DEUTSCHE BANK AKTIENGESELLSCHAFT
Form 424B2
December 12, 2017

**The information in this preliminary pricing supplement is not complete and may be changed. This preliminary pricing supplement and the accompanying underlying supplement, product supplement, prospectus supplement and prospectus do not constitute an offer to sell nor do they seek an offer to buy the Notes in any jurisdiction where the offer or sale is not permitted.**

Subject to Completion. Dated December 12, 2017

PRICING SUPPLEMENT No. 2989B

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Registration Statement No. 333–206013

Dated December , 2017

$• Deutsche Bank AG Trigger Callable Contingent Yield Notes (daily coupon observation)

**Linked to the Least Performing of the EURO STOXX 50® Index, the Russell 2000® Index and the S&P 500® Index due on or about December 21, 2021**

**Investment Description**
Trigger Callable Contingent Yield Notes (the "**Notes**") are unsubordinated and unsecured obligations of Deutsche Bank AG, London Branch (the "**Issuer**") with returns linked to the least performing of the EURO STOXX 50® Index, the Russell 2000® Index and the S&P 500® Index (each, an "**Underlying**" and together, the "**Underlyings**"). If the closing levels of ***all*** Underlyings on each scheduled trading day during the applicable quarterly Observation Period are greater than or equal to their respective Coupon Barriers, for each $10.00 Face Amount of Notes, Deutsche Bank AG will pay you a contingent coupon (a "**Contingent Coupon**"). Otherwise, no coupon will be accrued or payable with respect to that Observation Period. Deutsche Bank AG may, in its sole discretion, call the Notes in whole, but not in part, on any Coupon Payment Date prior to the Maturity Date (the "**Issuer Call Date**"), regardless of the closing level of any Underlying. If the Notes are called by Deutsche Bank AG in its sole discretion, for each $10.00 Face Amount of Notes, Deutsche Bank AG will pay you the Face Amount *plus* any Contingent Coupon otherwise due on such Coupon Payment Date and no further amounts will be owed to you under the Notes. If the Notes are ***not*** called by Deutsche Bank AG in its sole discretion prior to maturity and the Final Underlying Level of the Least Performing Underlying is greater than or equal to its Downside Threshold, for each $10.00 Face Amount of Notes, Deutsche Bank AG will pay you a cash payment at maturity equal to the Face Amount *plus* any Contingent Coupon otherwise due on the Maturity Date. If the Notes are ***not*** called by Deutsche Bank AG in its sole discretion prior to maturity and the Final Underlying Level of the Least Performing Underlying is ***less*** than its Downside Threshold, for each $10.00 Face Amount of Notes, Deutsche Bank AG will pay you ***less*** than the Face Amount, if anything, resulting in a loss that is proportionate to the decline in the Final Underlying Level of the Least Performing Underlying as compared to its Initial Underlying Level. The "**Least Performing Underlying**" is the Underlying with the largest percentage decline from its Initial Underlying Level to its Final Underlying Level. In this circumstance, you will lose a significant portion or all of your investment. **Investing in the Notes is subject to significant risks, including the risk of losing your entire**

**investment. You will not receive dividends or other distributions paid on any stocks included in the Underlyings. You will lose some or all of your investment if the Notes are not called by Deutsche Bank AG in its sole discretion and the Final Underlying Level of the Least Performing Underlying is less than its Downside Threshold. The Final Underlying Level is observed relative to the Downside Threshold only on the Final Valuation Date and the contingent repayment of your investment applies only if you hold the Notes to maturity. You may not receive any of the Contingent Coupons during the term of the Notes. You will be exposed to the market risk of each Underlying and any decline in the level of one Underlying may negatively affect your return and will not be offset or mitigated by a lesser decline or any potential increase in the levels of the other Underlyings. Generally, the higher the Contingent Coupon Rate on the Notes, the greater the risk of loss on such Notes. Any payment on the Notes, including any payment of a Contingent Coupon, any payment upon an Issuer Call and any payment of your investment at maturity, is subject to the creditworthiness of the Issuer. If the Issuer were to default on its payment obligations or become subject to a Resolution Measure (as described on page 2), you might not receive any amounts owed to you under the terms of the Notes and you could lose your entire investment.**

**Features**

q **Contingent Coupon** — Subject to an Issuer Call, if the closing levels of ***all*** Underlyings on each scheduled trading day during the applicable quarterly Observation Period are greater than or equal to their respective Coupon Barriers, for each $10.00 Face Amount of Notes, Deutsche Bank AG will pay you the Contingent Coupon applicable to such Observation Period on the relevant Coupon Payment Date. Otherwise, no coupon will be accrued or payable with respect to that Observation Period.

q **Issuer Callable** — Deutsche Bank AG may, in its sole discretion, call the Notes in whole, but not in part, on any Coupon Payment Date prior to the Maturity Date, regardless of the closing level of any Underlying. If the Notes are called by Deutsche Bank AG in its sole discretion, for each $10.00 Face Amount of Notes, Deutsche Bank AG will pay you the Face Amount *plus* any Contingent Coupon otherwise due on such Coupon Payment Date and no further amounts will be owed to you under the Notes. If the Notes are not called by Deutsche Bank AG in its sole discretion, investors may have downside market exposure to the Least Performing Underlying at maturity, subject to any contingent repayment of your investment.

q **Downside Exposure with Contingent Repayment of Your Investment at Maturity** — If the Notes are not called by Deutsche Bank AG in its sole discretion prior to maturity and the Final Underlying Level of the Least Performing Underlying is greater than or equal to its Downside Threshold, for each $10.00 Face Amount of Notes, Deutsche Bank AG will pay you a cash payment at maturity equal to the Face Amount *plus* any Contingent Coupon otherwise due on the Maturity Date. However, if the notes are not called by Deutsche Bank AG in its sole discretion prior to maturity and the Final Underlying Level of the Least Performing Underlying is less than its Downside Threshold, for each $10.00 Face Amount of Notes, Deutsche Bank AG will pay you less than the Face Amount, if anything, resulting in a loss that is proportionate to the decline in the Final Underlying Level of the Least Performing Underlying as compared to its Initial Underlying Level. In this circumstance, you will lose a significant portion or all of your investment. The contingent repayment of your investment applies *only if* you hold the Notes to maturity. **Any payment on the Notes, including any payment of a Contingent Coupon, any payment upon an Issuer Call and any payment of your investment at maturity, is subject to the creditworthiness of the Issuer. If the Issuer were to default on its payment obligations or become subject to a Resolution Measure, you might not receive any amounts owed to you under the terms of the Notes and you could lose your entire investment**.

**Key Dates[1]**

| | |
|---|---|
| Trade Date | December 12, 2017 |
| Settlement Date[2] | December 15, 2017 |
| Observation End Dates[3] | See page 5 |
| Final Valuation Date[3] | December 15, 2021 |
| Maturity Date[3] | December 21, 2021 |

[1] Expected

[2] We expect to deliver each offering of the Notes against payment on or about the third business day following the Trade Date. Under Rule 15c6–1 under the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), trades in the secondary market generally are required to settle in two business days, unless the parties to a trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on any day prior to two business days preceding the Settlement Date will be required, by virtue of the fact that the Notes initially will settle in three business days (T+3), to specify alternative settlement arrangements to prevent a failed settlement.

[3] Please see page 5 for additional details

**NOTICE TO INVESTORS: THE NOTES ARE SIGNIFICANTLY RISKIER THAN CONVENTIONAL DEBT INSTRUMENTS. THE ISSUER IS NOT NECESSARILY OBLIGATED TO REPAY THE FULL FACE AMOUNT OF NOTES AT MATURITY AND THE NOTES CAN HAVE DOWNSIDE MARKET RISK SIMILAR TO THE LEAST PERFORMING UNDERLYING. FOR MORE INFORMATION ABOUT THE UNDERLYINGS, PLEASE SEE PAGEs 16 to 18 OF THIS PRICING SUPPLEMENT AND the ACCOMPANYING UNDERLYING SUPPLEMENT NO. 1 DATED AUGUST 17, 2015. THIS MARKET RISK IS IN ADDITION TO THE CREDIT RISK INHERENT IN PURCHASING AN OBLIGATION OF DEUTSCHE BANK AG. YOU SHOULD NOT PURCHASE THE NOTES IF YOU DO NOT UNDERSTAND OR ARE NOT COMFORTABLE WITH THE SIGNIFICANT RISKS INVOLVED IN INVESTING IN THE NOTES. THE NOTES WILL NOT BE LISTED ON ANY SECURITIES EXCHANGE.**

**YOU SHOULD CAREFULLY CONSIDER THE RISKS DESCRIBED UNDER "KEY RISKS" BEGINNING ON PAGE 7 OF THIS PRICING SUPPLEMENT AND UNDER "RISK FACTORS" BEGINNING ON PAGE 7 OF THE ACCOMPANYING PRODUCT SUPPLEMENT, PAGE PS–5 OF THE ACCOMPANYING**

**PROSPECTUS SUPPLEMENT AND PAGE 13 OF THE ACCOMPANYING PROSPECTUS BEFORE PURCHASING ANY NOTES. EVENTS RELATING TO ANY OF THOSE RISKS, OR OTHER RISKS AND UNCERTAINTIES, COULD ADVERSELY AFFECT THE MARKET VALUE OF, AND THE RETURN ON, YOUR NOTES. YOU MAY LOSE A SIGNIFICANT PORTION OR ALL OF YOUR INVESTMENT IN THE NOTES.**

**Security Offering**

We are offering Trigger Callable Contingent Yield Notes linked to the least performing of the EURO STOXX 50® Index, the Russell 2000® Index and the S&P 500® Index. The Initial Underlying Level, Downside Threshold and Coupon Barrier for each Underlying will be determined on the Trade Date. The Notes are our unsubordinated and unsecured obligations and are offered at a minimum investment of $1,000 (100 Notes) in denominations of $10.00 and integral multiples thereof.

| **Underlyings** | **Contingent Coupon Rate** | **Initial Underlying Levels** | **Downside Thresholds** | **Coupon Barriers** | **CUSIP / ISIN** |
|---|---|---|---|---|---|
| EURO STOXX 50® Index (Ticker: SX5E) | | | 60.00% of its Initial Underlying Level | 65.00% of its Initial Underlying Level | |
| Russell 2000® Index (Ticker: RTY) | 9.25% per annum | | 60.00% of its Initial Underlying Level | 65.00% of its Initial Underlying Level | 25190K714 / US25190K7147 |
| S&P 500® Index (Ticker: SPX) | | | 60.00% of its Initial Underlying Level | 65.00% of its Initial Underlying Level | |

**Please see "Additional Terms Specific to the Notes" in this pricing supplement. The Notes will have the terms specified in underlying supplement No. 1 dated August 17, 2015, product supplement B dated July 31, 2015, the prospectus supplement dated July 31, 2015 relating to our Series A global notes of which these Notes are a part, the prospectus dated April 27, 2016 and this pricing supplement.**

**The Issuer's estimated value of the Notes on the Trade Date is approximately $9.610 to $9.810 per $10.00 Face Amount of Notes, which is less than the Issue Price. Please see "Issuer's Estimated Value of the Notes" on the following page of this pricing supplement for additional information.**

*Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the Notes or passed upon the accuracy or the adequacy of this pricing supplement or the accompanying underlying supplement No. 1, product supplement B, prospectus supplement or prospectus. Any representation to the contrary is a criminal offense.*

*The Notes are not deposits or savings accounts and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other U.S. or foreign governmental agency or instrumentality.*

| | Price to Public | | Discounts and Commissions[(1)] | | Proceeds to Us | |
|---|---|---|---|---|---|---|
| **Offering of Notes** | **Total** | **Per Note** | **Total** | **Per Note** | **Total** | **Per Note** |
| Notes linked to the least performing of the EURO STOXX 50® Index, the Russell 2000® Index and the S&P 500® Index | $ | $10.00 | $ | $0.10 | $ | $9.90 |

[(1)] For more detailed information about discounts and commissions, please see “Supplemental Plan of Distribution (Conflicts of Interest)” in this pricing supplement.

Deutsche Bank Securities Inc. (“**DBSI**”) is our affiliate. For more information, please see “Supplemental Plan of Distribution (Conflicts of Interest)” in this pricing supplement.

**UBS Financial Services Inc**. **Deutsche Bank Securities**

**Issuer's Estimated Value of the Notes**

The Issuer's estimated value of the Notes is equal to the sum of our valuations of the following two components of the Notes: (i) a bond and (ii) an embedded derivative(s). The value of the bond component of the Notes is calculated based on the present value of the stream of cash payments associated with a conventional bond with a principal amount equal to the Face Amount of Notes, discounted at an internal funding rate, which is determined primarily based on our market-based yield curve, adjusted to account for our funding needs and objectives for the period matching the term of the Notes. The internal funding rate is typically lower than the rate we would pay when we issue conventional debt securities on equivalent terms. This difference in funding rate, as well as the agent's commissions, if any, and the estimated cost of hedging our obligations under the Notes, reduces the economic terms of the Notes to you and is expected to adversely affect the price at which you may be able to sell the Notes in any secondary market. The value of the embedded derivative(s) is calculated based on our internal pricing models using relevant parameter inputs such as expected interest and dividend rates and mid-market levels of price and volatility of the assets underlying the Notes or any futures, options or swaps related to such underlying assets. Our internal pricing models are proprietary and rely in part on certain assumptions about future events, which may prove to be incorrect.

The Issuer's estimated value of the Notes on the Trade Date (as disclosed on the cover of this pricing supplement) is less than the Issue Price of the Notes. The difference between the Issue Price and the Issuer's estimated value of the Notes on the Trade Date is due to the inclusion in the Issue Price of the agent's commissions, if any, and the cost of hedging our obligations under the Notes through one or more of our affiliates. Such hedging cost includes our or our affiliates' expected cost of providing such hedge, as well as the profit we or our affiliates expect to realize in consideration for assuming the risks inherent in providing such hedge.

The Issuer's estimated value of the Notes on the Trade Date does not represent the price at which we or any of our affiliates would be willing to purchase your Notes in the secondary market at any time. Assuming no changes in market conditions or our creditworthiness and other relevant factors, the price, if any, at which we or our affiliates would be willing to purchase the Notes from you in secondary market transactions, if at all, would generally be lower than both the Issue Price and the Issuer's estimated value of the Notes on the Trade Date. Our purchase price, if any, in secondary market transactions will be based on the estimated value of the Notes determined by reference to (i) the then-prevailing internal funding rate (adjusted by a spread) or another appropriate measure of our cost of funds and (ii) our pricing models at that time, less a bid spread determined after taking into account the size of the repurchase, the nature of the assets underlying the Notes and then-prevailing market conditions. The price we report to financial reporting services and to distributors of our Notes for use on customer account statements would generally be determined on the same basis. However, during the period of approximately six months beginning from the Trade Date, we or our affiliates may, in our sole discretion, increase the purchase price determined as described above by an amount equal to the declining differential between the Issue Price and the Issuer's estimated value of the Notes on the Trade Date, prorated over such period on a straight-line basis, for transactions that are individually and in the aggregate of the expected size for ordinary secondary market repurchases.

**Resolution Measures and Deemed Agreement**

Under German and European laws and regulations, the Notes may be subject to any Resolution Measure by the competent resolution authority if we become, or are deemed by the competent supervisory authority to have become, "non-viable" (as defined under the then applicable law) and are unable to continue our regulated banking activities without a Resolution Measure becoming applicable to us. A "**Resolution Measure**" may include: (i) a write down, including to zero, of any payment (or delivery obligations) on the Notes; (ii) a conversion of the Notes into ordinary shares of (a) the Issuer, (b) any group entity or (c) any bridge bank or other instruments of ownership of such entities qualifying as common equity tier 1 capital; and/or (iii) any other resolution measure, including, but not limited to, any transfer of the Notes to another entity, the amendment, modification or variation of the terms and conditions of the Notes or the cancellation of the Notes. By acquiring the Notes, you will be bound by and will be deemed irrevocably to consent to the imposition of any Resolution Measure by the competent resolution authority as set forth in the accompanying prospectus dated April 27, 2016. *Please read the risk factor "The Notes May Be Written Down, Be Converted into Ordinary Shares or Other Instruments of Ownership or Become Subject to Other Resolution Measures. You May Lose Some or All of Your Investment If Any Such Measure Becomes Applicable to Us" in this pricing supplement and see the accompanying prospectus, including the risk factors beginning on page 13 of such prospectus, for further information.*

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Additional Terms Specific to the Notes

You should read this pricing supplement together with underlying supplement No. 1 dated August 17, 2015, product supplement B dated July 31, 2015, the prospectus supplement dated July 31, 2015 relating to our Series A global notes of which these Notes are a part and the prospectus dated April 27, 2016. Delaware Trust Company, which acquired the corporate trust business of Law Debenture Trust Company of New York, is the successor trustee of the Notes. When you read the accompanying underlying supplement, product supplement and prospectus supplement, please note that all references in such supplements to the prospectus dated July 31, 2015, or to any sections therein, should refer instead to the accompanying prospectus dated April 27, 2016 or to the corresponding sections of such prospectus, as applicable, unless otherwise specified or the context otherwise requires. You may access these documents on the website of the Securities and Exchange Commission (the "**SEC**") at.www.sec.gov as follows (or if such address has changed, by reviewing our filings for the relevant date on the SEC website):

- Underlying supplement No. 1 dated August 17, 2015: https://www.sec.gov/Archives/edgar/data/1159508/000095010315006546/crt_dp58829-424b2.pdf

- Product supplement B dated July 31, 2015: https://www.sec.gov/Archives/edgar/data/1159508/000095010315006059/crt_dp58181-424b2.pdf

- Prospectus supplement dated July 31, 2015: https://www.sec.gov/Archives/edgar/data/1159508/000095010315006048/crt-dp58161_424b2.pdf

- Prospectus dated April 27, 2016: https://www.sec.gov/Archives/edgar/data/1159508/000119312516559607/d181910d424b21.pdf

You may revoke your offer to purchase the Notes at any time prior to the time at which we accept such offer by notifying the applicable agent. We reserve the right to change the terms of, or reject any offer to purchase, the Notes prior to their issuance. We will notify you in the event of any changes to the terms of the Notes and you will be asked to accept such changes in connection with your purchase of the Notes. You may choose to reject such changes, in which case we may reject your offer to purchase the Notes.

References to "*Deutsche Bank AG*," "*we*," "*our*" and "*us*" refer to Deutsche Bank AG, including, as the context requires, acting through one of its branches. In this pricing supplement, "*Notes*" refers to the Trigger Callable Contingent Yield Notes that are offered hereby, unless the context otherwise requires.

All references to "*Final Underlying Level*" and "*Initial Underlying Level*" in this pricing supplement shall be deemed to refer to "*Final Level*" and "*Initial Level*," respectively, as used in the accompanying product supplement.

If the terms described in this pricing supplement are inconsistent with those described in the accompanying underlying supplement, product supplement, prospectus supplement or prospectus, the terms described in this pricing supplement shall control.

*This pricing supplement, together with the documents listed above, contains the terms of the Notes and supersedes all other prior or contemporaneous oral statements as well as any other written materials including preliminary or indicative pricing terms, correspondence, trade ideas, structures for implementation, sample structures, brochures or other educational materials of ours. You should carefully consider, among other things, the matters set forth in "Key Risks" in this pricing supplement and "Risk Factors" in the accompanying product supplement, prospectus supplement and prospectus, as the Notes involve risks not associated with conventional debt securities. We urge you to consult your investment, legal, tax, accounting and other advisers before deciding to invest in the Notes.*

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**Investor Suitability**

The suitability considerations identified below are not exhaustive. Whether or not the Notes are a suitable investment for you will depend on your individual circumstances, and you should reach an investment decision only after you and your investment, legal, tax, accounting and other advisers have carefully considered the suitability of an investment in the Notes in light of your particular circumstances. You should also review "Key Risks" on page 7 of this pricing supplement and "Risk Factors" on page 7 of the accompanying product supplement, page PS–5 of the accompanying prospectus supplement and page 13 of the accompanying prospectus.

**The Notes may be suitable for you if, among other considerations**:

- You fully understand the risks inherent in an investment in the Notes, including the risk of loss of your entire investment.
- You can tolerate the loss of a significant portion or all of your investment and you are willing to make an investment in which you could have downside market risk similar to a hypothetical investment in the Least Performing Underlying or the stocks included in the Least Performing Underlying.
- You believe the closing levels of ***all*** Underlyings will be greater than or equal to their respective Coupon Barriers on each scheduled trading day during the applicable Observation Periods, and on the Final Valuation Date.
- You believe the Final Underlying Levels of ***all*** Underlyings will be greater than or equal to their respective Downside Thresholds.
- You are willing to accept the individual market risk of each Underlying on each scheduled trading day during the quarterly Observation Periods and on the Final Valuation Date, and you understand that any decline in the level of one Underlying will not be offset or mitigated by a lesser decline or any potential increase in the levels of the other Underlyings.
- You are willing to make an investment whose return is limited to the applicable Contingent Coupons, regardless of any potential increase in the levels of the Underlyings, which could be significant.
- You can tolerate fluctuations in the value of the Notes prior to maturity that may be similar to or exceed the downside fluctuations in the level of the Least Performing Underlying.
- You are willing to invest in the Notes based on the Contingent Coupon Rate specified on the cover of this pricing supplement.

- You do not seek guaranteed current income from this investment and you are willing to forgo any dividends and any other distributions paid on the stocks composing the Underlyings.
- You are willing and able to hold Notes that may be called early at the sole discretion of Deutsche Bank AG, regardless of the closing level of any Underlying, and you are otherwise willing and able to hold the Notes to the Maturity Date as set forth on the cover of this pricing supplement and you are not seeking an investment for which there will be an active secondary market.
- You understand and are willing to accept the risks associated with the Underlyings.
- You are willing and able to assume the credit risk of Deutsche Bank AG, as Issuer of the Notes, for all payments under the Notes and you understand that, if Deutsche Bank AG defaults on its obligations or becomes subject to a Resolution Measure, you might not receive any amounts due to you, including any payment of a Contingent Coupon, any payment of your investment at maturity or any payment upon an Issuer Call.

**The Notes may *not* be suitable for you if, among other considerations**:

- You do not fully understand the risks inherent in an investment in the Notes, including the risk of loss of your entire investment.
- You cannot tolerate the loss of a significant portion or all of your investment or you are unwilling to make an investment in which you could have downside market risk similar to a hypothetical investment in the Least Performing Underlying or the stocks included in the Least Performing Underlying.
- You require an investment designed to provide a full return of your investment at maturity.
- You believe the closing level of any Underlying will be less than its Coupon Barrier on any scheduled trading day during the specified Observation Periods and less than its Downside Threshold on the Final Valuation Date.
- You believe the Final Underlying Level of any Underlying will be less than its Downside Threshold.
- You are unwilling to accept the individual market risk of each Underlying on each scheduled trading day during the quarterly Observation Periods and on the Final Valuation Date, and you understand that any decline in the level of one Underlying will not be offset or mitigated by a lesser decline or any potential increase in the levels of the other Underlyings.
- You seek an investment that participates in any increase in the levels of the Underlyings or that has unlimited return potential.

You cannot tolerate fluctuations in the value of the Notes prior to maturity that may be similar to or exceed the downside fluctuations in the level of the Least Performing Underlying.

- You are unwilling to invest in the Notes based on the Contingent Coupon Rate specified on the cover of this pricing supplement.

- You prefer the lower risk and, therefore, accept the potentially lower returns of fixed income investments with comparable maturities and credit ratings.

- You seek guaranteed current income from this investment or you prefer to receive any dividends or any other distributions paid on the stocks composing the Underlyings.

- You are unwilling or unable to hold Notes that may be called early at the sole discretion of Deutsche Bank AG, regardless of the closing level of any Underlying, or you are otherwise unwilling or unable to hold the Notes to the Maturity Date as set forth on the cover of this pricing supplement or you seek an investment for which there will be an active secondary market.

- You do not understand or are unwilling to accept the risks associated with the Underlyings.

- You are unwilling or unable to assume the credit risk of Deutsche Bank AG, as Issuer of the Notes, for all payments under the Notes, including any payment of a Contingent Coupon, any payment of your investment at maturity or any payment upon an Issuer Call.

4

Indicative Terms

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| Issuer | Deutsche Bank AG, London Branch |
| Issue Price | 100% of the Face Amount of Notes |
| Face Amount | $10.00 |
| Term | Approximately 4 years, unless called earlier |
| Trade Date[1] | December 12, 2017 |
| Settlement Date[1] | December 15, 2017 |
| Final Valuation Date[1, 2] | December 15, 2021 |
| Maturity Date[1, 2] | December 21, 2021 |
| Underlyings | The EURO STOXX 50® Index, the Russell 2000® Index and the S&P 500® Index |
| Issuer Call | Deutsche Bank AG may, in its sole discretion, call the Notes in whole, but not in part, on any Coupon Payment Date prior to the Maturity Date (the "**Issuer Call Date**") upon written notice to the trustee prior to the Issuer Call Date. If the Notes are called by Deutsche Bank AG in its sole discretion, Deutsche Bank AG will pay you a cash payment per $10.00 Face Amount of Notes equal to $10.00 *plus* any Contingent Coupon otherwise due on such Coupon Payment Date, and no further amounts will be owed to you under the Notes. |
| Observation Periods | There are sixteen quarterly Observation Periods. The first Observation Period will consist of each scheduled trading day from, but excluding, the Trade Date to, and including, the first Observation End Date. Each subsequent Observation Period will consist of each scheduled trading day from, but excluding, an Observation End Date to, and including, the next Observation End Date. |

| **Observation End Dates**[1, 2] | **Coupon Payment Dates / Issuer Call Date (if called)**[1, 2] |
|---|---|
| March 12, 2018 | March 14, 2018 |
| June 12, 2018 | June 14, 2018 |
| September 12, 2018 | September 14, 2018 |
| December 12, 2018 | December 14, 2018 |
| March 12, 2019 | March 14, 2019 |
| June 12, 2019 | June 14, 2019 |
| September 12, 2019 | September 16, 2019 |
| December 12, 2019 | December 16, 2019 |
| March 12, 2020 | March 16, 2020 |
| June 12, 2020 | June 16, 2020 |
| September 14, 2020 | September 16, 2020 |
| December 14, 2020 | December 16, 2020 |
| March 12, 2021 | March 16, 2021 |
| June 14, 2021 | June 16, 2021 |
| September 13, 2021 | September 15, 2021 |
| December 15, 2021 (*Final Valuation Date*) | December 21, 2021 (*Maturity Date*) |

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| Contingent Coupon | If the closing levels of ***all*** Underlyings on each scheduled trading day during the applicable quarterly Observation Period are greater than or equal to their respective Coupon Barriers, Deutsche Bank AG will pay you the Contingent Coupon per $10.00 Face Amount of Notes applicable to such Observation Period |

on the related Coupon Payment Date.

If the closing level of ***any*** Underlying on any scheduled trading day during the applicable quarterly Observation Period is less than its Coupon Barrier, the Contingent Coupon applicable to such Observation Period will not have accrued or be payable and Deutsche Bank AG will not make any payment to you on the related Coupon Payment Date.

The Contingent Coupon for the Notes will be a fixed amount based upon equal installments at the Contingent Coupon Rate set forth below. For each Observation Period, the Contingent Coupon for the Notes that would be payable for such Observation Period on which the closing levels of all Underlyings are greater than or equal to their respective Coupon Barriers is set forth below under "Contingent Coupon Payments."

**Contingent Coupon Payments on the Notes are not guaranteed. Deutsche Bank AG will not pay you the Contingent Coupon for any Observation Period on which the closing level of any Underlying on any scheduled trading day during that Observation Period is less than its applicable Coupon Barrier**.

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|---|---|
| Contingent Coupon Rate | 9.25% per annum |
| Contingent Coupon Payments | $0.23125 per $10.00 Face Amount of Notes |
| Coupon Payment Dates[1, 2] | As set forth in the table under "Observation Periods" above. The Coupon Payment Date for the final Observation End Date will be the Maturity Date. |
| Payment at Maturity (per $10.00 Face Amount of Notes) | **If the Notes have *not* previously been called by Deutsche Bank AG in its sole discretion and the Final Underlying Level of the Least Performing Underlying is *greater than* or *equal to* its Downside Threshold**, Deutsche Bank AG will pay you a cash payment per $10.00 Face Amount of Notes at maturity equal to the Face Amount *plus* any Contingent Coupon otherwise due on the Maturity Date. |

**If the Notes have *not* previously been called by Deutsche Bank AG in its sole discretion and the Final Underlying Level of the Least Performing Underlying is *less than* its Downside Threshold**, Deutsche Bank AG will pay you a cash payment per $10.00 Face Amount of Notes at maturity that is less than the Face Amount, calculated as follows:

$10.00 + ($10.00 x Underlying Return of the Least Performing Underlying)

**In this circumstance, you will lose a significant portion or all of your investment in an amount proportionate to the negative Underlying Return of the Least Performing Underlying, regardless of the performance of the other Underlyings. You will be exposed to**

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|---|---|
| | **the market risk of each Underlying and any decline in the level of one Underlying may negatively affect your return and will not be offset or mitigated by a lesser decline or any potential increase in the levels of any of the other Underlyings**. |
| Least Performing Underlying | The Underlying with the largest percentage decrease from its Initial Underlying Level to its Final Underlying Level, as measured by its Underlying Return. If the calculation agent determines that any two or all three Underlyings have equal Underlying Returns, then the calculation agent will, in its sole discretion, designate either Underlying as the Least Performing Underlying. |
| Underlying Return | With respect to each Underlying, the Underlying Return will be calculated as follows:<br>$\frac{\text{Final Underlying Level} - \text{Initial Underlying Level}}{\text{Initial Underlying Level}}$ |
| Downside Threshold | With respect to each Underlying, 60.00% of the Initial Underlying Level of such Underlying |
| Coupon Barrier | With respect to each Underlying, 65.00% of the Initial Underlying Level of such Underlying |
| Initial Underlying Level | With respect to each Underlying, the closing level of such Underlying on the Trade Date |
| Final Underlying Level | With respect to each Underlying, the closing level of such Underlying on the Final Valuation Date |

**INVESTING IN THE NOTES INVOLVES SIGNIFICANT RISKS. YOU MAY LOSE A SIGNIFICANT PORTION OR ALL OF YOUR INVESTMENT. ANY PAYMENT ON THE NOTES, INCLUDING ANY PAYMENT OF A CONTINGENT COUPON, ANY PAYMENT UPON AN ISSUER CALL AND ANY PAYMENT OF YOUR INVESTMENT AT MATURITY, IS SUBJECT TO THE CREDITWORTHINESS OF THE ISSUER. IF DEUTSCHE BANK AG WERE TO DEFAULT ON ITS PAYMENT OBLIGATIONS OR BECOME SUBJECT TO A RESOLUTION MEASURE, YOU MIGHT NOT RECEIVE ANY AMOUNTS OWED TO YOU UNDER THE NOTES AND YOU COULD LOSE YOUR ENTIRE INVESTMENT**.

[1] In the event that we make any changes to the expected Trade Date or Settlement Date, the Observation End Dates, Coupon Payment Dates, Final Valuation Date and Maturity Date may be changed so that the stated term of the Notes remains the same.

[2] Each of the Observation End Dates (including the Final Valuation Date) and the Coupon Payment Dates (including the Maturity Date) are subject to adjustment as described under "Description of Securities — Adjustments to Valuation Dates and Payment Dates" in the accompanying product supplement.

**Investment Timeline**

| | |
|---|---|
| **Trade Date**: | For each Underlying, the Initial Underlying Level is observed and the Downside Threshold and Coupon Barrier are determined. |
| **Quarterly (callable by Deutsche Bank AG in its sole discretion)**: | If the closing levels of ***all*** Underlyings on each scheduled trading day during an Observation Period are greater than or equal to their respective Coupon Barriers, Deutsche Bank AG will pay you the Contingent Coupon per $10.00 Face Amount of Notes applicable to such Observation Period on the related Coupon Payment Date.<br><br>Deutsche Bank AG may, in its sole discretion, call the Notes in whole, but not in part, on any Coupon Payment Date prior to the Maturity Date, regardless of the closing level of any Underlying. If the Notes are called by Deutsche Bank AG in its sole discretion, Deutsche Bank AG will pay you a cash payment per $10.00 Face Amount of Notes equal to $10.00 *plus* any Contingent Coupon otherwise due on such Coupon Payment Date, and no further amounts will be owed to you under the Notes. |
| **Maturity Date**: | For each Underlying, the Final Underlying Level is determined and the Underlying Return is calculated on the Final Valuation Date.<br><br>**If the Notes have *not* previously been called by Deutsche Bank AG and the Final Underlying Level of the Least Performing Underlying is *greater than* or *equal to* its Downside Threshold and Coupon Barrier**, Deutsche Bank AG will pay you a cash payment per $10.00 Face Amount of Notes at maturity equal to the Face Amount *plus* any Contingent Coupon otherwise due on the Maturity Date.<br><br>**If the Notes have *not* previously been called by Deutsche Bank AG and the Final Underlying Level of the Least Performing Underlying is *less than* its Downside Threshold**, Deutsche Bank AG will pay you a cash payment per $10.00 Face Amount of Notes at maturity that is less than the Face Amount, equal to:<br><br>$10.00 + ($10.00 x Underlying Return of the Least Performing Underlying)<br><br>**In this circumstance, you will lose a significant portion or all of your investment in an amount proportionate to the negative Underlying Return of the Least Performing Underlying, regardless of the performance of the other Underlyings. You will be exposed to the market risk of each Underlying and any decline in the level of one Underlying may negatively affect your return and will not be offset or mitigated by a lesser decline or any** |

**potential increase in the levels of any of the other Underlyings**.

6

**Key Risks**

An investment in the Notes involves significant risks. Investing in the Notes is not equivalent to investing directly in the Underlyings or in the stocks composing the Underlyings. Some of the risks that apply to an investment in the Notes are summarized below, but we urge you to read the more detailed explanation of risks relating to the Notes generally in the "Risk Factors" sections of the accompanying product supplement, prospectus supplement and prospectus. We also urge you to consult your investment, legal, tax, accounting and other advisers before you invest in the Notes.

- **Your Investment in the Notes May Result in a Loss of Your Investment** — The Notes differ from ordinary debt securities in that Deutsche Bank AG will not necessarily pay you the Face Amount per $10.00 Face Amount of Notes at maturity. If the Notes are not called by Deutsche Bank AG in its sole discretion, the return on the Notes at maturity will depend on whether the Final Underlying Levels of ***all*** of the Underlyings are greater than or equal to their respective Downside Thresholds. If the Notes are ***not*** called by Deutsche Bank AG in its sole discretion and the Final Underlying Levels of ***all*** Underlyings are greater than or equal to their respective Downside Thresholds, for each $10.00 Face Amount of Notes, Deutsche Bank AG will pay you at maturity the Face Amount *plus* any Contingent Coupon otherwise due on the Maturity Date. However, if the Notes are ***not*** called by Deutsche Bank AG in its sole discretion and the Final Underlying Level of ***any*** Underlying is less than its Downside Threshold, you will be fully exposed to any negative Underlying Return of the Least Performing Underlying and, for each $10.00 Face Amount of Notes, you will incur a loss that is proportionate to the decline in the Final Underlying Level of the Least Performing Underlying as compared to its Initial Underlying Level. ***In this circumstance***, ***you will lose a significant portion or all of your investment at maturity***.

- **Your Investment Is Exposed to a Decline in the Level of Each Underlying** — Your return on the Notes, if any, is not linked to a basket consisting of the Underlyings. Rather, any payment on the Notes will be determined by reference to the performance of ***each*** individual Underlying. Unlike an instrument with a return linked to a basket, in which risk is mitigated and diversified among all of the basket components, you will be exposed equally to the risks related to ***each*** Underlying. Poor performance by ***any*** of the Underlyings over the term of the Notes may adversely affect your return on the Notes and will not be offset or mitigated by any positive performance by any of the other Underlyings. To receive any Contingent Coupon or contingent repayment of your investment at maturity, the closing levels of ***all*** of the Underlyings are required to be greater than their respective Coupon Barriers on each scheduled trading day during the applicable Observation Period and their respective Downside Thresholds, as applicable. In addition, if not called prior to maturity, you may incur a loss proportionate to the negative Underlying Return of the Least Performing Underlying even if the levels of the other Underlyings increase during the term of the Notes. Accordingly, your investment is exposed to a decline in the level of each Underlying.

- **Because the Notes Are Linked to the Least Performing Underlying, You Are Exposed to Greater Risk of Receiving No Contingent Coupons or a Loss on Your Investment than if the Notes Were Linked to Just One Underlying** — The risk that you will not receive any Contingent Coupons and/or lose a significant portion or all of your investment in the Notes at maturity is greater if you invest in the Notes than in substantially similar securities that are linked to the performance of just one Underlying. With three Underlyings, it is more likely that the closing level of at least one Underlying will be less than its Coupon Barrier on any scheduled trading day during the applicable Observation Period, and the Final Underlying Level of at least one Underlying will be less than its Downside Threshold on the Final Valuation Date, than if the Notes were linked to only one of the Underlyings, and therefore, it is more likely that you will not receive any Contingent Coupons and will receive an amount in cash that is less than your investment on the Maturity Date.

In addition, movements in the levels of the Underlyings may be correlated or uncorrelated at different times during the term of the Notes and such correlation (or lack thereof) could have an adverse effect on your return on the Notes. The correlation of a pair of Underlyings represents a statistical measurement of the degree to which the ratios of the returns of those Underlyings were similar to each other over a given period of time. The correlation between a pair of Underlyings is scaled from 1.0 to -1.0, with 1.0 indicating perfect positive correlation (*i.e.*, the levels of both Underlyings are increasing together or decreasing together and the ratio of their daily returns has been constant), 0 indicating no correlation (*i.e.*, there is no statistical relationship between the daily returns of that pair of Underlyings) and -1.0 indicating perfect negative correlation (*i.e.*, as the level of one Underlying increases, the level of the other Underlying decreases and the ratio of their daily returns has been constant).

The lower (or more negative) the correlation between two Underlyings, the less likely it is that those Underlyings will move in the same direction and, therefore, the greater the potential for at least one of the Underlyings to close below its Coupon Barrier or Downside Threshold on any scheduled trading day during an Observation Period or the Final Valuation Date, respectively. This is because the less positively correlated a pair of Underlyings are, the greater the likelihood that the level of at least one of the Underlyings will decrease. This results in a greater potential for a Contingent Coupon not to be paid during the term of the Notes and for a loss of principal at maturity. However, even if two Underlyings have a higher positive correlation, one or both of those Underlyings might close below its Coupon Barrier or Downside Threshold on any scheduled trading day during an Observation Period or the Final Valuation Date, respectively, as the levels of both of those Underlyings may decrease together.

In addition, for each additional Underlying to which the Notes are linked, there is a greater potential for one pair of Underlyings to have low or negative correlation. Therefore, the greater the number of Underlyings, the greater the potential for missed Contingent Coupons and for loss of principal at maturity. Deutsche Bank AG determines the Contingent Coupon Rate for the Notes based, in part, on the correlation among the Underlyings, calculated using internal models at the time the terms of the Notes are set. As discussed above, increased risk resulting from lower correlation or from a greater number of underlyings will be reflected in a higher Contingent Coupon Rate than would be payable on notes linked to fewer underlyings that have a higher degree of correlation.

¨ **Your Potential Return For Each $10.00 Face Amount of Notes Is Limited to the Face Amount Plus Any Contingent Coupons and You Will Not Participate in Any Increase in the Level of Any Underlying** — For each $10.00 Face Amount of Notes, the

Notes will not pay more than the Face Amount *plus* any Contingent Coupons payable over the term of the Notes. Therefore, your potential return on the Notes will be limited to the Contingent Coupon Rate, but the total return will vary based on the number of Observation Periods during which the requirement for a Contingent Coupon has been met prior to maturity or if Deutsche Bank AG, in its sole discretion, calls the Notes. If the Notes are called, you will not participate in any increase in the level of any Underlying and you will not receive any Contingent Coupons in respect of any Observation Period after the applicable Issuer Call Date. If the Notes are called by Deutsche Bank AG in its sole discretion on the first Coupon Payment Date (approximately three months following the Trade Date), the total return on the Notes will be minimal. If the Notes are not called, you may be subject to the full downside performance of the Least Performing Underlying even though you were not able to participate in any potential increase in the level of any Underlying.

- **The Notes May be Called Prior to the Maturity Date** — We may, in our sole discretion, call the Notes in whole, but not in part, on any Coupon Payment Date prior to the Maturity Date. For United States federal income tax purposes, an early redemption of the Notes at Deutsche Bank AG’s option would be a taxable event to you. In addition, if the Notes are called by us prior to the Maturity Date, you will not receive any Contingent Coupon that would have otherwise accrued after the Issuer Call Date.

- **Our Decision to Redeem the Notes May Depend on the Interest We Would Pay on a Conventional Fixed-Rate, Non-Callable Debt Security of Comparable Maturity** — It is more likely that Deutsche Bank AG will, at its election, call the Notes prior to maturity during periods when the interest we would pay on a conventional fixed-rate, non-callable debt security of comparable maturity is less than the Contingent Coupon Rate and when the level of any of the Underlyings is greater than its Coupon Barrier. The greater likelihood of Deutsche Bank AG calling the Notes in that environment increases the risk that you will not be able to reinvest the proceeds from an investment in the Notes in a comparable investment with a similar level of risk. Therefore, the Notes are more likely to remain outstanding when the expected interest payable on the Notes is less than what would be payable on other comparable instruments, which includes when the level of any Underlying is less than its Coupon Barrier and your risk of not receiving a Contingent Coupon is relatively higher.

- **You May Not Receive Any Contingent Coupons** — Deutsche Bank AG will not necessarily make periodic coupon payments on the Notes. If the closing level of ***any*** Underlying on any scheduled trading day during an Observation Period is less than its Coupon Barrier, Deutsche Bank AG will not pay you the Contingent Coupon applicable to such Observation Period. If the closing level of any Underlying is less than its Coupon Barrier on any scheduled trading day during each of the Observation Periods, Deutsche Bank AG will not pay you any Contingent Coupons during the term of, and you will not receive a positive return on, your Notes.

- **Each Contingent Coupon Is based on the Closing Levels of the Underlyings on Each Scheduled Trading Day During the Applicable Quarterly Observation Period** — Whether a Contingent Coupon will be payable with respect to an Observation Period will be based solely on the closing levels of the Underlyings on each scheduled trading day during that Observation Period. If the closing level of any Underlying on any scheduled trading day during an Observation Period is less than its Coupon Barrier, you will not receive any Contingent Coupon with respect to that Observation Period. As a result, a Contingent Coupon for an Observation Period may be lost after the first day of such period, and you may not know whether you will receive a Contingent Coupon for an Observation Period until the end of that period.

**Contingent Repayment of Your Investment Applies Only If You Hold the Notes to Maturity** — If your Notes are not called by Deutsche Bank AG in its sole discretion, you should be willing to hold your Notes to maturity. If you are able to sell your Notes prior to maturity in the secondary market, you may have to sell them at a loss relative to your investment even if the closing levels of all of the Underlyings are greater than their respective Downside Thresholds at the time of sale.

**A Higher Contingent Coupon Rate or a Lower Coupon Barrier or Downside Threshold for each Underlying May Reflect Greater Expected Volatility of one or more of the Underlyings, Which Is Generally Associated with a Greater Risk of Loss** — Volatility is a measure of the degree of variation in the trading prices of an asset over a period of time. The greater the expected volatility at the time the terms of the Notes are set, the greater the expectation is at that time that at least one Underlying may close below its Coupon Barrier on any scheduled trading day during an Observation Period (resulting in a missed Contingent Coupon) or Downside Threshold on the Final Valuation Date (resulting in a loss of a significant portion or all of your investment). In addition, the economic terms of the Notes, including the Contingent Coupon Rate, the Coupon Barriers and the Downside Thresholds, are based, in part, on the expected volatility of the Underlyings at the time the terms of the Notes are set, where higher expected volatility will generally lead to a higher Contingent Coupon Rate or a lower Coupon Barrier or Downside Threshold for each Underlying. Accordingly, a higher Contingent Coupon Rate as compared with the coupon on our conventional fixed income securities with a similar maturity or the coupon on our other similarly structured securities will generally indicate a greater risk of loss, while a lower Coupon Barrier or Downside Threshold for each Underlying as compared with otherwise comparable securities does not necessarily indicate that the Notes have a greater likelihood of paying Contingent Coupons or returning your investment at maturity. You should be willing to accept the downside market risk of each Underlying and the potential loss of a significant portion or all of your investment at maturity.

**Reinvestment Risk** — If Deutsche Bank AG calls the Notes in its sole discretion, the holding period over which you would receive any applicable Contingent Coupon, which is based on the Contingent Coupon Rate as specified on the cover hereof, could be as little as approximately three months. There is no guarantee that you would be able to reinvest the proceeds from an investment in the Notes at a comparable return for a similar level of risk in the event the Notes are called prior to the Maturity Date.

**The Notes Are Subject to the Credit of Deutsche Bank AG** — The Notes are unsubordinated and unsecured obligations of Deutsche Bank AG and are not, either directly or indirectly, an obligation of any third party. Any payment(s) to be made on the Notes depends on the ability of Deutsche Bank AG to satisfy its obligations as they become due. An actual or anticipated downgrade in Deutsche Bank AG's credit rating or increase in the credit spreads charged by the market for taking Deutsche Bank AG's credit risk will likely have an adverse effect on the value of the Notes. As a result, the actual and perceived creditworthiness of Deutsche Bank AG will affect the value of the Notes and, in the event Deutsche Bank AG were to default on its obligations or become subject to a Resolution Measure, you might not receive any amount(s) owed to you under the terms of the Notes and you could lose your entire investment.

¨ **The Notes May Be Written Down, Be Converted into Ordinary Shares or Other Instruments of Ownership or Become Subject to Other Resolution Measures. You May Lose Some or All of Your Investment If Any Such Measure Becomes Applicable to Us**

.. **Resolution Measures could be imposed on us**. German and European laws and regulations provide German and European resolution authorities with a set of powers to intervene in the event that a bank is failing or likely to fail and certain other conditions are met. Specifically, the competent resolution authority could impose Resolution Measures on us under German and European laws and regulations if we become, or are deemed by the competent supervisory authority to have become, "non-viable" (as defined under the then applicable law) and are unable to continue our regulated banking activities without a Resolution Measure becoming applicable to us.

.. **If a Resolution Measure is imposed on us, you may lose some or all of your investment in the Notes**. A Resolution Measure may include: a write down, including to zero, of any claim for payment on the Notes; a conversion of the Notes into ordinary shares of us, any group entity or any bridge bank or other instruments of ownership of such entities qualifying as common equity tier 1 capital; or the application of any other resolution measure including, but not limited to, any transfer of the Notes to another entity, an amendment, modification or variation of the terms and conditions of the Notes or the cancellation of the Notes. The competent resolution authority may apply Resolution Measures individually or in any combination. You may lose some or all of your investment in the Notes if a Resolution Measure becomes applicable to us.

.. **If a Resolution Measure is imposed on us, we expect that other debt instruments issued by us may be affected by such Resolution Measure before the Notes would be**. The imposition of a Resolution Measure would have to be conducted in accordance with a set order of priority derived from the order of priority that would apply in a German insolvency proceeding with respect to the Issuer. Under the applicable German law, certain specifically defined senior unsecured debt instruments (including securities we expect to be classified as Non-Structured Debt Securities) would rank junior to, without constituting subordinated debt, all other senior unsecured obligations of the Issuer (including securities we expect to be classified as Structured Debt Securities). The specifically defined senior unsecured debt instruments (including Non-Structured Debt Securities) would be satisfied in a German insolvency proceeding with respect to the Issuer only if all other senior unsecured obligations of the Issuer (including Structured Debt Securities) have been paid in full. Therefore, if a Resolution Measure were imposed on us, our Non-Structured Debt Securities would be written down or converted into common equity tier 1 instruments before our Structured Debt Securities are written down or converted. This order of priority would apply in German insolvency proceedings instituted, or when Resolution Measures are imposed, on or after January 1, 2017 with effect for debt instruments of the Issuer outstanding at that time. While we expect the Notes offered herein to be classified as Structured Debt Securities, and therefore to be affected after our Non-Structured Debt Securities in the event of the imposition of Resolution Measures, the competent regulatory authority or court may classify the Notes differently. Even if the Notes are classified as Structured Debt Securities, you may lose some or all of your investment in the Notes if a Resolution Measure becomes applicable to us.

- **If a Resolution Measure is imposed on us**, **the secondary market for the Notes may be affected**. Because the Notes are subject to Resolution Measures, the secondary market trading in the Notes may not follow the trading behavior associated with similar types of Notes issued by other financial institutions which may be or have been subject to a Resolution Measure.

By acquiring the Notes, you will be bound by and deemed irrevocably to consent to the imposition of any Resolution Measure by the competent resolution authority. As a result, you would have no claim or other right against us arising out of any Resolution Measure and the imposition of any Resolution Measure will not constitute a default or an event of default under the Notes, under the senior indenture or for the purposes of, but only to the fullest extent permitted by, the Trust Indenture Act of 1939, as amended. In addition, the trustee, the paying agent, issuing agent, registrar and The Depository Trust Company ("**DTC**") and any direct participant in DTC or other intermediary through which you hold such Notes may take any and all necessary action, or abstain from taking any action, if required, to implement the imposition of any Resolution Measure with respect to the Notes. **Accordingly**, **you may have limited or circumscribed rights to challenge any decision of the competent resolution authority to impose any Resolution Measure**. *For more information*, *including details on the particular German and European laws and regulations referenced above*, *please see the accompanying prospectus dated April 27*, *2016*, *including the risk factors beginning on page 13 of such prospectus*.

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Mr. Kraft s incentive payment for achievement of fiscal 2008 financial objectives was $30,871, which consisted of a $17,426 payment for quarterly financial objectives and $13,445 for design win objective.

Messrs. Krishnan, Kraft and Young also received the same acquisition incentive award of 14% of annual cash incentive target (14% of annual base salary for Krishnan and Kraft; 11.2% for Young). This resulted in a payment of $33,810 to Mr. Krishnan, $30,450 to Mr. Kraft and $25,200 to Mr. Young.

Equity Incentive Compensation

Messrs. Krishnan, Kraft and Young each received a stock option award as set forth in the table of Grants of Plan-Based Awards in Fiscal 2008 on page 23.

***Compensation for the Named Executives in Fiscal 2009***

*Chief Executive Officer compensation*

Overview.

The combination of base salary and annual cash incentive compensation for financial objectives, if fully achieved, would put Mr. Dunsmore s compensation at approximately the 75th percentile relative to the market as determined by the company s annual competitive assessment, with even higher achievement possible based on revenues in excess of plan and acquisitions as discussed below.

Base Salary.

Mr. Dunsmore s annual base salary for fiscal 2009 was set at $406,000, representing an increase of $16,000, or 4.1%, over his base salary for fiscal 2008.

Cash Incentive Compensation.

For fiscal 2009, Mr. Dunsmore s annual cash incentive has been set at 100% of base salary, or $406,000 per the terms of his employment agreement. The cash incentive program has the same structure as fiscal 2008. This element of compensation will be determined by performance against his financial and strategic goals as follows:

*FINANCIAL OBJECTIVES* (based on organic performance only; 80% minimum achievement; maximum payout potential $406,000)

Sixty percent (60%) of Mr. Dunsmore s financial objectives component is based on achievement of annual financial plan (40% based on revenue, 40% based on EBTDA(1) and 20% on cash balance(2) at September 30, 2009). The annual financial objectives for 2009 are:

| | Goals (in thousands) | |
|---|---|---|
| **Revenue** | **EBTDA(1)** | **Cash Balance(2)** |
| $210,000 | $33,568 | $90,000 |

(1) Earnings before taxes, depreciation and amortization.

(2) Cash balance consists of cash and marketable securities, including long-term marketable securities, adjusted for acquisitions, stock repurchases and

additional
indebtedness.

The remaining 40% of Mr. Dunsmore s financial objectives component is based on achievement of quarterly financial objectives (60% based on revenue and 40% based on EBTDA[(1)]), or a cash incentive target of $40,600 per quarter. These quarterly objectives, approved by the Compensation Committee, are considered confidential commercial and financial data, the disclosure of which would result in competitive harm to the Company. The quarterly objectives were determined taking into account historical seasonal patterns in quarterly performance and were set to be comparable as to the degree of difficulty in achievement as the annual targets disclosed above.

*REVENUES IN EXCESS OF ANNUAL REVENUE PLAN*

Another feature of Mr. Dunsmore s cash incentive plan for fiscal 2009 is the possibility of an additional bonus ranging from 2.5% up to 50% of his annual base salary based upon a scale for the achievement of organic revenues of at least $212,100,000 and up to $252,000,000 or higher, with a further requirement for self-funding through incremental profitability.

*ACQUISITION INCENTIVE*

As in fiscal 2008, another feature of Mr. Dunsmore s compensation plan in fiscal 2009 is an additional potential incentive to reward the additional effort required for acquisitions. The program provides for a cash incentive payment ranging up to 75% of his annual base salary based on completed acquisitions meeting certain parameters described below. Projected EBTDA for service based acquisitions is a new element for fiscal 2009.

| Acquisition Revenue Size (Cumulative for multiple acquisitions)(1) (in millions) | Percent of Annual Base Salary(2) |
|---|---|
| $10-20 | 10% |
| $20-30 | 20% |
| $30-50 | 25% |
| $50 or more | 50% |

(1) Based on first full year projected revenue post acquisition, determined from time of acquisition forward.

(2) The acquisition incentive, expressed as a percentage of the annual base salary, is subject to adjustment up or down based upon the first full year projected gross profit margin or EBTDA post

acquisition (depending on the type of business acquired and calculated in accordance with generally accepted accounting principles consistently applied by Digi as defined above):

| **Gross Profit Margin (product based acquisitions)** | **EBTDA (service based acquisitions)** | **Multiplier** |
|---|---|---|
| Below 50% | Below 15% | .5x |
| 50% 60% | 15% 25% | 1.0x |
| 60% 70% | 25% 35% | 1.2x |
| 70%+ | 35%+ | 1.5x |

<u>Equity Incentive Compensation</u>.

On November 25, 2008, Mr. Dunsmore was awarded an option to purchase 150,000 shares. The award size was determined after consideration of market median equity compensation as presented in the company s competitive assessment, described above; a review of Black Scholes valuation models that supported decisions on a specific range of shares to consider; past performance; potential future contributions; historic practices; and Compensation Committee discretion.

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***Compensation of Chief Financial Officer and other Named Executives for fiscal 2009***

Base Salary

For fiscal 2009, the Compensation Committee determined to pay Mr. Krishnan a $10,000 lump sum but not to otherwise change the annual base salary or financial objectives cash incentive target for Mr. Krishnan, with each of these elements remaining at $241,500. For fiscal 2009, Mr. Kraft s annual base salary was increased to $226,500, and his financial objectives cash incentive target was increased to $226,500. For fiscal 2009 the Compensation Committee increased Mr. Young s annual base salary to $234,000, and his financial objectives cash incentive target was increased to $187,500.

Cash Incentive Compensation

The cash incentive compensation of Messrs. Krishnan, Kraft and Young for fiscal 2009 will again be determined by achievement against performance objectives established at the beginning of the year. There is a minimum achievement of 80% required for payout.

Mr. Krishnan has identical goals and percentage weightings as those of Mr. Dunsmore described above.

Mr. Young has the same quarterly and annual revenue and EBTDA goals as Mr. Dunsmore, with different percentage weighting for annual goals:

*Quarterly Financial Objectives* (each quarter comprising a cash incentive target of $18,750, 60% dependent on revenue and 40% on EBTDA).

*Annual Financial Objectives* (comprising a cash incentive target of $112,500, 60% dependent on revenue and 40% on EBTDA).

Mr. Kraft has the same quarterly and annual revenue and EBTDA goals and performance against plan as Mr. Dunsmore, with different percentage weightings and an additional design win goal:

*Quarterly Financial Objectives* (each quarter comprising a cash incentive target of $22,650, 60% dependent on revenue and 40% on EBTDA).

*Annual Financial Objectives* (comprising a cash incentive target of $135,900, 50% dependent on revenue, 40% on EBTDA, and 10% based on 180 or more design wins).

Messrs. Krishnan, Kraft and Young are entitled to additional cash incentive payments, if earned, based on the achievement of revenues in excess of plan and completed acquisitions, based on the same conditions described above for Mr. Dunsmore, in each case up to 75% of such officer s annual base salary (60% for Mr. Young), or greater in the case of the acquisition incentive, if the gross profit margin or EBTDA multiplier described above applies.

Equity Incentive Compensation

Messrs. Krishnan, Kraft and Young each received a stock option award on November 25, 2008 for 45,000, shares, 50,000 shares and 50,000 shares, respectively. The award size was determined after consideration of market median equity compensation as presented in the company s competitive assessment, described above; a review of Black Scholes valuation models that supported decisions on a specific range of shares to consider; past performance; potential future contributions to the business; historic practices; and Compensation Committee discretion. The option awards to Messrs. Krishnan, Kraft and Young in November 2008 also provide for accelerated vesting upon a change in control.

***Employment Agreements and Change in Control Provisions***

As discussed in greater detail under Employment Contracts; Severance; Termination of Employment and Change-in-Control Arrangements on page 25, Digi and our Chief Executive Officer, Mr. Dunsmore, are parties to an employment agreement. That agreement provides that, if we terminate Mr. Dunsmore s employment without cause: (1) he will receive a lump sum equal to one year s base salary and commencing 12 months after termination, he will receive base salary payments for an additional year (for a total of two years); and (2) in addition to the base salary continuation for two years, Mr. Dunsmore will receive a pro rata bonus based on the number of months that he was employed by us during the year in which his employment was terminated and our actual performance against the annual objectives set by the Committee. Mr. Dunsmore s stock options vest upon a change in control of our company.

We also have severance agreements with our other Named Executives. See Employment Contracts; Severance; Termination of Employment and Change-in-Control Arrangements on page 25-26. Each of these three Named Executives have a letter agreement that provides that if his employment is terminated by us without cause at any time, he will be entitled to receive severance equal to one year s base salary and a bonus (if earned) that will be based on the number of months of service during the fiscal year and our actual financial performance against plan as determined through their annual incentive compensation plan.

Mr. Krishnan s stock options vest upon a change in control of our company, and the options granted to Messrs. Young and Kraft on November 27, 2007 and November 25, 2008 also vest upon a change in control of our company.

***Accounting and Tax Impacts of Executive Compensation***

Section 162(m) of the Internal Revenue Code generally precludes a public corporation from taking a federal income tax deduction for compensation paid in excess of one million dollars per year to certain covered officers. Under this section, compensation that qualifies as performance-based is excludable in determining what compensation amount shall qualify for tax deductibility.

Our Compensation Committee considers our ability to fully deduct compensation in accordance with the one million dollar limitations of Section 162(m) in structuring our compensation programs. However, the Compensation Committee retains the authority to authorize the payment of compensation that may not be deductible if it believes such payments would be in the best interests of us and our shareholders.

None of our executives has ever been compensated in a manner that would be non-deductible under Section 162(m), although for fiscal 2008 and 2009 the Compensation Committee established performance-based goals for our Chief Executive Officer which, if achieved, would result in annual base salary and other cash compensation exceeding the one million dollar deductible maximum.

***Director Compensation***

As discussed in greater detail on page 27 under the caption Compensation of Directors, Digi s non-employee directors who beneficially own not more than 5% of our common stock are compensated for a year of board service from one annual meeting of stockholders to the next. Per the terms of its equity compensation plan, the Digi International Inc. 2000 Omnibus Stock Plan, the Compensation Committee has discretion in awarding of all stock options to non-employee directors.

In January 2008, in the exercise of its discretion, the Committee awarded annual option awards to non-employee directors per the compensation plan for non-employee directors, as modified in January of 2008. Options awarded become fully vested after one year. Other than in the case of an outside director who is elected at other than an annual meeting, options are awarded to directors at a regularly scheduled meeting of the Compensation Committee in January following the annual meeting of stockholders and the public announcement of first quarter financial results. The Committee presently expects to continue to make a one-time stock option award to any newly elected director, as well as to continue to compensate newly elected directors ratably for service during any stub term.

In January 2008, the compensation plan for directors was modified after consideration of a study of director compensation with the assistance of Pearl Meyer & Partners, the Committee s independent compensation consultant. The modified compensation plan provides non-employee directors with a non-elective combination of cash and options having a targeted aggregate value ranging from approximately $90,000 to $120,000 per director depending upon committee service. According to the Pearl Meyer & Partners study, compensation at this level will put Digi within the 50$^{th}$ to 65$^{th}$ percentile relative to its peer group (described above) in total direct compensation. Total direct compensation will consist of:

An annual cash retainer for each non-employee director of $25,000.

An annual option award for each non-employee director with a current value of $80,000. The actual number of shares will be determined as of date of grant by dividing the option award value of

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$80,000 by the Black-Scholes valuation per share (utilizing the company s current model for determination of the value per share as of the date of grant).

An annual cash fee for the Audit Committee Chair of $10,000, with an annual cash fee for Audit Committee members of $5,000.

An annual cash fee for the Compensation Committee Chair of $7,500, with an annual cash fee for Compensation Committee members of $3,750.

An annual cash fee for the Nominating Committee Chair of $5,000, with an annual cash fee for Nominating Committee members of $2,500.

The compensation plan for non-employee directors was also modified in January 2008 to change the initial grant of a non-elective option for 7,500 shares to a newly elected non-employee director to an option award amount with a valuation of $100,000. The actual number of shares will be determined as of date of grant by dividing the option award value of $100,000 by the Black Scholes valuation per share (using the company s current model for determination of the value per share as of the date of grant). This modification was made to align our awards with those of our peer group as the Pearl Meyer & Partners study indicated that our prior option practice produced a valuation substantially below the median of our peer group. This conclusion was based upon the valuation of option awards in the peer group as determined by the Black-Scholes method.

**Report of the Compensation Committee**

The Compensation Committee has reviewed the Compensation Discussion and Analysis and discussed that Analysis with management. Based on its review and discussions with management, the Committee recommended to our Board of Directors that the Compensation Discussion and Analysis be included in Digi s Annual Report on Form 10-K for the year ended September 30, 2008 and Digi s 2008 proxy statement. This report is provided by the following independent directors, who comprise the Committee:

Kenneth E. Millard (Chairman)
Guy C. Jackson
Bradley J. Williams

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**Summary Compensation Table**

The following Summary Compensation Table contains information concerning annual and long-term compensation provided to the individuals who served as Chief Executive Officer and Chief Financial Officer and our other two executive officers (whom we have referred to elsewhere and here as the Named Executives ) during the past two fiscal years.

**Summary Compensation Table**

| Name and Principal Position | Year | Salary ($)(1) | Option Awards ($) (2) | Non-Equity Incentive Plan Compensation ($) (3) | All Other Compensation ($) (4) | Total ($) |
|---|---|---|---|---|---|---|
| **Joseph T. Dunsmore** | | | | | | |
| Chairman of the Board, President | 2008 | $390,000 | $362,425 | $127,780 | $9,543 | $889,748 |
| and Chief Executive Officer | 2007 | $375,000 | $252,046 | $343,995 | $9,232 | $980,273 |
| **Subramanian Krishnan** | | | | | | |
| Senior Vice President, Chief | 2008 | $241,500 | $241,543 | $ 79,125 | $8,840 | $571,008 |
| Financial Officer and Treasurer | 2007 | $241,500 | $193,011 | $221,533 | $9,645 | $665,689 |
| **Larry A. Kraft** | | | | | | |
| Senior Vice President of Sales and | 2008 | $217,500 | $219,514 | $ 61,322 | $8,256 | $506,592 |
| Marketing | 2007 | $199,712 | $173,461 | $180,647 | $9,185 | $562,405 |
| **Joel K. Young** | | | | | | |
| Senior Vice President of Research | 2008 | $225,000 | $193,588 | $ 39,622 | $8,436 | $466,646 |
| and Development, and Chief Technical Officer | 2007 | $207,771 | $134,993 | $149,803 | $9,511 | $502,078 |

(1) The Salary column presents the base salary earned during the fiscal year, including any amounts contributed by the Named Executives to our 401(k) plan.

(2) The Option Awards column presents the dollar amount of compensation expense (without any

reduction for forfeiture assumptions related to service-based vesting conditions) recognized by us for financial reporting purposes during fiscal 2007 and fiscal 2008 in connection with all outstanding grants of options (including grants made prior to fiscal 2007 and fiscal 2008) to each of the Named Executives. We calculated these amounts in accordance with SFAS 123R based on the grant date fair value of the awards using the valuation assumptions set forth in Note 9 to our fiscal 2008 audited consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended September 30, 2008. The amounts reported have been adjusted to eliminate service-based forfeiture assumptions used for financial reporting purposes. These amounts reflect our accounting expense for these awards, and do not correspond to the actual value that will be recognized by the Named Executive.

(3) The Non-Equity Incentive Plan Compensation column presents cash bonuses earned during fiscal 2007 and fiscal 2008 under our annual incentive plan.

(4) Amounts shown in the All Other Compensation column include the following:

| Name | Year | Digi Contribution to 401(k) Plan | Value of Supplemental Life Insurance Premiums | Total |
|---|---|---|---|---|
| Joseph T. Dunsmore | 2008 | $ 9,058 | $ 485 | $9,543 |
| | 2007 | $ 8,747 | $ 485 | $9,232 |
| Subramanian Krishnan | 2008 | $ 7,845 | $ 995 | $8,840 |
| | 2007 | $ 8,650 | $ 995 | $9,645 |
| Larry A. Kraft | 2008 | $ 8,016 | $ 240 | $8,256 |
| | 2007 | $ 8,945 | $ 240 | $9,185 |
| Joel K. Young | 2008 | $ 8,146 | $ 290 | $8,436 |
| | 2007 | $ 9,221 | $ 290 | $9,511 |

* In addition to the amounts set forth above, our named executive officers received perquisites for which there was no incremental cost to our company. These perquisites include use of company tickets to certain entertainment events.

**Grants of Plan-Based Awards**

For services during fiscal 2008, the Named Executives received two types of plan-based awards: (i) cash awards under the annual incentive plan, and (ii) non-qualified stock option awards granted on November 25, 2008. Each stock option vests as to 25% of the shares subject to the option one year after the date of grant and in 36 monthly installments thereafter as to the rest of the shares, has a ten year term, and has an exercise price equal to the closing price of a share of our common stock on the date of grant. The annual incentive plan is described on pages 13 through 14 in the Compensation Discussion and Analysis.

**Grants of Plan-Based Awards in Fiscal 2008**

| | | Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1) | | | All Other Option Awards: Number of Securities Underlying Options | Exercise or Base Price of Option Awards | Grant Date Fair Value of Option Awards |
|---|---|---|---|---|---|---|---|
| **Name** | **Grant Date** | **Threshold** | **Target** | **Maximum** | **(#)** | **($/Sh) (2)** | **(3)** |
| Joseph T. Dunsmore | 11/27/07 | $234,000 | $390,000 | $877,500 | 90,000 | $15.23 | $599,112 |
| Subramanian Krishnan | 11/27/07 | $144,900 | $241,500 | $543,375 | 30,000 | $15.23 | $199,704 |
| Larry A. Kraft | 11/27/07 | $130,500 | $217,500 | $489,375 | 35,000 | $15.23 | $232,988 |
| Joel K. Young | 11/27/07 | $108,000 | $180,000 | $405,000 | 35,000 | $15.23 | $232,988 |

(1) These columns present possible

payments under the annual incentive plan for fiscal 2008. See the Summary Compensation Table for Fiscal 2008 (under the column Non-Equity Incentive Plan Compensation ) for the actual amount paid to each Named Executive under the fiscal 2008 annual incentive plan. Threshold refers to the minimum amount payable if all three of the annual incentive plan components performed at the minimum threshold level required to earn any incentive. Target refers to the amount payable under the three components if specified targets are reached. Maximum refers to the maximum payout possible under the plan.

(2) The exercise price for the options granted was the closing price of our common stock on the Nasdaq

Global Select Market on November 27, 2007, the date the options were granted.

(3) This column shows the full grant date fair value under SFAS 123R of the stock options granted to the Named Executives in fiscal 2008 (without any reduction for forfeiture assumptions related to service-based vesting conditions).

**Outstanding Equity Awards at Fiscal 2008 Year-End**

The table below provides information on each Named Officer s outstanding equity awards as of September 30, 2008. The equity awards consist solely of stock options.

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**Outstanding Equity Awards at Fiscal 2008 Year-End**

| Name | Grant Date | Option Awards Number of Securities Underlying Unexercised Options (#) Exercisable | Number of Securities Underlying Unexercised Options (#) Unexercisable (1) | Option Exercise Price ($) | Option Expiration Date |
|---|---|---|---|---|---|
| Joseph T. Dunsmore | 11/27/07 | | 90,000 | $ 15.23 | 11/27/17 |
| | 9/27/05 | 60,000 | 20,000 | 10.44 | 9/27/15 |
| | 9/7/04 | 80,000 | | 10.78 | 9/7/14 |
| | 11/5/03 | 60,000 | | 9.65 | 11/5/13 |
| | 10/10/00 | 100,000 | | 7.00 | 10/10/10 |
| | 10/25/99 | 240,000 | | 12.00 | 10/25/09 |
| **Total** | | 540,000 | 110,000 | | |
| Subramanian Krishnan | 11/27/07 | | 30,000 | $ 15.23 | 11/27/17 |
| | 11/27/06 | 18,333 | 21,667 | 13.41 | 11/27/16 |
| | 9/27/05 | 37,500 | 12,500 | 10.44 | 9/27/15 |
| | 9/7/04 | 40,000 | | 10.78 | 9/7/14 |
| | 11/5/03 | 35,000 | | 9.65 | 11/5/13 |
| | 11/6/02 | 20,000 | | 2.40 | 11/6/12 |
| | 9/28/01 | 20,000 | | 5.20 | 9/28/11 |
| | 4/27/00 | 85,000 | | 5.75 | 4/27/10 |
| | 11/10/99 | 25,000 | | 14.63 | 11/10/09 |
| | 1/11/99 | 30,062 | | 10.00 | 1/11/09 |
| **Total** | | 310,895 | 64,167 | | |
| Larry A. Kraft | 11/27/07 | | 35,000 | $ 15.23 | 11/27/17 |
| | 11/27/06 | 16,042 | 18,958 | 13.41 | 11/27/16 |
| | 11/28/05 | 24,792 | 10,208 | 12.73 | 11/28/15 |
| | 11/22/04 | 28,750 | 1,250 | 14.74 | 11/22/14 |
| | 11/5/03 | 14,000 | | 9.65 | 11/5/13 |
| | 2/13/03 | 50,000 | | 3.20 | 2/13/13 |
| **Total** | | 133,584 | 65,416 | | |
| Joel K. Young | 11/27/07 | | 35,000 | $ 15.23 | 11/27/17 |
| | 11/27/06 | 16,042 | 18,958 | 13.41 | 11/27/16 |
| | 11/28/05 | 17,708 | 7,292 | 12.73 | 11/28/15 |
| | 11/22/04 | 23,958 | 1,042 | 14.74 | 11/22/14 |
| | 11/5/03 | 20,000 | | 9.65 | 11/5/13 |

| | | | | | |
|---|---|---|---|---|---|
| | 11/6/02 | 18,000 | | 2.40 | 11/6/12 |
| | 9/28/01 | 40,000 | | 5.20 | 9/28/11 |
| | 7/5/00 | 50,000 | | 7.25 | 7/5/10 |
| **Total** | | 185,708 | 62,292 | | |

(1) All options vest as to 25% of the shares one year after the date of grant and in 36 equal monthly installments thereafter as to the rest of the shares.

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**Options Exercised and Stock Vested During Fiscal 2008**

The table below provides information regarding stock option exercises by the Named Officers during the fiscal year ended September 30, 2008. None of the Named Officers had any other form of stock award that vested during the most recent fiscal year.

**Option Exercises and Stock Vested During Fiscal 2008**

| | Option Awards | |
|---|---|---|
| **Name** | **Number of Shares Acquired on Exercise (#)** | **Value Realized on Exercise ($) (1)** |
| Joseph T. Dunsmore | | |
| Subramanian Krishnan | 35,000 | $ 104,698 |
| Larry A. Kraft | | |
| Joel K. Young | | |

(1) Represents the difference between the market value of the shares acquired upon exercise and the aggregate exercise price of the shares acquired.

**Employment Contracts; Severance; Termination of Employment and Change-in-Control Arrangements**

*Joseph T. Dunsmore.* We and Mr. Dunsmore are parties to an employment agreement dated September 27, 2006, which set the minimum level of Mr. Dunsmore s base salary at $375,000 and provides that if we terminate Mr. Dunsmore s employment without cause he will receive: (1) his base salary for two years; and (2) a pro rata bonus based on the number of months that he was employed by us during the year in which his employment was terminated and our actual performance against the annual objectives set by the Committee.

The employment agreement also provides that the Committee will review Mr. Dunsmore s base salary annually and may, in its sole discretion, increase it to reflect performance and other factors. Under the employment agreement, Mr. Dunsmore is entitled to a cash bonus equal to 100% of his base salary, provided that the objectives set by the Committee are met. If some or all of the objectives are not met for a fiscal year, then the Committee shall determine in its discretion what portion of the target bonus amount, if any, will be paid to Mr. Dunsmore. If the objectives set by the Committee for a cash performance bonus are exceeded for a fiscal year, the Committee may, in its discretion, award Mr. Dunsmore a bonus in addition to any other bonus to which he is otherwise entitled.

The employment agreement also provides that Mr. Dunsmore is entitled to the benefits and perquisites which we generally provide to our other employees under our applicable plans and policies. The vesting of stock options awarded to Mr. Dunsmore accelerates upon a change-in-control of our company.

*Subramanian Krishnan.* We and Mr. Krishnan are parties to a letter agreement dated March 26, 1999, as amended, which provides that if Mr. Krishnan s employment is terminated by us without cause at any time, he will be entitled to receive severance equal to one year s base salary and a bonus (if earned) that will be prorated for the portion of the fiscal year through the termination date. The vesting of stock options awarded to Mr. Krishnan accelerates upon a change-in-control of our company.

*Lawrence A. Kraft.* We and Mr. Kraft are parties to a letter agreement dated July 30, 2007. Under this agreement, if Mr. Kraft s employment is terminated by us without cause at any time, he will be entitled to receive severance equal to twelve months base salary and a prorated bonus based on the number of months worked during the year in which his employment was terminated, and our achievement of target goals at the time of the termination. Stock options awarded to Mr. Kraft vest upon his termination of employment due to death or disability. Since November 2007, the vesting of stock options awarded to Mr. Kraft accelerates upon a change-in-control of our company.

*Joel K. Young.* We and Mr. Young are parties to a letter agreement dated July 30, 2007. The letter agreement provides that if Mr. Young s employment is terminated by us without cause at any time, he will be entitled to receive severance equal to twelve months base salary and a prorated bonus based on the number of months worked during the year in which his employment was terminated, and our achievement of target goals at the time of the termination. Stock options awarded to Mr. Young vest upon his termination of employment due to death or disability. Since November 2007, the vesting of stock options awarded to Mr. Young accelerates upon a change-in-control of our company.

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*Potential Payments Upon Termination or Change in Control*

The table that follows provides the estimated payments and benefits that would be provided to our Named Executives or their beneficiaries under the employment agreements and equity compensation plans described above under various scenarios involving a termination of employment and/or a change in control, and assuming that the event(s) occurred on September 30, 2008. For these purposes, cause generally refers to acts by an executive that result in a felony conviction, willful non-performance of material employment duties, or willfully engaging in fraud or gross misconduct that is materially detrimental to our financial interests.

| **Compensation Element** | **Involuntary Termination Without Cause** | **Death, Disability or Change in Control (Single Trigger) (1)** |
|---|---|---|
| Severance (2) | | |
| Joseph T. Dunsmore | $ 780,000 | |
| Subramanian Krishnan | 241,500 | |
| Larry A. Kraft | 217,500 | |
| Joel K. Young | 225,000 | |
| Pro Rata Bonus (3) | | |
| Joseph T. Dunsmore | $ 127,780 | |
| Subramanian Krishnan | 79,125 | |
| Larry A. Kraft | 61,322 | |
| Joel K. Young | 39,622 | |
| Accelerated Stock Options (4) | | |
| Joseph T. Dunsmore | $ 0 | $ 0 |
| Subramanian Krishnan | 0 | 0 |
| Larry A. Kraft | 0 | 0 |
| Joel K. Young | 0 | 0 |
| Total | | |
| Joseph T. Dunsmore | $ 907,780 | $ 0 |
| Subramanian Krishnan | 320,625 | 0 |
| Larry A. Kraft | 278,822 | 0 |
| Joel K. Young | 264,622 | 0 |

(1) Situation in which there is a change in control but the individual continues in his job.

(2) Severance arrangements generally provide Mr. Dunsmore with two years of base salary, and the other Named

Executives with one year of base salary.

(3) Pro rata bonus is based on the number of months that the individual was employed during the year in which his employment was terminated and our actual performance against the annual objectives set by the Committee. For purposes of this presentation, since the assumed date of termination was September 30, 2008, the bonus amount shown is the actual cash incentive earned for all of fiscal 2008.

(4) Amounts represent the intrinsic value of stock option awards as of September 30, 2008 for which the vesting was accelerated. The value entered is based on the difference between $10.20, the closing price of our Common Stock on September 28,

2008, the last
trading day of
the fiscal year,
and the option
exercise price.

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## COMPENSATION OF DIRECTORS

Directors who are employees and non-employee directors who beneficially own more than 5% of our outstanding Common Stock serve without receiving compensation for service as a director. Concurrently with each Annual Meeting of Stockholders, the Compensation Committee sets the compensation of outside directors for the next year of Board service. In January 2008, the Committee compensated non-employee directors with a non-elective combination of cash and options having a value ranging from approximately $90,000 to $120,000 per director depending on committee service. Total direct compensation consists of approximately one-quarter to one-third in cash and the remainder in stock options with an exercise price equal to the closing sale price on the date of grant, valued according to the Black-Scholes method. The following table describes the compensation arrangements with our non-employee directors during fiscal 2008.

| Compensation Element | Amount Payable ($) |
|---|---|
| Annual Cash Retainers (1) | |
| Board Member | $ 25,000 |
| Audit Committee Chair | 10,000 |
| Compensation Committee Chair | 7,500 |
| Nominating Committee Chair | 5,000 |
| Audit Committee Member | 5,000 |
| Compensation Committee Member | 3,750 |
| Nominating Committee Member | 2,500 |
| Annual Stock Option Award (2) | $ 80,000(2) |
| New Director Stock Option Award (3) | $ 100,000(3) |

(1) Retainers are paid in quarterly installments each representing 25% of total annual retainer amount.

(2) An annual stock option award is provided to each non-employee director on the date he is elected or re-elected to the Board at the annual meeting

of stockholders. A director who is first elected to the Board between annual meetings of shareholders receives an option covering a prorated number of shares. The amount indicated in the table represents the valuation of the option award as of the date of the grant. The actual number of shares is determined by dividing the valuation amount by the Black-Scholes value per share as of the date of the grant.

(3) A one-time stock option award received by each director elected for the first time to the Board. The amount indicated in the table represents the valuation of the option award as of the date of grant. The actual number of shares is determined by dividing the valuation

amount by the Black-Scholes value per share as of the date of the grant.

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The following table summarizes compensation provided to each non-employee director for services provided during fiscal year 2008.

**Director Compensation for Fiscal 2008**

| Name | Fees Earned or Paid in Cash ($) | Option Awards ($) (1) | Total ($) |
|---|---|---|---|
| Guy C. Jackson | $ 38,750 | $ 83,863 | $122,613 |
| Kenneth E. Millard | 37,500 | 80,803 | 118,303 |
| Ahmed Nawaz | 27,500 | 104,806 | 132,306 |
| William N. Priesmeyer | 32,500 | 80,123 | 112,623 |
| Bradley J. Williams | 33,750 | 77,742 | 111,492 |

(1) The amounts shown in the Option Awards column represent the dollar amount of compensation expense (without any reduction for forfeiture assumptions related to service-based vesting conditions) recognized by us for financial reporting purposes during fiscal 2008 in connection with all outstanding grants of options (including grants made prior to fiscal 2008) to each non-employee director. These amounts, and the grant date fair values shown in the table below, were calculated in accordance with SFAS 123R based on the grant date fair value of the awards using the valuation assumptions set forth in Note 9 to our fiscal 2008 audited consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended September 30, 2008. The amounts reported have been adjusted to eliminate service-based forfeiture assumptions used for financial reporting purposes. Information regarding the stock option awards made to the non-employee directors during fiscal 2008, and their aggregate option awards outstanding at September 30, 2008, is contained in the following table:

| Name | Grant Date | Number of Shares Underlying Option Award (#) | Option Exercise Price ($) | Grant Date Fair Value of Option Award ($) | Total Number of Shares Underlying Options at 9/30/08 (#) |
|---|---|---|---|---|---|
| Guy C. Jackson | 1/28/08 | 15,818 | 12.05 | 79,947 | 96,318 |
| Kenneth E. Millard | 1/28/08 | 15,818 | 12.05 | 79,947 | 37,818 |
| Ahmed Nawaz | 1/28/08 | 15,818 | 12.05 | 79,947 | 40,652 |
| William N. Priesmeyer | 1/28/08 | 15,818 | 12.05 | 79,947 | 52,568 |
| Bradley J. Williams | 1/28/08 | 15,818 | 12.05 | 79,947 | 80,818 |

*Stock Option Awards.* All options granted to non-employee directors have an exercise price equal to the fair market value of our Common Stock on the date of grant.

**RELATED PERSON TRANSACTION APPROVAL POLICY**

On April 24, 2007, our Board of Directors adopted a written policy (the Related Person Transaction Approval Policy ) regarding transactions with any Related Person, which is defined to include any of our directors or nominees for directors, executive officers and greater than five percent shareholders and any of their respective immediate family members. In accordance with the policy, the Audit Committee is responsible for the review and approval or ratification of all transactions with Related Persons that are required to be disclosed under the rules of the Securities and Exchange Commission.

The Related Person Transaction Approval Policy covers Related Person Transactions (as defined below) between us and any Related Person. Related Person Transactions include any transactions, arrangements or relationships involving the payment of money or other value involving us and in which a Related Person has a direct or indirect interest. A Related Person Transaction does not include:

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- payments of compensation to Related Persons for the Related Person s service to us as a director, officer or employee;

- transactions available to all employees or all shareholders on the same terms; or

- transactions, which when aggregated with the amount of all other transactions between us and the Related Person or any entity in which the Related Person has an interest, involve less than $120,000 in a fiscal year.

The Audit Committee must approve a Related Person Transaction prior to commencement of the transaction, except where the transaction is identified after it has commenced or first becomes a Related Person Transaction, in which case the Related Person Transaction will be brought before the Audit Committee for ratification. Our executives are responsible for disclosing all material information related to any Related Person Transaction to the Audit Committee prior to entering into the transaction. The Audit Committee Chairperson has been granted the authority to approve transactions that arise between Audit Committee meetings provided that any actions taken by the Chairperson pursuant to such authority must be reported to the Audit Committee at its next regularly scheduled meeting.

While the Audit Committee is permitted to use any factors it deems appropriate in determining whether to approve a Related Person Transaction, the Related Person Transaction Approval Policy requires the Audit Committee, at a minimum, to consider:

- the fairness of the terms to us;

- materiality of the transaction to us;

- the role of the Related Person in arranging the Related Person Transaction;

- the structure of the Related Person Transaction; and

- the interests of all Related Persons in the Related Person Transaction.

The Audit Committee will only approve a Related Person Transaction if the Committee determines it is beneficial and fair to us.

**SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the 1934 Act requires that our directors and executive officers file initial reports of ownership and reports of changes in ownership with the SEC. Directors and executive officers are required to furnish us with copies of all Section 16(a) forms they file. Based solely on a review of the copies of such forms furnished to us and written representations from our directors and executive officers, all Section 16(a) filing requirements were met for the fiscal year ended September 30, 2008, except that the following late report was filed:

- a Form 4 filing made on June 6, 2008 on behalf of William N. Priesmeyer to report shares acquired on May 30, 2008.

**RELATIONSHIP WITH AND APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The firm of PricewaterhouseCoopers LLP, independent registered public accounting firm, or one of its predecessors, has been the independent registered public accounting firm for us since 1986. The Audit Committee has again selected PricewaterhouseCoopers LLP to serve as our independent registered public accounting firm for the fiscal year ending September 30, 2009, subject to ratification by the stockholders. While it is not required to do so, the Audit Committee is submitting the selection of that firm for ratification in order to ascertain the view of the stockholders. If the selection is not ratified, the Audit Committee will reconsider its selection.

A representative of PricewaterhouseCoopers LLP will be present at the annual meeting and will be afforded an opportunity to make a statement if such representative so desires and will be available to respond to appropriate questions during the meeting.

**ADDITIONAL MATTERS**

Our Annual Report on Form 10-K for the fiscal year ended September 30, 2008, including financial statements, is being mailed with this Proxy Statement.

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As of the date of this Proxy Statement, management knows of no matters that will be presented for determination at the annual meeting other than those referred to herein. If any other matters properly come before the annual meeting calling for a vote of stockholders, it is intended that the shares represented by the proxies solicited by the Board of Directors will be voted by the persons named therein in accordance with their best judgment.

By Order of the Board of Directors,

James E. Nicholson

*Secretary*

Dated: December 5, 2008

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**DIGI INTERNATIONAL INC.**
**11001 Bren Road East**
**Minnetonka, Minnesota 55343**

Annual Meeting of Stockholders
Monday, January 26, 2009
3:30 p.m.
Minneapolis Marriott Southwest
5801 Opus Parkway
Minnetonka, Minnesota

ò *Please detach here* ò

**DIGI INTERNATIONAL INC.**
**11001 Bren Road East**
**Minnetonka, Minnesota 55343**

proxy

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS FOR USE AT THE ANNUAL MEETING ON JANUARY 26, 2009

The undersigned hereby appoints Joseph T. Dunsmore and Subramanian Krishnan, and each of them, as Proxies, each with the power to appoint his substitute, and hereby authorizes such Proxies to represent and to vote, as designated on the reverse, all the shares of Common Stock of Digi International Inc. held of record by the undersigned at the close of business on November 28, 2008, at the Annual Meeting of Stockholders to be held on January 26, 2009, or any adjournment thereof.

**PLEASE MARK, SIGN, DATE AND RETURN THE PROXY CARD PROMPTLY USING THE ENCLOSED ENVELOPE**

*See reverse for voting instructions.*

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**Company #**

**There are three ways to vote your Proxy**
**Your telephone or Internet vote authorizes the Named Proxies to vote your shares in the same manner as if you marked, signed and returned your proxy card.**
**VOTE BY PHONE TOLL FREE 1-800-560-1965 QUICK *** EASY *** IMMEDIATE**

Use any touch-tone telephone to vote your proxy 24 hours a day, 7 days a week, until 12:00 p.m. (CT) on January 23, 2009.

Please have your proxy card and the last four digits of your Social Security Number or Tax Identification Number available. Follow the simple instructions the voice provides you.

**VOTE BY INTERNET http://www.eproxy.com/dgii/ QUICK *** EASY *** IMMEDIATE**

Use the Internet to vote your proxy 24 hours a day, 7 days a week, until 12:00 p.m. (CT) on January 23, 2009.

Please have your proxy card and the last four digits of your Social Security

Number or Tax Identification Number available. Follow the simple instructions to obtain your records and create an electronic ballot.

**VOTE BY MAIL**

Mark, sign and date your proxy card and return it in the postage-paid envelope we ve provided or return it to Digi International Inc., c/o Shareowner Services SM, P.O. Box 64873, St. Paul, MN 55164-0873.

ò *Please detach here* ò

| | | | |
|---|---|---|---|
| **1.** Election of Directors: | 01 Kenneth E. Millard<br>02 William N. Priesmeyer | o FOR nominees listed (except as indicated) | o WITHHOLD AUTHORITY to vote for the nominees listed |

Messrs. Millard and Priesmeyer will be elected for a term of three years.

**(Instructions: To withhold authority to vote for any indicated nominee,**
**write the number(s) of the nominee(s) in the box provided to the right.)**

| | | | |
|---|---|---|---|
| **2.** Ratification of the appointment of PricewaterhouseCoopers LLP as independent registered public accounting firm of the Company for the 2009 fiscal year. | o For | o Against | o Abstain |

**THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER DIRECTED HEREIN BY THE UNDERSIGNED STOCKHOLDER. IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR PROPOSALS 1 AND 2. IN CASE ANY NOMINEE IS NOT A CANDIDATE FOR ANY REASON, THE PROXIES MAY VOTE FOR A SUBSTITUTE NOMINEE SELECTED BY THE NOMINATING AND GOVERNANCE COMMITTEE. THE PROXIES ARE AUTHORIZED TO VOTE IN THEIR DISCRETION WITH RESPECT TO OTHER MATTERS WHICH MAY PROPERLY COME BEFORE THE MEETING.**

Address Change? Mark Box o
Indicate changes below:

Date

Signature(s) in Box
Please sign your name exactly as it appears on this proxy. When shares are held by joint

tenants, both should sign. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such. If a corporation, please sign in full corporate name by President or other authorized officer. If a partnership, please sign in partnership name by authorized person.