Release Deutsche Bank

DEUTSCHE BANK REPORTS THIRD QUARTER 2009 NET INCOME OF EUR 1.4 BILLION

- *Net revenues of EUR 7.2 billion*
- *Income before income taxes of EUR 1.3 billion*
- *Tier 1 capital ratio of 11.7%; core Tier 1 ratio of 8.1%*
- *Best-ever third quarter revenues in Sales & Trading*
- *PCAM: Net new money inflows of EUR 11 billion*
- *Total assets, on a U.S. GAAP pro-forma basis, stable at EUR 915 billion, down by 31% since 30 September 2008*

FRANKFURT AM MAIN, 29 October 2009 – Deutsche Bank (XETRA: DBKGn.DE / NYSE: DB) today reported results for the third quarter and first nine months of 2009. Net income for the quarter was EUR 1.4 billion, up from EUR 414 million in the third quarter 2008. Expected taxation on pre-tax income was more than offset by specific tax items during the quarter. These items represent EUR 369 million of net tax benefits and mainly relate to tax audit settlements for prior years, which were partly offset by the revaluation of deferred tax positions. Diluted earnings per share were EUR 2.10, up from EUR 0.83 in the prior year period. Income before income taxes was EUR 1.3 billion, up from EUR 93 million in the third quarter 2008. Pre-tax return on average active equity for the quarter was 15%, compared to 1% in the prior year quarter. Per the Group's target definition, which excludes significant gains and charges, pre-tax return on average active equity was 14%.

For the first nine months of 2009, net income was EUR 3.6 billion, compared with EUR 918 million in the first nine months of 2008. Income before income taxes was EUR 4.4 billion, versus EUR 481 million in the prior year period. Diluted earnings per share were EUR 5.62, versus EUR 1.85 in the first nine months of 2008. Pre-tax return on average active equity was 17%, compared to 2% in the prior year period, while per target definition, pre-tax return on average active equity was 18%, versus negative 3% in the prior year period.

Dr. Josef Ackermann, Chairman of the Management Board, said: *"In this quarter, we again delivered a solid profit, whilst maintaining balance sheet discipline and further bolstering our capital strength; in addition, we took important steps in expanding our platform. All our business segments were profitable in the quarter. Across our sales and trading platform, we maintained and extended the reductions in balance sheet and risk-weighted assets which reflect our strategic decision to reduce levels of trading risk, even at the expense of short-term revenue gains in some business areas."*

He added: *"Deutsche Bank has proved its resilience in an exceptionally tough environment, and has indeed emerged stronger from the crisis. This creates opportunities for us to bolster our long-term competitive position. Looking ahead, we see challenges and opportunities in the environment. We are well-prepared for both."*

Group Highlights

Net revenues in the third quarter were EUR 7.2 billion, after charges of approximately EUR 350 million related to Ocala Funding LLC, a commercial paper vehicle. These charges were counterbalanced by mark-ups related to key credit market exposures (especially monoline insurers) of EUR 319 million. Additionally, revenues benefited from gains related to the reduction of the bank’s holding in Daimler AG of EUR 110 million. Net revenues also included a loss of EUR 111 million from changes in the credit spreads on certain of our own debt on which the bank elected to use the fair value option, versus a gain of EUR 146 million in the prior year quarter. In the third quarter 2008, net revenues were EUR 4.4 billion, after mark-downs related to key credit market exposures of EUR 1.2 billion.

In the Corporate and Investment Bank (CIB), net revenues were EUR 5.1 billion, versus EUR 1.7 billion after the aforementioned mark-downs in the third quarter 2008.

In Corporate Banking & Securities (CB&S), net revenues were EUR 4.4 billion, versus EUR 1.1 billion after the mark-downs of EUR 1.2 billion in the third quarter 2008.

Sales & Trading revenues were EUR 3.1 billion, the best-ever for a third quarter. Revenues in Sales & Trading (debt and other products) were EUR 2.2 billion, versus EUR 924 million in the prior year quarter, and included the aforementioned charge relating to Ocala Funding, and approximately EUR 300 million of losses related to write-downs on specific risks in our structured credit business. These were partly offset by net mark-ups of EUR 263 million on monolines and commercial real estate, compared to net mark-downs of EUR 705 million in the prior year quarter. Revenues in ‘flow’ products, such as credit and rates, were up substantially from a year earlier, driven by continuing client demand and increased market share. However, there was a decline in foreign exchange and money market trading as volatility and margins continued to normalise from the peaks of the past year. Revenues were also positively influenced by market share gains in U.S. fixed income trading (*Source: Greenwich Associates*), substantial year-on-year growth in emerging markets debt trading and a solid performance in commodities. In Sales & Trading (equity), net revenues were EUR 918 million, the highest level since the fourth quarter 2007, and compared to negative EUR 142 million in the prior year quarter. This reflected significant gains in the client-driven cash equities business, boosted by increased market share in the

U.S. *(Source: Bloomberg, Autex)*, favourable market conditions and robust volumes of primary issuance. The division consolidated market share gains in Global Prime Finance and benefited from a strong performance in the Equity Derivatives business, in which risk has been significantly reduced during 2009.

Revenues in Origination were EUR 542 million, versus negative EUR 284 million in the third quarter 2008. Revenues in Equity Origination were EUR 216 million, the best for nine quarters, reflecting market share gains (*Source: Dealogic*), strong volumes of primary issuance and sustained favourable conditions in major equity markets. Debt Origination revenues were EUR 326 million, including net mark-ups of EUR 56 million, reflecting improvements in market share (*Source: Thomson Reuters, Dealogic*) and customer demand for debt market issuance, versus negative EUR 369 million, after mark-downs of EUR 467 million related to leveraged loans and loan commitments, in the prior year quarter. In the current quarter, Deutsche Bank ranked first in All International Bonds and in High Yield bond issuance in Europe, Middle East and Africa (*Source: Dealogic*). Advisory revenues were EUR 95 million, down from EUR 185 million in the third quarter 2008, reflecting continued lower levels of M&A market activity.

In <u>Global Transaction Banking (GTB)</u>, net revenues were EUR 658 million, down 5% from the prior year quarter. Revenues in Cash Management were negatively impacted by lower interest rates, while revenues in Trust & Securities Services were impacted by lower equity valuations compared with the prior year quarter. These effects were partly offset by year-on-year growth in Trade Finance, reflecting sustained demand for more complex financing products. Revenues in the current quarter were also positively impacted by EUR 63 million from adjustments to the bank's risk-based funding framework introduced in the second quarter 2009.

In <u>Private Clients and Asset Management (PCAM)</u>, net revenues were EUR 2.2 billion, essentially unchanged versus the third quarter 2008.

In <u>Asset and Wealth Management (AWM)</u>, net revenues were EUR 772 million, up 8% versus the prior year quarter. The current quarter reflects higher performance fees in retail asset management as capital markets improved, partly counterbalanced by lower asset-based fees impacted by asset devaluations and net outflows primarily in 2008. Net revenues in the prior year quarter reflected the negative impact of charges for a consolidated RREEF infrastructure investment, discretionary injections into certain money-market funds and charges for seed investments. AWM also attracted EUR 10 billion in net new money during the quarter, compared to outflows of EUR 2 billion in the second quarter 2009 and of EUR 5 billion in the third quarter 2008.

In <u>Private & Business Clients (PBC)</u>, net revenues were EUR 1.4 billion, down 3% versus the prior year quarter. Revenues in investment products remained lower than the prior year quarter, reflecting continued wariness on the part of retail investors, while revenues in deposit products remained affected by sustained low interest rates. These effects were to some extent counterbalanced by year-on-year growth in revenues from loan products.

In <u>Corporate Investments (CI)</u>, net revenues were EUR 242 million, including gains from the sale of shares in Daimler AG and from the put/call option to increase Deutsche Bank's investment in Deutsche Postbank AG, partly offset by mark-to-market losses on the bank's option to increase its stake in Hua Xia Bank Co. Ltd. (China).

For the first nine months of 2009, Group net revenues were EUR 22.4 billion, after EUR 715 million of net mark-downs, specific charges of EUR 500 million for a property impairment in the first quarter 2009 and of the aforementioned charge of approximately EUR 350 million related to Ocala Funding LLC in the third quarter 2009. In the first nine months of 2008, net revenues were EUR 14.5 billion, after EUR 6.6 billion of mark-downs.

The bank made provision for credit losses of EUR 544 million in the quarter, versus EUR 236 million in the third quarter 2008 and EUR 1.0 billion in the second quarter 2009. Provision in CIB was EUR 323 million, versus EUR 66 million in the prior year quarter. CIB's provision for credit losses included EUR 215 million related to assets reclassified in accordance with IAS 39, versus EUR 72 million in the prior year quarter. The majority of provisions related to assets reclassified under IAS 39 was primarily related to exposures in Leveraged Finance and Commercial Real Estate. PCAM's provision for credit losses was EUR 214 million, versus EUR 169 million in the prior year quarter, primarily reflecting credit conditions in a more difficult economic environment, notably in Spain and in consumer finance in Poland.

For the first nine months of 2009, provision for credit losses was EUR 2.1 billion, versus EUR 485 million in the first nine months of 2008.

Noninterest expenses were EUR 5.4 billion in the quarter, versus EUR 4.1 billion in the third quarter 2008. The year-on-year development was primarily driven by compensation expenses, which were EUR 2.8 billion in the current quarter, up from EUR 1.9 billion in the prior year quarter, primarily due to higher performance-related compensation accruals reflecting improved business results. Severance payments were EUR 62 million in the current quarter, versus EUR 64 million in the prior year quarter. General and administrative expenses were EUR 2.2 billion, unchanged versus the prior year quarter. In the current quarter, general and administrative expenses included EUR 200 million related to the bank's offer to repurchase certain products from private investors. Other non-compensation expenses were EUR 364 million in the quarter, versus a credit of EUR 32 million in the prior year quarter. In both periods, other non-compensation expenses reflected policyholder benefits and claims in respect of the bank's investment in Abbey Life, which were offset by a corresponding amount in net revenues.

For the first nine months of 2009, noninterest expenses were EUR 15.9 billion, versus EUR 13.5 billion in the first nine months of 2008. Compensation expenses were EUR 9.0 billion, up from EUR 7.5 billion in the prior year period, predominantly due to higher variable compensation accruals reflecting improved business performance; general and administrative expenses were EUR 6.4 billion, versus EUR 6.0 billion in the prior year period; and other non-compensation expenses were EUR 585 million, versus income of EUR 35 million in the prior year period, primarily reflecting the aforementioned policyholder benefits and claims in respect of Abbey Life.

Income before income taxes was EUR 1.3 billion in the quarter, versus EUR 93 million in the prior year quarter. Pre-tax return on average active equity was 15%, compared with 1% in the prior year quarter, while per the bank's target definition, which excludes significant gains of EUR 110 million in the current quarter and EUR 229 million in the third quarter 2008, pre-tax return on average active equity was 14%, versus negative 1% in the prior year quarter.

For the first nine months of 2009, income before income taxes was EUR 4.4 billion, versus EUR 481 million in the first nine months of 2008. Pre-tax return on average active equity was 17%, versus 2% in the prior year period; per the bank's target definition, pre-tax return on average active equity was 18%, versus negative 3% in the prior year period.

Net income was EUR 1.4 billion in the quarter, versus EUR 414 million in the third quarter 2008. Diluted earnings per share were EUR 2.10, versus EUR 0.83 in the prior year quarter. Deutsche Bank recorded a tax benefit of EUR 78 million in the current quarter driven by EUR 369 million net tax benefits from specific tax items, including the resolution of tax audits for prior years, partly offset by the revaluation of deferred tax positions. In the prior year quarter, net income reflected a tax benefit of EUR 321 million, which had mainly been driven by a favourable geographic mix of income.

For the first nine months of 2009, net income was EUR 3.7 billion, up from EUR 918 million in the first nine months of 2008. Diluted earnings per share were EUR 5.62, up from EUR 1.85 in the prior year period. Deutsche Bank recorded a tax expense of EUR 797 million for the nine months of 2009 which benefited from the resolution of tax audits for prior years, partly offset by the revaluation of deferred tax positions, and significant tax exempt income, versus a tax benefit of EUR 437 million in the prior year period.

The Tier 1 capital ratio at the end of the quarter was 11.7 %, its highest-ever level since the introduction of Basel II, and up from 11.0 % at the end of the second quarter 2009, and 10.3 % at the end of the third quarter 2008. The core Tier 1 ratio, which excludes hybrid instruments, was 8.1 % at the end of the quarter, up from 7.8 % at the end of the second quarter, and 7.5 % at the end of the prior year quarter 2008. Tier 1 capital at the end of the quarter was EUR 33.7 billion, up from EUR 32.5 billion at the end of the second quarter 2009. Capital formation was positively impacted by EUR 1.4 billion of net income and by the placement of EUR 1.3 billion in Tier 1 hybrid securities in August 2009. These increases were partially offset by exchange rate effects, capital effects from equity-based compensation, increased deduction items and actuarial losses related to defined benefit plans, net of tax. Risk-weighted assets were EUR 288 billion at the end of the current quarter, EUR 8 billion lower than at the end of the second quarter 2009, reflecting exchange rate effects and continued tight management of risk-weighted assets. Risk-weighted assets for market risk remained materially unchanged as the effect of a reduced value at risk was offset by an increase in the regulatory capital multiplier imposed by the German Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht).

Total assets were EUR 1,660 billion at the end of the quarter, down by EUR 73 billion, or 4%, from the end of the second quarter 2009, on an IFRS basis. On a pro-forma U.S. GAAP basis, which permits netting of derivatives and certain other trading instruments, total assets were EUR 915 billion, essentially unchanged versus the end of the second quarter 2009, and a reduction of 31% versus the end of the prior year quarter. The bank's leverage ratio, per target definition, was 25 at the end of the quarter, in line with the bank's target, and a slight increase versus 24 in the second quarter 2009. This is due to a decrease in pro-forma equity from gains on Deutsche Bank's own debt, which offset reductions in the balance sheet and an increase in total equity according to IFRS during the quarter.

Business Segment Review

Corporate and Investment Bank Group Division (CIB)

Corporate Banking & Securities (CB&S)

Sales & Trading (debt and other products) generated record third quarter revenues of EUR 2.2 billion, an increase of EUR 1.3 billion compared to the third quarter 2008. This increase was driven by a strong performance across all products and the absence of significant mark-downs and Credit Proprietary Trading losses compared with the previous year. We recorded net mark-ups of EUR 263 million (therein net release against monoline insurers of EUR 323 million, offset in part by write-downs on commercial real estate loans of EUR 66 million). In addition we recorded charges of approximately EUR 350 million related to Ocala Funding LLC, a commercial paper vehicle and approximately EUR 300 million of losses related to write-downs on specific risks in our structured credit business, in the third quarter 2009. The prior year quarter included net mark-downs of EUR 705 million (therein residential mortgage-backed securities EUR 202 million, provisions against monoline insurers EUR 255 million, commercial real estate loans EUR 163 million and impairment losses on available for sale positions EUR 85 million).

Revenues in 'flow' products, such as credit and rates, were up substantially from the third quarter 2008, driven by continuing client demand and increased market share. However, there was a decline in foreign exchange and money market trading as volatility and margins continued to normalize from the peaks of the past year. Revenues were also fuelled by market share gains in U.S.fixed income trading *(Source: Greenwich Associates)*, substantial year-on-year growth in emerging markets debt trading and a solid performance in commodities.

Sales & Trading (Equity) generated revenues of EUR 918 million, EUR 1.1 billion higher than in the third quarter 2008, and the highest level since the fourth quarter of 2007. The increase reflects a strong performance across all products and the absence of losses in our Equity Proprietary Trading and Equity Derivatives businesses, which impacted the prior year quarter. There were significant gains in Equity Trading, boosted by client demand, favorable market conditions and robust volumes of primary issuance. The division consolidated market share gains in Global Prime Finance and benefited from a strong performance in Equity Derivatives, which has now been significantly de-risked. Equity Proprietary Trading performed well after a substantial risk reduction compared to the prior year quarter.

Origination and Advisory generated revenues of EUR 637 million in the third quarter 2009, an increase of EUR 736 million compared to the third quarter 2008. This increase was mainly attributable to EUR 56 million of positive mark-to-market movements in relation to leveraged finance loans and loan commitments, compared to losses of EUR 467 million in the prior year quarter. Equity Origination revenues increased from the prior year quarter due to improved market share within a higher fee pool. In Debt Origination, we increased our global share of High Yield fees, resulting in an improvement in ranking to second globally and first in EMEA. Advisory revenues were impacted by the continued drop in fee pool, reflecting the challenging market conditions. *(Source for all rankings and market share: Dealogic)*.

Loan products revenues were EUR 308 million for the third quarter 2009, a decrease of EUR 227 million, or 42%, from the same period last year. The decrease was driven by mark-to-market losses on loans held at fair value and hedging losses. These were partly offset by increased revenues through risk management of the investment grade loan and hedge portfolio where the fair value option has been applied.

Other products revenues were EUR 375 million in the third quarter, an increase of EUR 542 million from a negative revenues position in the prior year quarter. The increase was a result of mark-to-market gains on investments held to back insurance policyholder claims in Abbey Life, which are offset in noninterest expenses.

In provision for credit losses, CB&S recorded a net charge of EUR 318 million in the third quarter 2009, compared to a net charge of EUR 66 million in the prior year quarter. The increase was primarily attributable to provisions for credit losses on assets which had been reclassified in accordance with IAS 39. These were EUR 215 million in the third quarter 2009, versus EUR 72 million in the prior year quarter.

Noninterest expenses of EUR 3.1 billion in the third quarter 2009 were EUR 1.3 billion, or 74%, higher than the third quarter 2008, driven by higher performance-related compensation reflecting improved business results. Noninterest expenses in the third quarter 2009 also included the aforementioned effects from Abbey Life and a charge of EUR 200 million related to the bank's offer to repurchase certain products from private investors.

Income before income taxes was EUR 988 million in the third quarter 2009, compared to a loss of EUR 789 million in the prior year quarter.

Global Transaction Banking (GTB)

GTB net revenues of EUR 658 million in the third quarter 2009 were EUR 33 million, or 5%, lower than in the third quarter 2008. The decrease was driven by reduced revenues resulting from a historically low interest rate environment, partly offset by a positive impact of EUR 63 million related to a revision of our risk-based funding framework. Growth in Trade Finance revenues was driven by continued demand for more complex financing products in Europe and Asia. The bank further strengthened its market share in euro clearing while retaining its strong position in U.S. dollar clearing.

In provision for credit losses, a net charge of EUR 6 million was recorded in the third quarter 2009. There was no provision for credit losses in the prior year quarter.

Noninterest expenses were EUR 459 million in the third quarter 2009, up EUR 49 million, or 12%, compared to the third quarter 2008. This increase was mainly driven by higher performance-related compensation and regulatory costs related to deposit and pension protection funds as well as increased staff levels across all business lines, including the effect from the formation of Deutsche Card Services GmbH in the fourth quarter 2008, in order to support business growth.

Income before income taxes was EUR 194 million for the quarter, a decrease of EUR 88 million, or 31%, compared to the prior year quarter.

Private Clients and Asset Management Group Division (PCAM)

Asset and Wealth Management (AWM)

AWM reported net revenues of EUR 772 million in the third quarter 2009, an increase of EUR 59 million, or 8%, compared to the same period in 2008. Loan/deposit revenues of EUR 84 million increased by EUR 13 million, or 18%, primarily due to a positive impact from the revision of the bank's risk-based funding framework and higher margins in the lending business. These positive effects were partly offset by lower deposit revenues. Brokerage revenues of EUR 197 million were down by EUR 23 million, or 10%, mainly reflecting continued low levels of customer activity driven by the uncertainties in the international securities markets. Portfolio/fund management revenues decreased by EUR 73 million, or 17%, in Asset Management (AM) and by EUR 19 million, or 22%, in Private Wealth Management (PWM). In AM, the reduction mainly reflected the impact of asset devaluations and outflows of invested assets primarily in 2008. In PWM, the decrease was mainly driven by asset devaluations. Revenues from other products were positive EUR 47 million compared to negative EUR 114 million in the same period last year. The prior year quarter included a charge of EUR 65 million related to a consolidated RREEF infrastructure investment, which was transferred to Corporate Investments starting 2009. Additionally, the third quarter 2008 included discretionary injections of EUR 55 million into certain money market funds, as well as impairment losses on seed capital investments.

Noninterest expenses in the third quarter 2009 were EUR 633 million. The decrease of EUR 177 million, or 22%, compared to the third quarter 2008 was mainly driven by the aforementioned RREEF infrastructure investment. Noninterest expenses last year also included a charge of EUR 59 million for a provision related to a tender offer to repurchase Auction Rate Securities (ARS) at par from retail clients following a legal settlement in the U.S. The remaining decrease primarily reflected cost containment measures.

AWM recorded an income before income taxes of EUR 134 million compared to a loss before income taxes of EUR 95 million in the third quarter last year.

Invested assets in AWM increased by EUR 25 billion to EUR 657 billion in the third quarter of 2009. Net new money of EUR 10 billion (EUR 5 billion in AM and EUR 5 billion in PWM) and positive performance effects were partly offset by negative foreign exchange rate effects.

Private & Business Clients (PBC)

Net revenues in the third quarter 2009 were EUR 1.4 billion, down EUR 46 million, or 3%, compared to the third quarter 2008. Brokerage revenues decreased EUR 84 million, or 35%, compared to the third quarter 2008, as a consequence of lower activity of retail investors due to uncertainties in the securities markets. Revenues from portfolio/fund management decreased by EUR 14 million, or 16%, mainly due to the absence of positive impacts from a successful portfolio management product campaign, which affected the revenues of the prior year period. Revenues from payments, account & remaining financial services decreased by EUR 11 million, or 4%. This decline was mainly due to lower revenues related to insurance products sales. Loan/deposit revenues increased by EUR 79 million, or 11%, compared to the prior year quarter. The improvement was driven by higher loan volumes and margins, while deposit volume growth was offset by lower deposit margins. Revenues from other products decreased by EUR 16 million, or 16%.

Provision for credit losses was EUR 209 million in the third quarter 2009, up EUR 41 million, or 24%, compared to the same quarter last year. This development particularly reflects a continued deterioration of the credit environment in Spain and Poland as well as generally higher credit costs in the other regions, partly offset by a positive impact on provisions of EUR 29 million related to revised parameter and model assumptions.

Noninterest expenses were EUR 1.0 billion in the third quarter 2009, an increase of EUR 26 million, or 3%, compared to the third quarter 2008. This increase mainly reflects higher allocated costs from centralized service functions and higher contributions to the German pension protection fund, counterbalanced by tight cost management measures.

Income before income taxes was EUR 149 million in the third quarter 2009, a decrease of EUR 113 million, or 43%, versus the third quarter 2008.

Invested assets were EUR 196 billion as of September 30, 2009, an increase of EUR 7 billion compared to June 30, 2009. This increase includes EUR 1 billion in net new assets, while the remaining development was primarily driven by market appreciation.

PBC acquired 12,000 net new clients in the third quarter 2009, mainly driven by increases in Italy and Poland, partly offset by reductions in Spain and India.

Corporate Investments Group Division (CI)

CI's income before income taxes was EUR 117 million in the third quarter 2009, compared to EUR 238 million in the third quarter 2008. The current quarter included mark-to-market gains of EUR 140 million from the put/call options to increase our investment in Deutsche Postbank AG, as well as gains of EUR 110 million arising from the reduction of our stake in Daimler AG. These gains were partly offset by mark-to-market losses from our option to increase our share in Hua Xia Bank Co. Ltd. In the third quarter 2008, gains of EUR 273 million from our industrial holdings portfolio related to the sale of our stake in Allianz SE and the reduction of our stake in Linde AG were included.

Consolidation & Adjustments (C&A)

Loss before income taxes in C&A was EUR 267 million in the third quarter 2009 compared to an income of EUR 195 million in the prior year quarter. The result in the third quarter 2009 was significantly impacted by negative effects from different accounting methods used for management reporting and IFRS for economically hedged short-term positions, mainly driven by both euro and U.S. dollar interest rate movements. Partly offsetting these effects was interest income on taxes regarding a positive outcome in a number of tax audit settlements related to prior years. The prior year quarter was positively influenced by effects from different accounting methods used for management reporting and IFRS which were partly offset by results not attributable to the segments.