Deutsche Bank Nederland N.V.

Interim Report as of June 30, 2014

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Information about the Company

Corporate Information

Corporate Information

Deutsche Bank Nederland N.V. (hereinafter "The Company") is a public company (naamloze vennootschap), which was incorporated under Dutch law on May 19, 2008 under the name New HBU II N.V. The Company has its corporate seat in Amsterdam and is registered at De Entree 99-197, 1101 HE Amsterdam, he Netherlands. The trade register number of Deutsche Bank Nederland N.V. is 34302014.

On April 1, 2010, Deutsche Bank A.G. completed the acquisition of New HBU II N.V. The closing followed after the approval by the European Commission (EC) and the Dutch Central Bank (DNB). Directly after the acquisition, New HBU II N.V. was renamed to Deutsche Bank Nederland N.V. and became a direct subsidiary of Deutsche Bank A.G.

The Company, which services mainly the Dutch corporate banking market and international Mid Cap clients, is managed by Deutsche Bank Group's Global Transaction Banking Corporate Division.

Deutsche Bank Nederland N.V. is part of the tax reporting group (fiscal unity) of the Deutsche Bank A.G. Amsterdam branch. This is applicable for both Corporate Income tax and VAT. The entities in the tax reporting group are liable for the income tax and VAT liabilities of the entire tax group.

Developments 2014

Following the execution of the deed of demerger between The Royal Bank of Scotland N.V. (at that time named ABN AMRO Bank N.V.) as demerging company and Deutsche Bank Nederland N.V. (at that time named New HBU II N.V.) as acquiring company, executed on 6 August 2008, and the deeds of demerger between RBS Hollandsche N.V. (at that time named Hollandsche Bank-Unie N.V.) as demerging company and Deutsche Bank Nederland N.V. (at that time named New HBU II N.V.) as acquiring company executed on 6 August 2008 and 30 January 2009, respectively, Deutsche Bank Nederland N.V. incurred cross-liabilities pursuant to article 2:334t Dutch Civil Code in respect of obligations that existed at the time of the demergers in August 2008 and January 2009 and that have not yet been satisfied or novated.

In respect of these cross-liabilities, Deutsche Bank Nederland N.V. and ABN AMRO Bank N.V. entered into cross-indemnification and collateral arrangements for a period of five years starting April 1, 2010. As security for the cross-indemnifications, ABN AMRO Bank N.V. and Deutsche Bank Nederland N.V. posted collateral at Euroclear.

The Company treats the abovementioned cross-liabilities as a contingent liability and as an off-balance sheet item. No present value is attributed to the cross-liabilities as a potential liability, nor has the Company made a provision in its balance sheet in relation to the cross-liabilities.

To separate the cross-liabilities from its business, Deutsche Bank AG has the contractual right (but not the obligation) to sell back the shares in Deutsche Bank Nederland N.V. to ABN AMRO Bank N.V. at nominal value until 1 April 2015 under the condition that all assets and liabilities have been removed (with the exception of the cross-liabilities) and that ABN AMRO Bank N.V. is indemnified for all liabilities of Deutsche Bank Nederland N.V., except for the cross-liabilities. Under Dutch law creditors' rights under these cross-liabilities do not become statute-barred.

It is expected that the transaction will take place in the course of the financial year 2014.

Other

Legal and Regulatory Proceedings

No legal proceedings are currently contemplated against Deutsche Bank Nederland N.V. which are assessed to have a potential material impact on the amounts reported in the 2014 interim financial statements.

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Financial Statements

Statement of Comprehensive Income (unaudited)

in thousands of euros	June 30, 2014	June 30, 2013
Interest and similar income	89.256	120,630
Interest expense	(22,519)	(39,687)
Net interest income	**66,737**	80,944
Provision for credit losses	(26,235)	(56,739)
Net interest income after provision for credit losses	**40,503**	24,204
Commissions and fee income	10,789	19,749
Net gains (losses) on financial assets/liabilities at fair value through profit or loss	(2,058)	16,482
Other income/(expense)	(488)	260
Total non-interest income	**8,242**	36,490
Compensation and benefits	(36,099)	(52,534)
General and administrative expenses	(39,224)	(48,527)
Restructuring expenses	(4,488)	(10,126)
Total non-interest expenses	**(79,810)**	(111,188)
Income (loss) before income taxes	**(31,065)**	(50,493)
Income tax (expense) benefit	-	-
Net income (loss)	**(31,065)**	(50,493)
Other comprehensive income		
Actuarial gains (losses) related to defined benefit plans, net of tax	-	-
Total comprehensive income	**(31,065)**	(50,493)

Statement of Financial Position (unaudited)

in thousands of euros	June 30, 2014	December 31, 2013
Assets:		
Cash and due from banks	221,154	132,551
Interest-earning deposits with banks	1,296,501	1,028,387
Financial assets at fair value through profit and loss	566,625	488,463
Non-consolidated participating interests	250	250
Loans	6,459,978	7,424,608
Property and equipment	5,979	12,764
Intangible assets	1,102	1,260
Other assets	644,299	554,587
Total assets	**9,195,888**	9,642,870
Liabilities and equity:		
Deposits	6,236,899	7,185,168
Financial liabilities at fair value through profit and loss	603,989	525,361
Other liabilities	124,491	69,628
Provisions	2,529	48,301
Long-term debt	1,326,533	881,538
Total liabilities	**8,294,440**	8,709,995
Share capital	45	45
Share premium	2,189,085	2,189,085
Retained earnings	(1,278,787)	(1,247,360)
Net gains/(losses) not recognized in the income statement, net of tax	(8,895)	(8,895)
Total equity	**901,448**	932,875
Total liabilities and equity	**9,195,888**	9,642,870
Guarantees and other commitments	1,515,311	1,652,079
Committed credit facilities	2,072,261	2,577,802

Statement of Changes in Equity (unaudited)

in thousands of euros	June 30, 2014	December 31, 2013
Share capital		
Balance at January 1	45	45
Balance as at	45	45
Share premium		
Balance at January 1	2,189,085	2,189,085
Dividends paid in shares	-	-
Share premium increase	-	-
Balance as at	2,189,085	2,189,085
Other reserves including retained earnings		
Balance at January 1	(1,256,255)	(1,162,537)
Profit/(loss) attributable to shareholders of Deutsche Bank Nederland N.V.	(31,065)	(93,641)
Dividends paid to shareholders of Deutsche Bank Nederland N.V.	0	-
Other changes	(362)	(77)
Balance as at	(1,287,682)	(1,256,255)
Total equity as at	901,448	932,875

The authorized share capital for 2014 amounts to EUR 225,000 (2013: EUR 225,000) and comprises entirely ordinary shares with a face value of EUR 1.0. The called-up and paid-in capital consists of EUR 45,003 (2013: EUR 45,003).

in thousands of euros	June 30, 2013	December 31, 2012
Share capital		
Balance at January 1	45	45
Balance as at	45	45
Share premium		
Balance at January 1	2,189,085	1,999,085
Dividends paid in shares	-	-
Share premium increase	-	190,000
Balance as at	2,189,085	2,189,085
Other reserves including retained earnings		
Balance at January 1	(1,162,536)	(728,537)
Profit/(loss) attributable to shareholders of Deutsche Bank Nederland N.V.	(50,493)	(427,687)
Dividends paid to shareholders of Deutsche Bank Nederland N.V.	-	-
Other changes	2,058	(6,312)
Balance as at	(1,210,971)	(1,162,536)
Total equity as at	978,159	1,026,594

Statement of Cash Flows (unaudited)

in thousands of euros	June 30, 2014	June 30, 2013
Net income (loss)	**(31,065)**	**(50,493)**
Cash flows from operating activities:		
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Provision for credit losses	26,235	56,739
Sales & Trading (debt and other products)	2,058	(16.482)
Impairment, depreciation and other amortization, and accretion	8,185	1,952
Income (loss) adjusted for noncash charges, credits and other items	**5,413**	(8,283)
Adjustments for net change in operating assets and liabilities:		
Interest-earning time deposits with banks	(268.114)	115.913
Trading assets and positive market values from derivative financial instruments	(80,220)	151.652
Loans	938,395	679,534
Property and equipment	(1,559)	5,113
Other assets	(89,712)	216.527
Deposits	(948,269)	(1.618.150)
Trading liabilities and negative market values from derivative financial instruments	78.628	(168.480)
Other liabilities	9,091	11.958
Senior long-term debt	444,995	(159.205)
Other, net	(45)	(114)
Net cash provided by (used in) operating activities	**88,603**	(773,535)
Cash flows from financing activities:		
Issuances of subordinated long-term debt	-	-
Repayments and extinguishments of subordinated long-term debt	-	-
Capital increase	-	-
Cash dividends paid	-	-
Net cash provided by (used in) financing activities	-	-
Net effect of exchange rate changes on cash and cash equivalents:		
Net increase (decrease) in cash and cash equivalents	88,603	(773.535)
Cash and cash equivalents on January 1	132,551	891.856
Cash and cash equivalents on December 31	**221,154**	**118,321**
Net cash provided by (used in) operating activities include:		
Interest paid	4,387	40.405
Interest and dividends received	107,388	117.158
Cash and cash equivalents comprise:		
Cash and due from banks	221,154	118.322
Interest-earning demand deposits with banks	-	-
Total	**221,154**	**118,322**

Accounting Policies (unaudited)

Corporate Information

Deutsche Bank Nederland N.V. is a public company (*naamloze vennootschap*), which was incorporated under Dutch law on May 19, 2008 under the name New HBU II N.V. The Company has its corporate seat in Amsterdam and is registered at De Entree 99-197, 1101 HE Amsterdam, the Netherlands. The trade register number of Deutsche Bank Nederland N.V. is 34302014.

On April 1, 2010, Deutsche Bank A.G. completed the acquisition of New HBU II N.V. The closing followed after the approval by the European Commission and the Dutch Central Bank (DNB). Directly after the acquisition, New HBU II N.V. was renamed to Deutsche Bank Nederland N.V. and became a direct subsidiary of Deutsche Bank A.G.

The Company, which serves mainly the Dutch corporate banking market for complex and international Mid Cap clients, is part of Deutsche Bank Group's Global Transaction Banking Corporate Division.

Basis of Preparation

Statement of Compliance
The interim 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 Deutsche Bank Nederland N.V.'s application of IFRS results in no differences between IFRS as issued by the IASB and IFRS as endorsed by the EU.

The interim financial statements are not presented in accordance with the requirements of IAS 34, "Interim Financial Reporting", because there is no obligation to do so under Dutch Law.

Consolidation Exemption
The Company applies the exemption as laid down in art. 407 of Book 2 of the Dutch Civil Code. Consolidation requirements do not apply to (article 407-1) group companies whose total significance is immaterial to the group as a whole. The statements are the Company-only (single) financial statements.

Basis of Measurement
The interim financial statements are prepared on the amortized cost basis except for the following:

- Derivative financial instruments are measured at fair value.
- The liability for defined benefit obligations is recognized as the present value of the defined benefit obligation less the net total of the plan assets, plus unrecognized actuarial gains, less unrecognized past service cost and unrecognized actuarial losses.

Functional and Presentation Currency
The financial statements are presented in Euro, which is the functional currency of Deutsche Bank Nederland N.V., rounded to the nearest thousand except as otherwise indicated.

Use of Estimates and Judgments
The preparation of interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that 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. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are disclosed in the significant accounting policies.

Assessment of Risks and Rewards

Whenever Deutsche Bank Nederland N.V. is required to assess risks and rewards, when considering the recognition and de-recognition of assets or liabilities and the consolidation and deconsolidation of subsidiaries, Deutsche Bank Nederland N.V. may sometimes be required to use judgment. Although management uses its best knowledge of current events and actions in making assessments of expected risks and rewards, actual risks and rewards may ultimately differ.

Recently Adopted and New Accounting Pronouncements

The following are those accounting pronouncements which are relevant to Deutsche Bank Nederland N.V. and which have been applied in the preparation of these interim financial statements.

IFRS 10
On January 1, 2014 Deutsche Bank Nederland N.V. adopted the standard IFRS 10 Consolidated Financial Statements. The standard replaces IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation – Special Purpose Entities, and establishes a single control model that applies to all entities, including those that were previously considered special purpose entities under SIC-12. An investor controls an investee when it has exposure to variable returns from the investee, and the ability to affect those returns through its power over the investee based on existing rights. The assessment of control is based on all facts and circumstances and the conclusion is reassessed if there is an indication that there are changes in facts and circumstances. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities (including troubled debtor) are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. The standard has no material impact in the interim financial statements 2014

IFRS 11
On January 1, 2014 Deutsche Bank Nederland N.V. adopted the standard IFRS 11 Joint Arrangements. The standard replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities – Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method. As Deutsche Bank Nederland N.V. has no joint arrangements, there is no impact on the interim financial statements of 2014 and onward.

IFRS 12
On January 1, 2014 Deutsche Bank Nederland N.V. adopted the standard IFRS 12 Disclosure of Interests in Other Entities. The standard includes all of the disclosures that were previously in IAS 27 as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to interests in subsidiaries, joint arrangements, associates and structured entities. The standard has no material impact on the interim financial statements 2014

IAS 27
As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 Separate Financial Statements is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The revised standard has no impact on the financial position and performance of Deutsche Bank Nederland N.V. for the interim financial statements of 2014 and onwards.

IAS 28
As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed to IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. This standard has no impact on the interim financial statements for 2014 and onward.

IFRS 10-12 Transition Guidance
The amendments clarify the transition guidance in IFRS 10 Consolidated Financial Statements and also provide additional transition relief in IFRS 10, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities. The standard has no impact on the interim financial statements of Deutsche Bank Nederland N.V. for 2014 and onwards.

IAS 32
The amendments to IAS 32 Financial instruments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments have no effect on the interim financial statements of Deutsche Bank Nederland N.V. because the company does not have the intention to settle on a net basis.

IFRIC 21
On January 1, 2014 Deutsche Bank Nederland N.V. adopted the standard IFRIC 21 Levies. The standard defines a levy as an outflow from an entity imposed by a government in accordance with legislation. It confirms that an entity recognizes a liability for a levy when – and only when – the triggering event specified in the legislation occurs. The interpretation has no impact on the interim financial statements of Deutsche Bank Nederland N.V.

New Accounting Pronouncements

IFRS 9 Classification and Measurement, Impairment and Hedge Accounting

In November 2009 the IASB issued IFRS 9, "Financial Instruments", which introduces new requirements for how an entity should classify and measure financial assets. In October 2010, the IASB issued a further amendment to IFRS 9 to address the accounting for financial liabilities. Both standards together represent the first phase in the IASB's replacement of IAS 39, "Financial Instruments: Recognition and Measurement". In November 2012, the IASB proposed further amendments to IFRS 9 and is expected to issue the final requirements for first phase of IFRS 9 during 2014.

In the second phase of the project to replace IAS 39, the IASB will also replace the rules for impairment of financial assets under IAS 39 and is expected to publish the final rules during 2014. In November 2013, the IASB finalized new hedge accounting guidelines, as part of the third phase of the replacement of IAS 39. These changes were developed to enable entities to better reflect their risk management activities in their financial statements.

The IASB has communicated that all three phases of IFRS 9 will have an effective date of January 1, 2018. Deutsche Bank Nederland N.V. is currently assessing the impact of all phases of IFRS 9.

Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Foreign Currency
Transactions in foreign currencies are translated into the functional currency of Deutsche Bank Nederland N.V. at the spot exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the functional currency at the spot exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for the effective interest, impairements and payments during the period, and the amortized cost in foreign currency translated at the spot exchange rate at the end of the period. Foreign currency differences arising on retranslation are recognized in profit or loss.

Interest Income and Expense
Interest income and expense is recognized in the income statement using the effective interest rate method. The application of this method includes the amortization of any discount or premium or other differences, including transaction costs and qualifying fees and commissions, between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis. This item does not include interest income and expense in relation to trading balances which is included within net trading income.

Commissions and Fee Income
Fees and commissions are recognized as follows:
- Fees and commissions generated as an integral part of negotiating and arranging a funding transaction with customers, such as the issuance of loans, are included in the calculation of the effective interest rate and are included in interest income and expense.
- Fees and commissions generated for transactions or discrete acts are recognized when the transaction or act is completed.
- Fees and commissions dependent on the outcome of a particular event or contingent upon performance are recognized when the relevant criteria have been met. Service fees are typically recognized on a straight-line basis over the service contract period; portfolio and other management advisory and service fees are recognized based on the applicable service contracts.

Net Gains (Losses) on Financial Assets/Liabilities at Fair Value through Profit or Loss
Net gains (losses) on financial assets/liabilities at fair value through profit or loss include gains and losses arising from changes in the fair value of financial assets and liabilities held for trading, as well as related funding costs. Net gains (losses) on financial assets/liabilities at fair value through profit or loss also include changes in fair value arising from changes in counter-party credit spreads and foreign exchange results.

Leasing
Deutsche Bank Nederland N.V. has entered 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.

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.

Income Tax

Income tax comprises current and deferred tax. Current tax and deferred tax are recognized in profit and loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

The Bank will settle the tax with the tax entity associated subsidiaries on the basis of the fiscally calculated results of the subsidiaries. In other words, the subsidiaries with profit contributions receive a corresponding tax burden while the subsidiaries contributing to a loss receive a corresponding tax benefit. In the event that the fiscal unity as a whole is loss-making and it is expected that this cannot be recovered, no tax benefit is booked.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Tax payable on profits is recognized as an expense in the period in which profits arise. The future tax benefit of tax losses available for carrying forward is recognized as an asset when it is probable that future taxable profits will be available against which these losses can be utilized.

Deferred tax is also recognized for qualifying temporary differences. Temporary differences represent the difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit nor differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future and the timing of such reversals is controlled by Deutsche Bank Nederland N.V. The amount of deferred tax is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

In case of a tax reporting group the accounting method Deutsche Bank Nederland N.V. has chosen is the method where corporate income tax and deferred tax are recognized by each entity within the tax reporting group, regardless of who has the legal liability for settlement or recovery of the tax. Deferred tax assets on losses carry forward are based on forecasted results as provided in the entities business plan.

Based on the updated business plan and qualitative in-depth discussions with responsible business owners, the Bank concluded that the requirements for recognition of a deferred tax assets for tax losses carried forward are not met as of the balance sheet date. Management deems the realisation of the future taxable profits within the required timeframe not sufficiently probable following the conclusion that our business is highly dependent on developments in the volatile market environment and successful implementation of the new strategy with involves also acquisition of new clients and continuation of existing business relationships.

Financial Assets and Liabilities

Classification
Deutsche Bank Nederland N.V. classifies its financial assets and liabilities into the following categories:
— Cash and due from banks
— Interest-earning deposits with banks
— Financial assets and liabilities through profit and loss (i.e. positive market value and negative market value from derivative financial instruments)
— Loans
— Deposits
— Long term debt

Appropriate classification of financial assets and liabilities is determined at the time of initial recognition or when reclassified in the balance sheet.

Recognition
Financial instruments classified at fair value through profit or loss are recognized on the trade date, which is the date on which Deutsche Bank Nederland N.V. commits to purchase or sell the asset or issue or repurchase the financial liability. All other financial instruments (loans and advances, deposits, and debit funding) are recognized on a settlement date basis. A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit and loss, transaction costs that are directly attributable to its acquisition or issue.

Subsequent Measurement
The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

Derecognition
A financial asset is considered for derecognition when the contractual rights to the cash flows from the financial asset expire, or Deutsche Bank Nederland N.V. 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. Deutsche Bank Nederland N.V. derecognizes a transferred financial asset if it transfers substantially all the risks and rewards of ownership.

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 as referred to below), 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.

Renegotiated Loans and Forbearances

For economic or legal reasons we might enter into a forbearance agreement with a borrower who faces financial difficulties in order to ease the contractual obligation for a limited period of time. A case-by-case approach is applied for our corporate clients considering each transaction and client-specific facts and circumstances. However, the amount not paid including accrued interest during this period must be re-compensated at a later point of time. Repayment options include distribution over residual tenor, a one-off payment or a tenor extension. Forbearances are restricted and, depending on the economic situation of the client, our risk management strategies and the local legislation. In case of a forbearance agreement being entered into, an impairment measurement is conducted, an impairment charge is taken if necessary and the loan is subsequently recorded as impaired.

Loans that have been renegotiated in such a way that, for economic or legal reasons related to the borrower's financial difficulties, we granted a concession to the borrower that we would not otherwise have considered.

Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, Deutsche Bank Nederland N.V. has a legal right to set off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Cash and Due from Banks

Cash and due from banks include notes and coins on hand, balances held with central banks, and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in fair value. Cash and due from banks are carried at amortized cost in the statement of financial position.

Loans and Interest-Earning Deposits with Banks

Loans and interest-earning deposits with banks include originated non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that are not classified as financial assets at fair value through profit or loss. Loans and interest-earning deposits are initially recognized at fair value. When the loan is issued at a market rate, fair value is represented by the cash advanced to the borrower plus the net of direct and incremental transaction costs and fees. They are subsequently measured at amortized cost using the effective interest method less impairment.

Fair Value of Financial Instruments

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of an asset or a liability reflects its non-performance risk.

The fair value for financial instruments traded in active markets at the statement of financial position date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

For financial instruments that are actively traded and for which quoted market prices or market parameters are readily available, there is little subjectivity in the determination of fair value. However, when observable market prices and parameters do not exist, management judgment is necessary to estimate fair value.

The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to Deutsche Bank Nederland N.V., incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. Deutsche Bank Nederland N.V. calibrates valuation techniques and tests for validity using prices from observable current market transactions in the same instrument or based on other available observable market data.

For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison to similar instruments for which market observable prices exist, options pricing models, credit models, and other relevant valuation models.

Identification and Measurement of Impairment of Financial Assets

Deutsche Bank Nederland N.V. assesses at each balance sheet date whether there is objective evidence that a financial asset is impaired. A financial asset or portfolio of financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include significant financial difficulty of the borrower, default or delinquency by a borrower, restructuring of a loan or advance on terms that Deutsche Bank Nederland N.V. would not otherwise consider, indications that a borrower will enter bankruptcy, or other observable data such as adverse changes in the payment status of debtors or general economic decline.

Loans and Interest-Earning Deposits with Banks

An indication that a loan or interest-earning deposit may be impaired is obtained through Deutsche Bank Nederland N.V.'s credit review processes, which include monitoring customer payments and regular loan reviews of commercial clients every six or twelve months depending on the internal credit rating of the facility. Deutsche Bank Nederland N.V. considers evidence of impairment for loans and interest-earning deposits at both a specific asset and collective level. Deutsche Bank Nederland N.V. assesses whether objective evidence of impairment exists for loans or interest-earning deposits (including any related facilities and guarantees) that are individually significant, and individually or collectively for loans and interest-earning deposits that are not individually significant. If Deutsche Bank Nederland N.V. determines that no objective evidence of impairment exists for an individually assessed loan or interest-earning deposit, it includes the asset in a portfolio of loans or interest-earning deposits with similar credit risk characteristics and collectively assesses them for impairment. Loans and interest-earning deposits that are evaluated individually for impairment are not included in a collective assessment of impairment. Indications that there is a measurable decrease in estimated future cash flows from a portfolio of loans or interest-earning deposits, although the decrease cannot yet be identified with the individual loans or interest-earning deposits in the portfolio, include adverse changes in the payment status of borrowers in the portfolio and national or local economic conditions that correlate with defaults in the portfolio. The amount of impairment loss is measured as the difference between the loan's carrying amount and the present value of estimated future cash flows discounted at the loan's original effective interest rate. The amount of the loss is recognized using an allowance account and the amount of the loss is included in the income statement line which makes provision for credit losses.

The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that are likely to result from foreclosure less costs for obtaining and selling the collateral. Future cash flows of a group of loans or interest-earning deposits that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the loans in the portfolio and historical loss experience for loans or interest-earning deposits with credit risk characteristics similar to those in Deutsche Bank Nederland N.V. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the historical data and to remove the effects of conditions in the historical data that do not currently exist.

The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any discrepancies between loss estimates and actual loss experience. The impact of changes in estimates and recoveries is recorded in the income statement line loan impairment and other credit risk provisions.

When a loan or interest-earning deposit is deemed no longer collectible, it is written off against the related allowance account for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to the income statement line loan impairment and other credit risk provisions. Assets acquired in exchange for loans or interest-earning deposits to achieve an orderly realization are reflected in the balance sheet as a disposal of the loan and an acquisition of a new asset (when recognition criteria are met), initially booked at fair value.

Financial Assets and Liabilities at Fair Value through Profit or Loss
Deutsche Bank Nederland N.V. classifies certain financial assets and financial liabilities at fair value through profit and loss, only comprising derivative financial instruments that are sold or acquired whereby client positions are hedged back-toback with an outside party (i.e. risk of Deutsche Bank Nederland N.V. in relation to derivatives mainly comprising counterparty risk). The measurement category financial assets and liabilities at fair value through profit or loss overs the positive and negative market value of those derivatives. They are carried at fair value and presented as financial assets at fair value through profit or loss (derivatives with positive fair values) and financial liabilities at fair value through profit or loss (derivatives with negative fair value). Related realized and unrealized gains and losses are included in net gains (losses) on financial assets/liabilities at fair value through profit or loss. Amounts are generally presented on a gross basis, in line with the Deutsche Bank Nederland N.V.'s accounting policy regarding offsetting of financial instruments.

Financial Liabilities
Deposits and long-term debt are Deutsche Bank Nederland N.V.'s sources of debt funding. Except for financial liabilities at fair value through profit or loss, financial liabilities are initially measured at fair value plus transaction costs that are directly attributable to the issue, and subsequently measured at amortized cost using the effective interest rate method.

Property and Equipment

Property and equipment includes leasehold improvements, furniture and equipment.

Recognition and Measurement
Items of property and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalized borrowing costs. When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.
The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment, and is recognized in other income/other expenses in profit or loss.

Subsequent Costs
The cost of replacing a component of an item of property or equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to Deutsche Bank Nederland N.V. and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

Depreciation
Depreciation is generally recognized using the straight-line method over the estimated useful lives of the assets. The range of estimated useful lives is three to ten years for furniture and equipment. Leasehold improvements are capitalized and subsequently depreciated on a straight-line basis over the shorter of the term of the lease and the estimated useful life of the improvement, which generally ranges from three to ten years.

Provisions
A provision is recognized if, as a result of a past event, Deutsche Bank Nederland N.V. has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

Restructuring
A provision for restructuring is recognized when Deutsche Bank Nederland N.V. has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

Onerous contracts
A provision for onerous contracts is recognized when the expected benefits to be derived by Deutsche Bank Nederland N.V. from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, Deutsche Bank Nederland N.V. recognizes any impairment loss on the assets associated with that contract.

Bank levies
A provision for bank levies is recognized when the condition that triggers the payment of the levy is met. If a levy obligation is subject to a minimum activity threshold so that the obligating event is reaching a minimum activity, then a provision is recognized when that minimum activity threshold is reached.

Pension and Other Post-Retirement Benefits

Deutsche Bank Nederland N.V. operates a defined benefit pension plan, which requires contributions to be made to a separately administered fund. Defined benefit plan pension commitments are calculated by an independent actuary in accordance with the projected unit credit method of actuarial cost allocation. Under this method, the present value of pension commitments is determined on the basis of the number of active years of service up to the balance sheet date and the estimated employee salary at the time of the expected retirement date, and is discounted using the market rate of interest on high-quality corporate bonds.

The annual pension costs recognized in the statement of income is the net total of the following components:
- Current service cost
- Interest cost
- Expected return on plan assets and any reimbursement rights
- Amortization of past service cost
- Effect of any curtailments or settlements

The defined benefit asset or liability comprises the present value of the defined benefit obligation less past service costs not yet recognized and less the fair value of plan assets out of which the obligations are to be settled directly, less actuarial losses not yet recognized. The value of any asset is restricted to the sum of any actuarial losses and past service cost not yet recognized and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

Deutsche Bank Nederland N.V. recognizes actuarial gains and losses in Other comprehensive income.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. Deutsche Bank Nederland N.V. recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

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. Deutsche Bank Nederland N.V.'s related parties include

- Deutsche Bank AG and its affiliated companies
- Subsidiaries
- Key management personnel, close family members of key management personnel, and entities that are controlled, significantly influenced by, or for which significant voting power is held by key management personnel or their close family members
- Post-employment benefit plans for the benefit of Deutsche Bank Nederland N.V.'s employees

Deutsche Bank Nederland N.V. has several business relationships with related parties. Transactions with such parties are made in the ordinary course of business 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 collectability or other unfavorable conditions present.

Transactions with Key Management Personnel
Deutsche Bank Nederland N.V. considers the members of the Managing Board and of the Supervisory Board to constitute key management personnel for purposes of IAS 24 "Related Party Disclosures".

Off-Balance Sheet Items

Contingencies
Contingencies are those uncertainties where an amount cannot be reasonably estimated or when it is not probable that payment will be required to settle the obligation.

Guarantees and Commitments
In the ordinary course of business, Deutsche Bank Nederland N.V. gives guarantees, consisting of letters of credit and other commitments like committed credit facilities as long as the associated liabilities allow for drawdown of a loan within the timeframe generally established by regulation or convention in the market place are not recognized as derivative financial instruments. Acceptances comprise undertakings by Deutsche Bank Nederland N.V. to pay bills of exchange drawn on customers. Deutsche Bank Nederland N.V. expects most acceptances to be settled simultaneously with the reimbursement from customers. Acceptances are not recognized in the balance sheet and are disclosed as commitments.

Financial Guarantees
A financial guarantee is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Such financial guarantees are given to banks, financial institutions, and other parties on behalf of customers to secure loans, overdrafts, and other banking facilities.

Financial guarantees that Deutsche Bank Nederland N.V. 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 Deutsche Bank Nederland N.V.'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 statement of income in provision for credit losses.

Statement of Cash Flows
For the purposes of the statement of cash flows, Deutsche Bank Nederland N.V.'s cash and cash equivalents include highly liquid investments that are readily convertible into cash and that 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 statement of cash flows, based on the indirect method of calculation, gives details of the source of cash and cash equivalents that became available during the year and the application of these cash and cash equivalents over the course of the year.

Deutsche Bank Nederland N.V.'s assignment of cash flows to the operating, investing, or financing category depends on the business model ("management approach"). For Deutsche Bank Nederland N.V., 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. 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.

Deutsche Bank
Deutsche Bank Nederland N.V.

Managing Board

[redacted]

K.J. Hoving

S.E. Huis in 't Veld

B.S. Dornseiffen

B. Ziegenhorn

C.E. Oosterloo van 't Hoff

Managing Board

K.J. Hoving

S.E. Huis in 't Veld

[redacted]

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