

Germany  
Credit Analysis

**Deutsche Bank AG**

**Ratings**

	Current Ratings
<b>Foreign Currency</b>	
Long-Term IDR	AA-
Short-Term IDR	F1+
Individual Support Rating	B
Support Rating Floor	1
Sovereign Risk	
Foreign Long-Term IDR	AAA
Local Long-Term IDR	AAA
<b>Deutsche Bank Securities</b>	
Long-Term IDR	AA-
Short-Term IDR	F1+
Support Rating	1
<b>Deutsche Bank Trust Company Americas</b>	
Long-Term IDR	AA-
Short-Term IDR	F1+
Support Rating	1
<b>Deutsche Bank Trust Corporation</b>	
Long-Term IDR	AA-
Short-Term IDR	F1+
Support Rating	1

**Outlook**

Deutsche Bank AG and Subsidiaries Foreign Long-Term IDR	Stable
Sovereign Foreign Long-Term	Stable
Sovereign Local Long-Term	Stable

**Financial Data**

Deutsche Bank AG	30 Jun 08	31 Dec 07
Total assets (USDm)	3,062,677	2,974,163
Total assets (EURm)	1,990,740	2,020,349
Total equity (EURm)	33,698.0	38,518.0
Operating profit (EURm)	-831.0	7,683.0
Published net income (EURm)	504.0	6,510.0
Comprehensive income (EURm)	-3,771.0	5,248.0
Operating ROAA (%)	-0.08	0.43
Operating ROAE (%)	-4.60	21.48
Eligible capital/weighted risks (%)	12.01	10.68
Tier 1 ratio (%)	9.3	8.6

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**Rating Rationale**

- The ratings of Deutsche Bank AG (DB) reflect its strong global franchise, diversified revenue structure, sound asset quality and capitalisation, and also its risk culture, which so far have helped the bank to weather the financial market crisis better than many peers.
- DB reported a record pre-tax profit of EUR8.7bn for FY07 despite a EUR2.3bn charge on its structured credit and leveraged finance exposures in Q307. In H108 additional EUR5bn write-downs relating to leveraged finance, commercial real estate and RMBS business as well as monoline insurers resulted in a EUR708m pre-tax loss (excluding capital gains). DB was fast in responding to deteriorating market conditions, substantially reducing its risk positions from CDOs and subprime RMBS at an early stage. However, at EUR24.5bn the bank's leveraged finance exposure, although reduced, remained substantial at end-June 2008, exposing the bank to the risk of further drops in market prices and the need to fund commitments that cannot be syndicated.
- The corporate banking and securities sub-division, the key driver of group profit in FY07, reported a EUR1.9bn pre-tax loss in H108. Nevertheless, increased volatility is to some extent balanced by DB's growing 'stable' businesses (private clients/asset management and transaction banking) and its diversified business mix in terms of products, clients and regions. Fitch Ratings also takes comfort from DB's profound risk and capital management capabilities.
- With impaired lending at 1.2% of end-H108 gross loans and reserve coverage of 65%, asset quality appears sound.
- During H108, DB's Tier 1 capital ratio improved to 9.3% in parts due to the Basel II effect and the conversion of hybrid capital instruments into Tier 1 capital, exceeding DB's target range of 8%-9%. Fitch expects the bank's continued focus on capital management to limit the effect from potential additional MTM adjustments and the consolidation of leveraged finance commitments to capital. Fitch considers DB's eligible capital ratio strong.

**Support**

- DB is of such importance internationally and domestically that, in Fitch's opinion, there would be an extremely high probability of support from the German government, if needed.

**Key Rating Drivers**

- Fitch expects DB to continue coping relatively well with challenging market conditions. Nevertheless, any upward movement of the Long-term IDR is limited in the near term given that earnings from certain investment banking operations remain under pressure. Downward rating pressure would result from a prolonged and material erosion of revenues and capital or a substantial deterioration of the bank's risk profile.

**Profile**

DB is a leading global investment bank and one of Europe's largest commercial banks. In retail banking, DB targets the mass affluent market and serves 14 million customers. Within its asset management division, the retail business, branded DWS, is market leader in Germany and among the top 10 globally in terms of managed assets.

- A global investment bank with growing retail business and strong asset management (EUR896bn AuM at end-Q108)
- ‘Stable businesses’ strengthened through organic growth and smaller acquisitions
- Seeking to expand retail business through larger acquisition

## Profile

DB is one of the major European banks, with a strong international presence. It is active in 76 countries and sourced more than 70% of its revenues in FY07 from outside Germany. DB has concentrated on organic growth and bolt-on acquisitions since the acquisition of Bankers Trust in 1999 for USD9bn, but has expressed its interest in acquiring additional larger-scale retail business in Germany.

DB’s corporate structure is organised under two group operating divisions: CIB and PCAM, plus the corporate investments division.

### CIB

CIB consists of the corporate banking & securities (CBS) and global transaction banking (GTB) sub-divisions. CBS is a full-service investment bank, encompassing the global markets (DB’s capital markets activities) and corporate finance businesses, which includes DB’s corporate advisory, corporate lending and commercial real estate business. DB is one of the few European banks able to compete with the “bulge bracket” US investment banks, and has gained market share in several business lines as a result of selective investments. It benefits from its historically strong position in the debt market, although until end-2007 its equity business contributed a growing share to revenues due to rising customer mandates and revenue synergies from the bank’s integrated equity, debt and high-yield operations under global markets. The bank is a market leader in foreign exchange and derivatives businesses. DB concentrates on customer-driven transactions and sees growth opportunities within its existing corporate customer base as well as in selling structured products to its retail customers. The US residential mortgage loan originator (Mortgage IT Holdings), acquired in Q107 to build up DB’s origination and securitisation platform, has been downsized due to the shrinking market. In other areas such as global M&A and private equity deals it benefited from weakened positions of competitors and gained market share. In addition to strengthening the bank’s position in the US and retaining its leading role in Europe, DB is expanding into emerging markets, particularly in Asia. Global banking provides services to multinationals across the globe and medium-sized companies (primarily in Germany but also from other countries in Europe). The bank focuses on profitable customer relationships requiring higher-margin tailor-made products. In Q407 DB acquired 100% of Abbey Life, a UK life assurance company for EUR1.4bn, which ceased new business in 2000.

GTB includes the group’s cash management and clearing activities, securities services and custody operations, and trade finance. In Europe, DB is the leader in cash management. In trade finance it has a strong market position in Germany and aims to become one of the leading banks in this field globally. GTB is run in collaboration with the corporate finance business as global banking. In July 2008 DB agreed to buy commercial banking operations for EUR709m in cash, which had been part of ABN AMRO Bank’s (‘AA-’/Positive) Business Unit Netherlands and include 35,000 corporate and 8,000 individual clients.

### PCAM

PCAM consists of the private & business clients (PBC) and asset and wealth management (AWM) divisions. PBC services DB’s private individual and small business clients, mainly in Germany, in Spain and Italy and to, a lesser extent, in Belgium, Poland, Portugal, India and China. Domestically, DB is the leading single retail bank (excluding Verbund structures) in terms of revenues and pre-tax profit, although its share in the fragmented German market is relatively small, with the exception of the Berlin region where it has gained market share of 15% through the acquisition of Berliner Bank, a former branch of Landesbank Berlin Holding (‘AA-’) in Q107. Consumer finance activities were strengthened by acquiring 98 branches, the loan book and brand name of norisbank in Q406. As such opportunities are rare in Germany, DB also increased the density and quality of its domestic network of

branches and financial agent offices. The bank serves 14 million private clients and targets the affluent and mass affluent segments. As a result of streamlining and reorganising its retail operations in 2001-05, the bank has an efficient platform and would benefit from further economies of scale following another acquisition. DB expressed its interest in acquiring Deutsche Postbank ('A'). Retail banking products are offered through a range of channels, including cooperation agreements with ADAC, Europe's largest automotive club, and DVAG, a large independent financial advisor network. DB is investing in its core European markets, as well as Poland and Asia (China and India). It cooperates with the national post office networks in Italy and Spain to provide consumer lending services to their clients.

AWM includes DB's retail and institutional asset management and private banking operations. Asset management is organised along four global product-driven business lines. With assets under management (AuM) and control of EUR898bn at end-H108, DB is one of the world's largest asset managers. DWS, its retail fund subsidiary, is the leading mutual fund company in Germany, with a market share of about 21%. At end-H108, DWS had AuM of EUR211bn. DB consolidated its retail asset management operations worldwide under the DWS brand. This includes the US mutual fund business, formerly Scudder, which was successfully restructured. While AuM are concentrated in Europe and the Americas, DWS is growing strongly in the Asia/Pacific region. DB's institutional activities operate under the Deutsche Asset Management (DeAM) brand. DeAM strengthened its distribution and consultant relations and is focusing on innovative products with strong growth potential. It is the largest manager of non-affiliated insurance assets worldwide. RREEF, DB's US-based real estate investment company, benefits from an innovative product offering, and managed assets invested in real estate funds globally amounted to EUR58bn at FYE07. In private wealth management, DB expanded its presence in Asia and the Middle East, as well as in Europe via organic growth and the acquisition of the UK wealth manager Tilney Group in Q406. The offering of sophisticated, high-value asset classes leverages DB's capital markets and asset management expertise.

The Corporate Investments (CI) division continues to wind down DB's equities investment portfolio, thus freeing up capital. The remaining major industrial holdings – the largest of which in Daimler AG (4.4%), Allianz SE (1.7%), Linde AG (5.2%) and EADS N.V. (0.8%) – had a market value of EUR5.1bn or 13% of total IFRS equity at FYE07.

### Presentation of Accounts

Since its listing on the New York Stock Exchange in 2001, the bank has reported under US GAAP. As EU regulations required DB to prepare consolidated financial statements according to IFRS from FY07, it converted to IFRS starting with Q107 financial data. The following analysis is based on FY07 financials reported under IFRS, with comparative numbers for FY06 and DB's H108 interim report.

### Performance

DB's operating profitability has grown steadily since the early 2000s when results were heavily reliant on capital gains from divestments of shareholdings. This was a result of increasing revenues in all divisions and a leaner and tightly controlled cost base. Management's target of 25% pre-tax ROE (according to the bank's definition) was exceeded for the third consecutive year in 2007, despite more challenging market conditions in H207. The bank aims to maintain this benchmark through the economic cycle. DB is the only major German bank whose profitability was in line with that of its main European peers in FY07. DB took a first hit from the financial markets crisis that began in mid-2007 in Q307 when it booked EUR2.2bn write-downs relating to leveraged loans and commitments, relative value strategies, RMBS and other structured credit products. While this was sufficiently conservative to keep further adjustments in Q407 to a minimum (below EUR50m), market

- 2007 profitability remained strong despite a difficult H207
- Negative H108 operating result due to write-downs driven by financial market crisis
- Impact from market turmoil less severe compared with many international peers
- No significant gain from fair value on own debt

**Table 1: Peer Comparison**

(%)	Deutsche (‘AA-’, ‘B’)			Credit Suisse (CS) (‘AA-’, ‘B’)			Major European Peers <sup>a</sup>	
	H108	2007	2006	H108 <sup>b</sup>	2007 <sup>b</sup>	2006 <sup>b</sup>	2007	2006
NIM <sup>c</sup>	3.69	2.69	2.54	2.63	2.71	2.59	2.13	2.67
Cost/income ratio	106.90	71.95	70.26	107.05	73.43	71.12	67.44	63.54
Pre-impairment ROAE	-2.51	23.82	27.92	-3.85	21.44	23.63	20.68	26.82
Operating ROAA	-0.08	0.43	0.51	-0.15	0.69	0.79	0.58	0.80
Operating ROAE	-4.60	21.48	26.03	-4.83	20.88	23.89	16.40	22.86
Eligible cap./weighted risks	12.01	10.68	9.70	13.53	13.51	15.67	10.31	10.20
Tier 1 ratio	9.3	8.6	8.5	10.2	11.1	13.9	8.7	8.8

<sup>a</sup> BNP Paribas (AA, A/B), Société Générale (AA, B), Credit Suisse (AA-, B), UBS (AA+, A/B), ABN Amro (AA-, B), Barclays (AA, A/B), Royal Bank of Scotland (AA, A/B)

<sup>b</sup> According to US GAAP, all other numbers according to IFRS

<sup>c</sup> Based on average risk weighted assets including market risk

Source: Bankscope, Banks’ annual reports, figures adjusted by Fitch Ratings

developments in Q108 and Q208 required additional charges of EUR2.7bn and EUR2.3bn, respectively, against its leveraged finance, CRE, US RMBS and monoline exposure. This resulted in a marked deterioration in pre-tax profit in H108, to EUR388m from EUR5,862m in H107. As the vast majority of its exposure to critical asset classes is accounted for in the trading book, market value adjustments feed directly into the P&L and the effect on the revaluation reserve was negligible. In contrast to many peer banks, DB decided against the fair-value option of its own debt, which would have boosted the bottom line and capital by an accumulated EUR2.2bn by end-June 2008. The effect was only EUR18m in FY07 and EUR91m in H108.

DB has already disposed of the majority of industrial investments and the remaining shareholdings are gradually being reduced. In FY07 net revenues in the CI segment included EUR514m capital gains from the sale of industrial holdings (Fiat, Linde, Allianz), EUR178m income from equity method investments (Deutsche Interhotel) and EUR318m gains from the sale and lease-back of premises in New York, all classified by Fitch as non-operating income (FY06: EUR92m on Linde and EUR131m on EUROHYPO (IDR ‘A’)). Fitch also treated H108 book gains of EUR1,096m on Daimler, Allianz, Linde and Arcor in the same way.

Despite strict cost management, DB’s annual cost/income ratio in FY07 remained at around 70%, which was slightly above the peer average. Total non-interest costs rose in FY07 by 8% driven by a headcount increase of 9,442 (+14%) and accelerated amortisation of previously awarded equity compensation for employees eligible for early retirement, higher insurance policyholder claims and impairment charges for intangible assets. At 43%, the compensation ratio remained stable. In H108 non-interest expenses declined by 24% compared with H107, driven by a 32% decline in compensation and benefits reflecting lower accruals for performance-related compensation in CIB. Administrative expenses (including about EUR60m capital injections into money market funds) in asset management decreased by 6%, reflecting currency effects, cost-saving initiatives and lower litigation-related expenses.

At 8% and 10% of pre-impairment operating profit in H108 (excluding crisis-related write-downs) and FY07, respectively, loan impairment charges (which include recoveries in the attached spread sheet) remained low, reflecting the favourable credit environment and active hedging of the loan portfolio. The increase in provisions against corporate exposures to EUR109m from a net release of EUR65m in FY06 was primarily driven by one single counterparty relationship. In H108 retail-related provisions continued to increase in line with volumes, the CIB division recorded a EUR20m net release.

### Divisional Performance

A breakdown of DB's detailed divisional performance according to internal management reporting standards is shown in the appendix. Although, with 58%, the CBS segment still generated the bulk of the operating divisions' 2007 pre-tax profit (excluding CI), the contribution of DB's 'stable' businesses – PCAM and GTB – is rising. Stable businesses generated EUR3bn in pre-tax profit in FY07 compared with EUR1.6bn in FY04. In H108 CBS reported a pre-tax loss of EUR1.9bn; excluding the EUR5bn write-downs, the ratio of CBS to stable businesses would have been 66:34. The expansion of PCAM and GTB aims to further strengthen DB's revenues from a global asset-gathering franchise and solid retail and transaction banking activities.

CIB's revenue mainly comes from sales and trading activities (68% in FY07), loan transaction services (14%), origination (8%) and advisory (6%). Higher-margin derivative and structured products (including credit, equity and interest rate derivatives and securitised products – so-called intellectual capital), where the bank has built up valuable expertise, are key business drivers, generating the majority of sales and trading revenues. At around 15% of trading revenues on average based on management estimates, DB's proportion of proprietary risk is much lower than at securities firms. Net commission income (DB's key revenue source, which also reflects its large asset management activities) continued to grow in FY07 (+10% for DB), but has been negatively affected by depressed client activity in CDOs, other credit products and equities since mid-2007 and declined by 16% in H108 versus H107.

Owing to the more difficult market conditions since mid-2007, which triggered the sizeable mark-downs, CIB's pre-tax profit declined by 15% yoy to EUR5.1bn in FY07 and turned into a EUR1.4bn pre-tax loss in H108. In a more challenging market environment with lower client activity the performance of the CBS sub-segments sales and trading (S&T) equity, S&T debt and origination & advisory have become more varied. DB has a solid revenue base from debt operations as a result of its good franchise, diversified product range, expertise in securitised products and synergies from retail distribution. Nevertheless, the decline in market activity in RMBS, CMBS, CDOs and the write-downs reflected in lower net revenues from S&T debt in FY07 (-7%) and H108 (-69%). Lower fee income from ABS is partly compensated for by revenue growth from trading in FX, money markets and interest rate products. DB benefits from the fact that global markets revenues are well diversified in terms of product, region and client group.

While net revenues from S&T equity increased by 14% in FY07, H108 saw a 50% decline compared with H107 due to lower volumes of cash equities and equity derivatives, valuation losses in derivative positions arising from retail structured products and a modest loss from proprietary trading. On the other hand, DB benefits from its growing Asian business and significant new mandates in prime services. In FY07 DB expanded substantially the exchange traded funds (ETF) business and became European market leader in fixed-income ETFs. Origination and advisory revenues declined by 8% in FY07, driven by lower equity origination and limited new high-yield issuance. While advisory revenues in FY07 benefited from a higher transaction volume and the bank's improved market share, H108 net revenues declined in a slower market. Origination and advisory net revenues were negative EUR779m in H108 due to lower market volumes and EUR2bn write-downs on leveraged finance loans and commitments. Funded leveraged loans (EUR10.2bn at end-H108) generated EUR357m interest income in H108.

In corporate lending DB is seeking to counterbalance continuing margin pressure by selling a number of innovative products to its clients. Strong pricing discipline is benefiting the bottom line by ensuring that all corporate relationships are value-creating. In addition, this business has been benefiting from low loan impairment charges since FY04. Driven by growth in cash management, trade finance and

custody business in Germany and emerging markets as well as continued cost discipline, GTB is increasing its contribution to the group's underlying pre-tax profit in absolute terms and serves to enhance earnings stability. Pre-tax profit increased by 34% in FY07 and 16% in H108.

PCAM's pre-tax profit increased by 6% in FY07 and remained flat in H108. About 60% of pre-tax profit came from its sub-segment PBC in H108, which for the full year 2007 once again contributed more than EUR1.1bn. The loan and deposit business, fund management and brokerage remained the strongest revenue generators. Revenues from loans/deposits saw the strongest growth in FY07 (14%) and rose 4% in H108, while revenues from the two latter sources declined. Lower brokerage fees are offset by growth in pension products and payment services. The 11% cost growth in FY07 was driven by the integration of Berliner Bank, the relaunch of norisbank and network expansion in Poland and India. In H108 costs remained flat and at 38% pre-tax ROE, according to the bank's calculation, PBC's profitability remained strong. Revenue generation in FY07 benefited from 9% growth in DB's retail loan book and the distribution of retail derivatives and insurance products of Zurich Financial Services. Benefiting from DWS's strong franchise, the retail business generates the majority of AWM's revenues, followed by alternative investments and the institutional investor business. Under the global organisational structure AWM's profitability stabilised, (pre-tax ROE of 19% in H108, 18% in FY07 and FY06, 8% in FY04) and the net new money inflow continues (EUR15bn in H108, EUR40bn in FY07, EUR21bn in FY06). While in private wealth management the bank benefits from prior investments and money inflows, in asset management lower market values of AuM impact commission income and resulted in a 10% decline in AWM's pre-tax profit in H108.

### Prospects

Although DB benefits from structural improvements and its high degree of revenue diversification, market conditions in FY08 are proving to be challenging, requiring the bank to manage its risk exposures, funding, capital and liquidity more effectively than in the past. Fitch considers that profitability will be muted due to potential additional value adjustments to leveraged finance, commercial real estate and RMBS assets, declining revenues from investment banking operations and higher funding costs. Revenues from both S&T debt and equity in FY08 are likely to remain far below those in FY07, which may be only partly compensated for by the positive trend in flow business, higher margins and cost savings. Given its relatively low net exposures to structured securities due to early reduction of positions and hedging, Fitch considers the bank's still sizeable leveraged finance exposure and its US mortgage risk exposure to be the most vulnerable to further valuation adjustments (and increasing capital consumption).

Although DB's FY08 profitability is unlikely to reach the level seen in the past two years, Fitch expects it to remain acceptable in the light of adverse market conditions. CBS benefits from past investment in commodities and emerging market securities trading as well as increasing client demand for FX, government debt, interest rate swaps and money market products. Reduced competitor activities and its robust capitalisation provide DB with good opportunities for new business and the chance to strengthen its market share. Management has cautioned expectations regarding its envisaged EUR8.4bn pre-tax profit for FY08 in view of reduced business volumes and declining revenues in certain businesses, in particular structured and leveraged finance, potential further write-downs and a possible deterioration of the economic environment above expectations.

### Risk Management

Credit risk remains DB's largest risk category. Exposure to market risk arises from its large investment banking operations and equity holdings, although the latter have been significantly reduced. DB's integrated risk and capital management

- Active and sophisticated credit risk management
- Negative marked-to-market adjustments due to exposures to structured credit products, commercial real estate and leveraged loans
- Stable market risk from trading, reduced market risk from investment

function includes the former risk management and treasury and capital management groups, as well as (since FY07) the legal and compliance groups. The capital and risk committee (CaR) is chaired by the chief risk officer, who also chairs DB's risk executive committee (REC), which is responsible for the management and control of all risk types across the group and oversees the implementation of risk policies. The REC has delegated some of its tasks to various sub-committees, one of which is the group reputational risk committee.

DB is well advanced in its implementation of Basel II requirements, using a highly sophisticated and, in Fitch's judgment, appropriate model to calculate economic capital. At FYE07, DB's aggregate economic capital usage based on a 99.98% confidence level, including a EUR2.7bn relief from diversification effect, amounted to EUR13.6bn (FYE06: 11.7bn) and was split as follows: EUR8.5bn credit risk; EUR3.5bn market risk (of which EUR1.8bn was trading-related); EUR4bn operational risk; and EUR0.3bn business risk. DB's economic capital was equivalent to 35% of its total consolidated equity at FYE07. Its risk-bearing capacity and its ability to absorb sizeable unexpected losses is also demonstrated by the large buffer of EUR14.7bn between economic and Tier 1 capital at the same time, as calculated by the bank.

### Credit Risk

Credit decisions are largely decentralised but credit policies and guidelines are reviewed by the group credit policy committee, a sub-committee of the REC. DB's management of credit risk is sophisticated. The bank calculates the expected loss for credit and operational risks based on a statistical average of DB's historical loss data and external data, taking into account up-to-date credit ratings (26 rating classes), collateral and maturities. The majority of DB's credit risk stems from the bank's exposure to corporates, although this mainly arises from its trading and derivative business rather than lending. About 29% of its EUR397bn corporate risk exposure at FYE07 (including customer loans and commitments, OTC derivatives and guarantees) related to counterparties rated 'AA-' or above.

Some 45% of DB's total on-balance-sheet loan portfolio of EUR199bn consisted of retail loans (including loans to small businesses) at FYE07, of which EUR42bn was German residential property lending. 70% of the portfolio was related to Germany, where nearly half of the 9% yoy volume growth was originated. Even stronger relative growth came from the portfolios in Italy, Spain and Poland. Nevertheless, the majority of foreign loan exposure was still to corporates and financial institutions. Foreign commercial property exposure accounted for only a very small portion of lending.

CBS's businesses relating to credit structuring, US residential mortgages, commercial real estate (CRE) and leveraged finance have been heavily impacted by the global credit crisis. Net CDO exposures relating to subprime (mainly warehousing facilities) and Alt-A exposures are relatively small. A large portion of US RMBS risk has been hedged. However, as with other banks, DB to some extent remains exposed to further deteriorating market prices and basis risk from hedging. Hedges include single-name CDS, index-based contracts and protection provided by monoline insurers. Valuation adjustments of the latter are conducted on a name-by-name basis. Monoline risk is partly mitigated by CDS protection and EUR0.8bn in impairment reserves at end-H108. Securitising and selling on CRE loans has become more difficult since mid-2007, and fair value accounting resulted in EUR1.3bn cumulative mark-downs (excluding fees and hedges) as at end-H108. DB's sizeable leveraged finance exposure, 94% of which is held in the trading book, was written down to 91% of its nominal value at end-H108. EUR16.6bn commitments remained unfunded at end-H108, which may increase risk-weighted assets (RWAs) if not sold within six months after funding.

Although DB's loan book increased by 11% in FY07, the proportion of loans on its balance sheet remained at a low 9%. Growth in trading assets and derivatives has driven balance sheet totals in the past four years. This also reflects DB's shift away

**Table 2: Critical Asset Exposure at end-H108**

(EURm)	Gross risk	Net risk <sup>a</sup>
CDO US subprime trading	1,426	791
CDO US Alt-A	381	176
CDO US subprime afs	306	219
US RMBS	5,880	1,461
Monoline exposure	7,711 <sup>b</sup>	1,309
US res. mortgages		
CRE exposure	15,949	11,958
Leveraged finance exposure	26,823	23,125

<sup>a</sup> After hedging and valuation adjustments

<sup>b</sup> Notional amount, net risk from other monoline exposure: EUR2.2bn

Source: Deutsche Bank

from being a balance-sheet-driven entity (buy and hold) towards an emphasis on origination and sell-down, and a selective approach to corporate lending, with an ongoing focus on credit quality and pricing. CIB's commercial lending is well diversified, benefiting from the bank's good corporate relationships in Germany and Europe, and its expertise in the US. The portion of investment-grade loans in the corporate loan book was 70% at FYE07 compared with 65% at FYE06 and 49% at FYE02, owing to the bank's tight credit policies and the benign credit environment. The loan exposure management group actively manages DB's corporate loan portfolio and has hedged a significant part of it with credit default swaps (CDS), synthetic collateralised loan obligations and credit-linked notes.

DB is less dependent on the state of the German economy than other large German banks due to its sizeable international operations, which generated 71% of its FY07 revenues and 63% of pre-tax profit. Even when the economic environment was more difficult in FY02-04, DB did not experience a significant deterioration in either its German mid-cap portfolio or its domestic real estate exposure. Total credit exposure of EUR477bn at FYE07 is split by region into western Europe (56%), North America (33%) and the Asia/Pacific region (8%); the remainder mainly corresponded to eastern Europe, Central/South America and Africa. Emerging markets counterparty exposure, net of collateral, amounted to EUR22bn at FYE07 (+91% yoy) and the net transfer risk EUR9.2bn (+89%). The increase resulted from selective growth due to improved credit quality in target countries. Country-specific risk scenarios for all emerging markets are calculated and assessed daily.

DB is highly active in the interbank markets. DB pledged EUR216bn of assets as collateral for repurchase agreements and securities borrowing agreements and for margining purposes on OTC derivatives at FYE07. Three-quarters of fixed-income securities included in tradable assets carried an investment-grade rating. As an active participant in the prime brokerage market, DB provides prime brokerage services to hedge funds, primarily trading business. To minimise risk, the bank conducts a thorough due diligence including qualitative and quantitative aspects. Funds must meet certain minimum requirements, e.g. a five-year track record. DB monitors performance and net asset values monthly. All business is done on a collateralised basis with low margin thresholds.

DB is also very active in the derivatives markets and the replacement value of its OTC derivatives, mainly interest rate and currency contracts, stood at EUR583bn at FYE07 (which roughly equals the negative market value). After netting agreements, this figure dropped to EUR98bn, equivalent to around 2.8 times group eligible capital – a high figure. However, 86% of risk exposure is to investment-grade-rated counterparties. The bank has substantially expanded its credit derivatives business, buying, selling and trading protection within the strict limits and controls used throughout the bank. The positive market value of CDS stood at EUR119bn at FYE07; the counterparty portfolio is well diversified.

**Table 3: Peer Comparison**

(%)	Deutsche Bank			Credit Suisse (CS)			Major European peers <sup>a</sup>	
	H108	2007	2006	H108	2007	2006	2007	2006
Loan impairment charge/gross loans (av.)	0.37	0.46	0.32	0.15	0.09	-0.05	0.37	0.29
Total credit impairment/pre-impairment operating profit	-83.04	9.82	6.78	-25.39	2.58	-1.1	26.38	12.32
Impaired loans gross/loans gross	1.17	1.45	1.49	0.68	0.70	0.85	2.18	2.02
Loan impairment/gross impaired loans	64.81	64.46	61.46	69.30	64.44	69.26	62.43	54.42
Impaired loans net/eligible capital	2.29	2.68	3.92	1.33	1.64	1.65	15.47	16.40
IFRS impaired loans (EURm)	2,546	2,645	2,717					

<sup>a</sup> BNP Paribas, Société Générale, Credit Suisse, ABN Amro, Barclays, Royal Bank of Scotland  
Source: Bankscope, Banks' annual reports, figures adjusted by Fitch Ratings

Comparison of asset quality (see Table 3) among German and European banks is still somewhat constrained by different definitions and differences in accounting practices. DB's total impaired loans have fallen sharply both in absolute terms and as a percentage of gross lending since their peak in FY02. Including non-accrual, 90 days past due and still accruing and restructured loans, problem loans amounted to EUR3.325m at end-H108. The bank's reserve coverage at end-H108 (based on impaired loans as defined under IFRS) is about average among its European peers.

### Market Risk

The REC, supported by the market risk management function, is responsible for managing all market risk, whether it arises in capital markets activities or elsewhere. DB has a sophisticated market risk monitoring system, including a Monte Carlo-based VaR approach with a 99% confidence interval and a one-day holding period (10 days for regulatory purposes). Its VaR model has been recognised by the German authorities for calculating the full market risk component of its capital adequacy ratio. The bank conducts regular back-testing and also stresses trading portfolios under extreme market scenarios not covered by the VaR model.

The biggest trading market risk component continues to be interest rate risk (including spread risk), followed by equity risk (including derivatives and arbitrage) and, to a lesser extent, forex and commodity price risks. DB's VaR averaged at EUR86m in FY07, taking into account correlation. This was 23% above the average in FY06. The increase was due to business growth in H107 and to higher market volatility in H207 as well as a re-calibration of the VaR methodology with recent market data and improved credit spread methodology, the latter resulting in an increase of 15%. DB's overall trading VaR limit was raised to EUR105m in Q107 from previously EUR92m. In Q307 the limit was exceeded (pre-approved by the board) as a result of large protection bought to protect the books against falling markets. The additional optionality increased the already high volatility position and caused the VaR to increase sharply for a short period of time. In H108 the average trading VaR was EUR115m, which is well within the adjusted limit.

Economic capital for non-trading market risk increased by 24% to EUR1.7bn in FY07, due to growth in the alternative assets portfolio. The bank's alternative investments totalled EUR3.9bn at FYE07 and were split in EUR1.6bn in principle investments (PE, Mezzanine Debt, LBO funds), EUR2bn in real estate and EUR0.3bn in hedge funds. Despite a new investment in an infrastructure asset by AM, this is substantially below earlier levels (EUR12bn at FYE01).

### Operational Risk

The operational risk management committee, a sub-committee of the REC, is the main decision-making committee for all operational risk management matters and approves group standards for operational risk management. DB uses a number of techniques to manage this risk, including self-assessment, collection of loss data, and monitoring of quantitative and qualitative risk indicators. In FY07, the methodology for calculating economic capital for operational risk was further refined and in December 2007 the regulator (BaFin) approved the model for the advanced measurement approach under Basel II. Back-up centres are in place, and the outsourcing of part of DB's data centres in Europe also mitigated operational risk. In August 2008 DB agreed to buy back USD1bn of auction-rate securities from US retail investors and pay USD15m in fines to resolve regulatory investigations into possible mis-selling practices.

### Funding and Capital

#### Funding

DB derives approximately one-quarter of its unsecured funding from retail customers (mainly domestic). Although DB has the second-largest retail deposit base of any bank in Germany, the fragmented structure of the German banking

- Well-diversified funding base
- Completion of original FY08 funding plan by June 2008
- Sophisticated liquidity management
- Strong capitalisation; proactive capital management

system, with its strong local savings and co-operative bank networks, means that this only amounts to a market share of some 5%. Corporate/institutional depositors, bond issuance and various commercial paper programmes are other important sources of funds for DB. A large proportion of assets, positive market values of derivatives and securities purchased under resale agreements, do not require funding by the bank's treasury as they are largely counterbalanced by respective positions on the liability side of the balance sheet. The bank is diversifying its funding into more stable sources. Of DB's EUR516bn unsecured funding at end-H108 84% (end-H107: 70%) were sourced from deposits and long-term capital markets, with the remainder being short-term wholesale in nature. Retail deposits accounted for about 25% of total unsecured liabilities. An advanced "funding matrix", comprising the maturity profile of all assets and liabilities, enables management of open liquidity exposures and forms the basis for DB's capital market issuance plan. In response to deteriorating market conditions, DB almost doubled issuance compared with its target in FY07 to EUR45bn to enhance liquidity, fund new business and commitments. By early June 2008, DB had completed its original FY08 issuance plan of EUR38bn, which has since been increased upwards to EUR50-60bn to allow the bank to take advantage of market opportunities and continue to pre-fund 2009 maturities. By end-July 2008 DB had issued EUR45bn.

Liquidity management is sophisticated. The bank determines the liquidation profiles of its asset classes in the various regions, taking haircuts on assets that may be less fungible and assesses the impact of a number of stress tests on a regular basis. Cash flows are tracked on a daily basis over an 18-month horizon by location, by currency, by product and by division. This includes liquidity risks from off-balance-sheet transactions. The portfolio of highly liquid securities, which is kept to supply collateral for cash needed for clearing activities, was increased to EUR25bn at end-FY07 from EUR8bn. At end-H108, DB would have been able to generate EUR125bn in liquidity through unencumbered, liquid assets and securing trading assets funded unsecured within 30 days. DB's liquidity position is subject to stress testing and scenario analysis.

### Capital

The bank remains focused on capital management, which is undertaken by Treasury, in line with the capital strategy developed by the CaR. Capital management remains the bank's focus and is undertaken by the legal, treasury & capital management unit, in line with the capital strategy developed by the CaR. The 2007/08 share buy-back program has been concluded after the 2008 AGM. It has not yet been determined when the new share buyback authorization will be initiated. DB's Tier 1 ratio increased to 9.3% at end-H108, exceeding its 8%-9% target range (unchanged under Basel II) and remains at a level Fitch considers comfortable, in view of the bank's risk profile. DB's risk-weighted positions increased by 19% in FY07 but decreased following the change to Basel II at the beginning of FY08 in H108 by 7% despite further consolidation of leveraged finance loans and an 8% loan growth. This was partly because certain securitisations, previously included in RWAs and 1,250% risk-weighted, had been deducted from capital. While this was neutral in its effect on the Tier 1 ratio, the conversion of USD2.8bn upper Tier 2 capital securities into Tier 1 capital was supportive. Fitch's eligible capital/RWA ratio, which adjusts equity for tax losses carried forward, goodwill, revaluation and foreign currency reserves (down to minus EUR3.1bn at end-H108 from EUR1.1bn at FYE07 driven by currency effects) and eligible hybrid capital was a strong 12.0% at end-H108. Fitch recognised EUR8.7bn hybrid capital instruments as equity.

## Appendix 1

### Divisional Performance FY07 - FY06 (According to Management Reporting Standards)

#### Private Clients and Asset Management

Divisional performance (EURm)	Private & business clients		Asset and wealth management	
	FY07	FY06	FY07	FY06
Net revenues	5,755	5,149	4,374	4,166
Loan impairment charge <sup>a</sup>	-501	-391	-1	+1
Costs	-4,108	-3,717	-3,453	-3,284
Goodwill impairment	-	-	-74	-
Restructuring expenses	+1	-49	+8	-43
<b>Income before inc. taxes</b>	<b>1,146</b>	<b>1,041</b>	<b>913</b>	<b>894</b>
Average active equity	2,321	1,707	4,927	4,993
Pre-tax return on av. active equity (%)	33	45	18	18
Risk-weighted positions	69,722	63,900	15,864	12,335
Cost/income ratio (%)	71	72	79	79

#### Corporate and Investment Bank

Divisional performance (EURm)	Corporate banking & securities		Global transaction banking	
	FY07	FY06	FY07	FY06
Net revenues	16,507	16,574	2,585	2,228
Loan impairment charge <sup>a</sup>	-102	+65	7	+29
Costs	-11,236	-9,650	-1,633	-1,552
Goodwill amortisation	-	-	-	-
Restructuring expenses	+4	-77	+1	-22
<b>Income before inc. taxes</b>	<b>4,201</b>	<b>5,379</b>	<b>945</b>	<b>705</b>
Average active equity	19,619	16,041	1,095	1,064
Pre-tax return on av. active equity (%)	21	34	86	66
Risk-weighted positions	218,663	177,651	18,363	14,240
Cost/income ratio (%)	74	68	63	70

#### Corporate Investments

Divisional performance (EURm)	FY07	FY06
Net revenues	1,517	574
Loan impairment charge <sup>a</sup>	-3	-2
Costs	-220	-214
Goodwill impairment	-54	-31
Restructuring expenses	-	-1
<b>Income before income taxes</b>	<b>1,299</b>	<b>361</b>
Average active equity	473	1,057
Pre-tax return on av. active equity (%)	n.m.	34
Risk-weighted positions	4,891	5,395
Cost/income (%)	15	37

#### Total Group

(EURm)	FY07	FY06
Net revenues	30,738	28,691
Loan impairment charge <sup>a</sup>	-613	-298
Costs	21,583	-20,003
Goodwill impairment	-128	-31
Restructuring expenses	+13	-192
<b>Income before income taxes</b>	<b>8,505</b>	<b>8,380</b>
Average active equity	29,725	25,368
Pre-tax return on av. active equity (%)	29	33
Risk-weighted positions	327,503	273,520
Cost/income (%)	70	70

<sup>a</sup> Including provisions for off-balance-sheet positions  
Source: DB's 2008 annual report

## Appendix 2

### Divisional Performance H108 - H107 (According to Management Reporting Standards)

#### Private Clients and Asset Management

Divisional performance (EURm)	Private & business clients		Asset and wealth management	
	H108	H107	H108	H107
Net revenues	2,931	2,867	1,963	2,147
Loan impairment charge	269	241	1	0
Costs	2,030	2,037	1,533	1,662
Goodwill impairment	-	-	-	-
Restructuring expenses	-	-	-	-6
<b>Income before inc. taxes</b>	<b>632</b>	<b>590</b>	<b>431</b>	<b>480</b>
Average active equity	3,295	3,438	4,620	5,092
Assets	123,586	117,533	55,890	39,081
Cost/income ratio (%)	69	71	78	77
Pre-tax return on av. equity (%)	38	34	19	19

#### Corporate and Investment Bank

Divisional performance (EURm)	Corporate banking & securities		Global transaction banking	
	H108	H107	H108	H107
Net revenues	3,063	11,426	1,331	1,268
Loan impairment charge	-22	-63	2	1
Costs	5,011	7,546	796	807
Goodwill impairment	5	-	-	-
Restructuring expenses	-	-3	-	-1
<b>Income before inc. taxes</b>	<b>-1,915</b>	<b>3,933</b>	<b>533</b>	<b>460</b>
Average active equity	19,539	18,714	1,052	1,083
Assets	1,832,123	1,785,546	37,265	32,083
Cost/income ratio (%)	164	66	60	64
Pre-tax return on av. equity (%)	-20	42	101	85

#### Corporate Investments

Divisional performance (EURm)	H108	H107
Net revenues	1,001	697
Loan impairment charge	-1	0
Costs	48	166
Goodwill impairment	-	54
Restructuring expenses	-	-
<b>Income before inc. taxes</b>	<b>955</b>	<b>537</b>
Average active equity	249	572
Assets	8,778	13,002
Cost/income ratio (%)	5	24
Pre-tax return on av. active equity (%)	N/A	188

#### Total Group

(EURm)	H108	H107
Net revenues	10,008	18,359
Loan impairment charge	249	178
Costs	9,371	12,319
Goodwill impairment	5	54
Restructuring expenses	-	-9
<b>Income before inc. taxes</b>	<b>388</b>	<b>5,862</b>
Average active equity	30,403	29,031
Assets	1,990,740	1,924,257
Cost/income ratio (%)	94	67
Pre-tax return on av. active equity (%)	3	40

Source: DB's H108 interim report

**Revenue Sources of CIB**

(EURm)	H108	FY07	FY06
Origination	-1,032	1,575	2,091
Equities	223	861	760
Debt	-1,255	741	1,331
Sales and trading	3,495	13,020	13,055
Equities	1,575	4,613	4,039
Debt and other	1,919	8,407	9,016
Advisory	253	1,089	800
Loan products	554	974	946
Transaction services	1,331	2,585	2,228
Others	-206	-151	-318
<b>Total</b>	<b>4,394</b>	<b>19,092</b>	<b>18,802</b>

**Revenue Sources of PCAM**

(EURm)	H108	FY07	FY06
Portfolio/fund mgt.	1,292	3,062	3,089
Loan/deposit products	1,633	3,173	2,774
Brokerage	1,045	2,172	1,910
Transaction services	559	979	899
Other	366	742	643
<b>Total</b>	<b>4,894</b>	<b>10,129</b>	<b>9,315</b>

Source: DB's annual reports and H108 interim report

**Balance Sheet Analysis**  
**DEUTSCHE BANK AG**

	30 Jun 2008				31 Dec 2007		31 Dec 2006	
	6 Months - Interim USDm Original	6 Months - Interim EURm Original	As % of Assets Original	Average EURm Original	Year End EURm Original	As % of Assets Original	Year End EURm Original	As % of Assets Original
<b>A. LOANS</b>								
1. Private	n.a.	n.a.	-	n.a.	45,540.0	2.25	n.a.	-
2. Corporate	n.a.	n.a.	-	n.a.	44,803.0	2.22	n.a.	-
3. Government	n.a.	n.a.	-	n.a.	5,086.0	0.25	n.a.	-
4. Other	334,233.8	217,252.0	10.91	154,784.5	92,317.0	4.57	182,961.0	11.64
5. Loan Impairment	2,538.5	1,650.0	0.08	1,677.5	1,705.0	0.08	1,670.0	0.11
6. Loan Impairment (memo)	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-
7. Less: Loans from the Insurance Business	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-
<b>TOTAL A</b>	<b>331,695.4</b>	<b>215,602.0</b>	<b>10.83</b>	<b>200,821.5</b>	<b>186,041.0</b>	<b>9.21</b>	<b>181,291.0</b>	<b>11.53</b>
<b>B. OTHER EARNING ASSETS</b>								
1. Loans and Advances to Banks	120,926.2	78,602.0	3.95	84,514.0	90,426.0	4.48	82,142.0	5.23
2. Government Securities	n.a.	n.a.	-	n.a.	7,435.0	0.37	n.a.	-
3. Trading Assets	766,906.2	498,489.0	25.04	526,204.5	553,920.0	27.42	486,982.0	30.98
4. Derivatives	984,001.5	639,601.0	32.13	621,330.0	603,059.0	29.85	375,218.0	23.87
5. Other Securities and Investments	454,018.5	295,112.0	14.82	319,427.5	343,743.0	17.01	256,303.0	16.31
6. Equity Investments	13,063.1	8,491.0	0.43	10,048.5	11,606.0	0.57	11,202.0	0.71
7. Insurance	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-
<b>TOTAL B</b>	<b>2,338,915.4</b>	<b>1,520,295.0</b>	<b>76.37</b>	<b>1,565,242.0</b>	<b>1,610,189.0</b>	<b>79.70</b>	<b>1,211,847.0</b>	<b>77.10</b>
<b>C. TOTAL EARNING ASSETS (A+B)</b>	<b>2,670,610.8</b>	<b>1,735,897.0</b>	<b>87.20</b>	<b>1,766,063.5</b>	<b>1,796,230.0</b>	<b>88.91</b>	<b>1,393,138.0</b>	<b>88.64</b>
<b>D. TANGIBLE FIXED ASSETS</b>	<b>3,930.8</b>	<b>2,555.0</b>	<b>0.13</b>	<b>2,482.0</b>	<b>2,409.0</b>	<b>0.12</b>	<b>3,241.0</b>	<b>0.21</b>
<b>E. NON-EARNING ASSETS</b>								
1. Cash and Due from Banks	40,841.5	26,547.0	1.33	24,388.0	22,229.0	1.10	21,273.0	1.35
2. Other	347,293.8	225,741.0	11.34	212,611.0	199,481.0	9.87	154,116.0	9.81
<b>F. TOTAL ASSETS</b>	<b>3,062,676.9</b>	<b>1,990,740.0</b>	<b>100.00</b>	<b>2,005,544.5</b>	<b>2,020,349.0</b>	<b>100.00</b>	<b>1,571,768.0</b>	<b>100.00</b>
<b>G. DEPOSITS &amp; MONEY MARKET FUNDING</b>								
1. Due to Customers - Current	649,944.6	422,464.0	21.22	298,500.0	174,536.0	8.64	143,893.0	9.15
2. Due to Customers - Savings	n.a.	n.a.	-	n.a.	47,339.0	2.34	231,403.0	14.72
3. Due to Customers - Term	n.a.	n.a.	-	n.a.	236,071.0	11.68	36,620.0	2.33
4. Deposits with Banks	264,229.2	171,749.0	8.63	180,027.5	188,306.0	9.32	123,374.0	7.85
5. Other Deposits and Short-term Borrowings	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-
<b>TOTAL G</b>	<b>914,173.8</b>	<b>594,213.0</b>	<b>29.85</b>	<b>620,232.5</b>	<b>646,252.0</b>	<b>31.99</b>	<b>535,290.0</b>	<b>34.06</b>
<b>H. OTHER LIABILITIES</b>								
1. Derivatives	964,463.1	626,901.0	31.49	617,714.5	608,528.0	30.12	392,060.0	24.94
2. Trading Liabilities	172,384.6	112,050.0	5.63	109,552.5	107,055.0	5.30	125,745.0	8.00
3. Fair Value Portion of Debt	310,926.2	202,102.0	10.15	226,348.0	250,594.0	12.40	148,488.0	9.45
4. Insurance	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-
<b>TOTAL H</b>	<b>1,447,773.8</b>	<b>941,053.0</b>	<b>47.27</b>	<b>953,615.0</b>	<b>966,177.0</b>	<b>47.82</b>	<b>666,293.0</b>	<b>42.39</b>
<b>I. OTHER FUNDING</b>								
1. Long-term Borrowing	265,532.3	172,596.0	8.67	172,281.5	171,967.0	8.51	164,498.0	10.47
2. Subordinated Debt	12,492.3	8,120.0	0.41	7,712.5	7,305.0	0.36	10,191.0	0.65
3. Other Funding	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-
<b>TOTAL I</b>	<b>278,024.6</b>	<b>180,716.0</b>	<b>9.08</b>	<b>179,994.0</b>	<b>179,272.0</b>	<b>8.87</b>	<b>174,689.0</b>	<b>11.11</b>
<b>J. NON-INTEREST BEARING</b>	<b>356,818.5</b>	<b>231,932.0</b>	<b>11.65</b>	<b>207,438.0</b>	<b>182,944.0</b>	<b>9.06</b>	<b>156,952.0</b>	<b>9.99</b>
<b>K. HYBRID CAPITAL</b>								
1. Hybrid capital accounted for as equity	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-
2. Hybrid Capital accounted for as debt	14,043.1	9,128.0	0.46	8,157.0	7,186.0	0.36	5,530.0	0.35
<b>L. TOTAL LIABILITIES</b>	<b>3,010,833.8</b>	<b>1,957,042.0</b>	<b>98.31</b>	<b>1,969,436.5</b>	<b>1,981,831.0</b>	<b>98.09</b>	<b>1,538,754.0</b>	<b>97.90</b>
<b>M. EQUITY</b>								
1. Common Equity	53,861.5	35,010.0	1.76	35,460.5	35,911.0	1.78	29,850.0	1.90
2. Minority Interest	2,735.4	1,778.0	0.09	1,600.0	1,422.0	0.07	717.0	0.05
3. Revaluation Reserves	-4,753.8	-3,090.0	-0.16	-952.5	1,185.0	0.06	2,447.0	0.16
<b>TOTAL M</b>	<b>51,843.1</b>	<b>33,698.0</b>	<b>1.69</b>	<b>36,108.0</b>	<b>38,518.0</b>	<b>1.91</b>	<b>33,014.0</b>	<b>2.10</b>
<b>MEMO: CORE CAPITAL</b>	<b>42,949.2</b>	<b>27,917.0</b>	<b>1.40</b>	<b>28,399.5</b>	<b>28,882.0</b>	<b>1.43</b>	<b>21,955.0</b>	<b>1.40</b>
<b>MEMO: ELIGIBLE CAPITAL</b>	<b>56,361.5</b>	<b>36,635.0</b>	<b>1.84</b>	<b>35,874.0</b>	<b>35,113.0</b>	<b>1.74</b>	<b>26,726.0</b>	<b>1.70</b>
<b>N. TOTAL LIABILITIES &amp; EQUITY</b>	<b>3,062,676.9</b>	<b>1,990,740.0</b>	<b>100.00</b>	<b>2,005,544.5</b>	<b>2,020,349.0</b>	<b>100.00</b>	<b>1,571,768.0</b>	<b>100.00</b>

**Income Statement Analysis**  
**DEUTSCHE BANK AG**

	30 Jun 2008		31 Dec 2007		31 Dec 2006	
	Income	As % of	Income	As % of	Income	As % of
	Expenses EURm Original	Total AV Earning Assts Original	Expenses EURm Original	Total AV Earning Assts Original	Expenses EURm Original	Total AV Earning Assts Original
1. Interest Income	30,358.0	3.44	67,706.0	4.25	57,010.0	-
2. Interest Expense	24,731.0	2.80	58,857.0	3.69	50,002.0	-
<b>3. NET INTEREST REVENUE</b>	<b>5,627.0</b>	<b>0.64</b>	<b>8,849.0</b>	<b>0.55</b>	<b>7,008.0</b>	-
4. Net Fees & Commissions	5,094.0	0.58	12,289.0	0.77	11,195.0	-
5. Net Insurance Revenue	n.a.	-	n.a.	-	n.a.	-
6. Other Operating Income	-1,802.0	-0.20	8,651.0	0.54	10,068.0	-
7. Personnel Expenses	5,613.0	0.64	13,122.0	0.82	12,498.0	-
8. Other Operating Expenses	3,760.0	0.43	8,147.0	0.51	7,136.0	-
<b>9. PRE-IMPAIRMENT OPERATING PROFIT</b>	<b>-454.0</b>	<b>-0.05</b>	<b>8,520.0</b>	<b>0.53</b>	<b>8,637.0</b>	-
10. Loan Impairment Charge	377.0	0.04	837.0	0.05	586.0	-
11. Other Credit Impairment and Provisions	n.a.	-	n.a.	-	n.a.	-
<b>12. OPERATING PROFIT</b>	<b>-831.0</b>	<b>-0.09</b>	<b>7,683.0</b>	<b>0.48</b>	<b>8,051.0</b>	-
13. Other Income and Expenses	1,219.0	0.14	1,066.0	0.07	288.0	-
<b>14. PUBLISHED PRE-TAX PROFIT</b>	<b>388.0</b>	<b>0.04</b>	<b>8,749.0</b>	<b>0.55</b>	<b>8,339.0</b>	-
15. Taxes	-116.0	-0.01	2,239.0	0.14	2,260.0	-
16. Profit/(Loss) from Discontinued Operations	n.a.	-	n.a.	-	n.a.	-
17. Change in Value of AFS investments	-3,491.0	-0.40	428.0	0.03	456.0	-
18. Currency Translation Differences	-784.0	-0.09	-1,690.0	-0.11	-760.0	-
19. Other Gains/(Losses) not in Published Net Income	n.a.	-	n.a.	-	n.a.	-
<b>20. FITCH COMPREHENSIVE INCOME</b>	<b>-3,771.0</b>	<b>-0.43</b>	<b>5,248.0</b>	<b>0.33</b>	<b>5,775.0</b>	-
21. Total Gains/(Losses) not in Published Net Income	-4,275.0	-0.48	-1,262.0	-0.08	-304.0	-
22. IFRS Dividends included in Fitch Interest Expense	n.a.	-	n.a.	-	n.a.	-
<b>23. PUBLISHED NET INCOME</b>	<b>504.0</b>	<b>0.06</b>	<b>6,510.0</b>	<b>0.41</b>	<b>6,079.0</b>	-

**Ratio Analysis**  
**DEUTSCHE BANK AG**

		30 Jun 2008	31 Dec 2007	31 Dec 2006
		6 Months - Interim	Year End	Year End
		EURm Original	EURm Original	EURm Original
<b>I. PERFORMANCE</b>				
1. Net Interest Margin	%	0.64	0.55	0.50
2. Loan Yield	%	29.86	36.30	31.01
3. Cost of Funds	%	6.12	7.60	6.99
4. Costs/Average Assets	%	0.93	1.18	1.25
5. Costs/Income	%	106.90	71.95	70.26
6. Pre-Impairment Operating ROAA	%	-0.05	0.47	0.55
7. Operating ROAA	%	-0.08	0.43	0.51
8. Pre-impairment Operating ROAE	%	-2.51	23.82	27.92
9. Operating ROAE	%	-4.60	21.48	26.03
<b>II. CAPITAL ADEQUACY</b>				
1. Internal Capital Generation	%	-20.89	8.38	18.67
2. Core Capital/Total Assets	%	1.41	1.44	1.40
3. Eligible Capital/Regulatory Weighted Risks	%	12.01	10.68	9.70
4. Eligible Capital+Eligible Revaluation Reserves/Regulatory Weighted Risks	%	11.00	11.04	10.59
5. Tier 1 Regulatory Capital Ratio	%	9.30	8.60	8.50
6. Total Regulatory Capital Ratio	%	12.10	11.60	12.50
7. Free Capital/Equity	%	52.80	58.21	50.66
<b>III. LIQUIDITY (year end)</b>				
1. Liquid Assets/Deposits & Money Mkt Funding	%	9.50	7.61	54.79
2. Loans/Deposits	%	51.03	40.63	44.01
<b>IV. ASSET QUALITY</b>				
1. Loan Impairment Charge/Gross Loans (av.)	%	0.37	0.46	0.32
2. Total Credit Impairment/Pre-impairment Operating Profit	%	-83.04	9.82	6.78
3. Loan Impairment/Gross Impaired Loans	%	64.81	64.46	61.46
4. Individual Loan Impairment/Gross Impaired Loans	%	64.80	64.50	61.50
5. Impaired Loans Gross / Loans Gross	%	1.17	1.45	1.49
6. Impaired Loans Net/Eligible Capital	%	2.45	2.68	3.92
7. Net Charge-offs/Gross Loans (av.)	%	0.28	0.29	0.24

**Spread Sheet Annex**  
**DEUTSCHE BANK AG (C.)**

	EURm	30 Jun 2008 Original	31 Dec 2007 Original	31 Dec 2006 Original
<b>TOTAL REPORTED EQUITY</b>		<b>33,672.0</b>	<b>38,466.0</b>	<b>33,383.0</b>
Hybrid capital accounted for as equity		n.a.	n.a.	n.a.
Minority interest - non-loss absorbing		n.a.	n.a.	n.a.
Other reserves - equity component of convertible bond		n.a.	n.a.	n.a.
Other reserves - employee stock options		n.a.	n.a.	n.a.
Other reserves - cash flow hedge reserve		-26.0	-52.0	-45.0
Other reserves - deemed to be non equity reserves		n.a.	n.a.	414.0
<b>M : EQUITY</b>		<b>33,698.0</b>	<b>38,518.0</b>	<b>33,014.0</b>
Revaluation Reserves		-3,090.0	1,185.0	2,447.0
Goodwill		8,871.0	7,232.0	8,612.0
Deferred income tax assets - to be deducted from equity		n.a.	1,219.0	n.a.
Other intangible assets - to be deducted from equity		n.a.	n.a.	n.a.
Deferred acquisition costs (insurance)		n.a.	n.a.	n.a.
<b>CORE CAPITAL</b>		<b>27,917.0</b>	<b>28,882.0</b>	<b>21,955.0</b>
Eligible Weighted Hybrid Capital		8,718.0	6,231.0	4,771.0
<b>FITCH ELIGIBLE CAPITAL</b>		<b>36,635.0</b>	<b>35,113.0</b>	<b>26,726.0</b>
MEMO: Total Weighted Hybrid Capital		8,718.0	6,231.0	4,771.0
MEMO: Eligible Hybrid Capital Limit		11,964.4	12,378.0	9,409.3
MEMO: Potential for Further Eligible Hybrid Issuance		3,246.4	6,147.0	4,638.3

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