## [36] Regulatory Capital

### Capital Management

The Group's Treasury function manages its 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. The Group's target for the Tier 1 capital ratio continues to be at 10 % or above.

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 2008 Annual General Meeting granted our management the authority to buy back up to 53.1 million shares before the end of October 2009. No shares had been repurchased under this authorization through the Annual General Meeting in May 2009 when a new authorization was granted.

The 2009 Annual General Meeting granted the Group's management the authority to buy back up to 62.1 million shares before the end of October 2010. During the period from the Annual General Meeting in May 2009 until year-end 2009, 11.7m shares (or 1.9% of shares issued) were purchased for equity compensation purposes. The purchases were executed in July and August 2009.

In March 2009, the Group issued 50 million new registered shares to Deutsche Post AG. In turn, Deutsche Post AG contributed-in-kind a minority stake in Deutsche Postbank AG to Deutsche Bank AG.

The Group issued € 1.3 billion of hybrid Tier 1 capital for the year ended December 31, 2009. Total outstanding hybrid Tier 1 capital (all noncumulative trust preferred securities) as of December 31, 2009, amounted to € 10.6 billion compared to € 9.6 billion as of December 31, 2008.

### Capital Adequacy

Since 2008, Deutsche Bank calculated and published consolidated capital ratios for the Deutsche Bank group of institutions 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.

The group of companies consolidated for banking regulatory purposes ("group of institutions") includes all subsidiaries as defined in the German Banking Act that are classified as banks, financial services institutions, investment management companies, financial enterprises, ancillary services enterprises or payment institutions. It does not include insurance companies or companies outside the finance sector.

For financial conglomerates, however, insurance companies are included in an additional capital adequacy (also “solvency margin”) 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.

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 common share capital, additional paid-in capital, retained earnings and hybrid capital components such as noncumulative trust preferred securities. Common shares in treasury, goodwill and other intangible assets are deducted from Tier 1. Other regulatory adjustments according to the Banking Act entail the exclusion of capital from entities outside the group of institutions and the reversal of capital effects under the fair value option on financial liabilities due to own credit risk. Tier 1 capital without hybrid capital components is referred to as Core Tier 1 capital.
- Tier 2 capital consists primarily of cumulative trust preferred securities and long-term subordinated debt, as well as 45 % of unrealized gains on certain listed securities.

Certain items must be deducted from Tier 1 and Tier 2 capital. Primarily these include deductible investments in unconsolidated banking, financial and insurance entities where the Group holds more than 10 % of the capital (in case of insurance entities 20 % either of the capital or of voting rights unless included in the solvency margin calculation of the financial conglomerate), the amount by which the expected loss for exposures to central governments, institutions and corporate and retail exposures as measured under the bank’s internal ratings based approach (“IRBA”) model exceeds the value adjustments and provisions for such exposures, the expected losses for certain equity exposures, securitization positions not included in the risk-weighted assets 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 provided the transaction has been allocated to the bank’s trading book.

- Tier 3 capital consists mainly of certain short-term subordinated debt.

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.

The Tier 1 capital ratio is the principal measure of capital adequacy for internationally active banks. The ratio compares a bank's regulatory Tier 1 capital with its credit risks, market risks and operational risks pursuant to Basel II (which the Group refers to collectively as the "risk-weighted assets" or "RWA"). In the calculation of the risk-weighted assets 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 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. For operational risk calculations, the Group uses the so-called Advanced Measurement Approach ("AMA") pursuant to the German Banking Act.

The following two tables present a summary of the Group's regulatory capital and RWA.

in € m. (unless stated otherwise)	Dec 31, 2009	Dec 31, 2008
Credit risk	217,003	247,611
Market risk <sup>1</sup>	24,880	23,496
Operational risk	31,593	36,625
<b>Total risk-weighted assets</b>	<b>273,476</b>	<b>307,732</b>
Tier 1 capital	34,406	31,094
Thereof Core Tier 1 capital	23,790	21,472
Tier 2 capital	3,523	6,302
Tier 3 capital	–	–
<b>Total regulatory capital</b>	<b>37,929</b>	<b>37,396</b>
Tier 1 capital ratio	12.6 %	10.1 %
Core Tier 1 capital ratio	8.7 %	7.0 %
Total capital ratio	13.9 %	12.2 %
<b>Average Active Book Equity</b>	<b>34,613</b>	<b>32,079</b>

1 A multiple of the Group's value-at-risk, calculated with a confidence level of 99 % and a ten-day holding period.

The Group's total capital ratio was 13.9 % on December 31, 2009, significantly higher than the 8 % minimum ratio required.

The Group's Tier 1 capital was € 34.4 billion on December 31, 2009 and € 31.1 billion on December 31, 2008. The Tier 1 capital ratio was 12.6 % as of December 31, 2009 and 10.1 % as of December 31, 2008, both exceeding the Group's target ratio of 10 %. Core Tier 1 capital amounted to € 23.8 billion on December 31, 2009 and € 21.5 billion on December 31, 2008 with Core Tier 1 ratio of 8.7 % and 7.0 % respectively.

The Group's Tier 2 capital was € 3.5 billion on December 31, 2009, and € 6.3 billion on December 31, 2008, amounting to 10 % and 20 % 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, 2009, with € 1,990 million of total regulatory capital (Tier 1 + 2 + 3) compared to € 1,880 million as of December 31, 2008. The Group met this requirement entirely with Tier 1 and Tier 2 capital that was 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, 2009, and December 31, 2008.

in € m.	Dec 31, 2009	Dec 31, 2008
<b>Tier 1 capital:</b>		
<b>Core Tier 1 capital:</b>		
Common shares	1,589	1,461
Additional paid-in capital	14,830	14,961
Retained earnings, common shares in treasury, equity classified as obligation to purchase common shares, foreign currency translation, minority interest	21,807	16,724
Items to be fully deducted from Tier 1 capital (inter alia goodwill and intangible assets)	(10,238)	(10,125)
Items to be partly deducted from Tier 1 capital:		
Deductible investments in banking, financial and insurance entities	(2,120)	(771)
Securitization positions not included in risk-weighted assets	(1,033)	(279)
Excess of expected losses over risk provisions	(1,045)	(499)
Items to be partly deducted from Tier 1 capital <sup>1</sup>	(4,198)	(1,549)
<b>Core Tier 1 capital</b>	<b>23,790</b>	<b>21,472</b>
<b>Additional Tier 1 capital:</b>		
Noncumulative trust preferred securities	10,616	9,622
<b>Additional Tier 1 capital</b>	<b>10,616</b>	<b>9,622</b>
<b>Total Tier 1 capital</b>	<b>34,406</b>	<b>31,094</b>
<b>Tier 2 capital:</b>		
Unrealized gains on listed securities <sup>2</sup> (45 % eligible)	331	–
Cumulative preferred securities	294	300
Qualified subordinated liabilities	7,096	7,551
Items to be partly deducted from Tier 2 capital	(4,198)	(1,549)
<b>Total Tier 2 capital</b>	<b>3,523</b>	<b>6,302</b>

1 Pursuant to German Banking Act Section 10 (6) and Section 10 (6a) in conjunction with German Banking Act Section 10a.

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.

The following table reconciles shareholders' equity according to IFRS to Tier 1 capital pursuant to Basel II.

in € m.	Dec 31, 2009	Dec 31, 2008
<b>Total shareholders' equity</b>	<b>36,647</b>	<b>30,703</b>
Unrealized net gains (losses) on financial assets available for sale	121	882
Unrealized net gains (losses) on cash flow hedges	136	349
Accrued future dividend	(466)	(310)
<b>Active book equity</b>	<b>36,438</b>	<b>31,624</b>
Goodwill and intangible assets	(10,169)	(9,877)
Minority interest	1,322	1,211
Other (consolidation and regulatory adjustments)	397	63
Noncumulative trust preferred securities	10,616	9,622
Items to be partly deducted from Tier 1 capital	(4,198)	(1,549)
<b>Tier 1 capital</b>	<b>34,406</b>	<b>31,094</b>

Basel II requires the deduction of goodwill from Tier 1 capital. However, for a transitional period the partial inclusion of certain goodwill components in Tier 1 capital is allowed 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, 2009, the transitional item amounted to €462 million. In the Group's reporting to the German regulatory authorities, the Tier 1 capital, total regulatory capital and the total risk-weighted assets shown above were increased by this amount. Correspondingly, the Group's Tier 1 and total capital ratios reported to the German regulatory authorities including this item were 12.7 % and 14.0 %, respectively, on December 31, 2009.

Failure to meet minimum capital requirements can result in orders to suspend or reduce dividend payments or other profit distributions on regulatory capital and discretionary actions by the BaFin that, if undertaken, could have a direct material effect on the Group's businesses. The Group complied with the regulatory capital adequacy requirements in 2009.

### [37] 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.	2009	2008	2007
Short-term employee benefits	22	9	30
Post-employment benefits	3	3	4
Other long-term benefits	–	–	–
Termination benefits	–	–	–
Share-based payment	7	8	8
<b>Total</b>	<b>32</b>	<b>20</b>	<b>42</b>

Among the Group's transactions with key management personnel as of December 31, 2009 were loans and commitments of €9 million and deposits of €21 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.	2009	2008
<b>Loans outstanding, beginning of year</b>	<b>834</b>	<b>2,081</b>
Loans issued during the year	366	1,623
Loan repayment during the year	209	514
Changes in the group of consolidated companies <sup>1</sup>	(83)	(2,200)
Exchange rate changes/other	57	(156)
<b>Loans outstanding, end of year<sup>2</sup></b>	<b>965</b>	<b>834</b>
<b>Other credit risk related transactions:</b>		
Allowance for loan losses	4	4
Provision for loan losses	31	4
Guarantees and commitments <sup>3</sup>	135	95

1 In 2009 one entity that was accounted for using the equity method was sold. In 2008 four entities that were accounted for using the equity method were fully consolidated for the first time. Therefore loans made to these investments were eliminated on consolidation.

2 Included in this amount are loans past due of € 15 million and € 7 million as of December 31, 2009 and 2008, respectively. For the above loans the Group held collateral of € 375 million and € 361 million as of December 31, 2009 and as of December 31, 2008, respectively. Loans included also € 4 million and € 143 million loans with joint ventures as of December 31, 2009 and 2008, respectively. For these loans no loan loss allowance was required.

3 The guarantees above include financial and performance guarantees, standby letters of credit, indemnity agreements and irrevocable lending-related commitments.

### Deposits

in € m.	2009	2008
<b>Deposits outstanding, beginning of year</b>	<b>246</b>	<b>962</b>
Deposits received during the year	287	955
Deposits repaid during the year	161	685
Changes in the group of consolidated companies <sup>1</sup>	(6)	(693)
Exchange rate changes/other	1	(293)
<b>Deposits outstanding, end of year<sup>2</sup></b>	<b>367</b>	<b>246</b>

1 In 2009 one entity that was accounted for using the equity method was sold. In 2008 one entity that was accounted for using the equity method was fully consolidated. Therefore deposits received from this investment were eliminated on consolidation.

2 The deposits are unsecured. Deposits include also € 0.4 million and € 18 million deposits from joint ventures as of December 31, 2009 and as of December 31, 2008, respectively.

### Other Transactions

As of December 31, 2009 positive and negative market values from derivative financial transactions with associated companies amounted to € 3.7 billion and € 3.0 billion, respectively. Positive market values from derivative financial instruments with associated companies were € 390 million as of December 31, 2008. The increase was attributable to changes in the composition of the Group's associated companies. Other transactions with related parties also reflected the following:

**Business Relationships with Deutsche Postbank AG:** In addition to the acquisition of an interest in Deutsche Postbank AG, Deutsche Bank AG signed a cooperation agreement with Postbank. The cooperation agreement encompasses financing and investment products, business banking and commercial loans as well as customer-oriented services. The agreement also covers sourcing and IT-infrastructure.

**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 2009 and 2008, the Group received services from XTB with volume of € 104 million and € 94 million, respectively. In 2009 and 2008, the Group provided supply services (e.g., IT and real estate-related services) with volumes of € 29 million and € 26 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 € 16 million in 2009 and € 207 million in 2008.

## 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.	2009	2008
<b>Deutsche Bank securities held in plan assets:</b>		
Equity shares	–	–
Bonds	–	–
Other securities	26	4
<b>Total</b>	<b>26</b>	<b>4</b>
Property occupied by/other assets used by Deutsche Bank	–	–
Derivatives: Market value for which DB (or subsidiary) is a counterparty	177	335
Derivatives: Notional amount for which DB (or subsidiary) is a counterparty	11,604	9,172
Fees paid from Fund to any Deutsche Bank asset manager(s)	21	23

## [38] 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 <sup>1</sup>	Delaware, United States
Deutsche Bank Trust Company Americas <sup>2</sup>	New York, United States
Deutsche Bank Securities Inc. <sup>3</sup>	Delaware, United States
Deutsche Bank Luxembourg S.A. <sup>4</sup>	Luxembourg
Deutsche Bank Privat- und Geschäftskunden Aktiengesellschaft <sup>5</sup>	Frankfurt am Main, Germany
DB Capital Markets (Deutschland) GmbH <sup>6</sup>	Frankfurt am Main, Germany
DWS Investment GmbH <sup>7</sup>	Frankfurt am Main, Germany
DB Valoren S.á.r.l. <sup>8</sup>	Luxembourg
DB Equity S.á.r.l. <sup>9</sup>	Luxembourg

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 Deutsche Bank Securities Inc. is a U.S. SEC-registered broker dealer and is a member of the New York Stock Exchange and regulated by the Financial Industry Regulatory Authority. It is also regulated by the individual state securities authorities in the states in which it operates.

4 The primary business of this company comprises treasury and global market activities, especially as a major supplier of Euro liquidity for Deutsche Bank Group, the international loan business with a specific focus on continental Europe, and private banking.

5 The company serves private individuals, affluent clients and small business clients with banking products.

6 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, Austria, Switzerland, Italy, Poland, and Cyprus.

7 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.

8 This company is a holding company for the Group's subgroups in Australia, New Zealand, and Singapore. It is also the holding company for DB Equity S.á.r.l.

9 This company is the holding company for the Group's minority stake in Deutsche Postbank AG.

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, commercial paper programs, repackaging and investment products, mutual funds, structured transactions, 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 2009” 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.

## [39] Insurance and Investment Contracts

### Liabilities arising from Insurance and Investment Contracts

in € m.	Dec 31, 2009			Dec 31, 2008		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Insurance contracts	4,613	(1,534)	3,079	3,963	(1,407)	2,556
Investment contracts	7,278	–	7,278	5,977	–	5,977
<b>Total</b>	<b>11,891</b>	<b>(1,534)</b>	<b>10,357</b>	<b>9,940</b>	<b>(1,407)</b>	<b>8,533</b>

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.

in € m.	2009		2008	
	Insurance contracts	Investment contracts	Insurance contracts	Investment contracts
<b>Balance, beginning of year</b>	<b>3,963</b>	<b>5,977</b>	<b>6,450</b>	<b>9,796</b>
New business	121	171	236	158
Claims paid	(285)	(549)	(405)	(618)
Other changes in existing business	427	1,145	(850)	(935)
Exchange rate changes	387	534	(1,468)	(2,424)
<b>Balance, end of year</b>	<b>4,613</b>	<b>7,278</b>	<b>3,963</b>	<b>5,977</b>

Included in Other changes in existing business for the investment contracts is € 1,145 million and € (935) million attributable to changes in the underlying assets’ fair value for the years ended December 31, 2009 and December 31, 2008, 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 % for the years ended December 31, 2009 and December 31, 2008.

#### 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 U.K. GAAP to a U.S. GAAP best estimate basis in line with the provisions of IFRS 4. The noneconomic 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.

in € m.	Impact on profit before tax		Impact on equity	
	2009	2008	2009	2008
<b>Variable:</b>				
Mortality <sup>1</sup> (worsening by ten percent)	(11)	(12)	(11)	(12)
Renewal expense (ten percent increase)	(2)	(1)	(2)	(1)
Interest rate (one percent increase)	(1)	(6)	(158)	(142)

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, 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.

**[40] Current and Non-Current Assets and Liabilities**

The following tables present an analysis of each asset and liability line item by amounts recovered or settled within or after one year as of December 31, 2009 and December 31, 2008.

Asset items as of December 31, 2009, follow.

in € m.	Amounts recovered or settled		Total Dec 31, 2009
	within one year	after one year	
Cash and due from banks	9,346	–	9,346
Interest-earning deposits with banks	46,383	850	47,233
Central bank funds sold and securities purchased under resale agreements	6,587	233	6,820
Securities borrowed	43,509	–	43,509
Financial assets at fair value through profit or loss	943,143	22,177	965,320
Financial assets available for sale	3,605	15,214	18,819
Equity method investments	–	7,788	7,788
Loans	93,781	164,324	258,105
Property and equipment	–	2,777	2,777
Goodwill and other intangible assets	–	10,169	10,169
Other assets	113,255	8,283	121,538
Assets for current tax	1,247	843	2,090
<b>Total assets before deferred tax assets</b>	<b>1,260,856</b>	<b>232,658</b>	<b>1,493,514</b>
Deferred tax assets			7,150
<b>Total assets</b>			<b>1,500,664</b>

Liability items as of December 31, 2009, follow.

in € m.	Amounts recovered or settled		Total Dec 31, 2009
	within one year	after one year	
Deposits	310,805	33,415	344,220
Central bank funds purchased and securities sold under repurchase agreements	45,453	42	45,495
Securities loaned	5,098	466	5,564
Financial liabilities at fair value through profit or loss	702,804	19,470	722,274
Other short-term borrowings	42,897	–	42,897
Other liabilities	147,506	6,775	154,281
Provisions	1,307	–	1,307
Liabilities for current tax	729	1,412	2,141
Long-term debt	18,895	112,887	131,782
Trust preferred securities	746	9,831	10,577
Obligation to purchase common shares	–	–	–
<b>Total liabilities before deferred tax liabilities</b>	<b>1,276,240</b>	<b>184,298</b>	<b>1,460,538</b>
Deferred tax liabilities			2,157
<b>Total liabilities</b>			<b>1,462,695</b>

## Asset items as of December 31, 2008, follow.

in € m.	Amounts recovered or settled		Total Dec 31, 2008
	within one year	after one year	
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
<b>Total assets before deferred tax assets</b>	<b>1,965,422</b>	<b>228,531</b>	<b>2,193,953</b>
Deferred tax assets			8,470
<b>Total assets</b>			<b>2,202,423</b>

## Liability items as of December 31, 2008, follow.

in € m.	Amounts recovered or settled		Total Dec 31, 2008
	within one year	after one year	
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
<b>Total liabilities before deferred tax liabilities</b>	<b>1,978,694</b>	<b>188,031</b>	<b>2,166,725</b>
Deferred tax liabilities			3,784
<b>Total liabilities</b>			<b>2,170,509</b>

### [41] 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.	2009	2008
<b>Staff costs:</b>		
Wages and salaries	9,336	8,060
Social security costs	1,974	1,546
thereof: those relating to pensions	472	510
<b>Total</b>	<b>11,310</b>	<b>9,606</b>

#### Staff

The average number of effective staff employed in 2009 was 79,098 (2008: 79,931) of whom 33,400 (2008: 33,837) were women. Part-time staff is included in these figures proportionately. An average of 51,183 (2008: 51,993) staff members worked outside Germany.

#### Management Board and Supervisory Board Remuneration

The total compensation of the Management Board was € 38,978,972 and € 4,476,684 for the years ended December 31, 2009 and 2008, respectively, thereof € 32,179,626 and € 0 for variable components. All Management Board members active in 2008 have irrevocably waived any entitlements to payment of variable compensation for the 2008 financial year.

Former members of the Management Board of Deutsche Bank AG or their surviving dependents received € 19,849,430 and € 19,741,906 for the years ended December 31, 2009 and 2008, respectively.

The Supervisory Board received in addition to a fixed payment (including meeting fees) of € 2,436,000 and € 2,478,500 (excluding value-added tax), variable emoluments totaling € 125,316 and € 0 for the years ended December 31, 2009 and 2008, respectively. 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 and their surviving dependents amounted to € 171,135,197 and € 167,420,222 at December 31, 2009 and 2008, respectively.

Loans and advances granted and contingent liabilities assumed for members of the Management Board amounted to € 8,128,645 and € 2,641,142 and for members of the Supervisory Board of Deutsche Bank AG to € 1,166,445 and € 1,396,955 for the years ended December 31, 2009 and 2008, respectively. Members of the Supervisory Board repaid € 23,883 loans in 2009.

### Other Publications

The “List of Shareholdings 2009” 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 has approved the Declaration of Conformity in accordance with section 161 of the German Corporation Act (AktG). The declaration is published on Deutsche Bank’s website (<http://www.deutsche-bank.com/corporate-governance>).

### Principal Accounting Fees and Services

The table below gives a breakdown of the fees charged by the Group’s auditors for the 2009 and 2008 financial year.

Fee category in € m.	2009	2008
Audit fees	45	47
thereof to KPMG Europe LLP	29	30
Audit-related fees	6	8
thereof to KPMG Europe LLP	4	6
Tax fees	5	7
thereof to KPMG Europe LLP	2	2
All other fees	–	–
thereof to KPMG Europe LLP	–	–
<b>Total fees</b>	<b>56</b>	<b>62</b>

For further information please refer to the Corporate Governance Statement/Corporate Governance Report.