Notes to the Consolidated Financial Statements

01 –
Significant Accounting Policies and Critical Accounting Estimates

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.

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.

Some IFRS disclosures incorporated in the Management Report are an integral part of the Consolidated Financial Statements. These disclosures include Segmental Results of Operations and Entity Wide disclosures on Net Revenue Components under IFRS 8, "Operating Segments" provided in the Operating and Financial Review of the Management Report. Additionally the Risk Report includes disclosures about the nature and the extent of risks arising from financial instruments as required by IFRS 7, "Financial Instruments: Disclosures", capital disclosures as required under IAS 1, "Presentation of Financial Statements" and disclosures in relation to insurance contracts as described in IFRS 4, "Insurance Contracts". These audited disclosures are identified by bracketing in the margins of the Management Report.

Significant Changes in Estimates and Changes in Presentation

Funding Valuation Adjustment (FVA)

In the fourth quarter 2013, the Group completed the implementation of a valuation methodology for incorporating the market implied funding costs for uncollateralized derivative positions (commonly referred to as Funding Valuation Adjustment). The implementation of the Funding Valuation Adjustment was in response to growing evidence that term funding is an important component of fair value for uncollateralized derivatives and resulted in a € 366 million loss which has been recognized in the fourth quarter 2013 in the Consolidated Statement of Income.

Interest Income and Expense for Securities Borrowed and Loaned and Advisory Fees

In the fourth quarter of 2013, the Group restated comparative information for certain line items in the Consolidated Statement of Income for the year ended December 31, 2012 for the effect of errors as follows. These restatements had no impact on net interest income, net revenues, net income or shareholders' equity.

	2012			
in € m.	Balance as reported	Securities borrowed/ securities loaned	Advisory fees	Balance adjusted
Interest income	32,315	(722)	0	31,593
Interest expense	(16,341)	722	0	(15,619)
Commissions and fee income	11,383	0	426	11,809
Net gains (losses) on financial assets/liabilities held at fair value through profit and loss	6,034	0	(426)	5,608

Interest Income and Expense for Securities Borrowed and Securities Loaned – Retrospective adjustments were made to restate interest income and expense to more accurately reflect the fees paid/received on securities borrowed/securities loaned transactions. The adjustment resulted in decreases in both interest income and expense but did not have any impact on net interest income, net income or shareholders' equity.

Advisory Fees – Retrospective adjustments were made to reclassify advisory fees from Net gains (losses) on financial assets held at fair value through profit or loss to Commissions and fee income to reflect their nature as service based activity in line with the Group's accounting policies. The reclassification did not have any impact on net revenues, net income or shareholders' equity.

Critical Accounting Estimates

The preparation of financial statements under IFRS requires management to make estimates and assumptions for certain categories of assets and liabilities. 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. The Group's significant accounting policies are described in "Significant Accounting Policies".

Certain of the Group's accounting policies require critical accounting estimates that involve complex and subjective judgments and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change. Such critical accounting estimates could change from period to period and may 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:

- the impairment of associates (see "Associates" below)
- the impairment of financial assets available for sale (see "Financial Assets and Liabilities – Financial Assets Classified as Available for Sale" below)
- the determination of fair value (see "Financial Assets and Liabilities – Determination of Fair Value" below)
- the recognition of trade date profit (see "Financial Assets and Liabilities – Recognition of Trade Date Profit" below)
- the impairment of loans and provisions for off-balance sheet positions (see "Impairment of Loans and Provision for Off-balance Sheet Positions" below)
- the impairment of goodwill and other intangibles (see "Goodwill and Other Intangible Assets" below)
- the recognition and measurement of deferred tax assets (see "Income Taxes" below)
- the accounting for legal and regulatory contingencies and uncertain tax positions (see "Provisions" below)

Significant Accounting Policies

The following is a description of the significant accounting policies of the Group. Other than as previously described, these policies have been consistently applied for 2012, 2013 and 2014.

Principles of Consolidation

The financial information in the Consolidated Financial Statements includes the parent company, Deutsche Bank AG, together with its consolidated subsidiaries, including certain structured entities presented as a single economic unit.

Subsidiaries

The Group's subsidiaries are those entities which it directly or indirectly controls. Control over an entity is evidenced by the Group's ability to exercise its power in order to affect any variable returns that the Group is exposed to through its involvement with the entity.

The Group sponsors the formation of structured entities and interacts with structured entities sponsored by third parties 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 entity, the Group evaluates a range of control factors, namely:

- the purpose and design of the entity
- the relevant activities and how these are determined
- whether the Group's rights result in the ability to direct the relevant activities
- whether the Group has exposure or rights to variable returns
- whether the Group has the ability to use its power to affect the amount of its returns

Where voting rights are relevant, the Group is deemed to have control where it holds, directly or indirectly, more than half of the voting rights over an entity unless there is evidence that another investor has the practical ability to unilaterally direct the relevant activities, as indicated by one or more of the following factors:

- 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
- 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 that entity is by this board or body.

Potential voting rights that are deemed to be substantive are also considered when assessing control.

Likewise, the Group also assesses existence of control where it does not control the majority of the voting power but has the practical ability to unilaterally direct the relevant activities. This may arise in circumstances where the size and dispersion of holdings of the shareholders give the Group the power to direct the activities of the investee.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are deconsolidated from the date that control ceases.

The Group reassesses the consolidation status at least at every quarterly reporting date. Therefore, any changes in the structure leading to a change in one or more of the control factors, require reassessment when they occur. This includes changes in decision making rights, changes in contractual arrangements, changes in the financing, ownership or capital structure as well as changes following a trigger event which was anticipated in the original documentation.

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 noncontrolling interests. Profit or loss attributable to noncontrolling interests are reported separately in the Consolidated Statement of Income and Consolidated Statement of Comprehensive Income.

At the date that control of a subsidiary is lost, the Group a) derecognizes the assets (including attributable goodwill) and liabilities of the subsidiary at their carrying amounts, b) derecognizes the carrying amount of any noncontrolling interests in the former subsidiary, c) recognizes the fair value of the consideration received and any distribution of the shares of the subsidiary, d) recognizes any investment retained in the former subsidiary at its fair value and e) recognizes any resulting difference of the above items as a gain or loss in the income statement. Any amounts recognized in prior periods in other comprehensive income in relation to that subsidiary would be reclassified to the Consolidated Statement of Income or transferred directly to retained earnings if required by other IFRSs.

Associates

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 less than 20 % of the voting stock.

Investments in associates are accounted for under the equity method of accounting. The Group's share of the results of associates is adjusted to conform to the accounting policies of the Group and is reported in the Consolidated Statement of Income as Net income (loss) from equity method investments. The Group's share in the associate's profits and losses resulting from intercompany sales is eliminated on consolidation.

If the Group previously held an equity interest in an entity (for example, as available for sale) and subsequently gained significant influence, the previously held equity interest is remeasured to fair value and any gain or loss is recognized in the Consolidated Statement of Income. Any amounts previously recognized in other comprehensive income associated with the equity interest would be reclassified to the Consolidated Statement of Income at the date the Group gains significant influence, as if the Group had disposed of the previously held equity interest.

Under the equity method of accounting, the Group's investments in associates and jointly controlled entities are initially recorded at cost including any directly related transaction costs incurred in acquiring the associate, 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 the date that the Group ceases to have significant influence over the associate or jointly controlled entity the Group recognizes a gain or loss on the disposal of the equity method investment equal to the difference between the sum of the fair value of any retained investment and the proceeds from disposing of the associate and the carrying amount of the investment. Amounts recognized in prior periods in other comprehensive income in relation to the associate are accounted for on the same basis as would have been required if the investee had directly disposed of the related assets or liabilities.

At each balance sheet date, the Group assesses whether there is any objective evidence that the investment in an associate is impaired. If there is objective evidence of 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 only reversed 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.

Critical Accounting Estimates: As the assessment of whether there is objective evidence of impairment may require significant management judgement and the estimates for impairment could change from period to period based on future events that may or may not occur, the Group considers this to be a critical accounting estimate.

Foreign Currency Translation

The Consolidated Financial Statements are prepared in euro, 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 Consolidated Statement of Income as net gains (losses) on financial assets/liabilities at fair value through profit or loss in order to align the translation amounts with those recognized from foreign currency related transactions (derivatives) which hedge these monetary assets and liabilities.

Nonmonetary items that are measured at historical cost are translated using the historical exchange rate at the date of the transaction. Translation differences on nonmonetary items which are held at fair value through profit or loss are recognized in profit or loss. Translation differences on available for sale nonmonetary items (equity securities) are included in other comprehensive income. Once the available for sale nonmonetary item is sold, the related cumulative translation difference is transferred to the Consolidated Statement of Income 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 euros 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 other comprehensive income. For foreign operations that are subsidiaries, the amount of exchange differences attributable to any noncontrolling interests is recognized in noncontrolling interests.

Upon disposal of a foreign subsidiary and associate (which results in loss of control or significant influence over that operation) the total cumulative exchange differences recognized in other comprehensive income are reclassified to profit or loss.

Upon partial disposal of a foreign operation that is a subsidiary and which does not result in loss of control, the proportionate share of cumulative exchange differences is reclassified from other comprehensive income to noncontrolling interests as this is deemed a transaction with equity holders. For a partial disposal of an associate which does not result in a loss of significant influence, the proportionate share of cumulative exchange differences is reclassified from other comprehensive income to profit or loss.

Interest, Commissions and Fees

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 instruments, 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 instrument is impaired as impairment is measured to fair value and would be based on a current market rate.

Commissions and Fee Income – The recognition of fee revenue (including commissions) is determined by the purpose of 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.

Expenses that are directly related and incremental to the generation of fee income are presented net in Commissions and Fee Income.

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 Consolidated Balance Sheet.

Financial instruments classified at fair value through profit or loss and financial assets classified as AFS are recognized or derecognized 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.

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. Trading assets include debt and equity securities, derivatives held for trading purposes, commodities and trading loans. This includes also physical commodities that are held by the Group’s commodity trading business, at fair value less costs to sell. Trading liabilities consist primarily of derivative liabilities and short positions

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. 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.

Loan Commitments

Certain loan commitments are classified as derivatives held for trading or designated at fair value through profit or loss under the fair value option. 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”, 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 AFS. 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 not acquired in a business combination or in an asset purchase are initially recognized at their transaction price representing the fair value, which is the cash amount advanced to the borrower. In addition, the net of direct and incremental transaction costs and fees are included in the initial carrying amount of loans. These loans are subsequently measured at amortized cost using the effective interest method less impairment.

Loans which have been acquired as either part of a business combination or as an asset purchase are initially recognized at fair value at the acquisition date. This includes loans for which an impairment loss had been established by the acquiree before their initial recognition by the Group. The fair value at the acquisition date incorporates expected cash flows which consider the credit quality of these loans including any incurred losses and becomes the new amortized cost base. Interest income is recognized using the effective interest method. Subsequent to the acquisition date the Group assesses whether there is objective evidence of impairment in line with the policies described in the section entitled "Impairment of Loans and Provision for Off-Balance Sheet Positions". If the loans are determined to be impaired then a loan loss allowance is recognized with a corresponding charge to the provision for credit losses line in the Consolidated Statement of Income. Releases of such loan loss allowances established after their initial recognition are included in the provision for credit losses line. Subsequent improvements in the credit quality of such loans for which no loss allowance had been recorded are recognized immediately through an adjustment to the current carrying value and a corresponding gain is recognized in interest income.

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 other comprehensive income, 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 (debt instruments), changes in carrying amounts relating to changes in foreign exchange rate are recognized in the Consolidated Statement of Income and other changes in carrying amount are recognized in other comprehensive income as indicated above. For financial assets classified as AFS that are nonmonetary items (equity instruments), the gain or loss that is recognized in other comprehensive income includes any related foreign exchange component.

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 other comprehensive income are recognized in the consolidated statement of income for the period, reported in net gains (losses) on financial assets available for sale. This impairment loss for the period 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 Consolidated Statement of Income.

When an AFS debt security is impaired, any subsequent decreases in fair value are recognized in the Consolidated Statement of Income as it is considered further impairment. Any subsequent increases are also recognized in the Consolidated Statement of Income until the asset is no longer considered impaired. 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 other comprehensive income.

Reversals of impairment losses on equity investments classified as AFS are not reversed through the Consolidated Statement of Income; increases in their fair value after impairment are recognized in other comprehensive income.

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. Unrealized gains and losses recorded in other comprehensive income are transferred to the Consolidated Statement of Income on disposal of an available for sale asset and reported in net gains (losses) on financial assets available for sale.

Critical Accounting Estimates – Because the assessment of objective evidence of impairment require significant management judgement and the estimate of impairment could change from period to period based upon future events that may or may not occur, the Group considers the impairment of Financial Assets classified as Available for Sale to be a critical accounting estimate. For additional information see Note 7 "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 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 AFS 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.

Financial assets are reclassified at their fair value at the reclassification date. Any gain or loss already recognized in the Consolidated Statement of Income 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 entitled "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 AFS to loans, any unrealized gain or loss recognized in other comprehensive income 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 accumulated other comprehensive income for that instrument at that date is immediately recognized in the Consolidated Statement of Income 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 in the Consolidated Statement of income as a component of the provision for credit losses, if the loan is impaired, or otherwise in other Income, if the loan is not impaired.

Offsetting of Financial Instruments

Financial assets and liabilities are offset, with the net amount presented in the Consolidated 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. The legal right to set off the recognized amounts must be enforceable in both the normal course of business, in the event of default, insolvency or bankruptcy of both the Group and its counterparty. In all other situations they are presented gross. When financial assets and financial liabilities are offset in the Consolidated Balance Sheet, the associated income and expense items will also be offset in the Consolidated Statement of Income, unless specifically prohibited by an applicable accounting standard.

The majority of the offsetting applied by the Group relates to derivatives and repurchase and reverse repurchase agreements. A significant portion of offsetting is applied to interest rate derivatives and related cash margin balances, which are cleared through central clearing parties such as the London Clearing House. The Group also offsets repurchase and reverse repurchase agreements for which the Group has the right to set off and has the intent to settle on a net basis or to realize an asset and settle a liability simultaneously. For further information please refer to Note 18 “Offsetting Financial Assets and Financial Liabilities”.

Determination of Fair Value

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an arm’s length transaction between market participants at the measurement date. 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 measures certain portfolios of financial assets and financial liabilities on the basis of their net risk exposures when the following criteria are met:

— The group of financial assets and liabilities is managed on the basis of its net exposure to a particular market risk (or risks) or to the credit risk of a particular counterparty, in accordance with a documented risk management strategy,
— the fair values are provided to key management personnel, and
— the financial assets and liabilities are measured at fair value through profit or loss.

This portfolio valuation approach is consistent with how the Group manages its net exposures to market and counterparty credit risks.

Critical Accounting Estimates – 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.

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 process and the standard monthly reporting cycle. The specialist model validation and valuation control 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 usually 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 less liquid or less observable. Management judgment is required in the selection and application of appropriate parameters, assumptions and modelling techniques. In particular, where data are obtained from infrequent market transactions then extrapolation and interpolation techniques must be applied. Where no market data are available for a particular instrument then pricing 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 decide what point within the range of estimates appropriately represents the fair value. Further, some valuation adjustments may require the exercise of management judgment to achieve fair value.

Under IFRS, the financial assets and liabilities carried at fair value are required to be disclosed according to the inputs to the valuation method that are 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). 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.

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 (which includes loans, deposits and short and long term debt issued) the Group discloses the fair value. Generally there is limited or no trading activity in these instruments and therefore the fair value determination requires significant management judgment.

For further discussion of the valuation methods and controls and quantitative disclosures with respect to the determination of fair value, please refer to Note 14 “Financial Instruments carried at Fair Value” and Note 15 “Fair Value of Financial Instruments not carried at 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 Consolidated Statement of Income 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.

Critical Accounting Estimates – Management judgment is required in determining whether there exist significant unobservable inputs in the valuation technique. Once deferred, the decision to subsequently recognise the trade date profit requires a careful assessment of the then current facts and circumstances supporting observability of parameters and/or 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 Consolidated Balance Sheet regardless of whether they are held for trading or nontrading purposes.

The changes in fair value on derivatives held for trading are included in net gains (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

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 assessed, 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 a derivative is subsequently de-designated from a hedging relationship, it is transferred to 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 Consolidated Statement of Income 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 AFS 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 other comprehensive income to the extent the hedge is effective. These amounts initially recorded in other comprehensive income are subsequently reclassified into the Consolidated Statement of Income in the same periods during which the forecast transaction affects the Consolidated Statement of Income. 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 accumulated other comprehensive income 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 accumulated other comprehensive income are reclassified into either the same Consolidated Statement of Income caption and period as profit or loss from the forecast 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 functional 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 other comprehensive income to the extent the hedge is effective; the remainder is recorded as other income in the Consolidated Statement of Income.

Changes in fair value of the hedging instrument relating to the effective portion of the hedge are subsequently recognized in profit or loss on disposal of the foreign operations.

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 Consolidated Statement of Income as a component of the provision for credit losses.

The collective assessment of impairment is 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 Consolidated Statement of Income 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 charged off (the loan and the related allowance are removed from the balance sheet). Individually significant loans where specific loan loss provisions are in place are evaluated at least quarterly on a case-by-case basis. For this category of loans, the number of days past due is an indicator for a charge-off but is not a determining factor. A charge-off will only take place after considering all relevant information, such as the occurrence of a significant change in the borrower's financial position such that the borrower can no longer pay the obligation, or the proceeds from the collateral are insufficient to completely satisfy the current carrying amount of the loan.

For collectively assessed loans, which are primarily mortgages and consumer finance loans, the timing of a charge-off depends on whether there is any underlying collateral and the Group's estimate of the amount collectible. For mortgage loans, the portion of the loan which is uncollateralized is charged off when the mortgage becomes 840 days past due, at the latest. For consumer finance loans, any portion of the balance which the Bank does not expect to collect is written off at 180 days past due for credit card receivables, and 270 days past due for other consumer finance loans.

Subsequent recoveries, if any, are credited to the allowance account and are recorded in the Consolidated Statement of Income 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 Consolidated Balance Sheet within provisions and charged to the Consolidated Statement of Income 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.

Critical Accounting Estimates – The accounting estimates and judgments related to the impairment of loans and provision for off-balance sheet positions is a critical accounting estimate 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 impairments, management judgment is required, particularly in circumstances of economic and financial uncertainty, such as those of the recent financial crisis, when developments and changes to expected cash flows can occur both with greater rapidity and less predictability. 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 reported allowances.

For those loans which are deemed to be individually significant, the determination of the impairment allowance often requires the use of considerable 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.

The determination of the allowance for portfolios of loans of smaller balance homogenous loans and for those loans which are individually significant but for which no objective evidence of impairment exists is calculated using statistical models. Such statistical models 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 ability of borrowers in foreign countries to transfer the foreign currency necessary to comply with debt repayments, amongst other things, are incorporated into this review.

The quantitative disclosures are provided in Note 19 “Loans” and Note 20 “Allowance for Credit Losses”.

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 is not retained, i.e., if the transferee has the practical ability to sell the transferred asset. 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.

If an existing financial asset is replaced by another asset from the same counterparty on substantially different terms, or if the terms of the financial asset are substantially modified (due to forbearance measures or otherwise), the existing financial asset is derecognized and a new asset is recognized. Any difference between the respective carrying amounts is recognized in the Consolidated Statement of Income.

Securitization

The Group securitizes various consumer and commercial financial assets, which is achieved via the transfer of these assets to a structured entity, which issues securities to investors to finance the acquisition of the assets. Financial assets awaiting securitization are classified and measured as appropriate under the policies in the "Financial Assets and Liabilities" section. If the structured entity is not consolidated then 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 a structured entity, 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, the 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. Where observable transactions in similar securities and other external pricing sources are not available, management judgment must be used to determine fair value. The Group may also periodically hold interests in securitized financial assets and record them at amortized cost.

In situations where the Group has a present obligation (either legal or constructive) to provide financial support to an unconsolidated securitization entity a provision will be created if the obligation can be reliably measured and it is probable that there will be an outflow of economic resources required to settle it.

When an asset is derecognized a gain or loss equal to the difference between the consideration received and the carrying amount of the transferred asset is recorded. When a part of an asset is derecognized, 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 cancelled 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 Consolidated Statement of Income.

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, because the risks and rewards of ownership are not obtained nor relinquished. Securities delivered under repurchase agreements which are not derecognized from the balance sheet and where the counterparty has the right by contract or custom to sell or repledge the collateral are disclosed in Note 22 “Assets Pledged and Received as Collateral”.

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, in the Consolidated Balance Sheet.

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 Consolidated Statement of Income in net gains (losses) on financial assets/liabilities at fair value through profit or loss. Securities lent to counterparties are also retained on the Consolidated Balance Sheet.

Fees received or paid are reported in interest income and interest expense, respectively. Securities lent to counterparties which are not derecognized from the Consolidated Balance Sheet and where the counterparty has the right by contract or custom to sell or repledge the collateral are disclosed are disclosed in Note 22 “Assets Pledged and Received as Collateral”.

Goodwill and Other Intangible Assets

Goodwill arises on the acquisition of subsidiaries and associates and represents the excess of the aggregate of the cost of an acquisition and any noncontrolling interests in the acquiree over the fair value of the identifiable net assets acquired at 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. Any noncontrolling interests in the acquiree is measured either at fair value or at the noncontrolling interests’ proportionate share of the acquiree’s identifiable net assets (this is determined for each business combination).

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. For the purposes of impairment testing, goodwill acquired in a business combination is allocated to cash-generating units (“CGUs”), which are the smallest identifiable groups of assets that generate cash inflows largely independent of the cash inflows from other assets or groups of assets and that are expected to benefit from the synergies of the combination and considering the business level at which goodwill is monitored for internal management purposes. In identifying whether cash inflows from an asset (or a group of assets) are largely independent of the cash inflows from other assets (or groups of assets) various factors are considered, including how management monitors the entity’s operations or makes decisions about continuing or disposing of the entity’s assets and operations.

If goodwill has been allocated to a CGU 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.

Certain non-integrated investments are not allocated to a CGU. Impairment testing is performed individually for each of these assets.

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 25 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. These assets are tested for impairment and their useful lives reaffirmed at least annually.

Certain intangible assets have an indefinite useful life and hence 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 amortized using the straight-line method over the asset’s useful life which is deemed to be either three, five or ten 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. Capitalized software costs are tested for impairment either annually if still under development or when there is an indication of impairment once the software is in use.

Critical Accounting Estimates – The determination of the recoverable amount in the impairment assessment of non-financial assets 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 these estimates to be critical.

The quantitative disclosures are provided in Note 25 “Goodwill and Other Intangible Assets”.

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.

Critical Accounting Estimates – 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” or IAS 12, “Income Taxes”, respectively. 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 29 “Provisions” for information on the Group’s judicial, regulatory and arbitration proceedings.

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 recognized in profit or loss except to the extent that the tax relates to items that are recognized directly in equity or other comprehensive income in which case the related tax is recognised either directly in equity or other comprehensive income accordingly.

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 re-measurement of AFS investments, cash flow hedges and other items, which are charged or credited directly to other comprehensive income, is also credited or charged directly to other comprehensive income and subsequently recognized in the consolidated statement of income once the underlying transaction or event to which the deferred tax relates is recognized in the consolidated statement of income.

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. The associated current and deferred tax consequences are recognized as income or expense in the consolidated statement of income for the period. If the amount deductible, or expected to be deductible, for tax purposes exceeds the cumulative compensation expense, the excess tax benefit is recognized directly in equity.

The Group's insurance business in the United Kingdom (Abbey Life Assurance Company Limited) is subject to income tax on its 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.

Critical Accounting Estimates – In determining the amount of 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 deferred tax assets, including its assumptions about future profitability.

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 and requires significant management judgment. 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 (including quantitative disclosures on recognized deferred tax assets) see Note 36 "Income Taxes".

Business Combinations and Noncontrolling Interests

The Group uses the acquisition method to account for business combinations. At the date the Group obtains control of the subsidiary, the cost of an acquisition is measured at the fair value of the consideration given, including any cash or non cash consideration (equity instruments) transferred, any contingent consideration, any previously held equity interest in the acquiree and liabilities incurred or assumed. The excess of the aggregate of the cost of an acquisition and any noncontrolling interests in the acquiree over the Group's share of the fair value of the identifiable net assets acquired is recorded as goodwill. If the aggregate of the acquisition cost and any noncontrolling interests is below the fair value of the identifiable net assets (negative goodwill), a gain is reported in other income. Acquisition-related costs are recognized as expenses in the period in which they are incurred.

In business combinations achieved in stages ("step acquisitions"), a previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognized in profit or loss. Amounts recognized in prior periods in other comprehensive income associated with the previously held investment would be recognized on the same basis as would be required if the Group had directly disposed of the previously held equity interest.

Noncontrolling interests are shown in the consolidated balance sheet as a separate component of equity, which is distinct from the Group's shareholders' equity. The net income attributable to noncontrolling interests is separately disclosed on the face of the consolidated statement of income. Changes in the ownership interest in subsidiaries which do not result in a change of control are treated as transactions between equity holders and are reported in additional paid-in capital ("APIC").

Non-Current Assets Held for Sale

Individual non-current non-financial assets (and disposal groups) are classified as held for sale if they are available for immediate sale in their present condition subject only to the customary sales terms of such assets (and disposal groups) and their sale is considered highly probable. For a sale to be highly probable, management must be committed to a sales plan and actively looking for a buyer. Furthermore, the assets (and disposal groups) must be actively marketed at a reasonable sales price in relation to their current fair value and the sale should be expected to be completed within one year. Non-current non-financial assets (and disposal groups) which meet the criteria for held for sale classification are measured at the lower of their carrying amount and fair value less costs to sell and are presented within "Other assets" and "Other liabilities" in the balance sheet. The comparatives are not represented when non-current assets (and disposal groups) are classified as held for sale. If the disposal group contains financial instruments, no adjustment to their carrying amounts is permitted.

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 (including initial improvements to purchased buildings). 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 each quarterly reporting date 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.

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.

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 consolidated statement of income in provision for credit losses.

Leasing Transactions

The Group enters into lease contracts, predominantly for premises, as a lessee. The terms and conditions of these contracts are assessed and the leases are classified as operating leases or finance leases according to their economic substance at inception of the lease.

Assets held under finance leases are initially recognized on the consolidated 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 consolidated 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 an 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.

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 accounted for as defined benefit plans are valued using the projected unit-credit method to determine the present value of the defined benefit obligation and the related service costs. Under this method, the determination is based on actuarial calculations which include assumptions about demographics, salary increases and interest and inflation rates. Actuarial gains and losses are recognized in other comprehensive income and presented in equity in the period in which they occur. The majority of the Group's benefit plans is 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 other comprehensive income and presented in equity.

Refer to Note 35 "Employee Benefits" for further information on the accounting for pension benefits and other post-employment benefits.

Termination benefits

Termination benefits arise when employment is terminated by the Group before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits as a liability and an expense if the Group is demonstrably committed to a detailed formal plan without realistic possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after the end of the reporting period are discounted to their present value. The discount rate is determined by reference to market yields on high-quality corporate bonds.

Share-Based Compensation

Compensation expense for awards classified as equity instruments is measured at the grant date based on the fair value of the share-based award. For share awards, the fair value is the quoted market price of the share reduced by the present value of the expected dividends that will not be received by the employee and adjusted for the effect, if any, of restrictions beyond the vesting date. In case an award is modified such that its fair value immediately after modification exceeds its fair value immediately prior to modification, a remeasurement takes place and the resulting increase in fair value is recognized as additional compensation expense.

The Group records the offsetting amount to the recognized compensation expense in additional paid-in capital ("APIC"). Compensation expense is recorded on a straight-line basis over the period in which employees perform services to which the awards relate or over the period of the tranches for those awards delivered in tranches. Estimates of expected forfeitures are periodically adjusted in the event of actual forfeitures or for changes in expectations. The timing of expense recognition relating to grants which, due to early retirement provisions, include a nominal but non-substantive service period are accelerated by shortening the amortization period of the expense from the grant date to the date when the employee meets the eligibility criteria for the award, and not the vesting date. For awards that are delivered in tranches, each tranche is considered a separate award and amortized separately.

Compensation expense for share-based awards payable in cash is remeasured to fair value at each balance sheet date and recognized over the vesting period in which the related employee services are rendered. 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.

Option and forward contracts on Deutsche Bank shares are classified as equity if the number of shares is fixed and physical settlement is required. All other contracts in which Deutsche Bank shares are the underlying are recorded as financial assets or liabilities at fair value through profit or loss.

Consolidated 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 CB&S business lines and which are revenue generating activities. 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 consolidated statement of cash flows do not precisely match the movements in the consolidated 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. As allowed by IFRS, the Group retained the accounting policies for insurance contracts which it applied prior to the adoption of IFRS (U.S. GAAP) as described further below.

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 AFS. Financial assets held for other insurance and investment contracts have been designated at 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 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 discounted 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 expenses indicates 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 consolidated statement of income. 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.

All new material reinsurance arrangements are subject to local Board approval. Once transacted they are subject to regular credit risk review including an assessment of the full exposure and any lending and collateral provision. Impairment is determined in accordance with the Group's accounting policy "Impairment of Financial Assets".

02 –
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 2014 in the preparation of these consolidated financial statements.

IAS 32

On January 1, 2014, the Group adopted the amendments to IAS 32, "Offsetting Financial Assets and Financial Liabilities" ("IAS 32 R"). IAS 32 R clarifies (a) the meaning of an entity's current legally enforceable right of set-off; and (b) when gross settlement systems may be considered equivalent to net settlement. IAS 32 R did not have a material impact on the Group's consolidated financial statements.

IFRIC 21

On January 1, 2014, the Group adopted IFRIC 21, "Levies", an interpretation of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", which clarifies that an entity recognizes a liability for a levy only when the activity that triggers payment, as identified by the relevant legislation, occurs. IFRIC 21 did not have a material impact on the Group's consolidated financial statements.

New Accounting Pronouncements

The following accounting pronouncements were not effective as of December 31, 2014 and therefore have not been applied in preparing these financial statements.

Improvements to IFRS 2010-2012 and 2011-2013 Cycles

In December 2013, the IASB issued amendments to multiple IFRS standards, which resulted from the IASB's annual improvement projects for the 2010-2012 and 2011-2013 cycles. 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. The amendments will be effective for annual periods beginning on or after July 1, 2014. The amendments are not expected to have a material impact on the Group's consolidated financial statements.

IFRS 9 Classification and Measurement, Impairment and Hedge Accounting

In July 2014, the IASB issued IFRS 9, which replaces IAS 39, "Financial Instruments: Recognition and Measurement". IFRS 9 introduces new requirements for how an entity should classify and measure financial assets, requires changes to the reporting of 'own credit' with respect to issued debt liabilities that are designated at fair value, replaces the current rules for impairment of financial assets and amends the requirements for hedge accounting.

Classification and Measurement of financial assets and liabilities

IFRS 9 requires that an entity's business model and a financial instrument's contractual cash flows will determine its classification and measurement in the financial statements. Upon initial recognition each financial asset will be classified as either fair value through profit or loss ('FVTPL'), amortized cost, or fair value through Other Comprehensive Income ('FVOCI'). As these requirements are different than the assessments under the existing IAS 39 rules, some differences to the classification and measurement of financial assets under IAS 39 are expected.

The classification and measurement of financial liabilities remain largely unchanged under IFRS 9 from current requirements. However, where issued debt liabilities are designated at fair value, the fair value movements attributable to an entity's own credit risk will be recognized in Other Comprehensive Income rather than in the Statement of Income under IFRS 9.

Impairment of financial assets

The impairment rules under IFRS 9 will apply to financial assets that are measured at amortized cost or FVOCI, and off-balance sheet lending commitments such as loan commitments and financial guarantees. Impairment will move from a model whereby credit losses are recognized when a 'trigger' event occurs under IAS 39 to an expected loss model, where provisions are taken upon initial recognition of the financial asset (or the date that the Group becomes a party to the loan commitment or financial guarantee) based on expectations of potential credit losses at that time.

The allowance for credit losses provided for on initial recognition will be based on a 12-month expected credit loss basis. Subsequently, at each reporting date, the Group must make an assessment on whether the credit risk of the instrument has increased significantly, in which case, the allowance must reflect the expected credit loss of the financial asset over its lifetime ('lifetime expected losses'). As a result of the changes to the impairment rules, IFRS 9 will result in an increase in subjectivity as allowances will be based on forward-looking, probability-weighted information that is continuously monitored and updated over the life of the financial asset. This is in contrast to impairment recognition under IAS 39 which requires the occurrence of one or more loss events before an allowance is recorded. IFRS 9 is expected to result in an increase in the overall level of impairment allowances, due to the requirement to record an allowance equal to 12-month expected credit losses on those instruments whose credit risk has not significantly increased since initial recognition and the likelihood that there will be a larger population of financial assets to which lifetime expected losses applies as compared to the population of financial assets for which loss events have already occurred under IAS 39.

Hedge accounting

IFRS 9 also incorporates new hedge accounting rules that intend to align hedge accounting with risk management practices. Generally, some restrictions under current rules have been removed and a greater variety of hedging instruments and hedged items become available for hedge accounting.

IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Group is currently assessing the impact of IFRS 9. The standard has yet to be endorsed by the EU.

IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, "Revenue from Contracts with Customers", which specifies how and when revenue is recognized, but does not impact income recognition related to financial instruments in scope of IFRS 9/IAS 39. IFRS 15 replaces several other IFRS standards and interpretations that currently govern revenue recognition under IFRS and provides a single, principles-based five-step model to be applied to all contracts with customers. The standard also requires entities to provide users of financial statements with more informative and relevant disclosures. IFRS 15 will be effective for annual periods beginning on or after January 1, 2017. The Group is currently assessing the impact of IFRS 15. The standard has yet to be endorsed by the EU.

Improvements to IFRS 2012-2014 Cycles

In September 2014, the IASB issued amendments to multiple IFRS standards, which resulted from the IASB's annual improvement project for the 2012-2014 cycles. This comprises 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. The amendments will be effective for annual periods beginning on or after January 1, 2016, with earlier application permitted. The group is currently assessing the impact that the amendments will have on the Group's consolidated financial statements. The amendments have yet to be endorsed by the EU.

IAS 1

In December 2014, the IASB issued amendments to IAS 1 "Presentation of Financial Statements" as part of an initiative to improve presentation and disclosure in financial reports. These amendments clarify that the principle of materiality is applicable to the whole of the financial statements, professional judgment should be applied in determining disclosures and that inclusion of immaterial data can reduce the effectiveness of disclosures. The amendments will be effective for annual periods beginning on or after January 1, 2016 with early adoption permitted. The amendments to IAS 1 will only have a disclosure impact on the Group. These amendments have yet to be endorsed by the EU.

03 – Acquisitions and Dispositions

Business Combinations completed in 2014

In 2014, the Group did not undertake any acquisitions accounted for as business combinations.

Business Combinations completed in 2013

On September 2, 2013, Deutsche Bank AG announced that it completed the purchase of the remaining 51 % of the shares in its joint venture Xchanging etb GmbH ("Xetb"), which is the holding company of Xchanging Transaction Bank GmbH ("XTB"). The purchase price paid for the step-acquisition consists of a base component of € 41 million, subject to certain adjustments. Of that amount, € 36 million was paid as cash consideration by the acquirer. The remaining € 5 million was paid by XTB to the seller, Xchanging plc. ("Xchanging"), in the course of closing the transaction, which resulted in a reduction of the acquired net assets. The agreement between Deutsche Bank and Xchanging was signed in May 2013. As the required approvals have been obtained, including those from regulatory authorities and the shareholders of Xchanging, the change of control to Deutsche Bank became effective on September 1, 2013 (the acquisition date). On closing the transaction, Deutsche Bank gained full ownership and operating control over XTB. The transaction is intended to contribute to Deutsche Bank's Strategy 2015+ to improve operating efficiency and to reduce process duplication, complexity and costs.

Xetb was established as a joint venture with Xchanging in 2004 and is the holding company of XTB, the Group's former wholly-owned subsidiary european transaction bank ag ("etb"). XTB provides services in relation to the securities processing business for Deutsche Bank as well as for external clients. The acquired entities were integrated into Deutsche Bank's infrastructure operations. Prior to obtaining control over XTB, the Group directly held 49 % of the shares in Xetb, giving it the ability to significantly influence the investee's financial and operating policies. Accordingly and up until closing date, XetB, including its subsidiary XTB, had been accounted for using the equity method. The acquisition-date fair value of the equity interest in the acquiree amounted to € 21 million. The remeasurement to fair value did not result in any gain or loss.

The acquisition accounting was finalized in the second quarter 2014, resulting in a net increase of the purchase consideration paid and a corresponding increase of goodwill recognized of € 1 million each. Accordingly, the final amount of goodwill originating from the transaction amounted to € 38 million, which has been allocated to PBC (€ 25 million), GTB (€ 6 million), CB&S (€ 5 million) and Deutsche AWM (€ 2 million). The reconciliation of the total purchase consideration and the opening balance sheet as of the acquisition date were as follows:

Fair Value of Assets Acquired and Liabilities Assumed as of the Acquisition Date

in € m.	
Cash consideration transferred	36
Fair value of pre-existing stakes	21
Deduction for settlement of pre-existing relationship	8
Total purchase consideration, including fair value of the Group's equity interest held before the business combination	50
Recognized amounts of identifiable assets acquired and liabilities assumed:[1]	
Cash and cash equivalents	6
Financial assets available for sale	24
Intangible assets	6
All other assets	31
Provisions	22
All other liabilities	34
Total identifiable net assets	12
Goodwill	38
Total identifiable net assets and goodwill acquired	50

[1] By major class of assets acquired and liabilities assumed.

Prior to the acquisition, Deutsche Bank and XTB were parties in a joint service contract arrangement for the provision of securities processing services to Deutsche Bank. The service arrangement has been identified as a pre-existing relationship, which is accounted for separately from the aforementioned purchase transaction. The service contract, which would have expired in May 2016, was terminated in connection with the closing of the transaction. The settlement amount attributable to the service contract was determined using a discounted cash flow approach. Its recognition resulted in a loss of € 8 million, which was recorded in general and administrative expenses in the Group's income statement for 2013.

Business Combinations completed in 2012

In 2012, the Group did not undertake any acquisitions accounted for as business combinations.

Acquisitions and Dispositions of Noncontrolling Interests while Retaining Control

During 2014, the Group did not engage in acquisitions or dispositions of noncontrolling interests while retaining control over the related subsidiaries. In 2013, Deutsche Bank completed acquisitions and dispositions of noncontrolling interests related to its investments in subsidiaries where the Group is not the sole owner and which did not result in the loss of control over the respective subsidiaries. In accordance with IFRS 10, they were accounted for as equity transactions between the Group and outside shareholders with no gain or loss recognized in the Group's income statement. The total consideration transferred in 2013 on these transactions amounted to € 11 million. The carrying amounts of the related controlling and noncontrolling interests were adjusted to reflect the changes regarding the Group's interests in these subsidiaries. Any difference between the fair values of the consideration transferred or received and the amounts by which the noncontrolling interests were adjusted is recognized directly in shareholders' equity.

The following table summarizes the aggregated effect of changes in the Group's ownership interests recorded for these subsidiaries during 2013 and 2014.

in € m.	2014	2013
Deutsche Bank's ownership interests as of beginning of the period	0	24
Net increase in Deutsche Bank's ownership interests	0	7
Deutsche Bank's share of net income or loss	0	1
Deutsche Bank's share of other comprehensive income	0	(4)
Deutsche Bank's share of other equity changes	0	(1)
Deutsche Bank's ownership interests at the end of the period	**0**	27

Dispositions

During 2014, 2013 and 2012, the Group finalized several dispositions of subsidiaries/businesses. These disposals mainly included businesses the Group had previously classified as held for sale. The total cash consideration received for these dispositions in 2014, 2013 and 2012 was € 1.9 billion, € 57 million and € 99 million, respectively. The table below includes the assets and liabilities that were included in these disposals.

in € m.	2014	2013	2012
Cash and cash equivalents	0	156	0
All remaining assets	8,346	33	1,937
Total assets disposed	**8,346**	189	1,937
Total liabilities disposed	**6,602**	196	1,592

04 – Business Segments and Related Information

The Group's segmental information has been prepared in accordance with the "management approach", which requires presentation of the segments on the basis of the internal management reports of the entity which are regularly reviewed by the chief operating decision maker, which is the Deutsche Bank Management Board, in order to allocate resources to a segment and to assess its financial performance.

Starting first quarter 2014, net interest income as a component of net revenue, income (loss) before income taxes and related ratios is presented on a fully taxable-equivalent basis for U.S. tax-exempt securities for Corporate Banking & Securities. This enables management to measure performance of taxable and tax-exempt securities on a comparable basis. This change in presentation resulted in an increase in CB&S net interest income of € 65.4 million for full year 2014. This increase is offset in Group Consolidated figures through a reversal in C&A. Prior period comparatives have not been adjusted due to immateriality. The tax rate used in determining the fully taxable-equivalent net interest income in respect of the majority of the US tax-exempt securities is 35 %. US tax-exempt securities held by NCOU are not being presented on a fully taxable-equivalent basis due to differing approaches in the management of core and noncore activities.

Business Segments

The Group's business segments represent the Group's organizational structure comprising five Corporate Divisions: Corporate Banking & Securities (CB&S), Private & Business Clients (PBC), Global Transaction Banking (GTB), Deutsche Asset & Wealth Management (Deutsche AWM) and Non-Core Operations Unit (NCOU).

As part of the ongoing optimisation of our business model, in response to the changing market and regulatory environment, we continued to evaluate our business portfolio, adapting it to reflect current market opportunities and meet client needs. In that context, at the end of 2014, we announced the cessation of most trading in single name CDS and physical precious metals.

In 2013 Deutsche AWM revised their revenue disclosure categories. The new revenue disclosure segregates revenues by their character and type to allow distinction into Recurring and Non-recurring components, Net interest revenues and Revenues from other products. The new disclosure is more aligned with the market convention, adds transparency and allows for more coherent analysis of the business. Prior periods were restated to reflect these changes.

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

— In 2014, PBC revised product revenue disclosure categories. PBC introduced a new revenue category "Postal and supplementary Postbank Services", formerly part of other revenues, to provide more transparency on PBC's revenue composition. Prior periods were restated to reflect these changes.
— During the fourth quarter of 2013, the decision was taken to scale down and discontinue elements of the commodities business. The portfolios containing discontinued activities were aggregated under the Special Commodities Group (SCG), which has been subsequently transferred from CB&S to NCOU in the first quarter of 2014. SCG contains assets, liabilities and contingent risks related to Energy, Agriculture, Base Metals and Dry Bulk exposures. The comparatives for CB&S and NCOU have been restated accordingly. The continued commodities business remains in CB&S.
— In 2013, the long-term cash lending portfolio of German MidCap clients was transferred from the Corporate Division CB&S to the Corporate Division GTB.
— Effective in the fourth quarter 2012, the management responsibility for the passive and third-party alternatives businesses, such as ETFs, was transferred from CB&S to the newly integrated Deutsche AWM.

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 "Management Report: Operating and Financial Review: Deutsche Bank Group: Corporate Divisions: Consolidation & Adjustments". The information provided about each segment is based on internal management reporting about segment profit or loss, assets and other information which is regularly reviewed by the chief operating decision maker. Segment assets are presented in the Group's internal management reporting based on a consolidated view, i.e., the amounts do not include intersegment balances.

Non-IFRS compliant accounting methods are rarely used in the Group's management reporting and represent either valuation or classification differences. The largest valuation differences relate to measurement at fair value in management reporting versus measurement at amortized cost 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 noncontrolling interest, which represents the net share of minority shareholders in revenues, provision for credit losses, noninterest expenses and income tax expenses. Noncontrolling interest is reported as a component of pre-tax income for the businesses in management reporting (with a reversal in C&A) and a component of net income appropriation under IFRS.

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 a 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.

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 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 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. Effective July 1, 2013, the definition of active equity has been aligned to the CRR/CRD 4 framework. Under the revised definition, shareholders' equity is adjusted only for dividend accruals (i.e., accumulated other comprehensive income (loss) excluding foreign currency translation, net of taxes, is now part of active equity). Prior periods have been adjusted accordingly.

- The total amount of average active equity allocated is determined based on the higher of the Group's overall economic risk exposure or regulatory capital demand. Starting 2013, the Group refined its allocation of average active equity to the business segments to reflect the further increased regulatory requirements under CRR/CRD 4 and to align the allocation of capital with the communicated capital and return on equity targets. Under the new methodology, the internal demand for regulatory capital is derived based on a Common Equity Tier 1 ratio of 10 % at a Group level and assuming full implementation of CRR/CRD 4 rules. Therefore, the basis for allocation, i.e., risk-weighted assets and certain regulatory capital deduction items, is also on a CRR/CRD 4 fully-loaded basis. 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 (loss) before income taxes less pre-tax noncontrolling 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

For the results of the business segments, including the reconciliation to the consolidated results of operations under IFRS please see "Management Report: Operating and Financial Review: Results of Operations: Segment Results of Operations".

Entity-Wide Disclosures

The Group's Entity-Wide Disclosures include net revenues from internal and external counterparties. Excluding revenues from internal counterparties would require disproportionate IT investment and is not in line with the Bank's management approach. For detail on our Net Revenue Components please see "Management Report: Operating and Financial Review: Results of Operations: Corporate Divisions".

The following table presents total net revenues (before provisions for credit losses) by geographic area for the years ended December 31, 2014, 2013 and 2012, respectively. The information presented for CB&S, GTB, Deutsche AWM, PBC and NCOU has been classified based primarily on the location of the Group's office in which the revenues are recorded. The information for C&A is presented on a global level only, as management responsibility for C&A is held centrally.

in € m.	2014	2013	2012
Germany:			
CB&S	872	1,008	1,367
PBC	7,704	7,723	7,559
GTB	1,258	1,348	1,364
Deutsche AWM	1,356	1,193	1,157
NCOU	(176)	364	1,029
Total Germany	**11,013**	11,636	12,477
UK:			
CB&S	3,849	4,027	4,426
PBC	0	0	0
GTB	319	291	318
Deutsche AWM	592	983	398
NCOU	17	(50)	(317)
Total UK	**4,778**	5,251	4,825
Rest of Europe, Middle East and Africa:			
CB&S	929	850	1,052
PBC	1,912	1,812	1,949
GTB	953	977	1,158
Deutsche AWM	795	894	823
NCOU	10	(28)	113
Total Rest of Europe, Middle East and Africa	**4,599**	4,506	5,095
Americas (primarily United States):			
CB&S	5,497	4,871	5,570
PBC	(21)	(21)	0
GTB	889	833	771
Deutsche AWM	1,432	1,173	1,669
NCOU	358	703	568
Total Americas	**8,155**	7,559	8,579
Asia/Pacific:			
CB&S	2,595	2,770	2,658
PBC	44	36	32
GTB	727	620	588
Deutsche AWM	533	491	424
NCOU	2	(25)	33
Total Asia/Pacific	**3,901**	3,892	3,735
Consolidation & Adjustments	**(497)**	(929)	(975)
Consolidated net revenues[1]	**31,949**	31,915	33,736

[1] 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

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

Net Interest Income

in € m.	2014	2013	2012
Interest and similar income:			
Interest-earning deposits with banks	683	759	928
Central bank funds sold and securities purchased under resale agreements	408	412	762
Securities borrowed[1]	(313)	(375)	(519)
Interest income on financial assets available for sale	1,341	1,312	1,449
Dividend income on financial assets available for sale	97	81	141
Loans	11,820	11,941	13,658
Other	1,161	741	986
Total Interest and similar income not at fair value through profit or loss	**15,196**	14,872	17,404
Financial assets at fair value through profit or loss	9,805	10,729	14,189
Total interest and similar income[1]	**25,001**	25,601	31,593
Interest expense:			
Interest-bearing deposits[2]	3,210	3,360	4,946
Central bank funds purchased and securities sold under repurchase agreements	160	186	315
Securities loaned[1]	(157)	(216)	(301)
Other short-term borrowings	214	285	342
Long-term debt[2]	1,882	1,568	2,686
Trust preferred securities	785	849	842
Other	371	200	140
Total Interest expense not at fair value through profit or loss	**6,465**	6,232	8,971
Financial liabilities at fair value through profit or loss	4,264	4,535	6,648
Total interest expense[1]	**10,729**	10,768	15,619
Net interest income	**14,272**	14,834	15,975

1 Prior periods have been restated. For further details please refer to Note 1 "Significant Accounting Policies and Critical Accounting Estimates" of this report.
2 For 2012, interest expense of € 780 million was reclassified from interest-bearing deposits to long-term debt.

Interest income recorded on impaired financial assets was € 94 million, € 76 million and € 100 million for the years ended December 31, 2014, 2013 and 2012, respectively.

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

in € m.	2014	2013	2012
Trading income:			
Sales & Trading (equity)	1,686	1,573	1,594
Sales & Trading (debt and other products)	2,583	2,465	4,810
Total Sales & Trading	4,269	4,039	6,404
Other trading income	137	(377)	(1,205)
Total trading income[1]	**4,407**	3,662	5,199
Net gains (losses) on financial assets/liabilities designated at fair value through profit or loss:			
Breakdown by financial asset/liability category:			
Securities purchased/sold under resale/repurchase agreements	(15)	31	14
Securities borrowed/loaned	0	0	(1)
Loans and loan commitments	(20)	(46)	739
Deposits	(1)	73	(56)
Long-term debt[2]	(538)	133	(328)
Other financial assets/liabilities designated at fair value through profit or loss	467	(35)	41
Total net gains (losses) on financial assets/liabilities designated at fair value through profit or loss	**(108)**	155	409
Total net gains (losses) on financial assets/liabilities at fair value through profit or loss	**4,299**	3,817	5,608

1 Prior periods have been restated. For further detail please refer to Note 1 “Significant Accounting Policies and Critical Accounting Estimates” of this report.
2 Includes € 48 million, € (86) million and € (94) million from securitization structures for the years ended December 31, 2014, 2013 and 2012, respectively. Prior period comparatives were restated. Fair value movements on related instruments of € (315) million, € 390 million and € 358 million for December 31, 2014, 2013 and 2012, respectively, are reported within trading income. Prior period comparatives were restated. 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 Net Interest Income and Net Gains (Losses) on Financial Assets/Liabilities at Fair Value through Profit or Loss

in € m.	2014	2013	2012
Net interest income	14,272	14,834	15,975
Net gains (losses) on financial assets/liabilities at fair value through profit or loss	4,299	3,817	5,608
Total net interest income and net gains (losses) on financial assets/liabilities at fair value through profit or loss	**18,570**	18,651	21,583
Net interest income and net gains (losses) on financial assets/liabilities at fair value through profit or loss by Corporate Division/product:			
Sales & Trading (equity)	2,314	2,129	1,732
Sales & Trading (debt and other products)	6,685	6,069	7,851
Total Sales & Trading	8,998	8,197	9,582
Loan products[1]	695	599	182
Remaining products[2]	(61)	72	589
Corporate Banking & Securities	9,632	8,869	10,353
Private & Business Clients	5,962	5,966	6,220
Global Transaction Banking	2,232	1,984	2,016
Deutsche Asset & Wealth Management	1,505	1,568	1,974
Non-Core Operations Unit	(573)	245	650
Consolidation & Adjustments	(187)	19	369
Total net interest income and net gains (losses) on financial assets/liabilities at fair value through profit or loss	**18,570**	18,651	21,583

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.

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 (i.e., 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 drive income to either net interest income or to 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 business division and by product within CB&S.

06 –
Commissions and Fee Income

in € m.	2014	2013	2012[2]
Commission and fee income and expense:			
Commission and fee income[1]	15,746	15,252	14,575
Commission and fee expense	3,337	2,943	2,766
Net commissions and fee income	**12,409**	12,308	11,809

in € m.	2014	2013	2012
Net commissions and fee income:			
Net commissions and fees from fiduciary activities	3,745	3,646	3,298
Net commissions, brokers' fees, mark-ups on securities underwriting and other securities activities[1]	4,033	3,920	3,845
Net fees for other customer services	4,632	4,742	4,667
Net commissions and fee income	**12,409**	12,308	11,809

1 Prior periods have been restated. For further detail please refer to Note 1 "Significant Accounting Policies and Critical Accounting Estimates" of this report.
2 Commission and fee income and expense were grossed-up by € 316 million, each.

07 –
Net Gains (Losses) on Financial Assets Available for Sale

in € m.	2014	2013	2012
Net gains (losses) on financial assets available for sale:			
Net gains (losses) on debt securities:	153	321	65
Net gains (losses) from disposal	144	319	116
Impairments	9	2	(51)
Net gains (losses) on equity securities:	109	77	206
Net gains (losses) from disposal/remeasurement	121	92	306
Impairments	(12)	(15)	(100)
Net gains (losses) on loans:	(9)	6	55
Net gains (losses) from disposal	16	33	63
Impairments	(25)	(27)	(8)
Reversal of impairments	0	0	0
Net gains (losses) on other equity interests:	(12)	(12)	(25)
Net gains (losses) from disposal	9	9	(24)
Impairments	(21)	(21)	(1)
Total net gains (losses) on financial assets available for sale	**242**	394	301

Please also refer to Note 16 "Financial Assets Available for Sale" of this report.

08 –
Other Income

in € m.	2014	2013	2012
Other income:			
Net income from investment properties	57	23	(23)
Net gains (losses) on disposal of investment properties	5	(3)	31
Net gains (losses) on disposal of consolidated subsidiaries	18	4	41
Net gains (losses) on disposal of loans	(2)	288	4
Insurance premiums[1]	141	190	219
Net income (loss) from hedge relationships qualifying for hedge accounting	(1,349)	(1,227)	(1,081)
Consolidated investments	949	881	768
Remaining other income	290	37	(78)
Total other income (loss)	**108**	193	(120)

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

09 –
General and Administrative Expenses

in € m.	2014	2013	2012
General and administrative expenses:			
IT costs	3,333	3,074	2,547
Occupancy, furniture and equipment expenses	1,978	2,073	2,115
Professional service fees[1]	2,029	1,772	1,887
Communication and data services[1]	725	706	756
Travel and representation expenses[1]	500	496	579
Banking and transaction charges[1]	660	743	1,274
Marketing expenses	313	314	362
Consolidated investments	811	797	760
Other expenses[1,2]	4,305	5,151	4,736
Total general and administrative expenses	**14,654**	15,126	15,017

[1] Prior period comparatives have been restated in order to reflect changes in the Group's cost reporting.
[2] Includes litigation related expenses of € 1.6 billion in 2014, € 3.0 billion in 2013 and € 2.5 billion in 2012. See Note 29 "Provisions", for more detail on litigation.

10 –
Restructuring

Restructuring forms part of the Group's Operational Excellence (OpEx) Programme. Restructuring expense is comprised of termination benefits, additional expenses covering the acceleration of deferred compensation awards not yet amortized due to the discontinuation of employment and contract termination costs related to real estate. Restructuring expenses of € 133 million were recognized during 2014 (2013: € 399 million).

in € m.	2014	2013	2012
Corporate Banking & Securities	(112)	(130)	(236)
Private & Business Clients	(9)	(22)	0
Global Transaction Banking	(10)	(54)	(40)
Deutsche Asset & Wealth Management	3	(170)	(104)
Non-Core Operations Unit	(4)	(25)	(12)
Infrastructure/Regional Management	0	0	(1)
Consolidation & Adjustments	0	0	0
Total Net Restructuring Charges	**(133)**	(399)	(394)

in € m.	2014	2013	2012
Restructuring - Staff related	(124)	(364)	(394)
thereof:			
Termination Payments	(94)	(287)	(307)
Retention Acceleration	(29)	(72)	(83)
Social Security	(1)	(4)	(4)
Restructuring - Non Staff related	(9)	(35)	0
Total Net Restructuring Charges	**(133)**	(399)	(394)

Provisions for restructuring amounted to € 120 million and € 207 million as of December 31, 2014 and December 31, 2013 respectively. The majority of the current provisions for restructuring are expected to be utilized during 2015.

During 2014, 1,371 full-time equivalent ("FTE") staff were reduced through restructuring (2013: 1,287).

Full-time equivalent staff	2014	2013
Corporate Banking & Securities	319	374
Private & Business Clients	92	42
Global Transaction Banking	157	172
Deutsche Asset & Wealth Management	207	224
Non-Core Operations Unit	11	0
Infrastructure/Regional Management	585	475
Total full-time equivalent staff	**1,371**	1,287

11 –
Earnings per Share

Basic earnings per 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.

Computation of basic and diluted earnings per share

in € m.	2014	2013	2012
Net income (loss) attributable to Deutsche Bank shareholders – numerator for basic earnings per share	**1,663**	666	263
Effect of dilutive securities:			
Forwards and options	0	0	0
Convertible debt	0	0	0
Net income (loss) attributable to Deutsche Bank shareholders after assumed conversions – numerator for diluted earnings per share	**1,663**	666	263
Number of shares in million			
Weighted-average shares outstanding – denominator for basic earnings per share	**1,241.9**	1,045.4	979.0
Effect of dilutive securities:			
Forwards	0.0	0.0	0.0
Employee stock compensation options	0.0	0.0	0.0
Convertible debt	0.0	0.0	0.0
Deferred shares	27.6	27.8	25.8
Other (including trading options)	0.0	0.0	0.0
Dilutive potential common shares	27.6	27.8	25.8
Adjusted weighted-average shares after assumed conversions – denominator for diluted earnings per share	**1,269.5**	1,073.2	1,004.7

Earnings per share

in €	2014	2013	2012
Basic earnings per share	1.34	0.64	0.27
Diluted earnings per share	1.31	0.62	0.26

On June 25, 2014, Deutsche Bank AG completed a capital increase with subscription rights. As the subscription price of the new shares was lower than the market price of the existing shares, the capital increase included a bonus element. According to IAS 33, the bonus element is the result of an implicit change in the number of shares outstanding for all periods prior to the capital increase without a fully proportionate change in resources. As a consequence, the weighted average number of shares outstanding has been adjusted retrospectively.

Instruments outstanding and not included in the calculation of diluted earnings per share[1]

Number of shares in m.	2014	2013	2012
Forward purchase contracts	0.0	0.0	0.0
Convertible debt	0.0	0.0	0.0
Put options sold	0.0	0.0	0.0
Call options sold	0.0	0.0	0.0
Employee stock compensation options	0.1	0.2	0.3
Deferred shares	0.0	0.0	0.0

[1] Not included in the calculation of diluted earnings per share, because to do so would have been anti-dilutive.

Notes to the Consolidated Balance Sheet

12 – Financial Assets/Liabilities at Fair Value through Profit or Loss

in € m.	Dec 31, 2014	Dec 31, 2013
Trading assets:		
Trading securities	177,639	187,554
Other trading assets[1]	18,041	22,516
Total trading assets	**195,681**	210,070
Positive market values from derivative financial instruments	**629,958**	504,590
Financial assets designated at fair value through profit or loss:		
Securities purchased under resale agreements	60,473	116,764
Securities borrowed	20,404	32,485
Loans	15,331	15,579
Other financial assets designated at fair value through profit or loss	21,078	19,768
Total financial assets designated at fair value through profit or loss	**117,285**	184,597
Total financial assets at fair value through profit or loss	**942,924**	899,257

[1] Includes traded loans of € 16.7 million and € 17.8 million at December 31, 2014 and 2013 respectively.

in € m.	Dec 31, 2014	Dec 31, 2013
Trading liabilities:		
Trading securities	41,112	54,951
Other trading liabilities	731	853
Total trading liabilities	**41,843**	55,804
Negative market values from derivative financial instruments	**610,202**	483,428
Financial liabilities designated at fair value through profit or loss:		
Securities sold under repurchase agreements	21,053	73,642
Loan commitments	99	193
Long-term debt	9,919	9,342
Other financial liabilities designated at fair value through profit or loss	6,061	6,927
Total financial liabilities designated at fair value through profit or loss	**37,131**	90,104
Investment contract liabilities[1]	8,523	8,067
Total financial liabilities at fair value through profit or loss	**697,699**	637,404

[1] These are investment contracts where the policy terms and conditions result in their redemption value equaling fair value. See Note 41 “Insurance and Investment Contracts”, for more detail on these contracts.

Financial Assets & Liabilities 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 € 96 billion and € 165 billion as of December 31, 2014, and 2013, respectively. Exposure to credit risk also exists for undrawn irrevocable loan commitments and is predominantly counterparty credit risk.

The credit risk on the securities purchased under resale agreements and securities borrowed designated under the fair value option 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.

Changes in fair value of loans[1] and loan commitments attributable to movements in counterparty credit risk[2]

	Dec 31, 2014		Dec 31, 2013	
in € m.	Loans	Loan commitments	Loans	Loan commitments
Notional value of loans and loan commitments exposed to credit risk	5,146	15,393	6,874	26,349
Annual change in the fair value reflected in the Statement of Income	3	43	43	254
Cumulative change in the fair value[3]	14	470	55	742
Notional of credit derivatives used to mitigate credit risk	417	8,152	627	13,050
Annual change in the fair value reflected in the Statement of Income	(1)	(19)	(15)	(343)
Cumulative change in the fair value[3]	(3)	(257)	(14)	(574)

1 Where the loans are over-collateralized there is no material movement in valuation during the year or cumulatively due to movements in counterparty credit risk.
2 Determined using valuation models that exclude the fair value impact associated with market risk.
3 Changes are attributable to loans and loan commitments held at reporting date, which may differ from those held in prior periods. No adjustments are made to prior year to reflect differences in the underlying population.

Changes in fair value of financial liabilities attributable to movements in the Group’s credit risk[1]

in € m.	Dec 31, 2014	Dec 31, 2013
Annual change in the fair value reflected in the Statement of Income	(23)	85
Cumulative change in the fair value	134	151

1 The fair value of a financial liability incorporates the credit risk of that financial liability. Changes in the fair value of financial liabilities issued by consolidated structured entity have been excluded as this is not related to the Group’s credit risk but to that of the legally isolated structured entity, which is dependent on the collateral it holds.

The excess of the contractual amount repayable at maturity over the carrying value of financial liabilities[1]

in € m.	Dec 31, 2014	Dec 31, 2013[2]
Including undrawn loan commitments[3]	18,261	28,662
Excluding undrawn loan commitments	1,621	2,357

1 Assuming the liability is extinguished at the earliest contractual maturity that the Group can be required to repay. When the amount payable is not fixed, it is determined by reference to conditions existing at the reporting date.
2 In 2014 the prior year numbers were restated (increase of € 1,430 million to the excess of the contractual amount repayable on maturity over the carrying value of financial liabilities including undrawn loan commitments, increase of € 1,430 million to the excess of the contractual amount payable on maturity over the carrying value of financial liabilities excluding undrawn loan commitments).
3 The contractual cash flows at maturity for undrawn loan commitments assume full drawdown of the facility.

13 – Amendments to IAS 39 and IFRS 7, “Reclassification of Financial Assets”

Under the amendments to IAS 39 and IFRS 7, issued in October 2008, certain financial assets were reclassified in the second half of 2008 and the first quarter 2009 from the financial assets at fair value through profit or loss and the available for sale classifications into the loans classification. No reclassifications have been made since the first quarter 2009.

The Group identified assets, eligible under the amendments, for which at the reclassification date it had a clear change of intent and ability to hold for the foreseeable future rather than to exit or trade in the short term. The reclassifications were made at the fair value of the assets at the reclassification date.

Reclassified Financial Assets

in € bn. (unless stated otherwise)	Trading assets reclassified to loans	Financial assets available for sale reclassified to loans
Carrying value at reclassification date	26.6	11.4
Unrealized fair value losses in accumulated other comprehensive income	0.0	(1.1)
Effective interest rates at reclassification date:		
upper range	13.1 %	9.9 %
lower range	2.8 %	3.9 %
Expected recoverable cash flows at reclassification date	39.6	17.6

Carrying values and fair values by asset type of assets reclassified in 2008 and 2009

	Dec 31, 2014		Dec 31, 2013	
in € m.	Carrying value	Fair value	Carrying value	Fair Value
Trading assets reclassified to loans:				
Securitization assets	1,983	2,124	1,985	1,872
Debt securities	1,067	1,160	1,062	1,068
Loans	1,146	888	2,367	2,064
Total trading assets reclassified to loans	4,197	4,171	5,415	5,004
Financial assets available for sale reclassified to loans:				
Securitization assets	1,782	1,743	1,972	1,955
Debt securities	1,378	1,493	1,220	1,284
Total financial assets available for sale reclassified to loans	3,160	3,236	3,192	3,239
Total financial assets reclassified to loans	**7,357**[1]	**7,408**	8,606	8,243

[1] There is an associated effect on the carrying value from effective fair value hedge accounting for interest rate risk to the carrying value of the reclassified assets shown in the table above. This effect increases carrying value by € 86 million and € 34 million as at December 31, 2014 and December 31, 2013 respectively.

All reclassified assets are managed by the NCOU and disposal decisions across this portfolio are made by the NCOU in accordance with their remit to take the de-risking decisions. For the year ended December 31, 2014, the Group sold reclassified assets with a carrying value of € 137 million, resulting in a net gain of € 4.1 million on positions sold.

In addition to sales, the decrease in the carrying value of assets previously classified as trading includes redemptions and maturities of € 1.3 billion. The reduction in the carrying value of assets previously classified as available for sale includes redemptions and maturities of € 0.5 billion.

Unrealized fair value gains (losses) that would have been recognized in profit or loss and net gains (losses) that would have been recognized in other comprehensive income if the reclassifications had not been made

in € m.	2014	2013	2012
Unrealized fair value gains (losses) on the reclassified trading assets, gross of provisions for credit losses	342	245	38
Impairment (losses)/Reversal on the reclassified financial assets available for sale which were impaired	(6)	9	(29)
Net gains (losses) recognized in other comprehensive income representing additional unrealized fair value gains (losses) on the reclassified financial assets available for sale which were not impaired	137	130	415

Pre-tax contribution of all reclassified assets to the income statement

in € m.	2014	2013	2012
Interest income	161	272	578
Provision for credit losses	(40)	(348)	(186)
Other income[1]	5	(141)	(35)
Income before income taxes on reclassified trading assets	**126**	(217)	357
Interest income	97	96	139
Provision for credit losses	(13)	(25)	(228)
Other income[1]	0	(66)	(58)
Income before income taxes on reclassified financial assets available for sale	**84**	5	(147)

[1] Relates to gains and losses from the sale of reclassified assets.

Reclassified Financial Assets: Carrying values and fair values by asset class

All IAS 39 reclassified assets were transferred into the NCOU upon creation of the new division in the fourth quarter of 2012. The NCOU has been tasked to accelerate de-risking to reduce total capital demand and total adjusted assets. A number of factors are considered in determining whether and when to sell assets including the income statement, regulatory capital and leverage impacts. The movements in carrying value and fair value are illustrated in the following table:

Carrying values and fair values by asset class reclassified in 2008 and 2009

			Dec 31, 2014			Dec 31, 2013
in € m.	Carrying value (CV)	Fair value (FV)	Unrealized gains/(losses)	Carrying value (CV)	Fair value (FV)	Unrealized gains/(losses)
Securitization assets and debt securities reclassified:						
US municipal bonds	2,302	2,503	201	2,155	2,232	77
Student loans ABS	1,464	1,529	65	1,263	1,305	42
CDO/CLO	717	689	(28)	979	938	(41)
Covered bond	893	987	95	885	788	(97)
Commercial mortgages securities	187	192	5	281	260	(21)
Residential mortgages ABS	83	92	9	74	71	(3)
Other[1]	566	528	(38)	602	585	(17)
Total securitization assets and debt securities reclassified	**6,211**	**6,520**	**309**	6,239	6,179	(60)
Loans reclassified:						
Commercial mortgages	227	226	0	1,463	1,428	(35)
Residential mortgages	871	616	(255)	844	598	(246)
Other	49	46	(3)	61	38	(22)
Total loans reclassified	**1,146**	**888**	**(259)**	2,367	2,064	(303)
Total financial assets reclassified to loans	**7,357**	**7,408**	**51**	8,606	8,243	(363)

[1] Includes asset backed securities related to the aviation industry and a mixture of other securitization assets and debt securities.

Securitized Assets and Debt Securities

Municipal Bonds – The US Municipal bonds have a fair value above carrying value due to being predominantly fixed rate instruments with interest rates falling since reclassification. Fair value is also impacted by liquidity and market expectation of credit risk which has generally improved in the year increasing the fair value. The carrying value increase is predominantly due to FX movements, partly offset by redemptions and impairment losses of € 16 million.

Covered Bonds – The majority of the exposure in the portfolio is to Spanish bank and government issuers. The fair value is above carrying value and has increased in the year following improvements in the Eurozone credit risk and increased liquidity on these positions. There was no significant impairment of the portfolio during the year.

CDO/CLO – This comprises a diverse portfolio with a variety of underlying assets and tranching levels in the capital structure. The difference between carrying value and fair value arises due to a number of factors including liquidity and the fair value model capturing market expectations of lifetime expected losses compared with the amortized cost impairment model largely based on incurred credit losses. The main movement in the carrying value to fair value difference is due to principal paydowns in the period somewhat offset by FX movements and accretion of discount. No significant loan loss provisions were taken in the period.

Student Loans ABS – There was continued improvement in liquidity for student loan ABS resulting in increased fair values. The carrying value increase is predominantly due to FX movements. There was no de-risking activity or impairments on this asset class in the period.

Commercial Mortgages Securities – The fair value to carrying value difference is due to a number of factors including liquidity and market expectations of credit losses compared with the incurred loss model. The carrying value decreased in the period mainly due to redemptions of € 55 million, impairments of € 22 million and sales of € 25 million.

Other – Other comprises a variety of assets including securitizations with Aircraft and Commodity underlyings, Infrastructure Project Finance exposure and structured corporate bonds. The small reduction in carrying value is due to principal repayments somewhat offset by FX movements.

Loans

Commercial Mortgages – The fair value to carrying value difference is due to a number of factors including liquidity and market expectations of credit losses compared with the incurred loss model. The carrying value change is predominantly due to redemptions in the period of € 1.1 billion. The loan loss provisions in the period on this category were € 19 million.

Residential Mortgages – This category includes residential mortgages in the UK, Italy, Spain and Germany. The fair value to carrying value difference has remained consistent year on year predominantly due to a larger discount rate being applied to determine fair value which, whilst not observable in the market, reflects estimated market liquidity. There have been no sales or significant changes in loan loss provisions in the portfolio in the period.

14 –
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 prices 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 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. These models are dependent upon estimated future cash flows, discount factors and volatility levels. For more complex or unique instruments, more sophisticated modeling techniques are required, and may rely upon assumptions or more complex parameters such as correlations, prepayment speeds, default rates and loss severity.

Frequently, valuation models require multiple parameter inputs. Where possible, parameter inputs are based on observable data or 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 are used to support parameter inputs where they are 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, and research information, 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, counterparty/own credit and funding 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 additional 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, when specified criteria are met, valuation adjustments are taken to reflect the cost of closing out the net exposure the Bank has to individual market or counterparty risks. These adjustments are determined from bid-offer prices observed in relevant trading activity and quotes from other broker-dealers.

Where complex valuation models are used, or where less-liquid positions are being valued, then bid-offer levels for those positions may not be available directly from the market, and therefore for the close-out cost of these positions, models and parameters must be estimated. When these adjustments are designed, the Group closely examines the valuation risks associated with the model as well as the positions themselves, and the resulting adjustments are closely monitored on an ongoing basis.

Counterparty Credit Valuation Adjustments (CVAs) are required to cover expected credit losses to the extent that the valuation technique does not already include an expected credit loss factor relating to the non-performance risk of the counterparty. The CVA amount is applied to all relevant over-the-counter (OTC) derivatives, and is determined by assessing the potential credit exposure to a given counterparty and taking into account any collateral held, the effect of any relevant netting arrangements, expected loss given default and the probability of default, based on available market information, including Credit Default Swap (CDS) spreads. Where counterparty CDS spreads are not available, relevant proxies are used.

The fair value of the Group's financial liabilities at fair value through profit or loss (i.e., OTC derivative liabilities and structured note liabilities designated at fair value through profit or loss) incorporates Debt Valuation Adjustments (DVA) to measure 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 the Group, taking into account any collateral posted by the Group, the effect of relevant netting arrangements, expected loss given default and the probability of default of the Group, based on the Group's market CDS level. 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 as this reflects the value from the perspective of a market participant who holds the identical item as an asset.

When determining CVA and DVA, additional adjustments are made where appropriate to achieve fair value, due to the expected loss estimate of a particular arrangement, or where the credit risk being assessed differs in nature to that described by the available CDS instrument.

Funding Valuation Adjustments (FVA) are required to incorporate the market implied funding costs into the fair value of derivative positions. The FVA reflects a discounting spread applied to uncollateralized and partially collateralized derivatives and is determined by assessing the market-implied funding costs on both assets and liabilities.

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. Typically, such transactions have bid-offer levels which are less observable, and these adjustments aim to estimate the bid-offer by computing the liquidity-premium associated with the transaction. Where a financial instrument 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.

Validation and Control – The Group has an independent specialised valuation control group within the Finance function which governs and develops the valuation control framework and manages the valuation control processes. The mandate of this specialist function includes the performance of the independent valuation control process for all businesses, the continued development of valuation control methodologies and techniques, as well as devising and governing the formal valuation control policy framework. Special attention of this independent valuation control group is directed to areas where management judgment forms part of the valuation process.

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, with greater emphasis given to those possessing greater valuation certainty and relevance. 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 (including where existing models are independently recalibrated), assessing the valuations against appropriate proxy instruments and other benchmarks, and performing extrapolation techniques. Assessment is made as to whether the valuation techniques produce fair value estimates that are reflective of market levels by calibrating the results of the valuation models against market transactions where possible.

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:

Level 1 – Instruments valued using quoted prices in active markets are instruments where the fair value can be determined directly from prices which are quoted in active, liquid markets and where the instrument observed in the market is representative of that being priced in the Group's inventory.

These include: government bonds, exchange-traded derivatives and equity securities traded on active, liquid exchanges.

Level 2 – Instruments valued with valuation techniques using observable market data are instruments where the fair value can be determined by reference to similar instruments trading in active markets, or where a technique is used to derive the valuation but where all inputs to that technique are observable.

These include: many OTC derivatives; many investment-grade listed credit bonds; some CDS; many collateralized debt obligations (CDO); and many less-liquid equities.

Level 3 – Instruments valued using valuation techniques using market data which is not directly observable are instruments where the fair value cannot be determined directly by reference to market-observable information, and some other pricing technique must be employed. Instruments classified in this category have an element which is unobservable and which has a significant impact on the fair value.

These include: more-complex OTC derivatives; distressed debt; highly-structured bonds; illiquid asset-backed securities (ABS); illiquid CDO's (cash and synthetic); monoline exposures; some private equity placements; many commercial real estate (CRE) loans; illiquid loans; and some municipal bonds.

Carrying value of the financial instruments held at fair value[1]

			Dec 31, 2014			Dec 31, 2013
in € m.	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)
Financial assets held at fair value:						
Trading assets	82,020	100,505	13,155	86,634	111,411	12,025
Trading securities	81,789	86,894	8,957	86,325	94,269	6,960
Other trading assets	232	13,611	4,198	309	17,143	5,065
Positive market values from derivative financial instruments	5,439	614,960	9,559	7,421	486,614	10,556
Financial assets designated at fair value through profit or loss	8,826	104,307	4,152	7,083	174,391	3,123
Financial assets available for sale	36,272	23,597	4,427	23,948	21,049	3,329
Other financial assets at fair value[2,3]	0	4,335[2]	0	60	7,347[2]	1
Total financial assets held at fair value	132,558	847,705	31,294	125,146	800,811	29,033
Financial liabilities held at fair value:						
Trading liabilities	25,290	16,510	43	36,449	19,331	24
Trading securities	25,244	15,826	43	36,438	18,490	24
Other trading liabilities	46	685	0	12	841	0
Negative market values from derivative financial instruments	5,890	597,759	6,553	7,815	467,293	8,321
Financial liabilities designated at fair value through profit or loss	2	34,763	2,366	197	88,466	1,442
Investment contract liabilities[4]	0	8,523	0	0	8,067	0
Other financial liabilities at fair value[2,3]	0	5,561[2]	(552)[5]	4	1,495[2]	(247)[5]
Total financial liabilities held at fair value	31,181	663,117	8,410	44,465	584,651	9,539

1 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 "Significant Accounting Policies and Critical Accounting Estimates".
2 Predominantly relates to derivatives qualifying for hedge accounting.
3 Includes assets and liabilities held for sale related to BHF-BANK in 2013.
4 These are investment contracts where the policy terms and conditions result in their redemption value equaling fair value. See Note 41 "Insurance and Investment Contracts" for more detail on these contracts.
5 Relates to derivatives which are embedded in contracts where the host contract is held at amortized cost but for which the embedded derivative is separated. 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.

There were transfers from level 1 to level 2 of the fair value hierarchy in 2014 on trading securities (€ 11 billion of assets and € 2.3 billion of liabilities) and transfers from level 2 to level 1 on financial assets designated at fair value through profit or loss (€ 1.5 billion) based on liquidity testing procedures.

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.

Mortgage- and Other Asset-Backed Securities (MBS/ABS) include residential and commercial MBS and other ABS including CDOs. ABS 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 ABS, 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 can be 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 can have transaction-specific characteristics which can limit the relevance of market-observed transactions. 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 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 are calibrated to available market prices. Where the model output value does not calibrate to a relevant market reference then valuation adjustments are made to the model output value to adjust for any difference. 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 "Over-The-Counter 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)

Some of the instruments in level 3 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.

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 MBS, collateralized debt obligation securities and other ABS are reported here. The increase in the year is mainly due to a combination of purchases and transfers between levels 2 and 3 due to changes in the observability of input parameters used to value these instruments.

Positive and Negative Market Values from Derivative Instruments 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.

Level 3 derivatives include customized CDO derivatives in which the underlying reference pool of corporate assets is not closely comparable to regularly market-traded indices; certain tranched index credit derivatives; certain options where the volatility is unobservable; certain basket options in which the correlations between the referenced underlying assets are unobservable; longer-term interest rate option derivatives; multi-currency foreign exchange derivatives; and certain credit default swaps for which the credit spread is not observable.

The decrease in the year was due to settlements and transfers between levels 2 and 3 due to changes in the observability of input parameters used to value these 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. Level 3 loans comprise illiquid leveraged loans and illiquid residential and commercial mortgage loans. The balance decreased in the year mainly due to sales.

Financial Assets/Liabilities designated at Fair Value through Profit or Loss – Certain corporate loans and structured liabilities which were designated at fair value through profit or loss under the fair value option are categorized in this level of the fair value hierarchy. The corporate loans are valued using valuation techniques which incorporate observable credit spreads, recovery rates and unobservable utilization parameters. Revolving loan facilities are reported in the third level of the hierarchy because the utilization in the event of the default parameter is significant and unobservable.

In addition, certain hybrid debt issuances designated at fair value through profit or loss containing embedded derivatives are valued based on significant unobservable parameters. These unobservable parameters include single stock volatility correlations. The increase in assets during the period is primarily due to new issuances. For liabilities, the increase is driven by transfers into level 3 and new issuances.

Financial Assets Available for Sale include non-performing loan portfolios where there is no trading intent and unlisted equity instruments where there is no close proxy and the market is very illiquid. The increase in assets during the period is primarily due to purchases and mark-to-market gains on the instruments.

Reconciliation of financial instruments classified in Level 3

Reconciliation of financial instruments classified in Level 3

Dec 31, 2014

in € m.	Balance, beginning of year	Changes in the group of consolidated companies	Total gains/ losses[1]	Purchases	Sales	Issuances[2]	Settlements[3]	Transfers into Level 3[4]	Transfers out of Level 3[4]	Balance, end of year
Financial assets held at fair value:										
Trading securities	6,960	0	738	3,567	(2,081)	0	(597)	2,175	(1,804)	8,957
Positive market values from derivative financial instruments	10,556	0	740	0	0	0	(1,250)	1,167	(1,654)	9,559
Other trading assets	5,065	0	(43)	1,642	(2,167)	778	(845)	943	(1,173)	4,198
Financial assets designated at fair value through profit or loss	3,123	0	266	265	(5)	2,175	(1,802)	192	(61)	4,152
Financial assets available for sale	3,329	0	533[5]	1,901	(406)	0	(1,234)	432	(126)	4,427
Other financial assets at fair value[6]	1	(1)	0	0	0	0	0	0	0	0
Total financial assets held at fair value	29,033	(1)	2,233[7,8]	7,373	(4,659)	2,953	(5,727)	4,908	(4,819)	31,294
Financial liabilities held at fair value:										
Trading securities	24	0	2	0	0	0	(5)	40	(18)	43
Negative market values from derivative financial instruments	8,321	0	490	0	0	0	(1,434)	1,196	(2,019)	6,553
Other trading liabilities	0	0	0	0	0	0	0	0	0	0
Financial liabilities designated at fair value through profit or loss	1,442	0	(53)	0	0	557	(221)	882	(241)	2,366
Other financial liabilities at fair value	(247)	0	(69)	0	0	0	(207)	63	(93)	(552)
Total financial liabilities held at fair value	9,539	0	371[7,8]	0	0	557	(1,867)	2,182	(2,371)	8,410

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 other comprehensive income, net of tax. Further, certain instruments are hedged with instruments in level 1 or level 2 but the table above 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.
2 Issuances relate 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.
3 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.
4 Transfers in and transfers out of level 3 are related to changes in observability of input parameters. During the year they are recorded at their fair value at the beginning of year. 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.
5 Total gains and losses on available for sale include a gain of € 144 million recognized in other comprehensive income, net of tax, and a gain of € 31 million recognized in the income statement presented in net gains (losses) on financial assets available for sale.
6 Represents assets held for sale related to BHF-BANK.
7 This amount includes the effect of exchange rate changes. For total financial assets held at fair value this effect is a gain of € 585 million and for total financial liabilities held at fair value this is a gain of € 128 million. The effect of exchange rate changes is reported in other comprehensive income, net of tax.
8 For assets positive balances represent gains, negative balances represent losses. For liabilities positive balances represent losses, negative balances represent gains.

										Dec 31, 2013
in € m.	Balance, beginning of year	Changes in the group of consolidated companies	Total gains/ losses[1]	Purchases	Sales	Issuances[2]	Settlements[3]	Transfers into Level 3[4]	Transfers out of Level 3[4]	Balance, end of year
Financial assets held at fair value:										
Trading securities	10,306	0	(64)	1,142	(2,981)	0	(911)	2,256	(2,788)	6,960
Positive market values from derivative financial instruments	15,210	0	(2,355)	0	0	0	(2,113)	1,924	(2,111)	10,556
Other trading assets	4,609	0	(218)	1,485	(1,744)	1,266	(651)	706	(389)	5,065
Financial assets designated at fair value through profit or loss	3,956	0	170	25	(41)	906	(1,815)	258	(336)	3,123
Financial assets available for sale	3,940	(80)	15[5]	1,143	(160)	0	(1,417)	709	(820)[6]	3,329
Other financial assets at fair value	0	0	0	0	0	0	0	1[6]	0	1
Total financial assets held at fair value	38,021	(80)	(2,452)[7,8]	3,794	(4,925)	2,173	(6,907)	5,853	(6,444)	29,033
Financial liabilities held at fair value:										
Trading securities	318	0	8	0	0	0	(169)	12	(146)	24
Negative market values from derivative financial instruments	9,286	0	224	0	0	0	(1,241)	1,684	(1,631)	8,321
Other trading liabilities	0	0	0	0	0	0	0	0	0	0
Financial liabilities designated at fair value through profit or loss	1,417	0	(275)	0	0	108	(94)	570	(284)	1,442
Other financial liabilities at fair value	(176)	0	159	0	0	0	35	(220)	(45)	(247)
Total financial liabilities held at fair value	10,845	0	116[7,8]	0	0	108	(1,468)	2,045	(2,106)	9,539

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 other comprehensive income, net of tax. Further, certain instruments are hedged with instruments in level 1 or level 2 but the table above 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.
2 Issuances relate 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.
3 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.
4 Transfers in and transfers out of level 3 are related to changes in observability of input parameters. During the year they are recorded at their fair value at the beginning of year. 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.
5 Total gains and losses on available for sale include a gain of € 10 million recognized in other comprehensive income, net of tax, and a gain of € 20 million recognized in the income statement presented in net gains (losses) on financial assets available for sale.
6 Includes a transfer from financial assets available for sale to assets held for sale of € 1 million related to BHF-BANK.
7 This amount includes the effect of exchange rate changes. For total financial assets held at fair value this effect is a loss of € 497 million and for total financial liabilities held at fair value this is a loss of € 60 million. The effect of exchange rate changes is reported in other comprehensive income, net of tax.
8 For assets positive balances represent gains, negative balances represent losses. For liabilities positive balances represent losses, negative balances represent gains.

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, 2014 it could have increased fair value by as much as € 3.3 billion or decreased fair value by as much as € 2.9 billion. As of December 31, 2013 it could have increased fair value by as much as € 3.0 billion or decreased fair value by as much as € 2.6 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 neither predictive nor 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.

Breakdown of the sensitivity analysis by type of instrument[1]

	Dec 31, 2014		Dec 31, 2013	
in € m.	Positive fair value movement from using reasonable possible alternatives	Negative fair value movement from using reasonable possible alternatives	Positive fair value movement from using reasonable possible alternatives	Negative fair value movement from using reasonable possible alternatives
Securities:				
Debt securities	833	725	643	542
Commercial mortgage-backed securities	57	47	39	32
Mortgage and other asset-backed securities	235	229	233	229
Sovereign and quasi sovereign debt obligations	63	37	6	6
Corporate debt securities and other debt obligations	478	412	365	275
Equity securities	124	224	32	97
Derivatives:				
Credit	432	457	524	509
Equity	157	115	281	171
Interest related	392	184	405	255
Foreign Exchange	4	2	24	6
Other	75	74	83	61
Loans:				
Loans	1,175	988	701	619
Loan commitments	6	5	17	17
Other	79	79	255	277
Total	3,277	2,854	2,966	2,554

[1] Where the exposure to an unobservable parameter is offset across different instruments then only the net impact is disclosed in the table.

Quantitative Information about the Sensitivity of Significant Unobservable Inputs

The behavior of the unobservable parameters on Level 3 fair value measurement is not necessarily independent, and dynamic relationships often exist between the other unobservable parameters and the observable parameters. Such relationships, where material to the fair value of a given instrument, are explicitly captured via correlation parameters, or are otherwise controlled via pricing models or valuation techniques. Frequently, where a valuation technique utilises more than one input, the choice of a certain input will bound the range of possible values for other inputs. In addition, broader market factors (such as interest rates, equity, credit or commodity indices or foreign exchange rates) can also have effects.

The range of values shown below represents the highest and lowest inputs used to value the significant exposures within Level 3. The diversity of financial instruments that make up the disclosure is significant and therefore the ranges of certain parameters can be large. For example, the range of credit spreads on mortgage backed securities represents performing, more liquid positions with lower spreads then the less liquid, non-performing positions which will have higher credit spreads. As Level 3 contains the less liquid fair value instruments, the wide ranges of parameters seen is to be expected, as there is a high degree of pricing differentiation within each exposure type to capture the relevant market dynamics. There follows a brief description of each of the principle parameter types, along with a commentary on significant interrelationships between them.

Credit Parameters are used to assess the creditworthiness of an exposure, by enabling the probability of default and resulting losses of a default to be represented. The credit spread is the primary reflection of creditworthiness, and represents the premium or yield return above the benchmark reference instrument (typically LIBOR, or relevant Treasury Instrument, depending upon the asset being assessed), that a bond holder would require to allow for the credit quality difference between that entity and the reference benchmark. Higher credit spreads will indicate lower credit quality, and lead to a lower value for a given bond, or other loan-asset that is to be repaid to the Bank by the borrower. Recovery Rates represent an estimate of the amount a lender would receive in the case of a default of a loan, or a bond holder would receive in the case of default of the bond. Higher recovery rates will give a higher valuation for a given bond position, if other parameters are held constant. Constant Default Rate (CDR) and Constant Prepayment Rate (CPR) allow more complex loan and debt assets to be assessed, as these parameters estimate the ongoing defaults arising on scheduled repayments and coupons, or whether the borrower is making additional (usually voluntary) prepayments. These parameters are particularly relevant when forming a fair value opinion for mortgage or other types of lending, where repayments are delivered by the borrower through time, or where the borrower may pre-pay the loan (seen for example in some residential mortgages). Higher CDR will lead to lower valuation of a given loan or mortgage as the lender will ultimately receive less cash.

Interest rates, credit spreads, inflation rates, foreign exchange rates and equity prices are referenced in some option instruments, or other complex derivatives, where the payoff a holder of the derivative will receive is dependent upon the behavior of these underlying references through time. Volatility parameters describe key attributes of option behavior by enabling the variability of returns of the underlying instrument to be assessed. This volatility is a measure of probability, with higher volatilities denoting higher probabilities of a particular outcome occurring. The underlying references (interest rates, credit spreads etc.) have an effect on the valuation of options, by describing the size of the return that can be expected from the option. Therefore the value of a given option is dependent upon the value of the underlying instrument, and the volatility of that instrument, representing the size of the payoff, and the probability of that payoff occurring. Where volatilities are high, the option holder will see a higher option value as there is greater probability of positive returns. A higher option value will also occur where the payoff described by the option is significant.

Correlations are used to describe influential relationships between underlying references where a derivative or other instrument has more than one underlying reference. Behind some of these relationships, for example commodity correlation and interest rate-foreign exchange correlations, typically lie macroeconomic factors such as the impact of global demand on groups of commodities, or the pricing parity effect of interest rates on foreign exchange rates. More specific relationships can exist between credit references or equity stocks in the case of credit derivatives and equity basket derivatives, for example. Credit correlations are used to estimate the relationship between the credit performance of a range of credit names, and stock correlations are used to estimate the relationship between the returns of a range of equities. A derivative with a correlation exposure will be either long- or short-correlation. A high correlation suggests a strong relationship between the underlying references is in force, and this will lead to an increase in value of a long-correlation derivative. Negative correlations suggest that the relationship between underlying references is opposing, i.e., an increase in price of one underlying reference will lead to a reduction in the price of the other.

An EBITDA ('earnings before interest, tax, depreciation and amortization') multiple approach can be used in the valuation of less liquid securities. Under this approach the enterprise value ('EV') of an entity can be estimated via identifying the ratio of the EV to EBITDA of a comparable observable entity and applying this ratio to the EBITDA of the entity for which a valuation is being estimated. Under this approach a liquidity adjustment is often applied due to the difference in liquidity between the generally listed comparable used and the company under valuation. A higher EV/EBITDA multiple will result in a higher fair value.

Financial instruments classified in Level 3 and quantitative information about unobservable inputs

in € m. (unless stated otherwise)	Fair value Assets	Fair value Liabilities	Valuation technique(s)[1]	Significant unobservable input(s) (Level 3)	Range	Dec 31, 2014 Range
Financial instruments held at fair value – held for trading, designated at fair value and available-for-sale:						
Mortgage and other asset backed securities held for trading:						
Commercial mortgage-backed securities	342	0	Price based	Price	0 %	106 %
			Discounted cash flow	Credit spread (bps)	246	1,375
				Constant default rate[2]		
Mortgage- and other asset-backed securities	2,342	0	Price based	Price	0 %	184 %
			Discounted cash flow	Credit spread (bps)	72	1,648
				Recovery rate	0 %	97 %
				Constant default rate	0 %	13 %
				Constant prepayment rate	0 %	22 %
Total mortgage- and other asset-backed securities	2,684	0				
Debt securities and other debt obligations	5,936	1,202	Price based	Price	0 %	286 %
Held for trading	5,477	43	Discounted cash flow	Credit spread (bps)	32	1,629
Sovereign and quasi sovereign obligations	835					
Corporate debt securities and other debt obligations	4,643					
Available-for-sale	459					
Designated at fair value	0	1,159				
Equity securities	1,719	0	Market approach	Price per net asset value	49 %	100 %
Held for trading	795	0		Enterprise value/EBITDA (multiple)	1	18
Available-for-sale	895		Discounted cash flow	Weighted average cost capital	6 %	13 %
Designated at fair value	29					
Loans	10,648	0	Price based	Price	0 %	137 %
Held for trading	4,148	0	Discounted cash flow	Credit spread (bps)	95	3,040
Designated at fair value	3,719			Constant default rate	2 %	21 %
Available-for-sale	2,781			Recovery rate	0 %	67 %
Loan commitments	0	87	Discounted cash flow	Credit spread (bps)	115	1,000
				Recovery rate	20 %	80 %
			Loan pricing model	Utilization	0 %	100 %
Other financial instruments	748[3]	1,121[4]	Discounted cash flow	IRR	2 %	24 %
Total non-derivative financial instruments held at fair value	21,735	2,409				

1 Valuation technique(s) and subsequently the significant unobservable input(s) relate to the respective total position.
2 No longer a significant unobservable input.
3 Other financial assets include € 50 million of other trading assets, € 405 million of other financial assets designated at fair value and € 293 million other financial assets available for sale.
4 Other financial liabilities include € 1 billion of securities sold under repurchase agreements designated at fair value and € 104 million of other financial liabilities designated at fair value.

in € m. (unless stated otherwise)	Fair value Assets	Fair value Liabilities	Valuation technique(s)	Significant unobservable input(s) (Level 3)	Range Dec 31, 2014	
Financial instruments held at fair value:						
Market values from derivative financial instruments:						
Interest rate derivatives	3,324	2,211	Discounted cash flow	Swap rate (bps)	42	2,418
				Inflation swap rate	(1) %	8 %
				Constant default rate	2 %	27 %
				Constant prepayment rate	2 %	21 %
			Option pricing model	Inflation volatility	0 %	8 %
				Interest rate volatility	1 %	101 %
				IR - IR correlation	(2) %	100 %
				Hybrid correlation	(70) %	95 %
Credit derivatives	3,586	1,921	Discounted cash flow	Credit spread (bps)	155	9,480
				Recovery rate	0 %	100 %
			Correlation pricing model	Credit correlation	13 %	96 %
Equity derivatives	1,118	1,258	Option pricing model	Stock volatility	8 %	84 %
				Index volatility	8 %	99 %
				Index - index correlation	48 %	98 %
				Stock - stock correlation	9 %	95 %
FX derivatives	264	242	Option pricing model	Volatility	6 %	26 %
Other derivatives	1,267	368[1]	Discounted cash flow	Credit spread (bps)	44	1,500
			Option pricing model	Index volatility	7 %	138 %
				Commodity correlation	(30) %	60 %
				Commodity forward (€/Ton)[2]		
Total market values from derivative financial instruments	9,559	6,001				

[1] Includes derivatives which are embedded in contracts where the host contract is held at amortized cost but for which the embedded derivative is separated.
[2] No longer a material exposure on this parameter.

						Dec 31, 2013
	Fair value					
in € m. (unless stated otherwise)	Assets	Liabilities	Valuation technique(s)[1]	Significant unobservable input(s) (Level 3)		Range
Financial instruments held at fair value – held for trading, designated at fair value and available-for-sale:						
Mortgage and other asset backed securities held for trading:						
Commercial mortgage-backed securities	361	0	Price based	Price	0 %	103 %
			Discounted cash flow	Credit spread (bps)	100	2,470
				Constant default rate	1 %	3 %
Mortgage- and other asset-backed securities	2,274	0	Price based	Price	0 %	134 %
			Discounted cash flow	Credit spread (bps)	70	3,180
				Recovery rate	0 %	70 %
				Constant default rate	0 %	25 %
				Constant prepayment rate	0 %	30 %
Total mortgage- and other asset-backed securities	2,635	0				
Debt securities and other debt obligations	4,016	1,205	Price based	Price	0 %	156 %
Held for trading	3,898	16	Discounted cash flow	Credit spread (bps)	438	5,000
Sovereign and quasi sovereign obligations	597					
Corporate debt securities and other debt obligations	3,300					
Available-for-sale	118					
Designated at fair value		1,189				
Equity securities	1,074	8	Market approach	Price per net asset value	62 %	100 %
Held for trading	428	8		Enterprise value/EBITDA (multiple)	1	14
Available-for-sale	646		Discounted cash flow	Weighted average cost capital	7 %	12 %
Designated at fair value						
Loans	8,878	0	Price based	Price	0 %	122 %
Held for trading	4,280	0	Discounted cash flow	Credit spread (bps)	59	3,500
Designated at fair value	2,621			Constant default rate	5 %	22 %
Available-for-sale	1,976			Recovery rate	15 %	60 %
Loan commitments	0	186	Discounted cash flow	Credit spread (bps)	5	1,000
				Recovery rate	35 %	80 %
			Loan pricing model	Utilization	0 %	100 %
Other financial instruments	1,875[2]	67[3]	Discounted cash flow	IRR	2 %	46 %
Total non-derivative financial instruments held at fair value	18,477	1,466				

[1] Valuation technique(s) and subsequently the significant unobservable input(s) relate to the respective total position.
[2] Other financial assets include € 784 million of other trading assets, € 502 million of other financial assets designated at fair value, € 588 million other financial assets available for sale and € 1 million of assets held for sale related to BHF-BANK.
[3] Other financial liabilities include € 67 million of other financial liabilities designated at fair value.

						Dec 31, 2013
	Fair value					
in € m. (unless stated otherwise)	Assets	Liabilities	Valuation technique(s)	Significant unobservable input(s) (Level 3)		Range
Financial instruments held at fair value:						
Market values from derivative financial instruments:						
Interest rate derivatives	2,551	2,156	Discounted cash flow	Swap rate (bps)	2	1,336
				Inflation swap rate	0 %	8 %
			Option pricing model	Inflation volatility	0 %	3 %
				Interest rate volatility	10 %	95 %
				IR - IR correlation	(2) %	91 %
				Hybrid correlation	(70) %	95 %
Credit derivatives	4,377	2,334	Discounted cash flow	Credit spread (bps)	2	4,093
				Recovery rate	0 %	75 %
			Correlation pricing model	Credit correlation	13 %	88 %
Equity derivatives	1,419	1,987	Option pricing model	Stock volatility	10 %	100 %
				Index volatility	11 %	98 %
				Index - index correlation	62 %	98 %
				Stock - stock correlation	10 %	97 %
FX derivatives	529	455	Option pricing model	Volatility	0 %	30 %
Other derivatives	1,680	1,142[1]	Discounted cash flow	Credit spread (bps)	320	1,500
			Option pricing model	Index volatility	4 %	23 %
				Commodity correlation	(30) %	100 %
				Commodity forward (€/Ton)	97	106
Total market values from derivative financial instruments	10,556	8,074				

[1] Includes derivatives which are embedded in contracts where the host contract is held at amortized cost but for which the embedded derivative is separated.

Unrealized Gains or Losses on Level 3 Instruments held or in Issue at the Reporting Date

The unrealized gains or losses on Level 3 Instruments 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 held at the reporting date in accordance with IFRS 13.The unrealized gains and losses on level 3 instruments are included in both net interest income and net gains on financial assets/liabilities at fair value through profit or loss in the consolidated income statement.

in € m.	Dec 31, 2014	Dec 31, 2013
Financial assets held at fair value:		
Trading securities	617	(5)
Positive market values from derivative financial instruments	951	(1,609)
Other trading assets	(251)	(50)
Financial assets designated at fair value through profit or loss	147	220
Financial assets available for sale	190	25
Other financial assets at fair value	0	0
Total financial assets held at fair value	1,652	(1,419)
Financial liabilities held at fair value:		
Trading securities	0	5
Negative market values from derivative financial instruments	(787)	(396)
Other trading liabilities	0	0
Financial liabilities designated at fair value through profit or loss	(48)	25
Other financial liabilities at fair value	46	(159)
Total financial liabilities held at fair value	(789)	(525)
Total	864	(1,944)

Recognition of Trade Date Profit

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.	2014	2013
Balance, beginning of year	**796**	699
New trades during the period	650	595
Amortization	(251)	(315)
Matured trades	(173)	(127)
Subsequent move to observability	(67)	(40)
Exchange rate changes	18	(16)
Balance, end of year	**973**	796

15 –
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 and their respective IFRS fair value hierarchy categorization are consistent with those outlined in Note 14 "Financial Instruments carried at Fair Value".

As described in Note 13 "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 14 "Financial Instruments carried at Fair Value", to the reclassified assets.

Other financial instruments not carried at fair value 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.

Short-term financial instruments – The carrying value represents a reasonable estimate of fair value for the following financial instruments which are predominantly short-term:

Assets	Liabilities
Cash and due from banks	Deposits
Interest-earning deposits with banks	Central bank funds purchased and securities sold under repurchase agreements
Central bank funds sold and securities purchased under resale agreements	Securities loaned
Securities borrowed	Other short-term borrowings
Other assets	Other liabilities

For 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 agreement or credit default swap markets, where available and appropriate.

For retail lending portfolios with a large number of homogenous loans (i.e., 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 loan 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.

Estimated fair value of financial instruments not carried at fair value on the balance sheet[1]

					Dec 31, 2014
in € m.	Carrying value	Fair value	Quoted prices in active market (Level 1)	Valuation technique observable parameters (Level 2)	Valuation technique unobservable parameters (Level 3)
Financial assets:					
Cash and due from banks	20,055	20,055	20,055	0	0
Interest-earning deposits with banks	63,518	63,518	30,334	33,184	0
Central bank funds sold and securities purchased under resale agreements	17,796	17,796	0	17,796	0
Securities borrowed	25,834	25,834	0	25,834	0
Loans	405,612	410,769	0	29,786	380,983
Other financial assets	120,838	120,827	0	120,820	7
Financial liabilities:					
Deposits	532,931	532,581	2,754	529,826	0
Central bank funds purchased and securities sold under repurchase agreements	10,887	10,887	0	10,887	0
Securities loaned	2,339	2,339	0	2,339	0
Other short-term borrowings	42,931	42,929	0	42,825	105
Other financial liabilities	159,930	159,930	2,575	157,300	55
Long-term debt	144,837	146,215	0	135,016	11,199
Trust preferred securities	10,573	12,251	0	11,075	1,176

					Dec 31, 2013
in € m.	Carrying value	Fair value	Quoted prices in active market (Level 1)	Valuation technique observable parameters (Level 2)	Valuation technique unobservable parameters (Level 3)
Financial assets:					
Cash and due from banks	17,155	17,155	17,155	0	0
Interest-earning deposits with banks	77,984	77,985	2,413	75,571	0
Central bank funds sold and securities purchased under resale agreements	27,363	27,363	0	27,363	0
Securities borrowed	20,870	20,870	0	20,870	0
Loans	376,582	378,085	0	27,171	350,913
Other financial assets	92,507	92,532	0	90,379	2,153
Financial liabilities:					
Deposits	527,750	527,609	3,888	523,721	0
Central bank funds purchased and securities sold under repurchase agreements	13,381	13,385	0	13,385	0
Securities loaned	2,304	2,304	0	2,171	134
Other short-term borrowings	59,767	59,763	0	59,717	45
Other financial liabilities[2]	142,649	142,666	3,031	139,627	8
Long-term debt	133,082	134,359	0	105,954	28,406
Trust preferred securities	11,926	12,915	0	11,828	1,087

1 Amounts generally presented on a gross basis, in line with the Group's accounting policy regarding offsetting of financial instruments as described in Note 1 "Significant Accounting Policies and Critical Accounting Estimates".
2 In 2014 the prior year numbers were restated (increase of € 3.0 billion to level 1 other financial liabilities, decrease of € 3.0 billion to level 2 other financial liabilities).

Loans – The difference between fair value and carrying value 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 offset by an increase in fair value due to interest rate movements on fixed rate instruments.

Long-term debt and trust preferred securities – The difference between fair value and carrying value 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.

16 –
Financial Assets Available for Sale

in € m.	Dec 31, 2014	Dec 31, 2013
Debt securities:		
German government	14,370	9,076
U.S. Treasury and U.S. government agencies	235	1,571
U.S. local (municipal) governments	2,777	126
Other foreign governments	31,805	22,570
Corporates	8,512	9,248
Other asset-backed securities	646	943
Mortgage-backed securities, including obligations of U.S. federal agencies	236	53
Other debt securities	551	656
Total debt securities	**59,132**	44,242
Equity securities:		
Equity shares	1,184	979
Investment certificates and mutual funds	99	98
Total equity securities	**1,283**	1,076
Other equity interests	**976**	837
Loans	**2,906**	2,170
Total financial assets available for sale	**64,297**	48,326

Please also refer to Note 7 "Net Gains (Losses) on Financial Assets Available for Sale" of this report.

17 – Equity Method Investments

Investments in associates and jointly controlled entities are accounted for using the equity method of accounting.

The Group holds interests in 116 (2013: 115) associates and 15 (2013: 20) jointly controlled entities. One associate is considered to be material to the Group, based on the carrying value of the investment and the Group's income from this investee.

Significant investments as of December 31, 2014

Investment	Principal place of business	Nature of relationship	Ownership percentage
Hua Xia Bank Company Limited[1]	Beijing, China	Strategic Investment	19.99 %

[1] The Group has significant influence over the investee through its ownership share and board seats.

Summarized financial information on Hua Xia Bank Company Limited

in € m.	Twelve months ended Sep 30, 2014[1]	Twelve months ended Sep 30, 2013[1]
Total net revenues	6,350	5,398
Net income	2,109	1,815
Other comprehensive income	74	(89)
Total comprehensive income[2]	**2,183**	1,727
Total assets	229,921	187,305
Total liabilities	217,433	177,343
Net assets of the equity method investee	**12,488**	9,962

[1] The figures are based on the quarterly published financial statements under Chinese GAAP of the investee as of twelve months ended on September 30, 2014 and September 30, 2013.
[2] The Group received dividends from Hua Xia Bank Company Limited of € 98 million during the reporting period 2014 (2013:€ 78 million).

Reconciliation of total net assets to the Group's carrying amount

in € m.	Twelve months ended Sept 30, 2014[1]	Twelve months ended Sept 30, 2013[1]
Net assets of the equity method investee	**12,488**	9,962
Group's ownership percentage on the investee's equity	19.99 %	19.99 %
DB's share of net assets	2,496	1,991
Goodwill	392	367
Intangible Assets	71	69
Other adjustments	(18)	38
Carrying amount[2]	**2,941**	2,464

[1] The figures are based on the quarterly published financial statements under Chinese GAAP of the investee as of twelve months ended on September 30, 2014 and September 30, 2013.
[2] As per December 31, 2014 the quoted market price of Hua Xia Bank Company Limited is € 3,180 million and the carrying amount of the stake is € 3,144 million. An impairment test according to IAS 36 is therefore not required.

Aggregated financial information on the Group's share in associates and joint ventures that are individually immaterial

in € m.	Dec 31, 2014	Dec 31, 2013
Carrying amount of all associates that are individually immaterial to the Group	**999**	1,037
Aggregated amount of the Group's share of profit (loss) from continuing operations	130	59
Aggregated amount of the Group's share of post-tax profit (loss) from discontinued operations	0	0
Aggregated amount of the Group's share of other comprehensive income	3	69
Aggregated amount of the Group's share of total comprehensive income	**133**	127

18 – Offsetting Financial Assets and Financial Liabilities

The Group is eligible to present certain financial assets and financial liabilities on a net basis on the balance sheet pursuant to criteria described in Note 1 "Significant Accounting Policies and Critical Accounting Estimates: Offsetting Financial Instruments".

The following tables provide information on the impact of offsetting on the consolidated balance sheet, as well as the financial impact of netting for instruments subject to an enforceable master netting arrangement or similar agreement as well as available cash and financial instrument collateral.

Assets

				Amounts not set off on the balance sheet			2014
in € m.	Gross amounts of financial assets	Gross amounts set off on the balance sheet	Net amounts of financial assets presented on the balance sheet	Impact of Master Netting Agreements	Cash collateral	Financial instrument collateral[1]	Net amount
Central bank funds sold and securities purchased under resale agreements (enforceable)	17,051	(2,419)	14,632	0	0	(14,602)	29
Central bank funds sold and securities purchased under resale agreements (non-enforceable)	3,164	0	3,164	0	0	(2,386)	779
Securities borrowed (enforceable)	11,891	0	11,891	0	0	(11,406)	485
Securities borrowed (non-enforceable)	13,943	0	13,943	0	0	(13,294)	649
Financial assets at fair value through profit or loss							
Trading assets	196,157	(476)	195,681	0	(11)	(1,049)	194,621
Positive market values from derivative financial instruments (enforceable)	823,578	(217,158)	606,421	(519,590)	(61,518)	(15,330)	9,982
Positive market values from derivative financial instruments (non-enforceable)	23,537	0	23,537	0	0	0	23,537
Financial assets designated at fair value through profit or loss (enforceable)	101,845	(37,075)	64,770	(2,782)	(1,924)	(50,245)	9,819
Financial assets designated at fair value through profit or loss (non-enforceable)	52,516	0	52,516	0	0	(31,358)	21,158
Total financial assets at fair value through profit or loss	1,197,633	(254,708)	942,924	(522,373)	(63,453)	(97,982)	259,117
Loans	405,673	(61)	405,612	0	(16,259)	(46,112)	343,242
Other assets	157,771	(19,792)	137,980	(67,009)	(239)	(13)	70,720
thereof: Positive market values from derivatives qualifying for hedge accounting (enforceable)	10,723	(6,320)	4,403	(3,837)	0	0	566
Remaining assets not subject to netting	178,557	0	178,557	0	(874)	(451)	177,231
Total assets	1,985,683	(276,980)	1,708,703	(589,381)	(80,825)	(186,246)	852,252

[1] Excludes real estate and other non-financial instrument collateral.

Liabilities

							2014
				Amounts not set off on the balance sheet			
in € m.	Gross amounts of financial liabilities	Gross amounts set off on the balance sheet	Net amounts of financial liabilities presented on the balance sheet	Impact of Master Netting Agreements	Cash collateral	Financial instrument collateral	Net amount
Deposits	532,992	(61)	532,931	0	0	0	532,931
Central bank funds purchased and securities sold under repurchase agreements (enforceable)	5,673	(2,419)	3,254	0	0	(2,966)	288
Central bank funds purchased and securities sold under repurchase agreements (non-enforceable)	7,633	0	7,633	0	0	(2,278)	5,356
Securities loaned (enforceable)	1,791	0	1,791	0	0	(1,614)	177
Securities loaned (non-enforceable)	549	0	549	0	0	(209)	339
Financial liabilities at fair value through profit or loss							
Trading liabilities	42,960	(1,117)	41,843	0	0	0	41,843
Negative market values from derivative financial instruments (enforceable)	803,073	(217,597)	585,475	(518,364)	(63,172)	(3,939)	0
Negative market values from derivative financial instruments (non-enforceable)	24,726	0	24,726	0	0	(11,996)	12,731
Financial liabilities designated at fair value through profit or loss (enforceable)	52,517	(35,994)	16,523	(2,782)	0	(13,741)	0
Financial liabilities designated at fair value through profit or loss (non-enforceable)	96,452	0	96,452	0	(3,130)	(5,718)	87,603
Total financial liabilities at fair value through profit or loss	1,019,728	(254,708)	765,019	(521,146)	(66,302)	(35,394)	142,176
Other liabilities	136,294	(19,792)	116,502	(71,645)	0	0	44,858
thereof: Negative market values from derivatives qualifying for hedge accounting (enforceable)	11,383	(6,320)	5,063	(5,063)	0	0	0
Remaining liabilities not subject to netting	207,801	0	207,801	0	0	0	207,801
Total liabilities	1,912,461	(276,980)	1,635,481	(592,791)	(66,302)	(42,460)	933,927

Assets

							2013
				Amounts not set off on the balance sheet			
in € m.	Gross amounts of financial assets	Gross amounts set off on the balance sheet	Net amounts of financial assets presented on the balance sheet	Impact of Master Netting Agreements	Cash collateral	Financial instrument collateral[1]	Net amount
Central bank funds sold and securities purchased under resale agreements (enforceable)	26,675	(2,390)	24,285	0	0	(24,271)	15
Central bank funds sold and securities purchased under resale agreements (non-enforceable)	3,077	0	3,077	0	0	(830)	2,248
Securities borrowed (enforceable)	11,438	0	11,438	0	0	(11,051)	386
Securities borrowed (non-enforceable)	9,432	0	9,432	0	0	(9,004)	428
Financial assets at fair value through profit or loss							
Trading assets	211,260	(1,190)	210,070	0	(311)	(2,881)	206,878
Positive market values from derivative financial instruments (enforceable)	738,425	(270,584)	467,841	(406,616)	(47,470)	(10,297)	3,458
Positive market values from derivative financial instruments (non-enforceable)	36,749	0	36,749	0	0	0	36,749
Financial assets designated at fair value through profit or loss (enforceable)	133,122	(19,575)	113,547	(17,121)	0	(84,266)	12,160
Financial assets designated at fair value through profit or loss (non-enforceable)	71,050	0	71,050	0	0	(50,263)	20,787
Total financial assets at fair value through profit or loss	1,190,605	(291,348)	899,257	(423,737)	(47,781)	(147,706)	280,032
Loans	376,638	(56)	376,582	0	(11,042)	(46,899)	318,640
Other assets	128,724	(16,185)	112,539	(43,574)	(278)	(385)	68,302
thereof: Positive market values from derivatives qualifying for hedge accounting (enforceable)	9,375	(5,412)	3,963	(3,518)	0	0	445
Remaining assets not subject to netting	174,790	0	174,790	0	0	(755)	174,035
Total assets	1,921,380	(309,979)	1,611,400	(467,311)	(59,102)	(240,901)	844,087

[1] Excludes real estate and other non-financial instrument collateral.

Liabilities

							2013
				Amounts not set off on the balance sheet			
in € m.	Gross amounts of financial liabilities	Gross amounts set off on the balance sheet	Net amounts of financial liabilities presented on the balance sheet	Impact of Master Netting Agreements	Cash collateral	Financial instrument collateral	Net amount
Deposits	527,750	0	527,750	0	0	0	527,750
Central bank funds purchased and securities sold under repurchase agreements (enforceable)	7,098	(2,390)	4,708	0	0	(4,675)	33
Central bank funds purchased and securities sold under repurchase agreements (non-enforceable)	8,673	0	8,673	0	0	(7,080)	1,594
Securities loaned (enforceable)	2,304	0	2,304	0	0	(2,112)	192
Securities loaned (non-enforceable)	0	0	0	0	0	0	0
Financial liabilities at fair value through profit or loss							
Trading liabilities	57,702	(1,898)	55,804	0	0	0	55,804
Negative market values from derivative financial instruments (enforceable)	721,233	(268,819)	452,414	(411,547)	(40,055)	(812)	0
Negative market values from derivative financial instruments (non-enforceable)	31,015	0	31,015	0	0	(7,639)	23,376
Financial liabilities designated at fair value through profit or loss (enforceable)	88,021	(18,262)	69,759	(17,121)	(588)	(49,055)	2,995
Financial liabilities designated at fair value through profit or loss (non-enforceable)	28,413	0	28,413	0	0	(3,890)	24,523
Total financial liabilities at fair value through profit or loss	926,384	(288,980)	637,404	(428,668)	(40,644)	(61,395)	106,698
Other liabilities	182,204	(18,610)	163,595	(46,058)	0	0	117,537
thereof: Negative market values from derivatives qualifying for hedge accounting (enforceable)	6,028	(5,412)	616	(616)	0	0	0
Remaining liabilities not subject to netting	212,000	0	212,000	0	0	0	212,000
Total liabilities	1,866,414	(309,979)	1,556,434	(474,725)	(40,644)	(75,262)	965,803

The column ‘Gross amounts set off on the balance sheet’ discloses the amounts offset in accordance with all the criteria described in Note 1 “Significant Accounting Policies and Critical Accounting Estimates: Offsetting Financial Instruments”.

The column ‘Impact of Master Netting Agreements’ discloses the amounts that are subject to master netting agreements but were not offset because they did not meet the net settlement/simultaneous settlement criteria; or because the rights of set off are conditional upon the default of the counterparty only. The amounts presented for other assets and other liabilities include cash margin receivables and payables respectively.

The columns ‘Cash collateral’ and ‘Financial instrument collateral’ disclose the cash and financial instrument collateral amounts received or pledged in relation to the total amounts of assets and liabilities, including those that were not offset.

Non-enforceable master netting agreements refer to contracts executed in jurisdictions where the rights of set off may not be upheld under the local bankruptcy laws.

The cash collateral received against the positive market values of derivatives and the cash collateral pledged towards the negative mark-to-market values of derivatives are booked within the ‘Other liabilities’ and ‘Other assets’ balances respectively.

The Cash and Financial instrument collateral amounts disclosed reflect their fair values. The rights of set off relating to the cash and financial instrument collateral are conditional upon the default of the counterparty.

19 – Loans

Loans by industry classification

in € m.	Dec 31, 2014	Dec 31, 2013
Banks and insurance	24,202	25,100
Manufacturing	25,619	21,406
Households (excluding mortgages)	44,839	45,440
Households – mortgages	153,140	148,076
Public sector	16,819	16,228
Wholesale and retail trade	15,714	13,965
Commercial real estate activities	35,764	34,259
Lease financing	1,165	1,429
Fund management activities	12,138	10,029
Other	81,483	66,154
Gross loans	**410,883**	382,086
(Deferred expense)/unearned income	58	(85)
Loans less (deferred expense)/unearned income	**410,825**	382,171
Less: Allowance for loan losses	5,212	5,589
Total loans	**405,612**	376,582

20 – Allowance for Credit Losses

The allowance for credit losses consists of an allowance for loan losses and an allowance for off-balance sheet positions.

Breakdown of the movements in the Group's allowance for loan losses

			2014			2013			2012
in € m.	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total
Allowance, beginning of year	**2,857**	**2,732**	**5,589**	2,266	2,426	4,692	2,011	2,147	4,158
Provision for loan losses	499	631	1,129	1,377	683	2,060	1,115	613	1,728
Net charge-offs:	(997)	(512)	(1,509)	(701)	(352)	(1,053)	(762)	(324)	(1,086)
Charge-offs	(1,037)	(613)	(1,650)	(730)	(485)	(1,215)	(798)	(483)	(1,281)
Recoveries	40	101	141	30	132	162	36	158	195
Other Changes	5	(2)	3	(85)	(25)	(110)	(98)	(9)	(108)
Allowance, end of year	**2,364**	**2,849**	**5,212**	2,857	2,732	5,589	2,266	2,426	4,692

Activity in the Group's allowance for off-balance sheet positions (contingent liabilities and lending commitments)

			2014			2013			2012
in € m.	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total
Allowance, beginning of year	**102**	**114**	**216**	118	97	215	127	98	225
Provision for off-balance sheet positions	(13)	18	4	(15)	21	5	(7)	0	(7)
Usage	0	0	0	0	0	0	0	0	0
Other changes	(4)	10	6	0	(3)	(4)	(2)	(1)	(3)
Allowance, end of year	**85**	**141**	**226**	102	114	216	118	97	215

21 – Transfers of Financial Assets

The Group enters into transactions in which it transfers financial assets held on the balance sheet and as a result may either be eligible to derecognize the transferred asset in its entirety or must continue to recognize the transferred asset to the extent of any continuing involvement, depending on certain criteria. These criteria are discussed in Note 1 "Significant Accounting Policies and Critical Accounting Estimates".

Where financial assets are not eligible to be derecognized, the transfers are viewed as secured financing transactions, with any consideration received resulting in a corresponding liability. The Group is not entitled to use these financial assets for any other purposes. 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.

Information on asset types and associated transactions that did not qualify for derecognition

in € m.	Dec 31, 2014	Dec 31, 2013
Carrying amount of transferred assets		
Trading securities not derecognized due to the following transactions:		
Repurchase agreements	24,410	32,714
Securities lending agreements	52,531	42,884
Total return swaps	3,738	7,960
Consolidated Group Sponsored Securitizations	507	168
Total trading securities	**81,186**	83,726
Other trading assets	433	866
Financial assets available for sale	1,731	507
Loans	2,225	2,085
Total	**85,575**	87,183
Carrying amount of associated liabilities	**57,800**	68,435

Information on assets transferred that did not qualify for derecognition where associated liability is recourse only to the transferred assets[1]

	Dec 31, 2014		Dec 31, 2013	
in € m.	Carrying value	Fair value	Carrying value	Fair value
Trading securities	507	507	168	168
Other trading assets	370	370	333	333
Financial assets available for sale	1,660	1,660	252	252
Loans	2,074	2,087	1,902	1,928
Total	**4,611**	**4,624**	2,654	2,680
Associated liability	4,282	4,282	2,663	2,663
Net position	329	342	(9)	17

[1] Associated liabilities are notes issued by Consolidated Group Sponsored Securitizations.

Carrying value of assets transferred in which the Group still accounts for the asset to the extent of its continuing involvement

in € m.	Dec 31, 2014	Dec 31, 2013
Carrying amount of the original assets transferred:		
Trading securities	254	210
Other trading assets	0	1
Carrying amount of the assets continued to be recognized:		
Trading securities	26	57
Other trading assets	0	1
Carrying amount of associated liabilities	**25**	58

The Group could retain some exposure to the future performance of a transferred asset either through new or existing contractual rights and obligations and still be eligible to derecognize the asset. This on-going involvement will be recognized as a new instrument which may be different from the original financial asset that was transferred. Typical transactions include retaining senior notes of non-consolidated securitizations to which originated loans have been transferred; financing arrangements with structured entities to which the Group has sold a portfolio of assets; or sales of assets with credit-contingent swaps. The Group's exposure to such transactions is not considered to be significant as any substantial retention of risks associated with the transferred asset will commonly result in an initial failure to derecognize. Transactions not considered to result in an on-going involvement include normal warranties on fraudulent activities that could invalidate a transfer in the event of legal action, qualifying pass-through arrangements and standard trustee or administrative fees that are not linked to performance.

The impact on the Group's Balance Sheet of on-going involvement associated with transferred assets derecognized in full:

			Dec 31, 2014			Dec 31, 2013
in € m.	Carrying value	Fair value	Maximum Exposure to Loss[1]	Carrying value	Fair value	Maximum Exposure to Loss[1]
Loans:						
Securitization notes	93	89	153	289	198	365
Other	12	12	12	0	0	0
Total Loans	**105**	**101**	**165**	289	198	365
Financial assets held at Fair Value through the P&L:						
Securitization notes	511	511	511	1,153	1,153	1,153
Non-standard Interest Rate, cross-currency or inflation-linked swap	33	33	33	178	178	178
Total Financial assets held at Fair Value through the P&L	**544**	**544**	**544**	1,332	1,332	1,332
Financial assets available for sale:						
Securitization notes	13	13	13	12	12	12
Total Financial assets available for sale	**13**	**13**	**13**	12	12	12
Total financial assets representing on-going involvement	**662**	**658**	**722**	1,633	1,542	1,708
Financial liabilities held at Fair Value through the P&L:						
Non-standard Interest Rate, cross-currency or inflation-linked swap	32	32	0	40	40	0
Total financial liabilities representing on-going involvement	**32**	**32**	**0**	40	40	0

[1]The maximum exposure to loss is defined as the carrying value plus the notional value of any undrawn loan commitments.

The impact on the Group's Statement of Income of on-going involvement associated with transferred assets derecognized in full:

			Dec 31, 2014			Dec 31, 2013
in € m.	Year-to-date P&L	Cumulative P&L	Gain/(loss) on disposal	Year-to-date P&L	Cumulative P&L	Gain/(loss) on disposal
Securitization notes	55	171	0	323	282	0[1]
Non-standard Interest Rate, cross-currency or inflation-linked swap	30	671	0	267	729	3
Net gains/(losses) recognized from on-going involvement in derecognized assets	**85**	**842**	**0**	590	1,011	3

[1] Typically, sales of assets into securitization vehicles were of assets that were classified as Fair Value through P&L, therefore any gain or loss on disposal is immaterial.

22 –
Assets Pledged and Received as Collateral

The Group pledges assets primarily for repurchase agreements, securities borrowing agreements as well as other borrowing arrangements and for margining purposes on OTC derivative liabilities. Pledges are generally conducted under terms that are usual and customary for standard securitized borrowing contracts and other transactions described.

Carrying value of the Group's assets pledged as collateral for liabilities or contingent liabilities[1]

in € m.	Dec 31, 2014	Dec 31, 2013
Financial assets at fair value through profit or loss	53,699	67,059
Financial assets available for sale	3,517	4,237
Loans	45,919	46,562
Other	302	884
Total	**103,438**	118,741

[1] Excludes assets pledged as collateral from transactions that do not result in liabilities or contingent liabilities

Total assets pledged to creditors available for sale or repledge[1]

in €	Dec 31, 2014	Dec 31, 2013
Financial assets at fair value through profit or loss	73,557	73,960
Financial assets available for sale	67	0
Total	**73,624**	73,960

[1] Includes assets pledged as collateral from transactions that do not result in liabilities or contingent liabilities

The Group receives collateral primarily in reverse repurchase agreements, securities lending agreements, derivatives transactions, customer margin loans and other transactions. These transactions are 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. This right is used primarily to cover short sales, securities loaned and securities sold under repurchase agreements.

Fair Value of collateral received

in € m.	Dec 31, 2014	Dec 31, 2013
Securities and other financial assets accepted as collateral	253,722	281,974
thereof:		
collateral sold or repledged	203,321	241,700

23 – Property and Equipment

in € m.	Owner occupied properties	Furniture and equipment	Leasehold improvements	Construction-in-progress	Total
Cost of acquisition:					
Balance as of January 1, 2013	4,018	4,054	2,146	235	**10,453**
Changes in the group of consolidated companies	0	14	9	0	24
Additions	42	247	111	113	513
Transfers	(23)	45	116	(173)	(35)
Reclassifications (to)/from “held for sale”	(105)	(19)	(5)	(3)	(131)
Disposals	89	279	76	0	443
Exchange rate changes	(94)	(137)	(63)	(2)	(296)
Balance as of December 31, 2013	3,749	3,926	2,240	170	**10,084**
Changes in the group of consolidated companies	(8)	11	(1)	0	3
Additions	42	332	122	173	669
Transfers	10	26	122	(153)	5
Reclassifications (to)/from “held for sale”	(2,507)	(1,364)	(133)	(55)	(4,058)
Disposals	0	201	39	0	241
Exchange rate changes	275	217	68	6	566
Balance as of December 31, 2014	1,560	2,947	2,379	141	**7,027**
Accumulated depreciation and impairment:					
Balance as of January 1, 2013	1,468	2,717	1,305	0	**5,490**
Changes in the group of consolidated companies	0	14	6	0	20
Depreciation	77	376	171	0	625
Impairment losses	52	17	1	0	69
Reversals of impairment losses	0	0	0	0	0
Transfers	(2)	1	(2)	0	(3)
Reclassifications (to)/from “held for sale”	0	(13)	(1)	0	(14)
Disposals	27	243	64	0	334
Exchange rate changes	(43)	(106)	(39)	0	(188)
Balance as of December 31, 2013	1,525	2,762	1,378	0	**5,665**
Changes in the group of consolidated companies	0	8	(1)	0	6
Depreciation	39	271	179	0	490
Impairment losses	58	105	10	0	172
Reversals of impairment losses	0	0	0	0	0
Transfers	28	10	22	0	59
Reclassifications (to)/from “held for sale”	(1,289)	(1,127)	(95)	0	(2,511)
Disposals	2	83	34	0	119
Exchange rate changes	140	175	41	0	356
Balance as of December 31, 2014	498	2,121	1,500	0	**4,118**
Carrying amount:					
Balance as of December 31, 2013	2,224	1,164	862	170	**4,420**
Balance as of December 31, 2014	1,062	826	880	141	**2,909**

Impairment losses on property and equipment are recorded within general and administrative expenses for the income statement.

The carrying value of items of property and equipment on which there is a restriction on sale was € 57 million as of December 31, 2014.

Commitments for the acquisition of property and equipment were € 42 million at year-end 2014.

The Cosmopolitan of Las Vegas was reclassified to held for sale in the year and subsequently sold. For further information please see Note 26 “Non-Current Assets and Disposal Groups Held for Sale”.

24 – Leases

The Group is lessee under lease arrangements covering property and equipment.

Finance Lease Commitments

Most of the Group’s finance lease arrangements are made under usual terms and conditions.

Net Carrying Value of Leasing Assets Held under finance leases

in € m.	Dec 31, 2014	Dec 31, 2013
Land and buildings	13	82
Furniture and equipment	1	1
Other	5	0
Net carrying value	**19**	84

Future Minimum Lease Payments Required under the Group’s Finance Leases

in € m.	Dec 31, 2014	Dec 31, 2013
Future minimum lease payments:		
Not later than one year	6	26
Later than one year and not later than five years	24	11
Later than five years	84	10
Total future minimum lease payments	**114**	47
Less: Future interest charges	71	19
Present value of finance lease commitments	**43**	28
Future minimum lease payments to be received	**9**	12
Contingent rent recognized in the income statement[1]	**0**	1

[1] The contingent rent is based on market interest rates, such as three months EURIBOR; below a certain rate the Group receives a rebate.

Operating Lease Commitments

The Group leases the majority of its offices and branches under long-term agreements. Most of the lease contracts are made under usual terms and conditions, which means they include options to extend the lease by a defined amount of time, price adjustment clauses and escalation clauses in line with general office rental market conditions. However, the lease agreements do not include any clauses that impose any restriction on the Group’s ability to pay dividends, engage in debt financing transactions or enter into further lease agreements. The Group has one significant lease contract which contains five options to extend the lease each for a period of five years and there is no purchase option in this specific lease.

Future Minimum Lease Payments Required under the Group’s Operating Leases

in € m.	Dec 31, 2014	Dec 31, 2013
Future minimum rental payments:		
Not later than one year	778	824
Later than one year and not later than five years	2,370	2,324
Later than five years	1,955	1,865
Total future minimum rental payments	**5,103**	5,013
Less: Future minimum rentals to be received	171	161
Net future minimum rental payments	**4,932**	4,852

As of December 31, 2014, the total future minimum rental payments included € 386 million for the Group headquarters in Frankfurt am Main that was sold and leased back on December 1, 2011. The Group entered into a 181 months leaseback arrangement for the entire facility in connection with the transaction.

In 2014, the rental payments for lease and sublease agreements amounted to € 815 million. This included charges of € 835 million for minimum lease payments and € 10 million for contingent rents as well as € 29 million related to sublease rentals received.

25 –
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, 2014, and 2013, are shown below by cash-generating units ("CGU").

Goodwill allocated to cash-generating units

in € m.	Corporate Banking & Securities	Private & Business Clients	Global Transaction Banking	Deutsche Asset & Wealth Management	Non-Core Operations Unit[1]	Others	Total
Balance as of January 1, 2013	1,953	2,736	432	3,979	0	197	**9,297**
Goodwill acquired during the year	4	24	6	2	0	0	37
Purchase accounting adjustments	0	0	0	0	0	0	0
Transfers	(9)	0	8	1	0	0	0
Reclassification from (to) "held for sale"	0	0	0	(5)	0	0	(5)
Goodwill related to dispositions without being classified as "held for sale"	(1)	0	(1)	(1)	0	0	(3)
Impairment losses[2]	0	0	0	0	0	0	0
Exchange rate changes/other	(84)	(2)	(14)	(133)	0	(18)	(252)
Balance as of December 31, 2013	1,863	2,758	431	3,843	0	179	**9,074**
Gross amount of goodwill	2,963	2,758	431	3,843	651	646	**11,292**
Accumulated impairment losses	(1,100)	0	0	0	(651)	(467)	**(2,218)**
Balance as of January 1, 2014	1,863	2,758	431	3,843	0	179	**9,074**
Goodwill acquired during the year	0	0	0	0	0	0	0
Purchase accounting adjustments	0	1	0	0	0	0	1
Transfers	0	0	0	0	0	0	0
Reclassification from (to) "held for sale"	(13)	(1)	0	(3)	0	0	(17)
Goodwill related to dispositions without being classified as "held for sale"	0	0	(1)	(2)	0	0	(3)
Impairment losses[2]	0	0	0	0	0	(49)	(49)
Exchange rate changes/other	166	5	44	293	0	4	512
Balance as of December 31, 2014	2,016	2,763	474	4,131	0	134	**9,518**
Gross amount of goodwill	3,249	2,763	474	4,131	651	676	**11,944**
Accumulated impairment losses	(1,233)	0	0	0	(651)	(542)	**(2,426)**

[1] Includes primary CGUs NCOU Wholesale Assets and NCOU Operating Assets.
[2] Impairment losses of goodwill are recorded as impairment of intangible assets in the income statement.

In addition to the primary CGUs, the segments CB&S and NCOU carry goodwill resulting from the acquisition of nonintegrated investments which are not allocated to the respective segments' primary CGUs. Such goodwill is summarized as "Others" in the table above. The nonintegrated investments in the NCOU consist of Maher Terminals LLC and Maher Terminals of Canada Corp.

In 2014, changes in goodwill (other than those related to exchange rate changes) mainly included the impairment of € 49 million recorded in the NCOU upon write-off of goodwill related to the nonintegrated investment in Maher Terminals LLC (included in column ‘Others’ of the above table), which was based on the continuing market uncertainty on the demand for U.S consumables impacting business volumes. The fair value less costs of disposal of the investment was determined based on a discounted free cash flow model. Accordingly, the fair value measurement was categorized as level 3 in the fair value hierarchy. The carrying amount of Maher Terminals LLC exceeded its recoverable amount, resulting in an impairment loss of € 194 million, which was recorded as impairment of intangible assets. Of that impairment amount, € 49 million was allocated to fully write-off related goodwill and another € 145 million was allocated to other intangible assets included in the CGU (see 'Other Amortizing Intangible Assets' in this Note). Key assumptions used in the fair value estimation included a discount rate (weighted average cost of capital, post-tax) of 9.3 % (prior year 9.1 %), a terminal value growth rate of 5.3 % and an average EBITDA growth rate of 13.2 %.

During 2013, changes in goodwill mainly included additions of € 37 million related to the step-acquisition of the Group’s joint venture Xchanging etb GmbH. For more details on this transaction, please refer to Note 3 “Acquisitions and Dispositions”.

In 2012, goodwill changes mainly included impairments of € 1,595 million recorded in the fourth quarter as a result of the annual goodwill impairment test conducted under the organizational structures both prior to as well as post re-segmentation.

Goodwill Impairment Test

For the purposes of impairment testing, goodwill acquired in a business combination is allocated to CGUs. On the basis as described in Note 1 “Significant Accounting Policies and Critical Accounting Estimates”, the Group’s primary CGUs are as outlined above. “Other” goodwill is tested individually for impairment on the level of each of the nonintegrated investments. Goodwill is tested for impairment annually in the fourth quarter by comparing the recoverable amount of each goodwill carrying CGU with its carrying amount. In addition, in accordance with IAS 36, the Group tests goodwill whenever a triggering event is identified. The recoverable amount is the higher of a CGU’s fair value less costs of disposal and its value in use.

The carrying amount of a primary CGU is derived using a capital allocation model. The allocation uses the Group’s total equity at the date of valuation, including Additional Tier 1 Notes (“AT1 Notes”), which constitute unsecured and subordinated notes of Deutsche Bank and which are classified as Additional equity components in accordance with IFRS. Total equity is adjusted for specific effects related to nonintegrated investments, which are tested separately for impairment as outlined above, and for an add-on adjustment for goodwill attributable to noncontrolling interests. The carrying amount (excluding the AT1 Notes) is allocated to the primary CGUs in a two-step process. In the first step, total equity that is readily identifiable is allocated to the respective individual CGUs. This includes goodwill (plus the add-on adjustment for noncontrolling interests), unamortized other intangible assets as well as certain unrealized net gains and losses recorded directly in equity and noncontrolling interests. In the second step, the remaining balance of the carrying amount (excluding the AT1 Notes) is allocated across the CGUs based on the CGU’s share of risk-weighted assets and certain capital deduction items relative to the Group (each is adjusted for items pertaining to nonintegrated investments). The AT1 Notes are allocated to the primary CGUs in proportion to their specific Leverage Ratio Shortfall (“LRS”), with LRS being a function of the Group’s target Leverage Ratio, the CGU’s Leverage Ratio Exposure Measure and the allocated Common Equity Tier 1 Capital. The carrying amount for nonintegrated investments is determined on the basis of their respective equity.

The annual goodwill impairment tests in both 2014 and 2013 did not result in an impairment loss on the goodwill of the Group’s primary CGUs as the recoverable amounts for these CGUs were higher than their respective carrying amounts.

As a result of the Group's re-segmentation during the fourth quarter 2012 (see Note 4 "Business Segments and Related Information – Business Segments" for details), the annual impairment test had to be conducted both in the structure prior to re-segmentation ("old structure") and post re-segmentation ("new structure").These impairment tests resulted in goodwill impairments totaling € 1,595 million, consisting of € 1,174 million in the CGU CB&S under the old structure and of € 421 million in the CGUs Wholesale Assets (€ 369 million) and Operating Assets (€ 52 million) within the Corporate Division NCOU under the new structure.

Recoverable Amount

The Group determines the recoverable amounts of its primary CGUs on the basis of value in use and employs a DCF model, which 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 recoverable amounts also include the value in use of the AT1 Notes, allocated to the primary CGUs consistent to their treatment in the carrying amount.

The DCF model uses earnings projections and respective capitalization assumptions (with capital ratios no lesser than: Common Equity Tier 1 capital ratio: 10 %, Tier 1 capital ratio: 11.5 % and a Tier 1 leverage ratio: 3.5 %) based on five-year financial plans agreed by management, which are discounted to their present value. Estimating future earnings and capital requirements involves judgment and the consideration of past and current performances as well as expected developments in the respective markets, and in the overall macroeconomic and regulatory environments. Earnings projections beyond the initial five-year period are, where applicable, adjusted to derive a sustainable level and are, in case of a going concern, assumed to increase by or converge towards a constant long-term growth rate of 3.2 % (2013: 3.2 %). This is based on expectations for the development of gross domestic product and inflation, and is captured in the terminal value.

Key Assumptions and Sensitivities

Key Assumptions: The value in use of a CGU is sensitive to the earnings projections, to the discount rate (cost of equity) 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 and comprise 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. CGU-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.

Primary cash-generating units

	Discount rate (pre-tax, determined implicitly based on post-tax rates)	
	2014	2013
Corporate Banking & Securities	14.5 %	16.5 %
Private & Business Clients	13.7 %	14.3 %
Global Transaction Banking	11.7 %	13.1 %
Deutsche Asset & Wealth Management	12.6 %	12.8 %
Non-Core Operations Unit[1]	14.8 %/14.5 %	17.0 %/16.6 %

1 Comprised of two primary CGUs: NCOU Wholesale Assets (14.8 %) and NCOU Operating Assets (14.5 %). Stated pre-tax discount rates assume worst case post-tax valuation scenarios, whereas both CGUs are valued applying identical post-tax discount rates. Varying pre-tax rates are due to different cash-flow composition and pattern.

Management determined the values for the key assumptions in the following table based on a combination of internal and external analysis. Estimates for efficiency and the cost reduction program are based on progress made to date and scheduled future projects and initiatives.

Primary cash-generating unit	Description of key assumptions	Uncertainty associated with key assumptions and potential events/circumstances that could have a negative effect
Corporate Banking & Securities	- Focus on client flows and solutions, benefiting from leading client market shares and higher customer penetration - Improved macro environment, especially in the Americas, whilst Europe is expected to see slower growth - Overall CB&S revenue pools are expected to see moderate growth. Corporate Finance and Equities revenue pools expected to trend higher, but Sales & trading Debt revenue pools will remain under pressure. - Targeted risk and balance sheet reduction and execution of management action to mitigate the impact of regulatory change - Improved asset efficiency under new regulatory framework and rigorously managed risk exposure - Reap benefits from Operational Excellence (OpEx) Program - Focus on efficiency gains from front-to-back platform improvements, whilst fully complying with regulatory requirements - Capitalize on close co-operation with other areas of the organization	- Potentially weaker macroeconomic environment due to still fragile growth impacted by potential event risks, particularly disorderly withdrawal of bank support for the global economy, leading to slowdown in activity and reduced investor appetite - Structure and content of a range of regulatory changes being drafted in various jurisdictions could have a more severe impact than anticipated - Potential margin compression and increased competition in products with lower capital requirements beyond expected levels - Outcome of major litigation cases - Cost and efficiency gains and expected benefits from Group-wide Operational Excellence (OpEx) Program are not realized as anticipated - Increase cost pressures from regulatory driven spend - Delay in execution of risk mitigation strategies and further headwinds from regulatory technical standards, regulatory focus on operational risk and the continued review of RWA measurement on Basel level
Private & Business Clients	- Leading position in home market Germany, strong position in other European markets, growth options in key Asian countries and a highly efficient platform - Improvement of digital capabilities as key initiative in PBC - Selective growth in Credit Products and expanding in investment and insurance business in advisory banking horizon partially mitigating impacts from low interest rate environment and leverage constraints - Achievement of synergies between Deutsche Bank and Postbank on the revenue and the cost side - Cost savings in light of Group-wide OpEx - Efficient use from our growth investments in key Asian countries	- Significant economic decline potentially resulting in higher unemployment rates, increasing credit loss provisions and lower business growth - The development of investment product markets and respective revenues additionally depend on customer confidence for investments - Continued low interest rates potentially leading to a further margin compression - Synergies related to Postbank acquisition are not realized or are realized later than foreseen - Lower synergy achievement rates related to PBC's efficiency programs - An environment of tightening regulation leading to further not yet anticipated impact on revenues and costs
Global Transaction Banking	- Cost savings in light of Group-wide OpEx - Capitalize on synergies resulting from closer co-operation with other areas of the bank - Macroeconomic recovery - Interest rate recovery from mid 2015 onwards - Positive development of international trade volumes, cross-border payments and corporate actions - Deepening relationships with Complex Corporates and Institutional Clients in existing regions while pushing further growth in Emerging Markets - Successful turn-around of the commercial banking activities in the Netherlands	- Slower recovery of the world economy and its impact on trade volumes, interest rates and foreign exchange rates - Unfavorable margin development and adverse competition levels in key markets and products beyond expected levels - Uncertainty around regulation and its potential implications not yet anticipated - Cost savings in light of Group-wide OpEx do not materialize as anticipated - Outcome of potential legal matters - Benefits from the turn-around measures of the commercial banking activities in the Netherlands are not realized as expected
Deutsche Asset & Wealth Management	- Cost savings in light of Group-wide OpEx and Deutsche AWM platform optimization from merger of AM, PWM and Passive CB&S to form Deutsche AWM - Deutsche AWM's overall internal strategy continuously informed by market trends and developments, including global wealth creation, a growing retirement market and the rapid expansion of alternatives and passive investment offerings - Expanding business with ultra high net worth clients - Building out the alternatives and passive/ETF businesses - Home market leadership in Germany through Wealth Management and DWS - Organic growth strategy in Asia/Pacific and Americas as well as intensified co-operation with CB&S and GTB - Strong coverage of emerging markets	- Major industry threats, i.e., market volatility, sovereign debt burden, increasing costs from regulatory changes - Investors continue to hold assets out of the markets, retreat to cash or simpler, lower fee products - Business/execution risks, i.e., under achievement of net new money targets from market uncertainty, loss of high quality relationship managers - Difficulties in executing organic growth strategies through certain restrictions, e.g. unable to hire relationship managers - Cost savings following efficiency gains and expected IT/process improvements are not achieved to the extent planned - Uncertainty around regulation and its potential implications not yet anticipated

Primary cash-generating unit	Description of key assumptions	Uncertainty associated with key assumptions and potential events/circumstances that could have a negative effect
	- Maintained or increased market share in the fragmented competitive environment	
Non-Core Operations Unit Wholesale Assets	- Continued execution of successful de-risking program - Continued capitalization of other divisions sales and distribution networks to facilitate successful de-risking program	- Potentially weaker macroeconomic environment due to still fragile growth impacted by event risks, particularly disorderly withdrawal of bank support for the global economy, leading to slowdown in activity and reduced ability to de-risk at an economically viable level - Structure and content of a range of regulatory changes being drafted in various jurisdictions could have a more severe impact than anticipated - Outcome of litigation cases
Non-Core Operations Unit Operating Assets	- Continued efforts to improve the underlying performance of operating assets in preparation for eventual sale	- Potentially weaker macroeconomic environment due to still fragile growth impacted by event risks, particularly disorderly withdrawal of bank support for the global economy, leading to slowdown in activity and reduced ability to dispose of operating assets at an economically viable level - Outcome of litigation cases

Sensitivities: In validating the value in use determined for the CGUs, certain external factors as well as the major value drivers of each CGU are reviewed regularly. Deutsche Bank's market capitalization remained below book value in 2014. In order to test the resilience of the value in use, key assumptions used in the DCF model (for example, the discount rate and the earnings projections) are sensitized. Management believes that the only CGUs where reasonable possible changes in key assumptions could cause an impairment loss were CB&S and PBC, for which the recoverable amount exceeded the respective carrying amount by 16 % or € 5.0 billion (CB&S) and 63 % or € 9.9 billion (PBC).

Change in certain key assumptions to cause the recoverable to equal the carrying amount

Change in Key Assumptions	CB&S	PBC
Discount rate (post tax) increase from/to	10.3 %/11.5 %	10.0 %/14.1 %
Projected future earnings in each period	(12) %	(34) %
Long term growth rates	N/M[1]	N/M[1]

N/M – Not meaningful
[1] A rate of 0 % would still lead to a recoverable amount in excess of the carrying amount.

The recoverable amounts of all remaining primary CGUs, except for those in the NCOU, were substantially in excess of their respective carrying amounts.

However, a review of the Group's strategy or certain political or global risks for the banking industry such as a return of the European sovereign debt crisis, uncertainties regarding the implementation of already adopted regulation and the introduction of legislation that is already under discussion as well as a slowdown of GDP growth may negatively impact the performance forecasts of certain of the Group's CGUs and, thus, could result in an impairment of goodwill in the future.

Other Intangible Assets

The changes of other intangible assets by asset classes for the years ended December 31, 2014, and 2013, are as follows.

	Purchased intangible assets								Internally generated intangible assets	Total other intangible assets
	Unamortized			Amortized					Amortized	
in € m.	Retail investment management agreements	Other	Total unamortized purchased intangible assets	Customer-related intangible assets	Value of business acquired	Contract-based intangible assets	Software and other	Total amortized purchased intangible assets	Software	
Cost of acquisition/manufacture:										
Balance as of January 1, 2013	878	440	1,318	1,519	848	686	938	3,991	2,261	7,570
Additions	0	0	0	24	0	0	41	65	663	728
Changes in the group of consolidated companies	0	0	0	(12)	0	0	11	(1)	0	(1)
Disposals	0	0	0	0	0	0	19	19	36	55
Reclassifications from (to) “held for sale”	0	0	0	(48)	0	0	(41)	(89)	(10)	(99)
Transfers	0	0	0	0	0	0	22	22	(68)	(46)
Exchange rate changes	(38)	1	(37)	(34)	(18)	(25)	(16)	(93)	(34)	(164)
Balance as of December 31, 2013	840	441	1,281	1,449	830	661	936	3,876	2,776	7,933
Additions	0	0	0	40	0	0	52	92	962	1,054
Changes in the group of consolidated companies	0	0	0	0	0	(14)	(2)	(16)	0	(16)
Disposals	0	0	0	9	0	0	12	21	99	120
Reclassifications from (to) “held for sale”	0	0	0	0	0	0	0	0	0	0
Transfers	0	0	0	(3)	0	(1)	17	13	(26)	(13)
Exchange rate changes	111	0	111	53	58	74	33	218	102	431
Balance as of December 31, 2014	951	441	1,392	1,530	888	720	1,024	4,162	3,715	9,269
Accumulated amortization and impairment:										
Balance as of January 1, 2013	300	2	302	741	164	142	592	1,639	707	2,648
Amortization for the year	0	0	0	99	32	36	112	279	239	518[1]
Changes in the group of consolidated companies	0	0	0	(12)	0	0	6	(6)	0	(6)
Disposals	0	0	0	0	0	0	13	13	34	47
Reclassifications from (to) “held for sale”	0	0	0	(39)	0	0	(32)	(71)	(6)	(77)
Impairment losses	0	0	0	72	0	7	4	83	43	126[2]
Reversals of impairment losses	0	0	0	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	10	10	(21)	(11)
Exchange rate changes	(13)	0	(13)	(25)	(2)	(5)	(12)	(44)	(19)	(76)
Balance as of December 31, 2013	287	2	289	836	194	180	667	1,877	909	3,075
Amortization for the year	0	0	0	99	35	35	78	247	335	582[3]
Changes in the group of consolidated companies	0	0	0	0	0	(6)	(2)	(8)	(1)	(9)
Disposals	0	0	0	8	0	0	12	20	97	117
Reclassifications from (to) “held for sale”	0	0	0	0	0	0	0	0	0	0
Impairment losses	0	0	0	0	0	117	29	146	48	194[4]
Reversals of impairment losses	84	0	84	0	0	0	0	0	0	84[5]
Transfers	0	0	0	1	0	0	2	3	(8)	(5)
Exchange rate changes	37	1	38	49	14	17	19	99	63	200
Balance as of December 31, 2014	240	3	243	977	243	343	781	2,344	1,249	3,836
Carrying amount:										
As of December 31, 2013	553	439	992	613	636	481	269	1,999	1,867	4,858
As of December 31, 2014	711	438	1,149	553	645	377	243	1,818	2,466	5,433

1 The € 518 million were included in general and administrative expenses.
2 Of which € 79 million were included in impairment of intangible assets, consisting of impairments of customer-related intangible assets (€ 72 million) and beneficial contracts (€ 7 million). Furthermore, € 47 million of impairments related to purchased (€ 4 million) and self-developed software (€ 43 million) were recorded in general and administrative expenses.
3 The € 582 million were included in general and administrative expenses.
4 Of which € 146 million were included in impairment of intangible assets, consisting of impairments of contract-based intangible assets (€ 117 million) and trade names (€ 29 million). Furthermore, € 48 million of impairments related to self-developed software were recorded in general and administrative expenses.
5 € 84 million were recorded as reversal of a prior year’s impairment and are included under impairment of intangible assets.

Amortizing Intangible Assets

In 2014, additions to internally generated intangible assets were € 962 million, which represent the capitalization of expenses incurred in conjunction with the Group's activities related to the development of own-used software. Impairments of € 146 million recorded on purchased other intangible assets were largely attributable to Maher Terminals LLC (NCOU; thereof € 116 million on lease rights ('contract-based') and € 29 million on trade mark ('software and others')), following the continued negative outlook for container and business volumes (please refer to 'Changes in Goodwill' in this Note for additional information on the valuation result of Maher Terminals LLC). The impairment of self-developed software of € 48 million was largely a result of the reassessment of current platform software under the OpEx Program.

Changes in amortizing other intangible assets recognized during 2013 mainly included additions of € 663 million to internally generated intangible assets. Impairments of € 83 million recorded on purchased other intangible assets were largely attributable to the commercial banking activities in the Netherlands (GTB), which had seen similar charges already in 2012. The impairment on self-developed software of € 43 million was largely a result of the reassessment of current platform software under the OpEx Program.

In 2012, impairments recorded on customer-related intangible assets totaling € 86 million included € 73 million in connection with measures initiated in the fourth quarter 2012 to turnaround the acquired commercial banking activities in the Netherlands (GTB) and € 13 million related to the realignment of PBC's Consumer Banking proposition. The impairment of self-developed software of € 95 million was mainly the result of changes in the planned deployment of an IT system in Deutsche AWM.

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 Note 41 "Insurance and Investment Contracts").

Useful lives of other amortized intangible assets by asset class

	Useful lives in years
Internally generated intangible assets:	
Software	up to 10
Purchased intangible assets:	
Customer-related intangible assets	up to 25
Contract-based intangible assets	up to 23
Value of business acquired	up to 30
Other	up to 80

Unamortized Intangible Assets

Within this asset class, the Group recognizes certain contract-based and marketing-related intangible assets, which are deemed to have an indefinite useful life.

In particular, the asset class comprises the below detailed investment management agreements related to retail mutual funds and certain trademarks. Due to the specific nature of these intangible assets, market prices are ordinarily not observable and, therefore, the Group values such assets based on the income approach, using a post-tax DCF-methodology.

Retail investment management agreements: These assets, amounting to € 711 million, relate to the Group's U.S. retail mutual fund business and are allocated to the Deutsche AWM CGU. Retail investment management agreements are contracts that give DWS Investments the exclusive right to manage a variety of mutual funds for a specified period. Since these 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. This intangible asset was recorded at fair value based upon a valuation provided by a third party at the date of the Group's acquisition of Zurich Scudder Investments, Inc. in 2002.

The recoverable amount of the asset of € 711 million was calculated as fair value less costs of disposal using the multi-period excess earnings method and the fair value measurement was categorized as level 3 in the fair value hierarchy. The key assumptions in determining the fair value less costs of disposal include the asset mix, the flows forecast and the effective fee rate. The discount rates (cost of equity) applied in the calculation were 10.7 % in 2014 and 11.4 % in 2013. Therefore, in 2014, a reversal of impairment of € 84 million was recognized and recorded in impairment of intangible assets in the income statement, mainly due to a positive flows forecast on the back of a strengthening franchise, a favorable asset mix and a decrease in the discount rate. In 2013, neither an impairment nor write-up was recorded, as the valuation remained steady to prior year. In 2012, a loss of € 202 million was recognized in the income statement as impairment of intangible assets. The impairment loss was predominantly due to declines in the expected development of invested asset flows, considering historical growth trends and impacts from the strategic review of the business conducted in 2012 as well as the competitive environment.

Trademarks: The other unamortized intangible assets include the Postbank (allocated to CGU PBC) and the Sal. Oppenheim (allocated to CGU Deutsche AWM) trademarks, which were acquired in 2010. The Postbank trademark was initially recognized in 2010 at € 382 million. In finalizing the purchase price allocation in 2011, the fair value of the Postbank trademark increased to € 411 million. The Sal. Oppenheim trademark was recognized at € 27 million. Since both trademarks are expected to generate cash flows for an indefinite period of time, they are classified as unamortized intangible assets. Both trademarks were recorded at fair value at the acquisition date, based on third party valuations. The recoverable amounts were calculated as the fair value less costs of disposal of the trademarks based on the income approach using the relief-from-royalty method. Since acquisition, there have been no impairments.

26 –
Non-Current Assets and Disposal Groups Held for Sale

Within the balance sheet, non-current assets and disposal groups held for sale are included in other assets and other liabilities.

in € m.	Dec 31, 2014	Dec 31, 2013
Cash, due and deposits from banks, Central bank funds sold and securities purchased under resale agreements	0	574
Trading assets, Derivatives, Financial assets designated at fair value through P&L	0	525
Financial assets available for sale	0	2,917
Loans	0	2,032
Property and equipment	142	212
Other assets	38	411
Total assets classified as held for sale	**180**	6,670
Deposits, Central bank funds purchased and securities sold under resale agreements	0	4,425
Trading liabilities, Derivatives, Financial liabilities designated at fair value through P&L	0	439
Long-term debt	0	856
Other liabilities	0	544
Total liabilities classified as held for sale	**0**	6,264

As of December 31, 2014 and December 31, 2013, unrealized net gains of € 0 million and € 2 million, respectively, relating to non-current assets and disposal groups classified as held for sale were recognized directly in accumulated other comprehensive income (loss) (net of tax).

Non-Current Assets and Disposal Groups Held for Sale as of December 31, 2014

As part of the OpEx program and in an effort to outsource parts of its wholesale information technology (IT) infrastructure services, the Group had reclassified mainly IT related fixed assets as a disposal group held for sale. The assets, which mainly comprise property and equipment, are initially included in the Infrastructure area, and are expected to be sold within one year. The reclassification of the disposal group to the held for sale category resulted in an impairment loss of € 11 million, which was recorded in other income.

In the first quarter 2014, the Group had classified a real estate foreclosure portfolio as held for sale within the Corporate Division NCOU. The portfolio has since been sold. Its classification as held for sale did not result in an impairment loss.

Also during 2014, the Group classified within CB&S several disposal groups consisting of foreclosures as held for sale. All assets are expected to be sold within one year. Their classification as held for sale did not result in an impairment loss. The respective assets have been measured at fair value less costs to sell on a non-recurring basis, with fair value measurement categorized as level 3 in the fair value hierarchy.

Disposals in 2014

Division	Disposal	Financial impact[1]	Date of the disposal
Non-Core Operations Unit	Sale of Nevada Property 1 LLC, a wholly owned subsidiary and owner of The Cosmopolitan of Las Vegas (“The Cosmopolitan”), a leading resort and casino, to Blackstone. Under the transaction, Blackstone acquired 100 % of The Cosmopolitan for a cash consideration of approximately € 1.4 billion (U.S.$ 1.73 billion).	An impairment loss of € 9 million recorded in the fourth quarter 2014.	Fourth quarter 2014
Deutsche Asset & Wealth Management	Sale of part of the Group’s Wealth Management business in the UK.	An impairment loss of € 9 million recorded in the first quarter 2014.	Third quarter 2014
Private & Business Clients	Office building previously held as property and equipment.	None.	Second quarter 2014
Non-Core Operations Unit	Sale of the Group’s subsidiary BHF-BANK AG to Kleinwort Benson Group and RHJ International (“RHJI”), following receipt of outstanding regulatory approvals. The Group received total consideration subject to closing purchase price adjustments of € 340 million, comprised of € 309 million in cash and € 31 million in RHJI shares issued at par value.	None.	First quarter 2014
Non-Core Operations Unit	Sale of office buildings previously held as investment property within other assets.	None.	First quarter 2014

[1] Impairment losses and reversals of impairment losses are included in Other income.

Non-Current Assets and Disposal Groups Held for Sale as of December 31, 2013

Division	Non-current assets and disposal groups held for sale	Financial impact[1]	Additional information
Non-Core Operations Unit	Disposal of the Group’s subsidiary BHF-BANK	An impairment loss of € 183 million recorded in the fourth quarter 2013.	Disposal in first quarter 2014
Non-Core Operations Unit/Private & Business Clients	Several office buildings held as either property and equipment or investment property.	An impairment loss of € 4 million (PBC) recorded in the fourth quarter 2013.	Disposals in 2014
Corporate Banking & Securities	Several disposal groups, consisting of foreclosure assets.	None.	Disposals in 2014
Deutsche Asset & Wealth Management	Part of the Group’s Wealth Management business in the UK	An impairment loss of € 5 million recorded in the fourth quarter 2013.	Disposal in the third quarter 2014

[1] Impairment losses and reversals of impairment losses are included in Other income.

Disposals in 2013

Division	Disposal	Financial impact [1]	Date of the disposal
Non-Core Operations Unit	Building held as property and equipment.	None.	Fourth quarter 2013
Deutsche Asset & Wealth Management	Building held as property and equipment.	None.	Third quarter 2013
Global Transaction Banking	A wholly owned subsidiary, providing merchant acquiring services to multi-national clients.	None.	Second quarter 2013
Deutsche Asset & Wealth Management	Disposal group mainly consisting of real estate fund units.	None.	First quarter 2013

[1] Impairment losses and reversals of impairment losses are included in Other income.

27 – Other Assets and Other Liabilities

in € m.	Dec 31, 2014	Dec 31, 2013
Other assets:		
Brokerage and securities related receivables		
Cash/margin receivables	65,096	40,938
Receivables from prime brokerage	10,785	9,140
Pending securities transactions past settlement date	4,741	2,697
Receivables from unsettled regular way trades	34,432	30,410
Total brokerage and securities related receivables	115,054	83,185
Accrued interest receivable	2,791	3,236
Assets held for sale	180	6,670
Other	19,955	19,448
Total other assets	**137,980**	112,539

in € m.	Dec 31, 2014	Dec 31, 2013
Other liabilities:		
Brokerage and securities related payables		
Cash/margin payables	70,558	53,435
Payables from prime brokerage	33,985	30,266
Pending securities transactions past settlement date	3,473	2,289
Payables from unsettled regular way trades	35,195	33,001
Total brokerage and securities related payables	143,210	118,992
Accrued interest payable	2,953	3,673
Liabilities held for sale	0	6,264
Other	37,659	34,666
Total other liabilities	**183,823**	163,595

For further details on the assets and liabilities held for sale please refer to Note 26 “Non-Current Assets and Disposal Groups Held for Sale”.

28 – Deposits

in € m.	Dec 31, 2014	Dec 31, 2013
Noninterest-bearing demand deposits	160,733	149,471
Interest-bearing deposits		
Demand deposits	137,966	140,813
Time deposits	124,347	127,787
Savings deposits	109,885	109,679
Total interest-bearing deposits	372,198	378,279
Total deposits	**532,931**	527,750

29 – Provisions

Movements by Class of Provisions

in € m.	Home Savings Business	Operational/ Litigation	Restructuring	Mortgage Repurchase Demands	Other[1]	Total
Balance as of January 1, 2013	963	2,604	165	341	822	**4,895**
Changes in the group of consolidated companies	0	3	0	0	2	5
New provisions	200	2,673	344	119	408	3,744
Amounts used	(119)	(2,717)	(275)	(101)	(299)	(3,511)
Unused amounts reversed	(11)	(401)	(22)	0	(152)	(586)
Effects from exchange rate fluctuations/ Unwind of discount	(19)	(38)	(6)	(14)	(10)	(87)
Transfers	(3)	(18)	1	0	(131)	(151)[2]
Other	0	0	0	0	0	0
Balance as of December 31, 2013	1,011	2,106	207	345	639	**4,308**
Changes in the group of consolidated companies	0	0	0	0	0	0
New provisions	211	2,049	154	411	609	3,434
Amounts used	(104)	(307)	(195)	(45)	(194)	(845)
Unused amounts reversed	(3)	(319)	(52)	(88)	(189)	(651)
Effects from exchange rate fluctuations/ Unwind of discount	35	103	6	46	14	204
Transfers	0	0	0	0	0	0
Other	0	0	0	0	0	0
Balance as of December 31, 2014	1,150	3,632	120	669	880	**6,451**

1 For the remaining portion of provisions as disclosed on the consolidated balance sheet, please see Note 20 “Allowance for Credit Losses”, in which allowances for credit related off-balance sheet positions are disclosed.
2 Includes mainly reclassifications (to)/from liabilities held for sale.

Classes of Provisions

Home Savings provisions arise out of the home savings business of Deutsche Postbank Group and Deutsche Bank Bauspar-Aktiengesellschaft. In home savings, a customer enters into a building loan agreement, whereby the customer becomes entitled to borrow on a building loan once the customer has on deposit with the lending bank a targeted amount of money. In connection with the building loan agreement, arrangement fees are charged and interest is paid on deposited amounts at a rate that is typically lower than that paid on other bank deposits. In the event the customer determines not to make the borrowing, the customer becomes entitled to a retroactive interest bonus, reflecting the difference between the low contract savings interest rate and a fixed interest rate, currently substantially above market rate. The home savings provision relates to the potential interest bonus and arrangement fee reimbursement liability. The model for the calculation of the potential interest bonus liability includes parameters for the percentage of customer base impacted, applicable bonus rate, customer status and timing of payment. Other factors impacting the provision are available statistical data relating to customer behavior and the general environment likely to affect the business in the future.

Operational/Litigation provisions arise out of operational risk, which is the potential for failure (including the legal component) in relation to employees, contractual specifications and documentation, technology, infrastructure failure and disasters, external influences and customer relationships. This excludes business and reputational risk. Operational risk issues may result in demands from customers, counterparties and regulatory bodies or in legal proceedings.

Restructuring provisions arise out of restructuring activities. The Group aims to enhance its long-term competitiveness through major reductions in costs, duplication and complexity in the years ahead. For details see Note 10 "Restructuring".

Mortgage Repurchase Demands provisions arise out of Deutsche Bank's U.S. residential mortgage loan business. From 2005 through 2008, as part of this business, Deutsche Bank sold approximately U.S. $ 84 billion of private label securities and U.S. $ 71 billion of loans through whole loan sales. Deutsche Bank has been presented with demands to repurchase loans from or to indemnify purchasers, investors or financial insurers with respect to losses allegedly caused by material breaches of representations and warranties. Deutsche Bank's general practice is to process valid repurchase demands that are presented in compliance with contractual rights and applicable statutes of limitations.

As of December 31, 2014, Deutsche Bank has approximately U.S.$ 4.8 billion of mortgage repurchase demands outstanding and not subject to agreements to rescind (based on original principal balance of the loans). These demands consist primarily of demands made in respect of private label securitizations by the trustees or servicers thereof. Against these outstanding demands, Deutsche Bank recorded provisions of U.S.$ 813 million (€ 669 million) as of December 31, 2014. Deutsche Bank is the beneficiary of indemnity agreements from the originators or sellers of certain of the mortgage loans subject to these demands, with respect to which Deutsche Bank has recognized receivables in 2014 of U.S.$ 359 million (€ 295 million) as of December 31, 2014. The net provisions against these demands following deduction of such receivables were U.S.$ 454 million (€ 374 million) as of December 31, 2014. No such indemnity receivables were recognized for prior years.

As of December 31, 2014, Deutsche Bank has completed repurchases, obtained agreements to rescind or otherwise settled claims on loans with an original principal balance of approximately U.S. $ 5.3 billion. In connection with those repurchases, agreements and settlements, Deutsche Bank has obtained releases for potential claims on approximately U.S. $ 72.9 billion of loans sold by Deutsche Bank as described above.

Deutsche Bank has entered into agreements with certain entities that have threatened to assert mortgage loan repurchase demands against Deutsche Bank to toll the relevant statutes of limitations. It is possible that these potential demands may have a material impact on Deutsche Bank.

Deutsche Bank anticipates that additional mortgage repurchase demands may be made in respect of mortgage loans that it has sold, but cannot reliably estimate their timing or amount, which can be influenced by, among other things, court decisions on when the statute of limitations on breaches of representations and warranties accrues including in an appeal pending before the New York Court of Appeal with respect to a residential mortgage-backed security issued by Deutsche Bank. Deutsche Bank did not act as servicer for the loans sold to third parties as whole loans (which constitute almost half of all U.S. residential mortgage loans sold from 2005 through 2008) and, once sold, Deutsche Bank ceased to have access to information about their performance. While loan performance is publicly available on the mortgage loans that Deutsche Bank securitized, no direct correlation has been observed between their performance and repurchase demands received. Demands have been received on loans that have defaulted, as well as loans that are current and loans that have been repaid in full.

Other provisions include several specific items arising from a variety of different circumstances, including the provision for the reimbursement of loan processing fees, deferred sales commissions, the provision for the United Kingdom bank levy and a provision under the credit card business cooperation of Deutsche Bank and Hua Xia Bank (see Note 38 "Related Party Transactions").

Contingent Liabilities

Contingent liabilities can arise from present obligations and from possible obligations arising from past events. The Group recognizes a provision for potential loss only when there is a present obligation arising from a past event that is probable to result in an economic outflow and that can be reliably estimated. For significant contingent liabilities for which the possibility of a future loss is more than remote but less than probable, the Group estimates the possible loss where the Group believes that an estimate can be made.

The Group operates in a legal and regulatory environment that exposes it to significant litigation risks. As a result, the Group is involved in litigation, arbitration and regulatory proceedings and investigations in Germany and in a number of jurisdictions outside Germany, including the United States, arising in the ordinary course of business. The legal and regulatory claims for which the Group has taken material provisions or for which there are material contingent liabilities that are more than remote are described below; similar matters are grouped together and some matters consist of a number of claims. The estimated loss in respect of each, where such an estimate can be made, has not been disclosed for individual matters because the Group has concluded that such disclosure can be expected to seriously prejudice their outcome. Where a provision has been taken for a particular claim, no contingent liability is recorded.

In determining for which of the claims the possibility of a loss is more than remote, and then estimating the possible loss for those claims, the Group takes into consideration a number of factors, including but not limited to the nature of the claim and its underlying facts, the procedural posture and litigation history of each case, rulings by the courts or tribunals, the Group's experience and the experience of others in similar cases (to the extent this is known to the Group), prior settlement discussions, settlements by others in similar cases (to the extent this is known to the Group), available indemnities and the opinions and views of legal counsel and other experts. There are other disclosed matters for which the possibility of a loss is more than remote but for which such an estimate cannot be made. For the Bank's significant matters where an estimate can be made, the Group currently estimates that, as of December 31, 2014, the aggregate future loss of which the possibility is more than remote but less than probable is approximately € 2.0 billion (December 31, 2013: € 1.5 billion). This figure includes contingent liabilities on matters where the Group's potential liability is joint and several and where the Group expects any such liability to be paid by a third party.

This estimated possible loss, as well as any provisions taken, is based upon currently available information and is subject to significant judgment and a variety of assumptions, variables and known and unknown uncertainties. These uncertainties may include inaccuracies in or incompleteness of the information available to the Group, particularly at the preliminary stages of matters, and assumptions by the Group as to future rulings of courts or other tribunals or the likely actions or positions taken by regulators or adversaries may prove incorrect. Moreover, estimates of possible loss for these matters are often not amenable to the use of statistical or other quantitative analytical tools frequently used in making judgments and estimates, and are subject to even greater degrees of uncertainty than in many other areas where the Group must exercise judgment and make estimates.

The matters for which the Group determines that the possibility of a future loss is more than remote will change from time to time, as will the matters as to which an estimate can be made and the estimated possible loss for such matters. Actual results may prove to be significantly higher or lower than the estimate of possible loss in those matters where such an estimate was made. In addition, loss may be incurred in matters with respect to which the Group believed the likelihood of loss was remote. In particular, the estimated aggregate possible loss does not represent the Group's potential maximum loss exposure for those matters.

The Group may settle litigation or regulatory proceedings or investigations prior to a final judgment or determination of liability. It may do so to avoid the cost, management efforts or negative business, regulatory or reputational consequences of continuing to contest liability, even when the Group believes it has valid defenses to liability. It may also do so when the potential consequences of failing to prevail would be disproportionate to the costs of settlement. Furthermore, the Group may, for similar reasons, reimburse counterparties for their losses even in situations where it does not believe that it is legally compelled to do so.

Current Individual Proceedings

Credit Default Swap Antitrust Matters. On July 1, 2013, the European Commission (EC) issued a Statement of Objections (the "SO") against Deutsche Bank, Markit Group Limited (Markit), the International Swaps and Derivatives Association, Inc. (ISDA), and twelve other banks alleging anti-competitive conduct under Article 101 of the Treaty on the Functioning of the European Union (TFEU) and Article 53 of the European Economic Area Agreement (the "EEA Agreement"). The SO sets forth preliminary conclusions of the EC that (i) attempts by certain entities to engage in exchange trading of unfunded credit derivatives were foreclosed by improper collective action in the period from 2006 through 2009, and (ii) the conduct of Markit, ISDA, Deutsche Bank and the twelve other banks constituted a single and continuous infringement of Article 101 of the TFEU and Article 53 of the EEA Agreement. If the EC finally concludes that infringement occurred, it may seek to impose fines and other remedial measures on Deutsche Bank, Markit, ISDA and the twelve other banks. Deutsche Bank filed a response contesting the EC's preliminary conclusions in January 2014. Deutsche Bank and other SO addressees presented orally the key elements of their responses at an oral hearing in May 2014. Following the oral hearing, the EC announced its intention to carry out a further investigation of the facts.

Antitrust Litigation regarding Credit Default Swaps. A multi-district civil class action is currently pending in the United States District Court for the Southern District of New York against Deutsche Bank and numerous other credit default swap (CDS) dealer banks, as well as Markit and ISDA. Plaintiffs filed a second consolidated amended class action complaint on April 11, 2014 alleging that the banks conspired with Markit and ISDA to prevent the establishment of exchange-traded CDS, with the effect of raising prices for over-the-counter CDS transactions. Plaintiffs seek to represent a class of individuals and entities located in the United States or abroad who, during a period from January 1, 2008 through December 31, 2013, directly purchased CDS from or directly sold CDS to the dealer defendants in the United States. Defendants moved to dismiss the second consolidated amended class action complaint on May 23, 2014. On September 4, 2014, the court granted in part and denied in part the motion to dismiss. Discovery on plaintiffs' remaining claims is ongoing.

Credit Correlation. Certain regulatory authorities are investigating Deutsche Bank's bespoke credit correlation trading book and certain risks within that book, during the credit crisis. Issues being examined include the methodology used to value positions in the book as well as the robustness of controls governing the application of valuation methodologies. Deutsche Bank has been in discussions with the SEC staff regarding the resolution of its investigation in this matter. There can be no assurance that such a resolution will be achieved.

Esch Funds Litigation. Sal. Oppenheim jr. & Cie. AG & Co. KGaA ("Sal. Oppenheim") was prior to its acquisition by Deutsche Bank in 2010 involved in the marketing and financing of participations in closed end real estate funds. These funds were structured as Civil Law Partnerships under German law. Usually, Josef Esch Fonds-Project GmbH performed the planning and project development. Sal. Oppenheim held an indirect interest in this company via a joint-venture. In relation to this business a number of civil claims have been filed against Sal. Oppenheim. Some but not all of these claims are also directed against former managing partners of Sal. Oppenheim and other individuals. The claims brought against Sal. Oppenheim relate to investments of originally approximately € 1.1 billion. The investors are seeking to unwind their fund participation and to be indemnified against potential losses and debt related to the investment. The claims are based in part on an alleged failure of Sal. Oppenheim to provide adequate information on related risks and other material aspects important for the investors' decision. Based on the facts of the individual cases, some courts decided in favor and some against Sal. Oppenheim. Appeals are pending.

FX Investigations and Litigations. Deutsche Bank has received requests for information from certain regulatory and law enforcement agencies globally who are investigating trading, and various other aspects, of the foreign exchange market. The Bank is cooperating with these investigations. Relatedly, Deutsche Bank is conducting its own internal global review of foreign exchange trading and other aspects of its foreign exchange business. In connection with this review, the Bank has taken, and will continue to take, disciplinary action with regards to individuals if merited. Deutsche Bank has also been named as a defendant in three putative class actions – two involving non-U.S. plaintiffs and one involving U.S. plaintiffs – brought in the United States District Court for the Southern District of New York alleging antitrust claims relating to the alleged manipulation of foreign exchange rates. On January 28, 2015, the federal judge overseeing the class actions granted the motion to dismiss with prejudice in the two actions involving non-U.S. plaintiffs while denying the motion to dismiss in the action involving U.S. plaintiffs.

High Frequency Trading/Dark Pool Trading. Deutsche Bank has received requests for information from certain regulatory authorities related to high frequency trading and the operation of Deutsche Bank's alternative trading system ("ATS" or "Dark Pool"), SuperX. The Bank is cooperating with these requests. Deutsche Bank was initially named as a defendant in putative class action complaints alleging violations of U.S. securities laws related to high frequency trading, but in their consolidated amended complaint filed September 2, 2014, the plaintiffs did not include Deutsche Bank as a defendant.

Interbank Offered Rates Matters. Deutsche Bank has received subpoenas and requests for information from various regulatory and law enforcement agencies in Europe, North America and Asia/Pacific in connection with industry-wide investigations concerning the setting of London Interbank Offered Rate (LIBOR), Euro Interbank Offered Rate (EURIBOR), Tokyo Interbank Offered Rate (TIBOR) and other interbank offered rates. Deutsche Bank is cooperating with these investigations.

As previously reported, Deutsche Bank reached a settlement with the European Commission on December 4, 2013 as part of a collective settlement to resolve the European Commission’s investigations in relation to anticompetitive conduct in the trading of Euro interest rate derivatives and Yen interest rate derivatives. Under the terms of the settlement agreement, Deutsche Bank agreed to pay € 725 million in total. Deutsche Bank nonetheless remains exposed to civil litigation and further regulatory action relating to these benchmarks.

Deutsche Bank has been informed by certain of the authorities investigating these matters that proceedings against Deutsche Bank will be recommended with respect to some aspects of the matters under investigation, and Deutsche Bank is engaged in discussions with those authorities about potential resolution of those investigations.

In the period from mid-2012 to autumn 2014, five financial institutions entered into settlements with the U.K. Financial Conduct Authority (formerly the Financial Services Authority), U.S. Commodity Futures Trading Commission, U.S. Department of Justice (DOJ), and other regulators. While the terms of the various settlements differed, they all involved significant financial penalties and regulatory consequences. For example, three financial institutions’ settlements included a Deferred Prosecution Agreement, pursuant to which the DOJ agreed to defer prosecution of criminal charges against the applicable entity provided that the financial institution satisfies the terms of the Deferred Prosecution Agreement. The terms of the other two financial institutions’ settlements included Non-Prosecution Agreements, pursuant to which the DOJ agreed not to file criminal charges against the entities so long as certain conditions are met. In addition, affiliates of two of the financial institutions agreed to plead guilty to a crime in a United States court for related conduct.

A number of civil actions, including putative class actions, are pending in federal court in the United States District Court for the Southern District of New York (SDNY) against Deutsche Bank and numerous other banks. All but two of these actions were filed on behalf of parties who allege that they held or transacted in U.S. dollar LIBOR-based derivatives or other financial instruments and sustained losses as a result of purported collusion or manipulation by the defendants relating to the setting of U.S. dollar LIBOR. With one exception, all of the civil actions pending in the SDNY concerning U.S. dollar LIBOR are being coordinated as part of a multidistrict litigation (U.S. dollar LIBOR MDL). In March 2013, the court dismissed the federal and state antitrust claims, claims asserted under the Racketeer Influenced and Corrupt Organizations Act (RICO) and certain state law claims that had been asserted in six amended complaints. Plaintiffs representing a putative class of bondholders are currently pursuing an appeal from the dismissal of their sole claim (a federal antitrust claim) from the U.S. dollar LIBOR MDL to the United States Court of Appeals for the Second Circuit, following a decision by the United States Supreme Court permitting them to pursue an appeal at this time. The District Court has also granted applications made by other plaintiffs in the U.S. dollar LIBOR MDL whose federal antitrust claims were dismissed by the District Court, or whose cases were stayed by the District Court pending the outcome of the bondholder plaintiffs' appeal to the Supreme Court, to pursue immediate appeals to the Second Circuit on their federal antitrust claims. (The Second Circuit has denied a request by a separate group of plaintiffs to reinstate their appeal, which was initially dismissed by the Second Circuit as untimely in 2013. That group of plaintiffs has now filed a new notice of appeal.) Additional complaints relating to the alleged manipulation of U.S. dollar LIBOR have been filed in, removed to, or transferred to the SDNY and are being coordinated as part of the U.S. dollar LIBOR MDL. The court issued a decision in June 2014 permitting plaintiffs to proceed with certain claims under the Commodity Exchange Act (CEA), as well as certain state law contract and unjust enrichment claims. Various plaintiffs proceeding in their individual capacities (i.e., non-class actions) have filed amended complaints, and the parties have briefed motions to dismiss. Plaintiffs representing putative classes of homeowners and lenders have also filed amended complaints, and the parties are briefing motions to dismiss. The Bank has also filed motions to dismiss complaints for lack of personal jurisdiction filed by putative classes of plaintiffs who allegedly transacted in over-the-counter financial instruments referencing U.S. dollar LIBOR and plaintiffs who allegedly transacted in exchange-traded financial instruments referencing U.S. dollar LIBOR. An additional action concerning U.S. dollar LIBOR is independently pending in the SDNY and is subject to pending motions to dismiss. Finally, the Bank has also been named as a defendant in a civil action pending in the Central District of California concerning U.S. dollar LIBOR. The court has granted the Bank's motion to dismiss for lack of personal jurisdiction and has dismissed the claims asserted against the other defendants in the case as well. The plaintiff has filed a notice of appeal seeking review by the United States Court of Appeals for the Ninth Circuit.

A putative class action was filed against Deutsche Bank and other banks concerning the alleged manipulation of Yen LIBOR and Euroyen TIBOR. On March 28, 2014, the SDNY court granted defendants' motions to dismiss claims asserted under U.S. federal antitrust laws and for unjust enrichment, but denied defendants' motions as to certain claims asserted under the CEA. Motions to dismiss the case for lack of personal jurisdiction filed by Deutsche Bank and certain other foreign defendants are pending and discovery is stayed through April 7, 2015. Deutsche Bank is also a defendant in a putative class action concerning the alleged manipulation of EURIBOR. The court granted a motion to stay discovery through May 12, 2015. Defendants' time to respond to that complaint has been stayed pending amendments to the complaint. Claims for damages in these cases have been asserted under various legal theories, including violations of the CEA, federal and state antitrust laws, RICO, and other federal and state laws.

Kirch. The public prosecutor's office in Munich has conducted and is currently conducting criminal investigations in connection with the Kirch case with regard to former Management Board members as well as the current Management Board members Juergen Fitschen and Dr. Stephan Leithner. The Kirch case involved several civil proceedings between Deutsche Bank AG and Dr. Leo Kirch as well as media companies controlled by him. The key issue was whether an interview given by Dr. Rolf Breuer, then Spokesman of Deutsche Bank's Management Board, in 2002 with Bloomberg television, during which Dr. Breuer commented on Dr. Kirch's (and his companies') inability to obtain financing, caused the insolvency of the Kirch companies. In February 2014, Deutsche Bank and the Kirch heirs reached a comprehensive settlement, which has ended all legal disputes between them.

The investigation involving current Management Board member Juergen Fitschen and several former Management Board members has been concluded. At the beginning of August 2014, an indictment was filed with the District Court of Munich against Mr. Fitschen and such former Management Board members. The public prosecutor has applied for the court to order Deutsche Bank's secondary participation in the proceedings in regard to a potential regulatory offence pursuant to Section 30 of the German Regulatory Offences Act. The indictment was served to the former Management Board members, Mr. Fitschen and Deutsche Bank AG in September 2014. On March 2, 2015, the District Court of Munich admitted the indictment and opened the trial against all accused. The court also ordered the secondary participation of Deutsche Bank AG.

The investigation involving current Management Board member Dr. Stephan Leithner is ongoing.

The allegations of the public prosecutors are that the two current Management Board members failed to correct in a timely manner factual statements made by Deutsche Bank's litigation counsel in submissions filed in a civil case between Kirch and Deutsche Bank AG before the Munich Higher Regional Court and the Federal Court of Justice, after allegedly having become aware that such statements were not correct. Under German law, a party in a civil litigation is under a statutory duty to make sure all factual statements made by it in court are accurate. The investigation of Dr. Leithner and the indictment of Mr. Fitschen are based on the allegation that (unlike the other current Management Board members of the Bank) they had special knowledge or responsibility in relation to the Kirch case. The indictment regarding former Management Board members is based on the allegation that such former Management Board members gave incorrect testimony to the Munich Higher Regional Court.

The Supervisory Board and the Management Board of the Bank have obtained opinions from an international law firm and a retired president of one of the leading courts of appeal in Germany to the effect that there is no basis for the accusation of criminal wrongdoing made by the public prosecutors against Mr. Fitschen and Dr. Leithner. Deutsche Bank is fully cooperating with the Munich public prosecutor's office.

KOSPI Index Unwind Matters. Following the decline of the Korea Composite Stock Price Index 200 ("KOSPI 200") in the closing auction on November 11, 2010 by approximately 2.7 %, the Korean Financial Supervisory Service ("FSS") commenced an investigation and expressed concerns that the fall in the KOSPI 200 was attributable to a sale by Deutsche Bank of a basket of stocks, worth approximately € 1.6 billion, that was held as part of an index arbitrage position on the KOSPI 200. On February 23, 2011, the Korean Financial Services Commission, which oversees the work of the FSS, reviewed the FSS' findings and recommendations and resolved to take the following actions: (i) to file a criminal complaint to the Korean Prosecutor's Office for alleged market manipulation against five employees of the Deutsche Bank group and Deutsche Bank's subsidiary Deutsche Securities Korea Co. (DSK) for vicarious liability; and (ii) to impose a suspension of six months, commencing April 1, 2011 and ending September 30, 2011, of DSK's business for proprietary trading of cash equities and listed derivatives and DMA (direct market access) cash equities trading, and the requirement that DSK suspend the employment of one named employee for six months. There was an exemption to the business suspension which permitted DSK to continue acting as liquidity provider for existing derivatives linked securities. On August 19, 2011, the Korean Prosecutor's Office announced its decision to indict DSK and four employees of the Deutsche Bank group on charges of spot/futures linked market manipulation. The criminal trial commenced in January 2012. A verdict in respect of DSK and one of the four indicted employees may be delivered during 2015. In addition, a number of civil actions have been filed in Korean courts against Deutsche Bank and DSK by certain parties who allege they incurred losses as a consequence of the fall in the KOSPI 200 on November 11, 2010. The claimants are seeking damages with an aggregate claim amount of approximately € 250 million (at present exchange rates) plus interest and costs. These litigations are at various stages of proceedings, with verdicts in some actions possible during 2015.

Mortgage-Related and Asset-Backed Securities Matters and Investigation. Deutsche Bank, along with certain affiliates (collectively referred in these paragraphs to as "Deutsche Bank"), have received subpoenas and requests for information from certain regulators and government entities, including members of the Residential Mortgage-Backed Securities Working Group of the U.S. Financial Fraud Enforcement Task Force, concerning its activities regarding the origination, purchase, securitization, sale and/or trading of mortgage loans, residential mortgage-backed securities (RMBS), commercial mortgage-backed securities (CMBS), collateralized debt obligations, other asset-backed securities and credit derivatives. Deutsche Bank is cooperating fully in response to those subpoenas and requests for information.

Deutsche Bank has been named as a defendant in a civil action brought by the Commonwealth of Virginia asserting claims for fraud and breach of the Virginia Fraud Against Taxpayers Act as a result of purchases by the Virginia Retirement System (VRS) of RMBS issued or underwritten by Deutsche Bank. Deutsche Bank is one of thirteen financial institutions named as defendants. The complaint alleges damages of $1.15 billion in the aggregate against all defendants but does not specify the damages sought from each defendant. The action was originally filed under seal by a private party and was unsealed on September 16, 2014, after the Attorney General for Virginia decided to intervene in the action. The case is in the early stages, and Deutsche Bank is contesting VRS's assertion that the Virginia state court can exercise personal jurisdiction over it.

Deutsche Bank has been named as defendant in numerous other civil litigations in connection with its various roles, including issuer or underwriter, in offerings of RMBS and other asset-backed securities. These cases, described below, include putative class action suits, actions by individual purchasers of securities and actions by trustees on behalf of RMBS trusts. Although the allegations vary by lawsuit, these cases generally allege that the RMBS offering documents contained material misrepresentations and omissions, including with regard to the underwriting standards pursuant to which the underlying mortgage loans were issued, or assert that various representations or warranties relating to the loans were breached at the time of origination.

Deutsche Bank is a defendant in putative class actions relating to its role, along with other financial institutions, as underwriter of RMBS issued by IndyMac MBS, Inc. On September 8, 2014, Deutsche Bank, certain other financial institution defendants and lead plaintiffs executed a stipulation to settle the action. On September 30, 2014, the court issued an order certifying the class for settlement and approving notice to the class. On February 23, 2015, the court issued an order approving the settlement and dismissing the action. Under the settlement, all settling defendants paid a total of $ 340 million. Deutsche Bank's portion of the settlement is not material to it.

Deutsche Bank is a defendant in a putative class action relating to its role, along with other financial institutions, as underwriter of RMBS issued by Novastar Mortgage Corporation. On February 4, 2015, the court issued an order vacating its prior decision that had dismissed five of six RMBS offerings from the case. The court ordered the plaintiffs to amend the operative complaint to include the previously dismissed offerings. Discovery in the action, which had been stayed while the plaintiffs' motion had been pending, will now resume.

On December 18, 2013, the United States District Court for the Southern District of New York dismissed the claims against Deutsche Bank in a putative class action relating to RMBS issued by Residential Accredit Loans, Inc. and its affiliates.

Deutsche Bank is a defendant in various non-class action lawsuits and arbitrations by alleged purchasers of, and counterparties involved in transactions relating to, RMBS, and their affiliates, including Aozora Bank, Ltd., Commerzbank AG, the Federal Deposit Insurance Corporation (as conservator for Colonial Bank, Franklin Bank S.S.B., Guaranty Bank, Citizens National Bank and Strategic Capital Bank), the Federal Home Loan Bank of Boston, the Federal Home Loan Bank of San Francisco, the Federal Home Loan Bank of Seattle, HSBC Bank USA, National Association (as trustee for certain RMBS trusts), Knights of Columbus, Mass Mutual Life Insurance Company, Phoenix Light SF Limited (as purported assignee of claims of special purpose vehicles created and/or managed by WestLB AG), Royal Park Investments (as purported assignee of claims of a special-purpose vehicle created to acquire certain assets of Fortis Bank), Sealink Funding Ltd. (as purported assignee of claims of special purpose vehicles created and/or managed by Sachsen Landesbank and its subsidiaries), Texas County & District Retirement System and The Charles Schwab Corporation.

On November 17, 2014, pursuant to confidential settlement agreements executed on November 6, 2014, Assured Guaranty Municipal Corporation dismissed with prejudice the action it had filed against Deutsche Bank and Deutsche Bank dismissed with prejudice the third-party claims it had filed in that action against Greenpoint Mortgage Funding, Inc. The net financial impact of the settlements was not material to Deutsche Bank.

On December 15, 2014, pursuant to a confidential settlement agreement executed on December 9, 2014, Landesbank Baden-Württemberg dismissed with prejudice the action it had filed against Deutsche Bank. The financial terms of the settlement are not material to Deutsche Bank.

On December 18, 2014, a stipulation was filed dismissing with prejudice claims brought against Deutsche Bank by Mass Mutual Life Insurance Company relating to offerings issued by entities affiliated with Countrywide. Deutsche Bank's understanding is that the dismissal with respect to these offerings was pursuant to a confidential settlement agreement to which Deutsche Bank was not a party. Deutsche Bank remains a defendant in separate litigation brought by Mass Mutual Life Insurance Company relating to certificates not issued by entities affiliated with Countrywide.

On January 14, 2015, the court granted Deutsche Bank's motion to dismiss the action brought against it by Aozora Bank, Ltd., relating to a collateralized debt obligation identified as Blue Edge ABS CDO Ltd. On February 17, 2015, Aozora Bank, Ltd. filed a motion to reargue, or, in the alternative, to file an amended complaint. Deutsche Bank has opposed the motion. Deutsche Bank also is a defendant, along with UBS AG and affiliates, in an action brought by Aozora Bank relating to a collateralized debt obligation identified as Brooklyn Structured Finance CDO, Ltd., in which a motion to dismiss currently is pending before the court.

Pursuant to a confidential settlement agreement dated January 15, 2015, John Hancock Life Insurance Company (U.S.A.) and affiliates agreed to dismiss with prejudice the action they had filed against Deutsche Bank. The financial terms of the settlement are not material to Deutsche Bank.

On January 22, 2015, pursuant to a confidential settlement agreement with Deutsche Bank dated January 14, 2015, the Federal Home Loan Bank of San Francisco dismissed with prejudice claims that it had filed against Deutsche Bank relating to seven RMBS offerings.

On January 26, 2015, pursuant to a confidential agreement between the Federal Home Loan Bank of San Francisco and Countrywide, the Federal Home Loan Bank of San Francisco entered an order dismissing with prejudice claims brought against Deutsche Bank by the Federal Home Loan Bank of San Francisco relating to 15 offerings issued by entities affiliated with Countrywide. Deutsche Bank's understanding is that the dismissal with respect to these 15 offerings was pursuant to a confidential settlement agreement to which Deutsche Bank was not a party. Deutsche Bank remains a defendant in the case with respect to one RMBS offering and two offerings described as resecuritizations of RMBS certificates. The case is in discovery.

Deutsche Bank and Monarch Alternative Capital LP and certain of its advisory clients and managed investments vehicles (Monarch) reached an agreement on December 18, 2014 to propose a settlement agreement to HSBC Bank USA, National Association (HSBC) to resolve litigation relating to three RMBS trusts. Pursuant to the agreement with Monarch, Monarch requested that HSBC conduct a vote of certificateholders for each of the trusts with respect to the approval or rejection of the proposed settlements. HSBC has notified the relevant certificateholders of the proposed settlement agreements and that it is currently undertaking a review of the proposed agreements and intends to issue future notices to certificateholders regarding the proposed agreements shortly. In the event one or more of the settlements are completed, a substantial portion of the settlement funds paid by Deutsche Bank would be reimbursed by a non-party to the litigation. The net economic impact of the settlements is not material to Deutsche Bank.

In the actions against Deutsche Bank solely as an underwriter of other issuers' RMBS offerings, Deutsche Bank has contractual rights to indemnification from the issuers, but those indemnity rights may in whole or in part prove effectively unenforceable where the issuers are now or may in the future be in bankruptcy or otherwise defunct.

Deutsche Bank has entered into agreements with certain entities that have threatened to assert claims against Deutsche Bank in connection with various RMBS offerings and other related products to toll the relevant statutes of limitations. It is possible that these potential claims may have a material impact on Deutsche Bank. In addition, Deutsche Bank has entered into settlement agreements with some of these entities, the financial terms of which are not material to Deutsche Bank.

Deutsche Bank National Trust Company ("DBNTC") and Deutsche Bank Trust Company Americas ("DBTCA") have been sued by investors in civil litigation concerning their roles as trustees of certain RMBS trusts. On June 18, 2014, a group of investors filed a civil action against DBNTC and DBTCA in New York State Supreme Court purportedly on behalf of and for the benefit of 544 private-label RMBS trusts asserting claims for alleged violations of the Trust Indenture Act of 1939 (TIA), breach of contract, breach of fiduciary duty and negligence based on DBNTC and DBTCA's alleged failure to perform their duties as trustees for the trusts. Plaintiffs have since dismissed their state court complaint and refiled an amended complaint in the U.S. District Court for the Southern District of New York. On June 18, 2014, Royal Park Investments SA/NV filed a purported class action on behalf of investors in 10 RMBS trusts against DBNTC in the U.S. District Court for the Southern District of New York asserting claims for alleged violations of the TIA, breach of contract and breach of trust based on DBNTC's alleged failure to perform its duties as trustee for the trusts. DBNTC has moved to dismiss the complaint. On November 7, 2014, the National Credit Union Administration Board, as an investor in 121 RMBS trusts, filed a lawsuit in the U.S. District Court for the Southern District of New York against DBNTC as trustee of those trusts, alleging violations of the TIA and the New York Streit Act for DBNTC's alleged failure to perform certain purported statutory and contractual duties. On December 23, 2014, certain CDOs that hold RMBS certificates issued by 21 RMBS trusts filed a complaint in the U.S. District Court for the Southern District of New York against DBNTC as trustee of the trusts, asserting claims for violation of the TIA and the Streit Act, breach of contract, breach of fiduciary duty, negligence, gross negligence, and negligent misrepresentation, based on DBNTC's alleged failure to perform its duties as trustee for the trusts.

Precious Metals Investigations and Litigations. Deutsche Bank has received requests for information from certain regulatory and law enforcement authorities who are investigating trading, and various other aspects of, precious metals. The Bank is cooperating with these investigations. Relatedly, Deutsche Bank has been conducting its own internal review of precious metals trading and other aspects of its precious metals business. Deutsche Bank is also named as a defendant in several putative class action complaints pending in the United States District Court for the Southern District of New York alleging violations of U.S. antitrust law and the U.S. Commodity Exchange Act related to the alleged manipulation of gold and silver prices through participation in the Gold and Silver Fixes.

Referral Hiring Practices Investigations. Certain regulators are investigating, among other things, Deutsche Bank's compliance with the Foreign Corrupt Practices Act and other laws with respect to the Bank's hiring practices related to candidates referred by clients, potential clients and government officials, and its engagement of consultants in the Asia/Pacific region. Deutsche Bank is responding to and continuing to cooperate with these investigations.

U.S. Embargoes-Related Matters. Deutsche Bank has received requests for information from certain regulatory and law enforcement agencies concerning its historical processing of U.S. dollar payment orders through U.S. financial institutions for parties from countries subject to U.S. embargo laws. These agencies are investigating whether such processing complied with U.S. federal and state laws. In 2006, Deutsche Bank voluntarily decided that it would not engage in new U.S. dollar business with counterparties in Iran, Sudan, North Korea and Cuba and with certain Syrian banks, and to exit existing U.S. dollar business with such counterparties to the extent legally possible. In 2007, Deutsche Bank decided that it would not engage in any new business, in any currency, with counterparties in Iran, Syria, Sudan and North Korea and to exit existing business, in any currency, with such counterparties to the extent legally possible; it also decided to limit its non-U.S. dollar business with counterparties in Cuba. Deutsche Bank is providing information to and otherwise cooperating with the investigating agencies.

30 –
Credit related Commitments and Contingent Liabilities

In the normal course of business the Group regularly enters into irrevocable lending commitments, including fronting commitments as well as contingent liabilities consisting of financial and performance guarantees, standby letters of credit and indemnity agreements on behalf of its customers. Under these contracts the Group is required to perform under an obligation agreement or to make payments to the beneficiary based on third party's failure to meet its obligations. For these instruments it is not known to the Group in detail if, when and to what extent claims will be made. In the event that the Group has to pay out cash in respect of its fronting commitments, the Group would immediately seek reimbursement from the other syndicate lenders. The Group considers all the above instruments in monitoring the credit exposure and may require collateral to mitigate inherent credit risk. If the credit risk monitoring provides sufficient perception about a loss from an expected claim, a provision is established and recorded on the balance sheet.

The following table shows the Group's irrevocable lending commitments and lending related contingent liabilities without considering collateral or provisions. It shows the maximum potential utilization of the Group in case all these liabilities entered into must be fulfilled. The table therefore does not show the expected future cash flows from these liabilities as many of them will expire without being drawn and arising claims will be honored by the customers or can be recovered from proceeds of arranged collateral.

Irrevocable lending commitments and lending related contingent liabilities

in € m.	Dec 31, 2014	Dec 31, 2013
Irrevocable lending commitments	154,446	137,202[1]
Contingent liabilities	62,087	65,630
Total	**216,533**	202,832

1 In 2014, comparatives have been restated by € 10.5 billion to include Fronting Commitments erroneously not included in prior disclosure.

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 and short-/medium-term Trade 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 intended to ensure that a fair competition between different exporting nations will take place.

In some countries dedicated funding programs with governmental support are offered for ECA-covered financings. On a selective basis, the Group makes use of such programs. 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. The majority of such ECA guarantees received by the Group were issued either by the Euler-Hermes Kreditversicherungs AG acting on behalf of the Federal Republic of Germany or by the Commodity Credit Corporation acting on behalf of the United States.

31 – Other Short-Term Borrowings

in € m.	Dec 31, 2014	Dec 31, 2013
Other short-term borrowings:		
Commercial paper	14,787	20,852
Other	28,144	38,915
Total other short-term borrowings	**42,931**	59,767

32 – Long-Term Debt and Trust Preferred Securities

Long-Term Debt by Earliest Contractual Maturity

in € m.	Due in 2015	Due in 2016	Due in 2017	Due in 2018	Due in 2019	Due after 2019	Total Dec 31, 2014	Total Dec 31, 2013
Senior debt:								
Bonds and notes:								
Fixed rate	15,155	11,887	15,733	6,288	9,344	26,389	84,795	76,953
Floating rate	7,174	6,337	5,131	3,129	6,514	6,365	34,651	26,503
Subordinated debt:								
Bonds and notes:								
Fixed rate	705	500	1	70	28	1,385	2,689	3,022
Floating rate	1,039	0	0	50	20	1,248	2,358	4,557
Other	1,666	5,495	1,615	2,110	1,224	8,234	**20,344**	22,047
Total long-term debt	25,739	24,219	22,480	11,647	17,130	43,622	**144,837**	133,082

The Group did not have any defaults of principal, interest or other breaches with respect to its liabilities in 2014 and 2013.

Trust Preferred Securities[1]

in € m.	Dec 31, 2014	Dec 31, 2013
Fixed rate	8,662	8,613
Floating rate	1,912	3,313
Total trust preferred securities	**10,573**	11,926

[1] Perpetual instruments, redeemable at specific future dates at the Group's option.

33 – Maturity Analysis of the earliest contractual undiscounted cash flows of Financial Liabilities

	Dec 31, 2014				
in € m.	On demand	Due within 3 months	Due between 3 and 12 months	Due between 1 and 5 years	Due after 5 years
Noninterest bearing deposits	160,733	0	0	0	0
Interest bearing deposits	138,030	160,290	51,183	13,855	12,503
Trading liabilities[1]	41,843	0	0	0	0
Negative market values from derivative financial instruments[1]	610,202	0	0	0	0
Financial liabilities designated at fair value through profit or loss	29,752	12,543	4,292	3,947	6,696
Investment contract liabilities[2]	0	91	847	1,586	5,999
Negative market values from derivative financial instruments qualifying for hedge accounting[3]	0	282	636	1,543	2,602
Central bank funds purchased	986	0	0	0	0
Securities sold under repurchase agreements	3,696	4,964	2,007	0	0
Securities loaned	1,961	26	0	0	363
Other short-term borrowings	26,633	8,035	8,832	0	0
Long-term debt	543	6,597	21,983	83,529	51,855
Trust preferred securities	0	4,183	1,396	6,440	251
Other financial liabilities	155,066	4,011	477	372	23
Off-balance sheet loan commitments	139,342	0	0	0	0
Financial guarantees	22,344	0	0	0	0
Total[4]	1,331,132	201,023	91,653	111,271	80,292

1 Trading liabilities and derivatives not qualifying for hedge accounting balances are recorded at fair value. The Group believes that this best represents the cash flow that would have to be paid if these positions had to be closed out. Trading liabilities and derivatives not qualifying for hedge accounting balances are shown within "on demand" which Group's management believes most accurately reflects the short-term nature of trading activities. The contractual maturity of the instruments may however extend over significantly longer periods.
2 These are investment contracts where the policy terms and conditions result in their redemption value equaling fair value. See Note 41 "Insurance and Investment Contracts" for more detail on these contracts.
3 Derivatives designated for hedge accounting are recorded at fair value and are shown in the time bucket at which the hedged relationship is expected to terminate.
4 The balances in the table do not agree to the numbers in the Group's balance sheet as the cash flows included in the table are undiscounted. This analysis represents the worst case scenario for the Group if the Group was required to repay all liabilities earlier than expected. The Group believes that the likelihood of such an event occurring is remote.

	Dec 31, 2013				
in € m.	On demand	Due within 3 months	Due between 3 and 12 months	Due between 1 and 5 years	Due after 5 years
Noninterest bearing deposits	149,471	0	0	0	0
Interest bearing deposits	140,882	184,274	31,136	14,172	12,282
Trading liabilities[1]	55,804	0	0	0	0
Negative market values from derivative financial instruments[1]	483,428	0	0	0	0
Financial liabilities designated at fair value through profit or loss[2]	50,477	54,198	4,247	6,389	6,240
Investment contract liabilities[3]	0	76	793	1,328	5,871
Negative market values from derivative financial instruments qualifying for hedge accounting[4]	0	20	35	238	323
Central bank funds purchased	2,056	0	400	0	0
Securities sold under repurchase agreements	6,485	4,630	645	0	0
Securities loaned	2,081	39	0	0	207
Other short-term borrowings	36,694	16,211	6,874	0	0
Long-term debt	840	16,663	16,713	67,325	50,105
Trust preferred securities	0	4,595	1,176	7,860	237
Other financial liabilities	131,998	3,946	669	722	107
Off-balance sheet loan commitments[5]	114,617	0	0	0	0
Financial guarantees	20,605	0	0	0	0
Total[6]	1,195,438	284,650	62,688	98,034	75,373

1 Trading liabilities and derivatives not qualifying for hedge accounting balances are recorded at fair value. The Group believes that this best represents the cash flow that would have to be paid if these positions had to be closed out. Trading liabilities and derivatives not qualifying for hedge accounting balances are shown within "on demand" which Group's management believes most accurately reflects the short-term nature of trading activities. The contractual maturity of the instruments may however extend over significantly longer periods.
2 In 2014, comparatives have been restated by € 1.4 billion, as the book values were erroneously utilised instead of the required notional amounts.
3 These are investment contracts where the policy terms and conditions result in their redemption value equalling fair value. See Note 41 "Insurance and Investment Contracts" for more detail on these contracts.
4 Derivatives designated for hedge accounting are recorded at fair value and are shown in the time bucket at which the hedged relationship is expected to terminate.
5 In 2014, comparatives have been restated by € 10.5 billion to include Fronting Commitments erroneously not included in prior disclosure.
6 The balances in the table do not agree to the numbers in the Group's balance sheet as the cash flows included in the table are undiscounted. This analysis represents the worst case scenario for the Group if the Group was required to repay all liabilities earlier than expected. The Group believes that the likelihood of such an event occurring is remote.

Additional Notes

34 –
Common Shares

Common Shares

Deutsche Bank's share capital consists of common shares issued in registered form without par value. Under German law, each share represents an equal stake in the subscribed capital. Therefore, each share has a nominal value of € 2.56, derived by dividing the total amount of share capital by the number of shares.

Number of shares	Issued and fully paid	Treasury shares	Outstanding
Common shares, January 1, 2013	929,499,640	(315,742)	929,183,898
Shares issued under share-based compensation plans	0	0	0
Capital increase	90,000,000	0	90,000,000
Shares purchased for treasury	0	(396,958,039)	(396,958,039)
Shares sold or distributed from treasury	0	397,101,877	397,101,877
Common shares, December 31, 2013	1,019,499,640	(171,904)	1,019,327,736
Shares issued under share-based compensation plans	0	0	0
Capital increase	359,773,491	0	359,773,491
Shares purchased for treasury	0	(310,846,161)	(310,846,161)
Shares sold or distributed from treasury	0	310,757,883	310,757,883
Common shares, December 31, 2014	1,379,273,131	(260,182)	1,379,012,949

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 bought back shares for equity compensation purposes. All such transactions were recorded in shareholders' equity and no revenues and expenses were recorded in connection with these activities. Treasury stock held as of year-end will mainly be used for future share-based compensation.

On June 5, 2014, Deutsche Bank AG issued 59.9 million new common shares at € 29.20 per share, resulting in total proceeds of € 1.7 billion. The shares were issued with full dividend rights for the year 2014 from authorized capital and without pre-emptive rights. The shares were placed with Paramount Services Holdings Ltd.

On June 25, 2014, Deutsche Bank AG completed a capital increase from authorized capital against cash contributions through a public offering with subscription rights. In total, 299.8 million new common shares were issued, resulting in total proceeds of € 6.8 billion. The shares were issued with full dividend rights for the year 2014. 99.1 % of the subscription rights were exercised and thus 297.1 million new shares were issued at the subscription price of € 22.50 per share. The remaining 2.8 million new shares were sold in the market at an average price of € 26.58 per share.

The transaction costs related to these capital increases that were directly recorded in equity amounted to € 0.1 billion after tax.

Authorized Capital

The Management Board is authorized to increase the share capital by issuing new shares for cash and in some circumstances noncash consideration. As of December 31, 2014, Deutsche Bank AG had authorized but unissued capital of € 256,579,863 which may be issued in whole or in part until April 30, 2019. Further details are governed by Section 4 of the Articles of Association.

Authorized capital	Consideration	Pre-emptive rights	Expiration date
€ 579,863	Cash or noncash	May be excluded if the capital increase is for noncash consideration with the intent of acquiring a company or holdings in a company and may be excluded pursuant to Section 186 (3) sentence 4 of the Stock Corporation Act	April 30, 2018
€ 256,000,000	Cash or noncash	May be excluded if the capital increase is for noncash consideration with the intent of acquiring a company or holdings in a company and may be excluded pursuant to Section 186 (3) sentence 4 of the Stock Corporation Act	April 30, 2019

Conditional Capital

The Management Board is authorized to issue once or more than once, participatory notes that are linked with conversion rights or option rights and/or convertible bonds and/or bonds with warrants. The participatory notes, convertible bonds or bonds with warrants may also be issued by affiliated companies of Deutsche Bank AG. For this purpose share capital was increased conditionally upon exercise of these conversion and/or exchange rights or upon mandatory conversion.

Contingent capital	Expiration date for the issuance of conversion and/or option rights
€ 230,400,000	April 30, 2017
€ 256,000,000	April 30, 2019

Dividends

The following table presents the amount of dividends proposed or declared for the years ended December 31, 2014, 2013 and 2012, respectively.

	2014 (proposed)	2013	2012
Cash dividends declared (in € m.)[1]	1,034	765	764
Cash dividends declared per common share (in €)	0.75	0.75	0.75

[1] Cash dividend for 2014 is based on the number of shares issued as of December 31, 2014.

No dividends have been declared since the balance sheet date.

Additional Equity Components

In 2014, Deutsche Bank AG placed two tranches of Additional Tier 1 Notes (the “AT1 Notes” or “Notes”) amounting to € 4.7 billion.

On May 20, 2014, Deutsche Bank AG placed Additional Tier 1 Notes, amounting to € 3.5 billion. Warrants to subscribe a total of 30,250 shares, which had originally been attached to the Notes, were already detached by an initial subscriber.

Additional Tier 1 Notes were also placed on November 19, 2014, amounting to USD 1.5 billion (€ 1.2 billion equivalent). The Notes bear a fixed coupon of 7.50 %, payable annually, until April 30, 2025, the first date at which the Bank can call the Notes.

The AT1 Notes constitute unsecured and subordinated notes of Deutsche Bank. The Notes bear interest on their nominal amount from the issue date to the first call date at a fixed annual rate. Thereafter the interest rate will be reset at five year intervals. The Notes contain features that may require Deutsche Bank and will permit Deutsche Bank in its sole and absolute discretion at all times and for any reason to cancel any payment of interest. If cancelled, interest payments are non-cumulative and will not increase to compensate for any shortfall in interest payments in any previous year. The Notes do not have a maturity date. They are redeemable by Deutsche Bank at its discretion on the respective first call date and at five year intervals thereafter or in other limited circumstances. In each case, the Notes are subject to limitations and conditions as described in the terms and conditions for example, the Notes can be redeemed by Deutsche Bank at its discretion, in whole but not in part, for certain regulatory or taxation reasons. Any redemption is subject to the prior consent of the competent supervisory authority. The redemption amount and the nominal amount of the Notes may be written down upon the occurrence of a trigger event. A trigger event occurs if the Common Equity Tier 1 capital ratio, determined on a consolidated basis falls below 5.125 %. The Notes may also be written up, following a trigger event, subject to meeting certain conditions.

35 – Employee Benefits

Share-Based Compensation Plans

The Group made grants of share-based compensation under the DB Equity Plan. This plan represents a contingent right to receive Deutsche Bank common shares after a specified period of time. The award recipient is not entitled to receive dividends during the vesting period of the award.

The share awards granted under the terms and conditions of the DB Equity Plan may be forfeited fully or partly 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.

In countries where legal or other restrictions hinder the delivery of shares, a cash plan variant of the DB Equity Plan was used for granting awards.

The following table sets forth the basic terms of these share plans.

Grant year(s)	Deutsch Bank Equity Plan	Vesting schedule	Early retirement provisions	Eligibility
2014/ 2013	Annual Award	1/3: 12 months[1] 1/3: 24 months[1] 1/3: 36 months[1]	Yes	Select employees as annual retention
		Or cliff vesting after 54 months[1]	Yes[2]	Members of Management Board or of Senior Management Group
	Retention/New Hire	Individual specification	Yes	Select employees to attract or retain key staff
	Annual Award - Upfront	Vesting immediately at grant[3]	No	Regulated employees
2012/ 2011	Annual Award	1/3: 12 months[4] 1/3: 24 months[4] 1/3: 36 months[4]	Yes	Select employees as annual retention
	Retention/New Hire	Individual specification	Yes	Select employees to attract or retain key staff
	Annual Award - Upfront	Vesting immediately at grant[3]	No	Regulated employees
2010	Annual Award	Graded vesting in nine equal tranches between 12 months and 45 months	Yes	Select employees as annual retention
		Or cliff vesting after 54 months	Yes	Select employees as annual retention
	Retention/New Hire	Individual specification	No	Select employees to attract or retain key staff
2009	Annual Award	50 %: 24 months 25 %: 36 months 25 %: 48 months	No	Select employees as annual retention
	Retention/New Hire	Individual specification	No	Select employees to attract or retain key staff

1 For members of the Management Board or of the Senior Management Group and all other regulated employees a further retention period of six months applies.
2 Early retirement provisions do not apply to members of the Management Board.
3 For members of the Management Board share delivery after a retention period of three years. For all other regulated employees share delivery after a retention period of six months.
4 For members of the Management Board a different schedule applies. For all other regulated employees share delivery after a further retention period of six months.

Furthermore, the Group offers a broad-based employee share ownership plan entitled Global Share Purchase Plan ("GSPP"). The GSPP offers all active employees at participating Deutsche Bank entities the opportunity to purchase Deutsche Bank shares in monthly installments over one year. At the end of the purchase cycle, the bank matches the acquired stock in a ratio of one to one up to a maximum of ten free shares, provided that the employee remains at Deutsche Bank Group for another year. In total, over 20,000 staff from 30 countries enrolled in the sixth cycle that began in November 2014.

The Group has other local share-based compensation plans, none of which, individually or in the aggregate, are material to the consolidated financial statements.

Activity for Share Plans

	Share units (in thousands)	Weighted-average grant date fair value per unit
Balance as of December 31, 2012	62,499	€ 35.25
Granted	26,250	€ 34.89
Issued	(35,555)	€ 37.37
Forfeited	(1,903)	€ 34.95
Balance as of December 31, 2013	51,291	€ 33.61
Granted	31,298	€ 31.01
Issued	(28,982)	€ 34.47
Forfeited	(1,158)	€ 32.81
Balance as of December 31, 2014	52,449	€ 31.60

The table also includes the grants under the cash plan variant of the DB Equity Plan.

Share-based payment transactions resulting in a cash payment give rise to a liability, which amounted to approximately € 21 million, € 32 million and € 44 million for the years ended December 31, 2014, 2013 and 2012, respectively.

As of December 31, 2014, the grant volume of outstanding share awards was approximately € 1.7 billion. Thereof, € 1.1 billion had been recognized as compensation expense in the reporting year or prior to that. Hence, compensation expense for deferred share-based compensation not yet recognized amounted to € 0.6 billion as of December 31, 2014.

In addition to the amounts shown in the table above, approximately 8.3 million shares were issued to plan participants in February 2015, resulting from the vesting of DB Equity Plan awards granted in prior years (thereof 0.3 million units under the cash plan variant of this DB Equity Plan).

Furthermore, in February 2015 the Group granted awards of approximately 30.2 million units, with a grant value of € 27.11 per unit under the DB Equity Plan. Approximately 0.6 million units of these grants were made under the cash plan variant of the DB Equity Plan.

Taking into account the units issued and granted in February 2015 the balance of outstanding share awards as of month-end February 2015 is approximately 74.3 million units.

Post-employment Benefit Plans

Nature of Plans

The Group sponsors a number of post-employment benefit plans on behalf of its employees, both defined contribution plans and defined benefit plans. The Group's plans are accounted for based on the nature and substance of the plan. Generally, for defined benefit plans the value of a participant's accrued benefit is based on each employee's remuneration and length of service; contributions to defined contribution plans are typically based on a percentage of each employee's remuneration. The rest of this note focuses predominantly on the Group's defined benefit plans.

The Group's defined benefit plans are primarily described on a geographical basis, reflecting differences in the nature and risks of benefits, as well as in the respective regulatory environments. In particular, the requirements set by local regulators can vary significantly and determine the design and financing of the benefit plans to some extent. Key information is also shown based on participant status, which provides a broad indication of the maturity of the Group's obligations.

					Dec 31, 2014
in € m.	Germany	UK	U.S.	Other	Total
Defined benefit obligation related to					
Active plan participants	4,611	813	405	780	6,609
Participants in deferred status	1,983	2,266	478	195	4,922
Participants in payment status	4,669	1,216	492	285	6,662
Total defined benefit obligation	11,263	4,295	1,375	1,260	18,193
Fair value of plan assets	10,634	5,095	1,072	1,109	17,910
Funding ratio (in %)	94	119	78	88	98

					Dec 31, 2013
in € m.	Germany	UK	U.S.	Other	Total
Defined benefit obligation related to					
Active plan participants	3,670	659	359	671	5,359
Participants in deferred status	1,577	1,894	399	122	3,992
Participants in payment status	4,240	1,035	378	229	5,882
Total defined benefit obligation	9,487	3,588	1,136	1,022	15,233
Fair value of plan assets	9,142	4,099	856	921	15,018
Funding ratio (in %)	96	114	75	90	99

The majority of the Group's defined benefit plan obligations relate to Germany, the United Kingdom and the United States. Within the other countries, the largest obligations relate to Switzerland and the Netherlands. In Germany and some continental European countries, post-employment benefits are usually agreed on a collective basis with respective employee works councils or their equivalent. The Group's main pension plans are governed by boards of trustees, fiduciaries or their equivalent.

Post-employment benefits can form an important part of an employee's total remuneration. The Group's approach is that their design shall be attractive to employees in the respective market, but sustainable for the Group to provide over the longer term. At the same time, the Group tries to limit its risks related to provision of such benefits. Consequently the Group has moved to offer defined contribution plans in many locations over recent years.

In the past the Group typically offered pension plans based on final pay prior to retirement. These types of benefits still form a significant part of the pension obligations for participants in deferred and payment status. Currently, in Germany and the United States, the main defined benefit pension plans for active staff are cash account type plans where the Group credits an annual amount to individuals' accounts based on an employee's current salary. Dependent on the plan rules, the accounts increase either at a fixed interest rate or participate in market movements of certain underlying investments to limit the investment risk for the Group. Sometimes, in particular in Germany, there is a guaranteed benefit amount within the plan rules, e.g. payment of at least the amounts contributed. Upon retirement, beneficiaries may usually opt for a lump sum or for conversion of the accumulated account balance into an annuity. This conversion is often based on market conditions and mortality assumptions at retirement. In the United Kingdom, the main defined benefit pension plan was redesigned in 2011 for active employees still eligible to the plan to reduce the overall long-term risk exposure to the Group.

The Group also sponsors retirement and termination indemnity plans in several countries, as well as some post-employment medical plans for a number of current and retired employees, mainly in the United States. The post-employment medical plans typically pay stated percentages of medical expenses of eligible retirees after a stated deductible has been met. In the United States, once a retiree is eligible for Medicare, the Group contributes to a Health Reimbursement Account and the retiree is no longer eligible for the Group's medical program. The Group's total defined benefit obligation for post-employment medical plans was € 197 million and € 151 million at December 31, 2014 and December 31, 2013, respectively. In combination with the benefit structure, these plans represent limited risk for the Group.

The following amounts of expected benefit payments from the Group's defined benefit plans include benefits attributable to employees' past and estimated future service, and include both amounts paid from the Group's external pension trusts and paid directly by the Group in respect of unfunded plans.

in € m.	Germany	UK	U.S.	Other	Total
Actual benefit payments 2014	379	79	75	72	605
Benefits expected to be paid 2015	375	74	66	69	584
Benefits expected to be paid 2016	386	78	68	56	588
Benefits expected to be paid 2017	403	87	70	57	617
Benefits expected to be paid 2018	423	93	69	57	642
Benefits expected to be paid 2019	440	102	74	56	672
Benefits expected to be paid 2020 - 2024	2,471	654	368	288	3,781
Weighted average duration of defined benefit obligation (in years)	15	21	13	17	16

Multi-employer Plans

In Germany, the Group is a member of the BVV together with other financial institutions. The BVV offers retirement benefits to eligible employees in Germany as a complement to post-employment benefit promises of the Group. Both employers and employees contribute on a regular basis to the BVV. The BVV provides annuities of a fixed amount to individuals on retirement and increases these fixed amounts if surplus assets arise within the plan. According to legislation in Germany, the employer is ultimately liable for providing the benefits to its employees. An increase in benefits may also arise due to additional obligations to retirees for the effects of inflation. BVV is a multi-employer defined benefit plan, however the Group accounts for it as a defined contribution plan since insufficient information is available to identify assets and liabilities relating to the Group's current and former employees, primarily because the BVV does not fully allocate plan assets to beneficiaries nor to member companies. According to the BVV's most recent disclosures, there is no current deficit in the plan that may affect the amount of future Group contributions. Furthermore, any plan surplus emerging in the future will be distributed to the plan members, hence it cannot reduce future Group contributions.

The Group's expenses for defined contribution plans also include annual contributions by Deutsche Postbank AG to the pension fund for postal civil servants in Germany. Responsibility for the liability for these benefits lies with the German government.

Governance and Risk

The Group maintains a Pensions Risk Committee to oversee its pension and related risks on a global basis. This Committee meets quarterly, reports directly to the Senior Executive Compensation Committee and is supported by the Pensions Operating Committee.

Within this context, the Group develops and maintains guidelines for governance and risk management, including funding, asset allocation and actuarial assumption setting. In this regard, risk management means the management and control of risks for the Group related to market developments (i.e., interest rate, credit spread, price inflation, etc.), asset investment, regulatory or legislative requirements, as well as monitoring demographic changes (i.e., longevity, etc.). In addition, the Group estimates and provides for uncertain income tax positions which may have an impact on the Group's plan assets. Significant judgment is required in making these estimates and the Group's final liabilities may ultimately be materially different. Especially during and after acquisitions or changes in the external environment (i.e., legislation, taxation, etc.), topics such as the general plan design or potential plan amendments are considered. Any plan changes follow a process requiring approval by Group Human Resources. To the extent that pension plans are funded, the assets held mitigate some of the liability risks, but introduce investment risk.

In the Group's key pension countries, the Group's largest post-employment benefit plan risk exposures relate to potential changes in credit spreads, price inflation and longevity, although these have been partially mitigated through the investment strategy adopted.

Overall, the Group currently seeks to minimize the impact of pensions on the Group's IFRS financial position from market movements, subject to balancing the trade-offs involved in financing post-employment benefits. The Group measures its pension risk exposures on a regular basis using specific metrics and stress scenarios developed by the Group for this purpose.

Funding

The Group maintains various external pension trusts to fund the majority of its defined benefit plan obligations. The Group's funding policy is to maintain coverage of the defined benefit obligation by plan assets within a range of 90 % to 100 % of the obligation, subject to meeting any local statutory requirements. The Group has also determined that certain plans should remain unfunded, although their funding approach is subject to periodic review, e.g. when local regulations or practices change. Obligations for the Group's unfunded plans are accrued on the balance sheet.

For most of the externally funded defined benefit plans there are minimum funding requirements. The Group can decide on any additional plan contributions, with reference to the Group's funding policy. There are some locations, e.g. the United Kingdom, where the trustees and the Bank jointly agree contribution levels. In most countries the Group expects to receive an economic benefit from any plan surpluses of plan assets compared to defined benefit obligations, typically by way of reduced future contributions. Given the nearly fully funded position and the investment strategy adopted in the Group's key funded defined benefit plans, any minimum funding requirements that may apply are not expected to place the Group under any material adverse cash strain in the short term. For example, in the United Kingdom and the United States, the main plan funding contributions in these countries are expected to be broadly nil in 2015. In Germany, no minimum funding requirements typically apply, however the Group will consider reimbursements for benefits paid from the Group's assets cash contributions into the external pension trusts during the year, with reference to the Group's funding policy.

For post-retirement medical plans, the Group accrues for obligations over the period of employment and pays the benefits from Group assets when the benefits become due.

Actuarial Methodology and Assumptions

December 31 is the measurement date for all plans. All plans are valued by independent qualified actuaries using the projected unit credit method. A Group policy provides guidance to local actuaries on setting actuarial assumptions to ensure consistency globally.

The key actuarial assumptions applied in determining the defined benefit obligations at December 31 are presented below in the form of weighted averages.

				Dec 31, 2014				Dec 31, 2013
	Germany	UK	U.S.[1]	Other	Germany	UK	U.S.[1]	Other
Discount rate (in %)	2.0	3.7	3.9	2.3	3.6	4.5	4.8	3.4
Rate of price inflation (in %)	1.5	3.4	2.2	2.0	1.9	3.7	2.3	2.2
Rate of nominal increase in future compensation levels (in %)	2.0	4.4	2.2	2.6	2.8	4.7	2.3	3.1
Rate of nominal increase for pensions in payment (in %)	1.4	3.2	2.2	1.2	1.9	3.5	2.3	1.4
Assumed life expectancy at age 65								
For a male aged 65 at measurement date	18.9	23.7	21.7	21.5	18.7	23.6	19.1	21.0
For a female aged 65 at measurement date	22.9	25.3	23.9	24.1	22.8	25.2	20.9	23.3
For a male aged 45 at measurement date	21.5	25.4	23.4	23.2	21.4	25.3	20.5	22.6
For a female aged 45 at measurement date	25.5	27.1	25.6	25.7	25.3	27.0	21.7	24.7
Mortality tables applied	Richttafeln Heubeck 2005G	SAPS Light with CMI 2013 projections	RP2014 Aggregate	Country specific tables	Richttafeln Heubeck 2005G	SAPS Light with CMI 2013 projections	RP2000 Combined Healthy	Country specific tables

[1] Cash balance interest crediting rate in line with the 30-year US government bond yield.

For the Group's most significant plans in the key countries, the discount rate used at each measurement date is set based on a high quality corporate bond yield curve – derived based on bond universe information sourced from reputable third-party index providers and rating agencies – reflecting the actual timing, amount and currency of the future expected benefit payments for the respective plan. For longer durations where limited bond information is available, reasonable yield curve extrapolation methods are applied using respective actual swap rates and credit spread assumptions. Consistent discount rates are used across all plans in each currency zone, based on the assumption applicable for the Group's largest plan(s) in that zone. For plans in the other countries, the discount rate is based on high quality corporate or government bond yields applicable in the respective currency, as appropriate at each measurement date with a duration broadly consistent with the respective plan's obligations.

The price inflation assumptions in the eurozone and the United Kingdom are set with reference to market measures of inflation based on inflation swap rates in those markets at each measurement date. For other countries, the price inflation assumptions are typically based on long term forecasts by Consensus Economics Inc.

The assumptions for the increases in future compensation levels and for increases to pensions in payment are developed separately for each plan, where relevant. Each is set based on the price inflation assumption and reflecting the Group's reward structure or policies in each market, as well as relevant local statutory and plan-specific requirements.

Among other assumptions, mortality assumptions can be 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 potential improvements in longevity have been considered and included where appropriate.

Reconciliation in Movement of Liabilities and Assets – Impact on Financial Statements

					2014
in € m.	Germany	UK	U.S.	Other	Total
Change in the present value of the defined benefit obligation:					
Balance, beginning of year	9,487	3,588	1,136	1,022	15,233
Defined benefit cost recognized in Profit & Loss					
Current service cost	163	28	21	53	265
Interest cost	330	166	55	35	586
Past service cost and gain or loss arising from settlements	13	1	0	17	31
Defined benefit cost recognized in Other Comprehensive Income					
Actuarial gain or loss arising from changes in financial assumptions	1,883	405	35	184	2,507
Actuarial gain or loss arising from changes in demographic assumptions	0	0	50	(1)	49
Actuarial gain or loss arising from experience	26	(22)	(5)	6	5
Cash flow and other changes					
Contributions by plan participants	4	0	0	13	17
Benefits paid	(379)	(79)	(75)	(72)	(605)
Payments in respect to settlements	0	0	0	(10)	(10)
Acquisitions/Divestitures[1]	(265)	(57)	0	(15)	(337)
Exchange rate changes	0	265	158	25	448
Other[2]	1	0	0	3	4
Balance, end of year	11,263	4,295	1,375	1,260	18,193
thereof:					
Unfunded	0	15	197	122	334
Funded	11,263	4,280	1,178	1,138	17,859
Change in fair value of plan assets:					
Balance, beginning of year	9,142	4,099	856	921	15,018
Defined benefit cost recognized in Profit & Loss					
Interest income	322	189	41	32	584
Defined benefit cost recognized in Other Comprehensive Income					
Return from plan assets less interest income	1,334	621	44	126	2,125
Cash flow and other changes					
Contributions by plan participants	4	0	0	13	17
Contributions by the employer	449	3	76	46	574
Benefits paid[3]	(378)	(78)	(65)	(39)	(560)
Payments in respect to settlements	0	0	0	0	0
Acquisitions/Divestitures[1]	(238)	(43)	0	(14)	(295)
Exchange rate changes	0	307	122	24	453
Plan administration costs	(1)	(3)	(2)	0	(6)
Balance, end of year	10,634	5,095	1,072	1,109	17,910
Funded status, end of year	(629)	800	(303)	(151)	(283)
Change in irrecoverable surplus (asset ceiling)					
Balance, beginning of year	0	0	0	(29)	(29)
Interest cost	0	0	0	(1)	(1)
Changes in irrecoverable surplus	0	0	0	30	30
Exchange rate changes	0	0	0	0	0
Balance, end of year	0	0	0	0	0
Net asset (liability) recognized	(629)	800	(303)	(151)	(283)[4]

[1] BHF Bank, Tilney
[2] Includes opening balances of first time application of smaller plans.
[3] For funded plans only.
[4] Thereof recognized € 952 million in Other assets and € 1,235 million in Other liabilities.

in € m.	Germany	UK	U.S.	Other	2013 Total
Change in the present value of the defined benefit obligation:					
Balance, beginning of year	9,263	3,299	1,281	1,129	14,972
Defined benefit cost recognized in Profit & Loss					
Current service cost	163	28	24	70	285
Interest cost	340	145	48	33	566
Past service cost and gain or loss arising from settlements	19	2	(3)	(42)	(24)
Defined benefit cost recognized in Other Comprehensive Income					
Actuarial gain or loss arising from changes in financial assumptions	(4)	278	(71)	(12)	191
Actuarial gain or loss arising from changes in demographic assumptions	(1)	(34)	1	(2)	(36)
Actuarial gain or loss arising from experience	(12)	3	14	(10)	(5)
Cash flow and other changes					
Contributions by plan participants	5	0	0	14	19
Benefits paid	(375)	(70)	(107)	(102)	(654)
Payments in respect to settlements	0	0	0	0	0
Acquisitions/Divestitures[1]	90	0	0	0	90
Exchange rate changes	0	(63)	(51)	(40)	(154)
Other[2]	(1)	0	0	(16)	(17)
Balance, end of year	9,487	3,588	1,136	1,022	15,233
thereof:					
Unfunded	7	14	154	137	312
Funded	9,480	3,574	982	885	14,921
Change in fair value of plan assets:					
Balance, beginning of year	7,741	3,980	949	932	13,602
Defined benefit cost recognized in Profit & Loss					
Interest income	316	175	35	30	556
Defined benefit cost recognized in Other Comprehensive Income					
Return from plan assets less interest income	(601)	98	(46)	(8)	(557)
Cash flow and other changes					
Contributions by plan participants	5	0	0	14	19
Contributions by the employer	1,960	3	53	53	2,069
Benefits paid[3]	(352)	(69)	(95)	(79)	(595)
Payments in respect to settlements	0	0	0	0	0
Acquisitions/Divestitures[1]	73	0	0	0	73
Exchange rate changes	0	(81)	(38)	(19)	(138)
Plan administration costs	0	(7)	(2)	(2)	(11)
Balance, end of year	9,142	4,099	856	921	15,018
Funded status, end of year	(345)	511	(280)	(101)	(215)
Change in irrecoverable surplus (asset ceiling)					
Balance, beginning of year	0	0	0	0	0
Changes in irrecoverable surplus	0	0	0	(29)	(29)
Balance, end of year	0	0	0	(29)	(29)
Net asset (liability) recognized	(345)	511	(280)	(130)	(244)[4]

1 DB Investment Services.
2 Reclassification from post-employment benefit plans into other long-term employee benefit plans.
3 For funded plans only.
4 Thereof recognized € 628 million in Other assets and € 840 million in Other liabilities. In addition € 25 million and € 57 million are recognized in Assets and Liabilities held for sale, respectively.

There are no reimbursement rights for the Group.

In Switzerland, a plan merger resulted in a partial liquidation of the plan, resulting in enhancements to accrued benefits for terminating and transferring employees. These resulted in past service costs of € 12 million in 2014. The plan merger, together with unfavorable movements in liabilities relative to assets over the year, resulted in the plan now being in a small deficit position at year end 2014. This has allowed the asset ceiling of € 29 million at the end of 2013 to be removed at year end 2014.

In terms of post-employment benefit plan assets, in addition to regular contributions the Group made to the external pension trusts in 2014, combined ad hoc contributions of around € 100 million were made in the U.S. and Germany to top up the funding position of selected plans; In 2013, contributions of around € 1.45 billion were made to fund the majority of Postbank's previously underfunded defined benefit obligations in Germany.

Investment Strategy

The Group's primary investment objective is to immunize the Group to large swings in the IFRS funded status of its defined benefit plans, with some limited amount of risk-taking through duration mismatches and asset class diversification to reduce the Group's costs of providing the benefits to employees in the long term.

For the majority of the Group's funded defined benefit plans, a liability driven investment (LDI) approach is applied. The aim is to minimize risks from mismatches between fluctuations in the present value of the defined benefit obligations and plan assets due to capital market movements. This is achieved by allocating plan assets to match closely the market risk factor exposures of the pension liability to interest rates, credit spreads and inflation. Thereby, plan assets broadly reflect the underlying risk profile and currency of the pension obligations.

Where the desired hedging level for these risks cannot be achieved with physical instruments (i.e. corporate and government bonds), derivatives are employed. Derivative overlays mainly include interest rate and inflation swaps. Other instruments are also used, such as credit default swaps and interest rate futures. In practice, a completely hedged approach is impractical, for instance because of insufficient market depth for ultra-long-term corporate bonds, as well as liquidity and cost considerations. Therefore, plan assets contain further asset categories to create long-term return enhancement and diversification benefits such as equity, real estate, high yield bonds or emerging markets bonds.

Plan asset allocation to key asset classes

The following table shows the asset allocation of the Group's funded defined benefit plans to key asset classes, i.e. exposures include physical securities in discretely managed portfolios and underlying asset allocations of any commingled funds used to invest plan assets.

Asset amounts in the following table include both "quoted" (i.e. Level 1 assets in accordance with IFRS 13 - amounts invested in markets where the fair value can be determined directly from prices which are quoted in active, liquid markets) and "other" (i.e. Level 2 and 3 assets in accordance with IFRS 13) assets.

	Dec 31, 2014					Dec 31, 2013				
in € m.	Germany	UK	U.S.	Other	Total	Germany	UK	U.S.	Other	Total
Cash and cash equivalents	1,056	102	25	68	1,251	976	134	40	59	1,209
Equity instruments[1]	134	560	108	208	1,010	138	486	84	259	967
Investment-grade bonds[2]										
Government	3,517	1,502	400	255	5,674	3,043	1,201	312	227	4,783
Non-government bonds	5,731	2,035	447	358	8,571	5,118	1,513	333	247	7,211
Non-investment-grade bonds										
Government	54	0	0	14	68	103	0	0	1	104
Non-government bonds	215	109	12	30	366	135	45	4	22	206
Structured products	14	389	42	29	474	20	531	40	22	613
Insurance	0	0	0	17	17	0	0	0	41	41
Alternatives										
Real estate	114	117	0	35	266	59	95	0	30	184
Commodities	25	0	0	2	27	25	0	0	2	27
Private equity	51	0	0	0	51	50	1	0	0	51
Other	56	0	0	33	89	40	0	0	3	43
Derivatives (Market Value)										
Interest rate	482	409	38	73	1,002	(267)	62	43	7	(155)
Credit	(27)	(1)	0	(1)	(29)	36	0	0	0	36
Inflation	(763)	(214)	0	(12)	(989)	(349)	29	0	0	(320)
Foreign exchange	(51)	40	0	(1)	(12)	18	2	0	1	21
Other	26	47	0	1	74	(3)	0	0	0	(3)
Total fair value of plan assets	**10,634**	**5,095**	**1,072**	**1,109**	**17,910**	9,142	4,099	856	921	15,018

[1] Allocation of equity exposure is broadly in line with the typical index in the respective market, e.g. the equity portfolio's benchmark of the UK retirement benefit plans is the MSCI All Countries World Index.
[2] Investment-grade means BBB and above. Average credit rating exposure for the Group's main plans is around A.

The following table sets out the Group's funded defined benefit plan assets only invested in "quoted" assets, i.e. Level 1 assets in accordance with IFRS 13.

	Dec 31, 2014					Dec 31, 2013				
in € m.	Germany	UK	U.S.	Other	Total	Germany	UK	U.S.	Other	Total
Cash and cash equivalents	1,056	100	14	50	1,220	976	132	35	59	1,202
Equity instruments	131	560	108	206	1,005	99	486	84	259	928
Investment-grade bonds										
Government	2,255	1,502	0	182	3,939	2,205	1,201	0	219	3,625
Non-government bonds	26	1,887	0	84	1,997	0	0	0	0	0
Non-investment-grade bonds										
Government	0	0	0	14	14	0	0	0	0	0
Non-government bonds	78	97	0	3	178	0	0	0	0	0
Structured products	0	368	0	29	397	0	0	0	0	0
Insurance	0	0	0	0	0	0	0	0	0	0
Alternatives										
Real estate	9	68	0	0	77	0	0	0	0	0
Commodities	0	0	0	0	0	0	0	0	0	0
Private equity	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0
Derivatives (Market Value)										
Interest rate	0	0	0	13	13	0	0	0	0	0
Credit	(27)	(1)	0	0	(28)	0	0	0	0	0
Inflation	0	0	0	(3)	(3)	0	0	0	0	0
Foreign exchange	0	40	0	0	40	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0
Total fair value of quoted plan assets	**3,528**	**4,621**	**122**	**578**	**8,849**	3,280	1,819	119	537	5,755

All the remaining assets are invested in "other" assets, the majority of which are invested in Level 2 assets in accordance with IFRS 13, being primarily investment-grade corporate bonds. A relatively small element overall is in Level 3 assets in accordance with IFRS 13, being primarily real estate, insurance policies and derivative contracts.

The following tables show the asset allocation of the “quoted” and other defined benefit plan assets by key geography in which they are invested.

							Dec 31, 2014
in € m.	Germany	United Kingdom	United States	Other Eurozone	Other developed countries	Emerging markets	Total
Cash and cash equivalents	1,052	106	57	7	9	20	1,251
Equity instruments	75	84	415	174	168	94	1,010
Government bonds[1]	2,089	1,457	628	933	82	553	5,742
Non-government bonds (investment-grade and above)	473	1,644	2,302	3,106[2]	688	358	8,571
Non-government bonds (non-investment-grade)	18	76	91	132	17	32	366
Structured products	14	409	36	13	2	0	474
Subtotal	3,721	3,776	3,529	4,365	966	1,057	17,414
Share (in %)	21	22	20	25	6	6	100
Other asset categories							496
Fair value of plan assets							17,910

1 Includes investment-grade and non-investment-grade government bonds.
2 Majority of this amount relates to bonds of French, Italian and Dutch corporate bonds.

							Dec 31, 2013
in € m.	Germany	United Kingdom	United States	Other Eurozone	Other developed countries	Emerging markets	Total
Cash and cash equivalents	976	134	40	25	28	6	1,209
Equity instruments	176	84	315	87	221	84	967
Government bonds[1]	2,332	1,226	346	394	34	555	4,887
Non-government bonds (investment-grade and above)	686	1,025	1,627	2,739[2]	855	279	7,211
Non-government bonds (non-investment-grade)	5	28	84	55	20	14	206
Structured products	21	534	39	10	8	1	613
Subtotal	4,196	3,031	2,451	3,310	1,166	939	15,093
Share (in %)	28	20	16	22	8	6	100
Other asset categories							(75)
Fair value of plan assets							15,018

1 Includes investment-grade and non-investment-grade government bonds.
2 Majority of this amount relates to bonds of French and Dutch corporate bonds.

Plan assets at December 31, 2014 include derivative transactions with Group entities with a negative market value of around € 255 million. There are € 6 million of securities issued by the Group and around € 70 million in other claims on Group assets included in the fair value of plan assets. The plan assets do not include any real estate which is used by the Group.

Key Risk Sensitivities

The Group's defined benefit obligations are sensitive to changes in capital market conditions and actuarial assumptions. Sensitivities to capital market movements and key assumption changes are presented in the following table. Each market risk factor or assumption is changed in isolation. Sensitivities of the defined benefit obligations are approximated using geometric extrapolation methods based on plan durations for the respective assumption. Duration is a risk measure that indicates the broad sensitivity of the obligations to a change in an underlying assumption and provides a reasonable approximation for small to moderate changes in those assumptions.

For example, the discount rate duration is derived from the change in the defined benefit obligation to a change in the discount rate based on information provided by the local actuaries of the respective plans. The resulting duration is used to estimate the remeasurement liability loss or gain from changes in the discount rate. For other assumptions, a similar approach is used to derive the respective sensitivity results.

Since the Group applies a LDI approach in the majority of its funded defined benefit plans, changes in capital market conditions will impact the plan obligations via actuarial assumptions – mainly discount rate and price inflation rate – as well as the plan assets. Consequently, to aid understanding of the Group's risk exposures related to key capital market movements, the net impact of the change in the defined benefit obligations and plan assets due to a change of the related market risk factor or underlying actuarial assumption is shown; for sensitivities to changes in actuarial assumptions that do not impact the plan assets, only the impact on the defined benefit obligations is shown.

Asset-related sensitivities are derived for the Group's major plans by using risk sensitivity factors determined by the Group's Market Risk Management function. These sensitivities are calculated based on information provided by the plans' investment managers and extrapolated linearly to reflect the approximate change of the plan assets' market value in case of a change in the underlying risk factor.

The sensitivities illustrate plausible variations over time in capital market movements and key actuarial assumptions. The Group is not in a position to provide a view on the likelihood of these capital market or assumption changes. While these sensitivities illustrate the overall impact on the funded status of the changes shown, the significance of the impact and the range of reasonable possible alternative assumptions may differ between the different plans that comprise the aggregated results. Even though plan assets and plan obligations are sensitive to similar risk factors, actual changes in plan assets and obligations may not fully offset each other due to imperfect correlations between market risk factors and actuarial assumptions. Caution should be used when extrapolating these sensitivities due to non-linear effects that changes in capital market conditions and key actuarial assumptions may have on the overall funded status. Any management actions that may be taken to mitigate the inherent risks in the post-employment defined benefit plans are not reflected in these sensitivities.

	Dec 31, 2014				Dec 31, 2013			
in € m.	Germany	UK	U.S.	Other	Germany	UK	U.S.	Other
Discount rate (-100 bp):								
(Increase) in DBO	(1,740)	(950)	(90)	(220)	(1,355)	(800)	(60)	(155)
Expected increase in plan assets[1]	1,525	925	75	115	1,200	640	55	85
Expected net impact on funded status (de-) increase	**(215)**	**(25)**	**(15)**	**(105)**	(155)	(160)	(5)	(70)
Discount rate (+100 bp):								
Decrease in DBO	1,505	775	85	180	1,185	650	55	130
Expected (decrease) in plan assets[1]	(1,525)	(925)	(75)	(115)	(1,200)	(640)	(55)	(85)
Expected net impact on funded status (de-) increase	**(20)**	**(150)**	**10**	**65**	(15)	10	0	45
Credit spread (-100 bp):								
(Increase) in DBO	(1,740)	(950)	(180)	(230)	(1,355)	(800)	(140)	(155)
Expected increase in plan assets[1]	880	225	45	40	705	170	35	20
Expected net impact on funded status (de-) increase	**(860)**	**(725)**	**(135)**	**(190)**	(650)	(630)	(105)	(135)
Credit spread (+100 bp):								
Decrease in DBO	1,505	775	160	190	1,185	650	125	130
Expected (decrease) in plan assets[1]	(880)	(225)	(45)	(40)	(705)	(170)	(35)	(20)
Expected net impact on funded status (de-) increase	**625**	**550**	**115**	**150**	480	480	90	110
Rate of price inflation (-50 bp):[2]								
Decrease in DBO	350	330	0	75	325	265	0	55
Expected (decrease) in plan assets[1]	(245)	(290)	0	(10)	(195)	(260)	0	(15)
Expected net impact on funded status (de-) increase	**105**	**40**	**0**	**65**	130	5	0	40
Rate of price inflation (+50 bp):[2]								
(Increase) in DBO	(365)	(355)	0	(80)	(335)	(285)	0	(60)
Expected increase in plan assets[1]	245	290	0	10	195	260	0	15
Expected net impact on funded status (de-) increase	**(120)**	**(65)**	**0**	**(70)**	(140)	(25)	0	(45)
Rate of real increase in future compensation levels (-50 bp):								
Decrease in DBO, net impact on funded status	80	15	0	15	70	10	0	20
Rate of real increase in future compensation levels (+50 bp):								
(Increase) in DBO, net impact on funded status	(80)	(15)	0	(15)	(70)	(10)	0	(20)
Longevity improvements by 10 %:[3]								
(Increase) in DBO, net impact on funded status	(275)	(85)	(25)	(20)	(220)	(75)	(20)	(15)

[1] Expected changes in the fair value of plan assets contain the simulated impact from the biggest plans in Germany, the UK, the U.S., Channel Islands, Switzerland, the Netherlands and Belgium which cover over 99 % of the total fair value of plan assets. The fair value of plan assets for other plans is assumed to be unchanged for this presentation.
[2] Incorporates sensitivity to changes in nominal increase for pensions in payment to the extent linked to the price inflation assumption.
[3] Estimated to be equivalent to an increase of around 1 year in overall life expectancy.

Expected cash flows

The following table shows expected cash flows for post-employment benefits in 2015, including contributions to the Group's external pension trusts in respect of funded plans, direct payment to beneficiaries in respect of unfunded plans, as well as contributions to defined contribution plans.

	2015
in € m.	Total
Expected contributions to	
Defined benefit plan assets	265
BVV	50
Pension fund for Postbank's postal civil servants	100
Other defined contribution plans	230
Expected benefit payments for unfunded defined benefit plans	35
Expected total cash flow related to post-employment benefits	680

Expense of employee benefits

The following table presents a breakdown of specific expenses according to the requirements of IAS 19 and IFRS 2 respectively.

in € m.	2014	2013	2012
Expenses for defined benefit plans:			
Service cost	296	261	289
Net interest cost (income)	3	10	11
Total expenses defined benefit plans	**299**	271	300
Expenses for defined contribution plans:			
BVV	51	51	51
Pension fund for Postbank's postal civil servants	97	97	105
Other defined contribution plans	228	221	219
Total expenses for defined contribution plans	**376**	369	375
Total expenses for post-employment benefit plans	**675**	640	675
Employer contributions to mandatory German social security pension plan	**229**	230	231
Expenses for share-based payments, equity settled[1]	860	918	1,097
Expenses for share-based payments, cash settled[1]	11	29	17
Expenses for cash retention plans[1]	815	811	1,133
Expenses for severance payments[2]	205	274	472

1 Including expenses for new hire awards and the acceleration of expenses not yet amortized due to the discontinuation of employment including those amounts which are recognized as part of the Group's restructuring expenses.
2 Excluding the acceleration of expenses for deferred compensation awards not yet amortized.

36 – Income Taxes

in € m.	2014	2013	2012
Current tax expense (benefit):			
Tax expense (benefit) for current year	764	913	731
Adjustments for prior years[1]	(12)	41	(956)
Total current tax expense (benefit)	**752**	954	(225)
Deferred tax expense (benefit):			
Origination and reversal of temporary difference, unused tax losses and tax credits	644	7	579
Effect of changes in tax law and/or tax rate	44	35	9
Adjustments for prior years[1]	(15)	(221)	135
Total deferred tax expense (benefit)	**673**	(179)	723
Total income tax expense (benefit)	**1,425**	775	498

1 In 2012, adjustments for prior years include a current tax benefit of € 435 million with an offsetting equal amount in deferred tax expense.

Income tax expense includes policyholder tax attributable to policyholder earnings, amounting to an income tax expense of € 2 million in 2014, an income tax expense of € 23 million in 2013 and an income tax expense of € 12 million in 2012.

Total current tax expense includes benefits from previously unrecognized tax losses, tax credits and deductible temporary differences, which reduced the current tax expense by € 5 million in 2014. In 2013 these effects decreased the current tax expense by € 3 million and increased the current tax benefit by € 94 million in 2012.

Total deferred tax expense includes benefits from previously unrecognized tax losses (tax credits/deductible temporary differences) and the reversal of previous write-downs of deferred tax assets and expenses arising from write-downs of deferred tax assets, which reduced the deferred tax expense by € 303 million in 2014. In 2013 these effects increased the deferred tax benefit by € 237 million and increased the deferred tax expense by € 91 million in 2012.

Difference between applying German statutory (domestic) income tax rate and actual income tax expense

in € m.	2014	2013	2012
Expected tax expense at domestic income tax rate of 31 % (31 % for 2013 and 2012)	**966**	451	252
Foreign rate differential	88	154	36
Tax-exempt gains on securities and other income	(371)	(337)	(497)
Loss (income) on equity method investments	(93)	(84)	(74)
Nondeductible expenses	649	571	563
Impairments of goodwill	0	0	630
Changes in recognition and measurement of deferred tax assets[1]	(308)	(240)	(3)
Effect of changes in tax law and/or tax rate	44	35	9
Effect related to share-based payments	78	(5)	(17)
Effect of policyholder tax	(2)	23	12
Other[1]	374	207	(413)
Actual income tax expense (benefit)	**1,425**	775	498

[1] Current and deferred tax expense/(benefit) relating to prior years are mainly reflected in the line items “Changes in recognition and measurement of deferred tax assets” and “Other”.

The Group is under continuous examinations by tax authorities in various jurisdictions. In 2014, 2013 and 2012 “Other” in the preceding table mainly includes the effects of these examinations by the tax authorities.

The domestic income tax rate, including corporate tax, solidarity surcharge, and trade tax, used for calculating deferred tax assets and liabilities was 31 % for the years 2014, 2013 and 2012.

Income taxes charged or credited to equity (other comprehensive income/additional paid in capital)

in € m.	2014	2013	2012
Actuarial gains/losses related to defined benefit plans	**407**	58	407
Financial assets available for sale:			
Unrealized net gains/losses arising during the period	(457)	(21)	(539)
Net gains/losses reclassified to profit or loss	5	103	6
Derivatives hedging variability of cash flows:			
Unrealized net gains/losses arising during the period	(7)	(58)	(5)
Net gains/losses reclassified to profit or loss	(146)	(10)	(13)
Other equity movement:			
Unrealized net gains/losses arising during the period	(68)	(175)	104
Net gains/losses reclassified to profit or loss	1	1	0
Income taxes (charged) credited to other comprehensive income	**(265)**	(102)	(40)
Other income taxes (charged) credited to equity	**(21)**	65	34

Major components of the Group's gross deferred tax assets and liabilities

in € m.	Dec 31, 2014	Dec 31, 2013
Deferred tax assets:		
Unused tax losses	2,785	2,300
Unused tax credits	192	191
Deductible temporary differences:		
Trading activities	8,454	8,719
Property and equipment	459	796
Other assets	2,382	2,355
Securities valuation	93	280
Allowance for loan losses	1,020	814
Other provisions	811	952
Other liabilities	838	1,103
Total deferred tax assets pre offsetting	**17,034**	17,510
Deferred tax liabilities:		
Taxable temporary differences:		
Trading activities	7,746	8,024
Property and equipment	52	49
Other assets	832	843
Securities valuation	1,628	1,123
Allowance for loan losses	71	97
Other provisions	233	298
Other liabilities	782	1,106
Total deferred tax liabilities pre offsetting	**11,344**	11,540

Deferred tax assets and liabilities, after offsetting

in € m.	Dec 31, 2014	Dec 31, 2013
Presented as deferred tax assets	6,865	7,071
Presented as deferred tax liabilities	1,175	1,101
Net deferred tax assets	**5,690**	5,970

The change in the balance of deferred tax assets and deferred tax liabilities does not equal the deferred tax expense/(benefit). 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.

Items for which no deferred tax assets were recognized

in € m.	Dec 31, 2014[1]	Dec 31, 2013[1]
Deductible temporary differences	**(314)**	(341)
Not expiring	(3,745)	(3,720)
Expiring in subsequent period	(4)	(1)
Expiring after subsequent period	(1,334)	(1,671)
Unused tax losses	**(5,083)**	(5,392)
Expiring after subsequent period	(88)	(224)
Unused tax credits	**(88)**	(224)

[1] 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, 2014 and December 31, 2013, the Group recognized deferred tax assets of € 5.5 billion and € 5.4 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 historical 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, 2014 and December 31, 2013, 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 € 134 million and € 120 million respectively, in respect of which no deferred tax liabilities were recognized.

37 – 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 and to manage the Group's exposure to risks.

In accordance with the Group's accounting policy relating to derivatives and hedge accounting as described in Note 1 "Significant Accounting Policies and Critical Accounting Estimates", all derivatives are carried at fair value in the balance sheet regardless of whether they are held for trading or nontrading 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 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 "Significant Accounting Policies and Critical Accounting Estimates".

Fair Value Hedge Accounting

The Group enters into fair value hedges, 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.

	Dec 31, 2014		Dec 31, 2013	
in € m.	Assets	Liabilities	Assets	Liabilities
Derivatives held as fair value hedges	3,679	2,136	2,810	200

For the years ended December 31, 2014, 2013 and 2012, a gain of € 1.0 billion, a loss of € 2.4 billion and a loss of € 0.1 billion, respectively, were recognized on the hedging instruments. For the same periods, the results on the hedged items, which were attributable to the hedged risk, were a loss of € 1.3 billion, a gain of € 1.7 billion and a loss of € 0.4 billion.

Cash Flow Hedge Accounting

The Group enters into cash flow hedges, using interest rate swaps, equity index swaps and foreign exchange forwards, in order to protect itself against exposure to variability in interest rates, equities and exchange rates.

	Dec 31, 2014		Dec 31, 2013	
in € m.	Assets	Liabilities	Assets	Liabilities
Derivatives held as cash flow hedges	234	0	30	276

Periods when hedged cash flows are expected to occur and when they are expected to affect the income statement

in € m.	Within 1 year	1–3 years	3–5 years	Over 5 years
As of December 31, 2014				
Cash inflows from assets	23	35	5	0
Cash outflows from liabilities	(21)	(35)	(28)	(25)
Net cash flows 2014	2	0	(23)	(25)
As of December 31, 2013				
Cash inflows from assets	80	110	53	136
Cash outflows from liabilities	(25)	(37)	(37)	(36)
Net cash flows 2013	55	73	16	100

Cash Flow Hedge Balances

in € m.	Dec 31, 2014	Dec 31, 2013	Dec 31, 2012
Reported in Equity[1]	118	(215)	(341)
thereof relates to terminated programs	(15)	(16)	(17)
Gains (losses) posted to equity for the year ended	(6)	91	42
Gains (losses) removed from equity for the year ended	(339)	(35)	(45)
Ineffectiveness recorded within P&L	(3)	1	1

[1] Reported in equity refers to accumulated other comprehensive income as presented in the Consolidated Statement of Comprehensive Income.

In early June 2014, the decision was taken to replace the external debt financing of Maher Terminals, with financing from within the Group taken effect at maturity at the beginning of July 2014. Until then it was the Group’s largest cash flow hedge accounting program. In line with the hedge accounting rules of IAS 39, this decision triggered the transfer of € 313 million of accumulated mark-to-market loss on a swap transaction relating to that debt financing from other comprehensive income to the profit and loss statement during the second quarter.

As of December 31, 2014 the longest term cash flow hedge matures in 2022.

Net Investment Hedge Accounting

Using foreign exchange forwards and swaps, the Group enters into hedges of translation adjustments resulting from translating the financial statements of net investments in foreign operations into the reporting currency of the parent at period end spot rates.

	Dec 31, 2014		Dec 31, 2013	
in € m.	Assets	Liabilities	Assets	Liabilities
Derivatives held as net investment hedges	490	2,927	1,171	141

For the years ended December 31, 2014, 2013 and 2012, losses of € 357 million, € 320 million and € 357 million, respectively, were recognized due to hedge ineffectiveness which includes the forward points element of the hedging instruments.

38 –
Related Party Transactions

Parties are considered to be related if one party has the ability to directly or indirectly control the other party or exercise significant influence over the other party in making financial or operational decisions. The Group's related parties include:

— key management personnel, close family members of key management personnel and entities which are controlled, significantly influenced by, or for which significant voting power is held by key management personnel or their close family members,
— subsidiaries, joint ventures and associates and their respective subsidiaries, 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 of the parent company to constitute key management personnel for purposes of IAS 24.

Compensation expense of key management personnel

in € m.	2014	2013	2012
Short-term employee benefits	26	18	17
Post-employment benefits	4	3	3
Other long-term benefits	7	6	14
Termination benefits	0	0	15
Share-based payment	5	8	16
Total	**42**	35	65

The above mentioned table does not contain compensation that employee representatives and former board members on the Supervisory Board have received. The aggregated compensation paid to such members for their services as employees of Deutsche Bank or status as former employees (retirement, pension and deferred compensation) amounted to € 1.1 million as of December 31, 2014, € 1 million as of December 31, 2013 and € 1.6 million as of December 31, 2012.

Among the Group's transactions with key management personnel as of December 31, 2014 were loans and commitments of € 3 million and deposits of € 16 million. As of December 31, 2013, the Group's transactions with key management personnel were loans and commitments of € 4 million and deposits of € 12 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 and their respective subsidiaries also qualify as related party transactions.

Loans

in € m.	2014	2013
Loans outstanding, beginning of year	**357**	918
Loans issued during the year	596	528
Loan repayment during the year	657	676
Changes in the group of consolidated companies[1]	(1)	(397)
Exchange rate changes/other	27	(16)
Loans outstanding, end of year[2]	**321**	357
Other credit risk related transactions:		
Allowance for loan losses	5	6
Provision for loan losses	0	0
Guarantees and commitments	45	54

1 In 2014 there were small changes in the group of consolidated companies. In the second quarter of 2013, some entities were fully consolidated for the first time, which were formerly classified as equity method investments. Therefore loans made to these investments were eliminated on consolidation. Consequently related provisions and allowances for loan losses reduced at the same time.
2 Loans past due were € 3 million as of December 31, 2014 and € 2 million as of December 31, 2013. For the above loans the Group held collateral of € 70 million and € 73 million as of December 31, 2014 and December 31, 2013, respectively.

Deposits

in € m.	2014	2013
Deposits outstanding, beginning of year	**167**	245
Deposits received during the year	245	105
Deposits repaid during the year	244	179
Changes in the group of consolidated companies	(43)	(3)
Exchange rate changes/other	4	(2)
Deposits outstanding, end of year[1]	**128**	167

1 The deposits are unsecured.

Other Transactions

Trading assets and positive market values from derivative financial transactions with associated companies amounted to € 87 million as of December 31, 2014 and € 130 million as of December 31, 2013. Trading liabilities and negative market values from derivative financial transactions with associated companies amounted to € 0.0 million as of December 31, 2014 and € 1 million as of December 31, 2013.

Other transactions with related parties also reflected the following:

Hua Xia Bank: The Group holds a stake of 19.99 % in Hua Xia Bank and has accounted for this associate under the equity method since February 11, 2011. In 2006, Deutsche Bank and Hua Xia Bank jointly established a credit card business cooperation combining the international know-how of Deutsche Bank AG in the credit card business and local expertise of Hua Xia Bank. A provision has been recognized for the cooperation with an amount of € 52 million as per December 31, 2014. This provision captures the Group's estimated obligation from the cooperation. Further details are included in Note 17 "Equity Method Investments".

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.

Transactions with related party pension plans

in € m.	2014	2013
Equity shares issued by the Group held in plan assets	6	2
Other assets	73	29
Fees paid from plan assets to asset managers of the Group	31	39
Market value of derivatives with a counterparty of the Group	(255)	(419)
Notional amount of derivatives with a counterparty of the Group	11,806	13,851

39 –
Information on Subsidiaries

Composition of the Group

Deutsche Bank AG is the direct or indirect holding company for the Group's subsidiaries.

The Group consists of 1,485 (2013: 1,639) consolidated entities, thereof 756 (2013: 812) consolidated structured entities. 869 (2013: 968) of the entities controlled by the Group are directly or indirectly held by the Group at 100 % of the ownership interests (share of capital). Third parties also hold ownership interests in 616 (2013: 671) of the consolidated entities (noncontrolling interests). Prior year numbers for consolidated entities and third parties holding ownership interests have been adjusted due to a refinement of the methodology of counting with several silo structures no longer counted separately. As of December 31, 2013 and 2014, the noncontrolling interests are neither individually nor cumulatively material to the Group.

Significant restrictions to access or use the Group's assets

Statutory, contractual or regulatory requirements as well as protective rights of noncontrolling interests might restrict the ability of the Group to access and transfer assets freely to or from other entities within the Group and to settle liabilities of the Group.

Since the Group did not have any material noncontrolling interests at the balance sheet date, any protective rights associated with these did not give rise to significant restrictions.

Restrictions impacting the Group's ability to use assets:

— The Group has pledged assets to collateralize its obligations under repurchase agreements, securities financing transactions, collateralized loan obligations and for margining purposes for OTC derivative liabilities.
— The assets of consolidated structured entities are held for the benefit of the parties that have bought the notes issued by these entities.
— Assets held by insurance subsidiaries are primarily held to satisfy the obligations to the companies' policy holders.
— Regulatory and central bank requirements or local corporate laws may restrict the Group's ability to transfer assets to or from other entities within the Group in certain jurisdictions.

Restricted assets

	Dec 31, 2014		Dec 31, 2013	
in € m.	Total assets	Restricted assets	Total assets	Restricted assets
Interest-earning deposits with banks	63,518	1,254	77,984	1,115
Financial assets at fair value through profit or loss	942,924	82,612	899,257	94,388
Financial assets available for sale	64,297	10,638	48,326	7,821
Loans	405,612	51,450	376,582	56,553
Other	232,352	9,506	209,252	7,675
Total	**1,708,703**	**155,460**	1,611,400	167,552

The table above excludes assets that are not encumbered at an individual entity level but which may be subject to restrictions in terms of their transferability within the Group. Such restrictions may be based on local connected lending requirements or similar regulatory restrictions. In this situation, it is not feasible to identify individual balance sheet items that cannot be transferred. This is also the case for regulatory minimum liquidity requirements. The Group identifies the volume of liquidity reserves in excess of local stress liquidity outflows. The aggregate amount of such liquidity reserves that are considered restricted for this purpose is € 32.4 billion and € 19.4 billion as of December 31, 2014 and December 31, 2013, respectively.

40 – Structured Entities

Nature, purpose and extent of the Group's interests in structured entities

The Group engages in various business activities with structured entities which are designed to achieve a specific business purpose. A structured entity is one that has been set up so that any voting rights or similar rights are not the dominant factor in deciding who controls the entity. An example is when voting rights relate only to administrative tasks and the relevant activities are directed by contractual arrangements.

A structured entity often has some or all of the following features or attributes:

— Restricted activities;
— A narrow and well defined objective;
— Insufficient equity to permit the structured entity to finance its activities without subordinated financial support;
— Financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks (tranches).

The principal uses of structured entities are to provide clients with access to specific portfolios of assets and to provide market liquidity for clients through securitizing financial assets. Structured entities may be established as corporations, trusts or partnerships. Structured entities generally finance the purchase of assets by issuing debt and equity securities that are collateralized by and/or indexed to the assets held by the structured entities. The debt and equity securities issued by structured entities may include tranches with varying levels of subordination.

Structured entities are consolidated when the substance of the relationship between the Group and the structured entities indicate that the structured entities are controlled by the Group, as discussed in Note 1 "Significant Accounting Policies and Critical Accounting Estimates".

Consolidated structured entities

The Group has contractual arrangements which may require it to provide financial support to the following types of consolidated structured entities.

Securitization vehicles

The group uses securitization vehicles for funding purchase of diversified pool of assets. The group provides financial support to these entities in the form of liquidity facility. As of December 31, 2014 and December 31, 2013, there were outstanding loan commitments to these entities for € 2 billion and € 6 billion respectively.

Funds

The group may provide funding and liquidity facility or guarantees to funds consolidated by the group. As of December 31, 2014 and December 31, 2013 notional value of the liquidity facilities and guarantees provided by the group to such funds was € 28 billion and € 27 billion.

Unconsolidated structured entities

These are entities which are not consolidated because the Group does not control them through voting rights, contract, funding agreements, or other means. The extent of the Group's interests to unconsolidated structured entities will vary depending on the type of structured entities.

Below is a description of the Group's involvements in unconsolidated structured entities by type.

Repackaging and investment entities

Repackaging and investment entities are established to meet clients' investment needs through the combination of securities and derivatives. These entities are not consolidated by the Group because the Group does not have power to influence the returns obtained from the entities. These entities are usually set up to provide a certain investment return pre-agreed with the investor, and the Group is not able to change the investment strategy or return during the life of the transaction.

Third party funding entities

The Group provides funding to structured entities that hold a variety of assets. These entities may take the form of funding entities, trusts and private investment companies. The funding is collateralized by the asset in the structured entities. The group's involvement involves predominantly both lending and loan commitments.

The vehicles used in these transactions are controlled by the borrowers where the borrowers have the ability to decide whether to post additional margin or collateral in respect of the financing. In such cases, where borrowers can decide to continue or terminate the financing, the borrowers will consolidate the vehicle.

Securitization Vehicles

The Group establishes securitization vehicles which purchase diversified pools of assets, including fixed income securities, corporate loans, and asset-backed securities (predominantly commercial and residential mortgage-backed securities and credit card receivables). The vehicles fund these purchases by issuing multiple tranches of debt and equity securities, the repayment of which is linked to the performance of the assets in the vehicles.

The Group often transfers assets to these securitization vehicles and provide financial support to these entities in the form of liquidity facilities.

The Group also invests and provides liquidity facilities to third party sponsored securitization vehicles.

The securitization vehicles that are not consolidated into the Group are those where the Group does not hold the power or ability to unilaterally remove the servicer or special servicer who has been delegated power over the activities of the entity.

Funds

The Group establishes structured entities to accommodate client requirements to hold investments in specific assets. The Group also invests in funds that are sponsored by third parties. A group entity may act as fund manager, custodian or some other capacity and provide funding and liquidity facilities to both group sponsored and third party funds. The funding provided is collateralized by the underlying assets held by the fund.

The Group does not consolidate funds when Deutsche Bank is deemed agent or when another third party investor has the ability to direct the activities of the fund.

Other

These are Deutsche Bank sponsored or third party structured entities that do not fall into any criteria above. These entities are not consolidated by the Group when the Group does not hold power over the decision making of these entities.

Income derived from involvement with structured entities

The Group earns management fees and, occasionally, performance-based fees for its investment management service in relation to funds. Interest income is recognized on the funding provided to structured entities. Any trading revenue as a result of derivatives with structured entities and from the movements in the value of notes held in these entities is recognized in 'Net gains/losses on financial assets/liabilities held at fair value through profit and loss'.

Interests in unconsolidated structured entities

The Group's interests in unconsolidated structured entities refer to contractual and non-contractual involvement that exposes the group to variability of returns from the performance of the structured entities. Examples of interests in unconsolidated structured entities include debt or equity investments, liquidity facilities, guarantees and certain derivative instruments in which the Group is absorbing variability of returns from the structured entities.

Interests in unconsolidated structured entities exclude instruments which introduce variability of returns into the structured entities. For example, when the group purchases credit protection from an unconsolidated structured entity whose purpose and design is to pass through credit risk to investors, the Group is providing the variability of returns to the entity rather than absorbing variability. The purchased credit protection is therefore not considered as an interest for the purpose of the table below.

Maximum Exposure to unconsolidated structured entities

The maximum exposure to loss is determined by considering the nature of the interest in the unconsolidated structured entity. The maximum exposure for loans and trading instruments is reflected by their carrying amounts in the consolidated balance sheet. The maximum exposure for derivatives and off balance sheet commitments such as guarantees, liquidity facilities and loan commitments under IFRS 12, as interpreted by the Group, is reflected by the notional amounts. Such amounts do not reflect the economic risks faced by the Group because they do not take into account the effects of collateral or hedges nor the probability of such losses being incurred. At December 31, 2014, the notional related to the positive and negative replacement values of derivatives and off balance sheet commitments were € 301 billion, € 615 billion and € 32 billion respectively.

At December 31, 2013, the notional related to the positive and negative replacement values of derivatives and off balance sheet commitments were € 311 billion, € 529 billion and € 27.3 billion respectively.

Size of structured entities

The Group provides a different measure for size of structured entities depending on their type. The following measures have been considered as appropriate indicators for evaluating the size of structured entities:

- Funds – Net asset value or asset under management where the Group holds fund units and notional of derivatives when the Group's interest comprises of derivatives.
- Securitizations – notional of notes in issue when the Group derives its interests through notes its holds and notional of derivatives when the Group's interests is in the form of derivatives.
- Third party funding entities –Total assets in entities
- Repackaging and investment entities – Fair value of notes in issue

For Third party funding entities, size information is not publicly available, therefore the Group has disclosed the greater of the collateral Deutsche Bank has received/pledged or the notional of the exposure Deutsche Bank has to the entity.

The following table shows, by type of structured entity, the carrying amounts of the Group's interests recognized in the consolidated statement of financial position as well as the maximum exposure to loss resulting from these interests. It also provides an indication of the size of the structured entities. The carrying amounts presented below do not reflect the true variability of returns faced by the Group because they do not take into account the effects of collateral or hedges.

Carrying amounts and size relating to Deutsche Bank's interests

	Dec 31, 2014				
in € m.	Repackaging and Investment Entities	Third Party Funding Entities	Securitizations	Funds	Total
Assets					
Interest-earning deposits with banks	0	13[1]	0	405	419
Central bank funds sold and securities purchased under resale agreements	0	0	0	1,599	1,599
Securities Borrowed	0	0	0	17,367	17,367
Total financial assets at fair value through profit or loss	1,292	6,875	21,282	65,934	95,384
Trading assets	963	4,315	21,108	13,419	39,805
Positive market values (derivative financial instruments)	329	703	143	8,789	9,963
Financial assets designated at fair value through profit or loss	0	1,858	31	43,726	45,616
Financial assets available for sale	0	410	875	1,418	2,703
Loans	77	32,553	16,250	15,671	64,551
Other assets	11	87	2,280	21,447	23,824
Total assets	1,380	39,938	40,687	123,842	205,846
Liabilities					
Total financial liabilities at fair value through profit or loss	225	626	579	16,968	18,398
Negative market values (derivative financial instruments)	225	626	579	16,968	18,398
Total liabilities	225	626	579	16,968	18,398
Off-balance sheet exposure	3	3,064	1,268	27,699	32,035
Total	1,158	42,376	41,375	134,572	219,483
Size of structured entity	10,938	98,197	3,044,623	3,695,476	

[1] Includes € 13 million of Cash and due from banks.

in € m.	Repackaging and Investment Entities	Third Party Funding Entities	Securitizations	Funds	Dec 31, 2013 Total
Assets					
Interest-earning deposits with banks	0	0	0	303	303
Central bank funds sold and securities purchased under resale agreements	0	0	0	1,797	1,797
Securities Borrowed	0	0	0	6,819	6,819
Total financial assets at fair value through profit or loss	1,830	3,097	26,180	89,365	120,472
Trading assets	1,216	2,586	26,002	12,949	42,753
Positive market values (derivative financial instruments)	600	175	169	7,640	8,584
Financial assets designated at fair value through profit or loss	15	336	9	68,776	69,136
Financial assets available for sale	3	414	2,279	867	3,564
Loans	101	27,978	13,406	6,153	47,639
Other assets[1]	0	47	546	7,869	8,461
Total assets	**1,935**	**31,536**	**42,412**	**113,173**	**189,056**
Liabilities					
Total financial liabilities at fair value through profit or loss	471	85	223	8,836	9,615
Negative market values (derivative financial instruments)	471	85	223	8,836	9,615
Total liabilities	**471**	**85**	**223**	**8,836**	**9,615**
Off-balance sheet exposure	0	2,135	1,104	24,064	27,304
Total	**1,464**	**33,587**	**43,293**	**128,401**	**206,745**
Size of structured entity	20,771	74,278	1,665,626	4,488,622	

[1] Prior year numbers were restated in 2014 to exclude € 29.4 billion pending settlements which were disclosed in Other assets and have been removed from the Group's definition of an Interest.

Trading assets –Total trading assets as of December 31, 2014 and December 31, 2013 of € 39.8 billion and € 42.8 billion are comprised primarily of € 21.1 billion and € 26 billion in Securitizations and € 13.4 billion and € 12.9 billion in Funds structured entities respectively. The Group's interests in securitizations are collateralized by the assets contained in these entities. Where the Group holds Fund units these are typically in regards to market making in funds or otherwise serve as hedges for notes issued to clients. Moreover the credit risk arising from loans made to Third party funding structured entities is mitigated by the collateral received.

Financial assets designated at fair value through profit or loss – Reverse repurchase agreements to Funds comprise the majority of the interests in this category and are collateralized by the underlying securities.

Loans – Loans as of December 31, 2014 and December 31, 2013 consists of € 64.6 billion and € 47.6 billion investment in securitization tranches and financing to Third Party Funding Entities. The Group's financing to Third Party funding entities is collateralized by the assets in those structured entities.

Other assets – Other assets as of December 31, 2014 and December 31, 2013 of € 23.8 billion and € 8.4 billion, respectively, consists primarily of prime brokerage receivables and cash margin balances.

Financial Support

Deutsche Bank did not provide non-contractual support during the year to unconsolidated structured entities.

Sponsored Unconsolidated Structured Entities where Deutsche Bank has no interest as of December 31, 2014 and December 31, 2013.

As a sponsor, Deutsche Bank is involved in the legal set up and marketing of the entity and supports the entity in different ways, namely:

— transferring assets to the entities
— providing seed capital to the entities
— providing operational support to ensure the entity's continued operation
— providing guarantees of performance to the structured entities.

Deutsche Bank is also deemed a sponsor for a structured entity if market participants would reasonably associate the entity with the Group. Additionally, the use of the Deutsche Bank name for the structured entity indicates that Deutsche Bank has acted as a sponsor.

The gross revenues from sponsored entities where the Group did not hold an interest as of December 31, 2014 and December 31, 2013 were € 166 million and € 527 million respectively. Instances where the Group does not hold an interest in an unconsolidated sponsored structured entity include cases where any seed capital or funding to the structured entity has already been repaid in full to the Group during the year. This amount does not take into account the impacts of hedges and is recognized in Net gains/losses on financial assets/liabilities at fair value through profit and loss. The aggregated carrying amounts of assets transferred to sponsored unconsolidated structured entities in 2014 were € 469 million for securitization and € 1.9 billion for repackaging and investment entities. In 2013, they were € 3.2 billion for securitization and € 3.7 billion for repackaging and investment entities.

41 – Insurance and Investment Contracts

Liabilities arising from Insurance and Investment Contracts

			Dec 31, 2014			Dec 31, 2013
in € m.	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Insurance contracts	4,750	(67)	4,683	4,581	(67)	4,514
Investment contracts	8,523	0	8,523	8,067	0	8,067
Total	**13,273**	**(67)**	**13,206**	12,648	(67)	12,581

Generally, amounts relating to reinsurance contracts are reported gross unless they have an immaterial impact on their respective balance sheet line items.

Carrying Amount

The following table presents an analysis of the change in insurance and investment contracts liabilities.

		2014		2013
in € m.	Insurance contracts	Investment contracts	Insurance contracts	Investment contracts
Balance, beginning of year	**4,581**	**8,067**	4,654	7,732
New business	158	52	205	52
Claims/withdrawals paid	(427)	(544)	(485)	(589)
Other changes in existing business	118	429	306	1,023
Exchange rate changes	320	519	(99)	(151)
Balance, end of year	**4,750**	**8,523**	4,581	8,067

Other changes in existing business for the investment contracts of € 429 million and € 1,023 million are principally attributable to changes in the fair value of underlying assets for the years ended December 31, 2014 and 2013, respectively.

As of December 31, 2014 the Group had insurance contract liabilities of € 4.8 billion. Of this, € 2.5 billion represents traditional annuities in payment, € 1.8 billion universal life contracts and € 444 million unit linked pension contracts with guaranteed annuity rates. Guaranteed annuity rates give the policyholder the option, on retirement, to take up a traditional annuity at a rate that was fixed at the inception of the policy. The liability of € 444 million for unit linked pension contracts with guaranteed annuity rates is made up of the unit linked liability of € 288 million and a best estimate reserve of € 156 million for the guaranteed annuity rates. The latter is calculated using the differential between the fixed and best estimate rate, the size of the unit linked liability and an assumption on take up rate.

As of December 31, 2013 the Group had insurance contract liabilities of € 4.6 billion. Of this, € 2.4 billion represents traditional annuities in payment, € 1.8 billion universal life contracts and € 397 million unit linked pension contracts with guaranteed annuity rates (made up of a unit linked liability of € 288 million and a best estimate reserve of € 109 million for the guaranteed annuity rates).

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 100 % of the Continuous Mortality Investigation 2013 mortality improvement tables with an ultimate rate of improvement of 1 % 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 to be 67 % for the year ended December 31, 2014 and for the year ended December 31, 2013.

Key Assumptions impacting Value of Business Acquired (VOBA)

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 consolidated statement of income.

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 regulatory basis to a best estimate basis in line with the provisions of IFRS 4. The non-economic assumptions set at that time have not been changed but the economic assumptions have been reviewed in line with changes in key economic indicators. For annuity contracts, the liability was valued using the locked-in basis determined at the date of acquisition.

Sensitivity Analysis (in respect of Insurance Contracts only)

The following table presents the sensitivity of the Group's profit before tax and equity to changes in some of the key assumptions used for insurance contract liability calculations. For each sensitivity test, the impact of a reasonably possible change in a single factor is shown with other assumptions left unchanged.

	Impact on profit before tax		Impact on equity	
in € m.	2014	2013	2014	2013
Variable:				
Mortality (worsening by ten percent)[1]	(10)	(8)	(8)	(6)
Renewal expense (ten percent increase)	(1)	0	(1)	0
Interest rate (one percent increase)	8	10	(185)	(144)

[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 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.

42 –
Current and Non-Current Assets and Liabilities

Asset and liability line items by amounts recovered or settled within or after one year

Asset items as of December 31, 2014

	Amounts recovered or settled		Total
in € m.	within one year	after one year	Dec 31, 2014
Cash and due from banks	20,055	0	20,055
Interest-earning deposits with banks	63,146	371	63,518
Central bank funds sold and securities purchased under resale agreements	17,494	303	17,796
Securities borrowed	25,800	34	25,834
Financial assets at fair value through profit or loss	906,129	36,796	942,924
Financial assets available for sale	7,740	56,557	64,297
Equity method investments	0	4,143	4,143
Loans	135,376	270,236	405,612
Property and equipment	0	2,909	2,909
Goodwill and other intangible assets	0	14,951	14,951
Other assets	130,891	7,089	137,980
Assets for current tax	1,589	230	1,819
Total assets before deferred tax assets	1,308,224	393,614	1,701,838
Deferred tax assets			6,865
Total assets			1,708,703

Liability items as of December 31, 2014

	Amounts recovered or settled		Total
in € m.	within one year	after one year	Dec 31, 2014
Deposits	508,481	24,451	532,931
Central bank funds purchased and securities sold under repurchase agreements	10,887	0	10,887
Securities loaned	1,976	363	2,339
Financial liabilities at fair value through profit or loss	680,496	17,203	697,699
Other short-term borrowings	42,931	0	42,931
Other liabilities	177,798	6,024	183,823
Provisions	6,677	0	6,677
Liabilities for current tax	780	828	1,608
Long-term debt	25,739	119,098	144,837
Trust preferred securities	4,906	5,667	10,573
Total liabilities before deferred tax liabilities	1,460,672	173,634	1,634,306
Deferred tax liabilities			1,175
Total liabilities			1,635,481

Asset items as of December 31, 2013

	Amounts recovered or settled		Total
in € m.	within one year	after one year	Dec 31, 2013
Cash and due from banks	17,155	0	17,155
Interest-earning deposits with banks	77,821	163	77,984
Central bank funds sold and securities purchased under resale agreements	26,355	1,008	27,363
Securities borrowed	20,818	51	20,870
Financial assets at fair value through profit or loss	867,731	31,525	899,257
Financial assets available for sale	6,561	41,765	48,326
Equity method investments	0	3,581	3,581
Loans	121,566	255,016	376,582
Property and equipment	0	4,420	4,420
Goodwill and other intangible assets	0	13,932	13,932
Other assets	106,737	5,803	112,539
Assets for current tax	2,098	224	2,322
Total assets before deferred tax assets	1,246,842	357,487	1,604,330
Deferred tax assets			7,071
Total assets			1,611,400

Liability items as of December 31, 2013

	Amounts recovered or settled		Total
in € m.	within one year	after one year	Dec 31, 2013
Deposits	503,976	23,773	527,750
Central bank funds purchased and securities sold under repurchase agreements	13,381	0	13,381
Securities loaned	2,106	198	2,304
Financial liabilities at fair value through profit or loss	620,172	17,232	637,404
Other short-term borrowings	59,767	0	59,767
Other liabilities	161,239	2,356	163,595
Provisions	4,524	0	4,524
Liabilities for current tax	870	730	1,600
Long-term debt	31,365	101,718	133,082
Trust preferred securities	5,190	6,736	11,926
Total liabilities before deferred tax liabilities	1,402,591	152,743	1,555,333
Deferred tax liabilities			1,101
Total liabilities			1,556,434

43 –
Events after the Reporting Period

All significant adjusting events that occurred after the reporting date were recognized in the Group's results of operations, financial position and net assets.

44 –
Supplementary Information to the Consolidated Financial Statements according to Section 315a HGB and the return on assets according to Article 26a of the German Banking Act

Staff Costs

in € m.	2014	2013
Staff costs:		
Wages and salaries	10,466	10,406
Social security costs	2,046	1,923
thereof: those relating to pensions	659	615
Total	**12,512**	12,329

Staff

The average number of effective staff employed in 2014 was 97,689 (2013: 97,991) of whom 43,281 (2013: 43,488) were women. Part-time staff is included in these figures proportionately. An average of 51,932 (2013: 51,323) staff members worked outside Germany.

Management Board and Supervisory Board Remuneration

The total compensation of the Management Board (in accordance with the German Accounting Standard No. 17) was € 31,709,671 and € 36,890,500 for the years ended December 31, 2014 and 2013, respectively, thereof € 10,322,666 and € 24,947,250 for variable components.

Former members of the Management Board of Deutsche Bank AG or their surviving dependents received € 20,591,504 and € 31,933,691 for the years ended December 31, 2014 and 2013, respectively.

The compensation principles for Supervisory Board members are set forth in our Articles of Association. The compensation provisions were last amended by resolution of the Annual General Meeting on May 22, 2014 which became effective on July 17, 2014. The members of the Supervisory Board receive fixed annual compensation. The annual base compensation amounts to € 100,000 for each Supervisory Board member. The Supervisory Board Chairman receives twice that amount and the Deputy Chairperson one and a half times that amount. Members and chairs of the committees of the Supervisory Board are paid additional fixed annual compensation. 75 % of the compensation determined is disbursed to each Supervisory Board member after submitting invoices in February of the following year. The other 25 % is converted by the company at the same time into company shares (notional shares) according to the provisions of the Articles of Association. The share value of this number of shares is paid to the respective Supervisory Board member in February of the year following his departure from the Supervisory Board or the expiration of his term of office according to the provisions of the Articles of Association, provided that the member does not leave the Supervisory Board due to important cause which would have justified dismissal. In case of a change in Supervisory Board membership during the year, compensation for the financial year will be paid on a pro rata basis, rounded up/down to full months. For the year of departure, the entire compensation is paid in cash; a forfeiture regulation applies to 25 % of the compensation for that financial year. The members of the Supervisory Board received for the financial year 2014 a total remuneration of € 4,588,710 (2013: € 3,862,500), of which € 3,466,532 were paid out in February 2015 (February 2014: € 3,053,119) according to the provisions of the Articles of Association.

Provisions for pension obligations to former members of the Management Board and their surviving dependents amounted to € 222,790,668 and € 200,878,857 at December 31, 2014 and 2013, respectively.

Loans and advances granted and contingent liabilities assumed for members of the Management Board amounted to € 2,378,392 and € 2,646,301 and for members of the Supervisory Board of Deutsche Bank AG to € 1,028,188 and € 1,010,814 for the years ended December 31, 2014 and 2013, respectively. Members of the Supervisory Board repaid € 64,063 loans in 2014.

Return on Assets

Article 26a of the German Banking Act defines the return on assets as net profit divided by total assets. According to this definition the return on assets was 0.10 % and 0.04 % for the years ended December 31, 2014 and 2013, respectively.

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 (www.deutsche-bank.de/ir/en/content/declaration_of_conformity.htm).

Principal Accountant Fees and Services

Breakdown of the fees charged by the Group's auditor

Fee category in € m.	2014	2013
Audit fees	54	55
thereof to KPMG AG	25	31
Audit-related fees	14	16
thereof to KPMG AG	11	12
Tax-related fees	8	8
thereof to KPMG AG	6	2
All other fees	2	0
thereof to KPMG AG	2	0
Total fees	**78**	79

45 –
Country by Country Reporting

§ 26a KWG requires annual disclosure of certain information by country. The disclosed information is derived from the IFRS Group accounts of Deutsche Bank. It is however not reconcilable to other financial information in this report because of specific requirements published by Bundesbank on December 16, 2014 which include the requirement to present the country information prior to elimination of cross-border intra group transactions. In line with these Bundesbank requirements, intra group transactions within the same country are eliminated. These eliminations are identical to the eliminations applied for internal management reporting on countries and consist mostly of dividends paid.

The geographical location of subsidiaries and branches considers the country of incorporation or residence as well as the relevant tax jurisdiction. For the names, nature of activity and geographical location of subsidiaries and branches, please refer to Note 46 "Shareholdings". In addition, Deutsche Bank AG and its subsidiaries have German and foreign branches, for example in London, New York and Singapore. The net revenues are composed of net interest revenues and non-interest revenues.

in € m. (unless stated otherwise)	Net revenues (Turnover)	Employees (full-time equivalent)	Income (loss) before income taxes	Dec 31, 2014 Income tax (expense)/ benefit
Argentina	102	84	80	(28)
Australia	357	547	49	(12)
Austria	35	119	6	(3)
Belgium	183	644	17	0
Brazil	145	334	40	(18)
Canada	69	50	7	(3)
Cayman Islands	20	33	7	0
Chile	36	43	28	(6)
China	313	524	193	(45)
Colombia	0	0	(1)	0
Czech Republic	8	43	2	0
Denmark	0	1	1	0
Finland	0	4	0	0
France	89	210	29	(9)
Germany	12,037	45,392	1,980	(440)
Great Britain	3,806	8,057	(2,241)	120
Greece	0	11	0	0
Guernsey	6	0	1	0
Hong Kong	941	1,266	272	(39)
Hungary	21	59	8	(3)
India	529	10,456	344	(160)
Indonesia	127	296	74	(19)
Ireland	19	398	5	(1)
Israel	24	13	15	(4)
Italy	1,082	3,979	95	(55)
Japan	602	686	257	(108)
Jersey	24	122	(5)	1
Latvia	1	0	0	0
Luxembourg	812	610	549	(157)
Malaysia	71	202	46	(12)
Malta	84	4	83	(23)
Mauritius	33	198	14	(2)
Mexico	63	126	30	0
Netherlands	419	862	1	0
New Zealand	40	22	24	(5)
Norway	0	2	0	0
Pakistan	15	78	7	(2)
Peru	14	19	10	(3)
Philippines	43	2,142	21	(6)
Poland	277	2,191	88	(20)
Portugal	70	415	3	(3)
Qatar	0	3	(1)	0
Romania	3	198	2	0
Russian Fed.	161	1,276	77	(20)
Saudi Arabia	34	60	21	(5)
Singapore	1,089	1,905	443	(24)
South Africa	38	105	9	5
South Korea	152	310	52	(13)
Spain	541	2,522	(64)	20
Sri Lanka	24	62	14	(5)
Sweden	3	40	7	(2)
Switzerland	357	726	3	(2)
Taiwan	56	197	14	(2)
Thailand	30	138	1	1
Turkey	77	129	50	(10)
UAE	63	161	5	(1)
Ukraine	5	20	2	0
Uruguay	0	0	0	0
USA	7,702	9,972	1,080	(274)
Vietnam	18	71	8	(2)