Deutsche Bank

The Group at a glance

	2010	2009
Share price at period-end[1]	€ 39.10	€ 44.98
Share price high[1]	€ 55.11	€ 53.05
Share price low[1]	€ 35.93	€ 14.00
Basic earnings per share[2]	€ 3.07	€ 7.21
Diluted earnings per share[2]	€ 2.92	€ 6.94
Average shares outstanding, in m., basic[2]	753	689
Average shares outstanding, in m., diluted[2]	791	717
Return on average shareholders' equity (post tax)	5.5 %	14.6 %
Pre-tax return on average shareholders' equity	9.5 %	15.3 %
Pre-tax return on average active equity	9.6 %	15.1 %
Book value per basic share outstanding[3]	€ 52.38	€ 52.65
Cost/income ratio[4]	81.6 %	72.0 %
Compensation ratio[5]	44.4 %	40.5 %
Noncompensation ratio[6]	37.3 %	31.5 %
	in € m.	in € m.
Total net revenues	28,567	27,952
Provision for credit losses	1,274	2,630
Total noninterest expenses	23,318	20,120
Income (loss) before income taxes	3,975	5,202
Net income (loss)	2,330	4,958
	Dec 31, 2010	Dec 31, 2009
	in € bn.	in € bn.
Total assets	1,906	1,501
Shareholders' equity	48.8	36.6
Core Tier 1 capital ratio[7]	8.7 %	8.7 %
Tier 1 capital ratio[8]	12.3 %	12.6 %
	Number	Number
Branches	3,083	1,964
thereof in Germany	2,087	961
Employees (full-time equivalent)	102,062	77,053
thereof in Germany	49,265	27,321
Long-term rating		
Moody's Investors Service	Aa3	Aa1
Standard & Poor's	A+	A+
Fitch Ratings	AA–	AA–

1 For comparison purposes, the share prices have been adjusted for all periods before October 6, 2010 to reflect the impact of the subscription rights issue in connection with the capital increase.
2 The number of average basic and diluted shares outstanding has been adjusted for all periods before October 6, 2010 to reflect the effect of the bonus element of the subscription rights issue in connection with the capital increase.
3 Book value per basic share outstanding is defined as shareholders' equity divided by the number of basic shares outstanding (both at period end).
4 Total noninterest expenses as a percentage of total net interest income before provision for credit losses plus noninterest income.
5 Compensation and benefits as a percentage of total net interest income before provision for credit losses plus noninterest income.
6 Noncompensation noninterest expenses which is defined as total noninterest expenses less compensation and benefits, as a percentage of total net interest income before provision for credit losses plus noninterest income.
7 The capital ratios relate the respective capital to risk weighted assets for credit, market and operational risk. Excludes transitional items pursuant to Section 64h (3) German Banking Act.
8 The Tier 1 capital ratio relates Tier 1 capital to risk-weighted assets for credit, market and operational risk. The Tier 1 capital ratio excludes transitional items pursuant to Section 64h (3) German Banking Act.

Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

01 –

Management Report and Report of the Supervisory Board

Operating and Financial Review

The following discussion and analysis should be read in conjunction with the consolidated financial statements and the related notes to them. Our consolidated financial statements for the years ended December 31, 2010 and 2009 have been audited by KPMG AG Wirtschaftsprüfungsgesellschaft that issued an unqualified opinion.

Deutsche Bank Group

Our Organization

Headquartered in Frankfurt am Main, Germany, we are the largest bank in Germany, and one of the largest financial institutions in Europe and the world, as measured by total assets of € 1,906 billion as of December 31, 2010. As of that date, we employed 102,062 people on a full-time equivalent basis and operated in 74 countries out of 3,083 branches worldwide, of which 68 % were in Germany. We offer a wide variety of investment, financial and related products and services to private individuals, corporate entities and institutional clients around the world.

Group Divisions

We are organized into the Group Divisions Corporate & Investment Bank (CIB), Private Clients and Asset Management (PCAM) and Corporate Investments (CI).

Corporate & Investment Bank

In CIB, we carry out our capital markets business including our origination, sales and trading activities in debt, equity and other securities, as well as our advisory, credit and transaction banking businesses. CIB's institutional clients are public sector clients like sovereign countries and multinational organizations, and private sector clients like medium-sized companies and multinational corporations.

CIB is further sub-divided into the Corporate Divisions Corporate Banking & Securities (CB&S) and Global Transaction Banking (GTB).

CB&S includes the Business Divisions Markets and Corporate Finance, which globally carry out our securities origination, sales and trading businesses, as well as our mergers and acquisitions advisory and corporate finance businesses.

GTB includes our product offerings in trade finance, cash management and trust & securities services for financial institutions and other companies.

Private Clients and Asset Management

PCAM is further sub-divided into the Corporate Divisions Asset and Wealth Management (AWM) and Private & Business Clients (PBC).

AWM consists of the Asset Management Business Division (AM) and the Private Wealth Management Business Division (PWM). The global retail mutual fund business of our subsidiary DWS forms part of AM. Furthermore, AM offers a variety of products to institutional clients like pension funds and insurance companies, including traditional investments, hedge funds as well as specific real estate investments. PWM offers its products globally to high net worth clients and ultra high net worth individuals, their families and selected institutions. PWM offers its demanding clients an integrated approach to wealth management, including succession planning and philanthropic advisory services.

PBC offers retail clients as well as small and medium sized business customers a variety of products including accounts, loan and deposit services as well as investment advice. In our German homemarket, we strengthened our leading market position through the acquisition of Postbank. Besides Germany, PBC has operated for a long time in Italy, Spain, Belgium and Portugal, and for several years in Poland. Furthermore, we make focused investments in emerging markets in Asia, for instance in China and India.

Corporate Investments
The CI Group Division manages our global principal investment activities.

Executive Summary

The Global Economy
Following the marked contraction in 2009, with a decline of almost 1 % in global GDP, the world economy grew again by an estimated 4.75 % in 2010. Three factors played a major role in this development: stimuli from expansive monetary and fiscal policies, investments that had been postponed in 2009 and were subsequently made in 2010, and the building up of inventory. However, momentum has slowed since around autumn 2010 as the effect of these factors tailed off.

While the U.S. economy is estimated to have grown by almost 3 % on average during 2010, the eurozone continued to lag behind in the global economic recovery with real growth of just 1.75 %. In some countries of the eurozone, the dampening effects of massive consolidation programs, and structural adjustments, especially in the real estate sector, made themselves felt. In addition, despite financial aid for Greece and Ireland and plans to establish a permanent crisis mechanism, by the end of the year concerns had increased in the financial markets about the long-term solvency of some countries of the eurozone. In line with this, there was a dramatic widening in yield spreads between government bonds from these countries and German government bonds. By contrast, the German economy – supported by strong stimuli stemming from external trade and also from a recovering domestic economy – expanded by 3.6 %, the highest growth rate since reunification. The German labor market continued to develop extremely favorably compared with that of other countries.

The emerging market economies grew by an estimated 7.5 % last year, compared with 2.5 % in 2009. Growth in the Asian emerging markets was probably even close to 9.5 %. In China, where the pace of growth had slowed only slightly in 2009 to 8.7 %, the economy grew by 10.3 % in 2010.

The Banking Industry
Three key issues dominated the global banking sector in the past year – business recovery after the slump during the financial crisis, preparations for the most extensive legal and regulatory reforms in decades, as well as the growing risks associated with high sovereign debt in many industrial countries.

In operating terms, banks made good progress overall, albeit from a low base. In traditional lending business, loan loss provisions reduced significantly, though the absolute burden was still high. At the same time, 2010 saw a stabilization in loan volumes, which had contracted the year before, thanks to a slight rise in demand. This was at least in part attributable to central banks' continuing expansionary monetary policies.

Capital markets business produced mixed results compared with the very good performance of 2009. The volume of corporate and sovereign bond issues fell slightly over the high prior year figure, though high-yield paper issuance volumes rose. Equity issuance stayed robust, with growth especially strong in initial public offerings. The M&A business gained traction, but remained weak. Overall, investment banking saw a return of market participants who had cut back their activities during the financial crisis. This led to more intense competition and narrower margins.

In asset management, banks benefited from rising valuations in most asset classes and from higher inflows. In transaction business they profited from the economic recovery and a dynamic rebound in world trade, nearly to pre-crisis levels.

Despite this growth, the banking industry continued to be only moderately profitable overall, recording single digit returns on equity for the most part. Almost all major European and U.S. banks reported net profits, while the share of unprofitable, smaller banks decreased significantly.

Alongside operating performance, 2010 was shaped primarily by far-reaching regulatory measures planned by legislators and supervisory authorities. The Basel III reform of capital requirements will probably prove to be the most significant change in the long term. The final details have been largely agreed so that the new standards are now set to be implemented in nearly all of the world's major financial markets. It is still uncertain, though, whether implementation of the rules will actually be harmonized throughout each country and what concrete effects the new framework will have on banks' business.

Together with the forthcoming regulatory changes, the banking environment in 2010 was also greatly impacted by the European sovereign debt crisis and fears of a weak recovery or even a relapse of some major economies into recession. While the robust recovery of the global economy over the last few months has brightened the prospects for banks' business, the public debt problems encountered especially by several euro-area countries, and their lack of competitiveness, continued to weigh on market sentiment. These concerns spilled over into the banking sector at times – causing the funding markets for financial institutions in severely affected countries to dry up, and attracting criticism of the extensive cross-border activities of particular European banks as well as generally giving rise to significant financial market volatility.

Deutsche Bank

In this environment, we generated a net income of € 2.3 billion in 2010, compared to € 5.0 billion in 2009, a solid result considering the impact of several significant factors. These factors include, firstly, certain valuation- and integration-related charges from the acquisitions of the commercial banking activities from ABN AMRO in the Netherlands, of Sal. Oppenheim/BHF-BANK and of Postbank, the latter including a charge of € 2.3 billion in the third quarter 2010. Secondly, during the year we invested in the integration of our CIB businesses, in our IT platform and in other business growth initiatives. Thirdly, deferred compensation expenses were significantly higher in 2010 reflecting changes in compensation structures implemented in 2009. Additionally, the aforementioned acquisitions increased our revenue and expenses run rates, as well as our balance sheet, risk weighted assets and invested assets. Moreover, a shift in foreign exchange rates, in particular between the U.S. dollar and the euro, contributed to an increase in our reported euro revenues and expenses, with an overall positive impact on net income.

Net revenues of € 28.6 billion in 2010 were among the highest ever generated by us and increased by € 615 million from € 28.0 billion in 2009. CIB's net revenues increased from € 18.8 billion in 2009 to € 20.9 billion in 2010. Overall Sales & Trading net revenues for 2010 were € 12.8 billion, compared with € 12.2 billion in 2009. This primarily reflects lower mark-downs from legacy positions, lower trading losses in Equity Derivatives as well as increased client activity across flow products and structured solutions in Credit Trading. This was partly offset by the normalization of bid-offer spreads and subdued client activity in Money Markets and Rates. Origination and Advisory revenues increased to € 2.5 billion in 2010 (2009: € 2.2 billion). PCAM's net revenues were € 10.0 billion in 2010, an increase of € 1.8 billion compared to 2009. This development was mainly attributable to the first time consolidation of Postbank as well as the acquisition of Sal. Oppenheim/BHF-BANK. In addition, higher deposits revenues in PBC were driven by improved margins. In AWM, the non-recurrence of impairment charges recognized in 2009 related to RREEF investments, as well as higher fee income in a more favorable market environment, also contributed to the increase. In CI, net revenues in the full year 2010 were negative € 2.0 billion, versus positive € 1.0 billion in 2009. Revenues in both years were materially impacted by our investment in Postbank, including the aforementioned charge in the third quarter 2010 and several positive effects in 2009.

In 2010, provision for credit losses was € 1.3 billion, versus € 2.6 billion in 2009, primarily driven by significantly decreased provisions for assets reclassified in accordance with IAS 39.

Our noninterest expenses were € 23.3 billion in 2010, versus € 20.1 billion in 2009. Half of the increase was attributable to the aforementioned acquisitions in 2010. In addition, compensation expenses in 2010 reflected higher amortization expenses for deferred compensation following the aforementioned change in compensation structures, including the impact of accelerated amortization for employees eligible for career retirement. The remainder of the increase was due to the aforementioned investments in the integration of our CIB businesses, in our IT platform and in other business growth initiatives.

We recorded income before income taxes of € 4.0 billion in 2010, including the aforementioned € 2.3 billion charge taken in the third quarter 2010 related to the Postbank acquisition, compared with € 5.2 billion for 2009. Our pre-tax return on average active equity was 9.6 % in 2010, versus 15.1 % in 2009. Our pre-tax return on average shareholders' equity was 9.5 % in 2010 and 15.3 % in 2009. Diluted earnings per share were € 2.92 in 2010 and € 6.94 in 2009.

The aforementioned shifts in currencies led to an increase in our assets, liabilities and invested assets compared to December 31, 2009. After the successfully completed capital increase, our Tier 1 capital ratio was 12.3 % and our Core Tier 1 capital ratio was 8.7 % as of December 31, 2010. Risk-weighted assets at year-end 2010 were € 346 billion, versus € 273 billion at year-end 2009, largely as a result of € 60 billion attributable to the first time consolidation of Postbank.

The following table presents our condensed consolidated statement of income for 2010 and 2009.

in € m. (unless stated otherwise)	2010	2009	2010 increase (decrease) from 2009 in € m.	2010 increase (decrease) from 2009 in %
Net interest income	15,583	12,459	3,124	25
Provision for credit losses	1,274	2,630	(1,356)	(52)
Net interest income after provision for credit losses	14,309	9,829	4,480	46
Commissions and fee income	10,669	8,911	1,758	20
Net gains (losses) on financial assets/liabilities at fair value through profit or loss	3,354	7,109	(3,755)	(53)
Net gains (losses) on financial assets available for sale	201	(403)	604	N/M
Net income (loss) from equity method investments	(2,004)	59	(2,063)	N/M
Other income (loss)	764	(183)	947	N/M
Total noninterest income	12,984	15,493	(2,509)	(16)
Total net revenues	27,293	25,322	1,971	8
Compensation and benefits	12,671	11,310	1,361	12
General and administrative expenses	10,133	8,402	1,731	21
Policyholder benefits and claims	485	542	(57)	(11)
Impairment of intangible assets	29	(134)	163	N/M
Restructuring activities	–	–	–	N/M
Total noninterest expenses	23,318	20,120	3,198	16
Income (loss) before income taxes	3,975	5,202	(1,227)	(24)
Income tax expense (benefit)	1,645	244	1,401	N/M
Net income (loss)	2,330	4,958	(2,628)	(53)
Net income (loss) attributable to noncontrolling interests	20	(15)	35	N/M
Net income (loss) attributable to Deutsche Bank shareholders	2,310	4,973	(2,663)	(54)

N/M – Not meaningful

Results of Operations

Consolidated Results of Operations

You should read the following discussion and analysis in conjunction with the consolidated financial statements.

Net Interest Income

The following table sets forth data related to our Net interest income.

in € m. (unless stated otherwise)	2010	2009	2010 increase (decrease) from 2009 in € m.	in %
Total interest and similar income	28,779	26,953	1,826	7
Total interest expenses	13,196	14,494	(1,298)	(9)
Net interest income	**15,583**	**12,459**	**3,124**	**25**
Average interest-earning assets[1]	993,780	879,601	114,179	13
Average interest-bearing liabilities[1]	933,537	853,383	80,154	9
Gross interest yield[2]	2.90 %	3.06 %	(0.16) ppt	(5)
Gross interest rate paid[3]	1.41 %	1.70 %	(0.29) ppt	(17)
Net interest spread[4]	1.48 %	1.37 %	0.11 ppt	8
Net interest margin[5]	1.57 %	1.42 %	0.15 ppt	11

ppt – Percentage points
1 Average balances for each year are calculated in general based upon month-end balances.
2 Gross interest yield is the average interest rate earned on our average interest-earning assets.
3 Gross interest rate paid is the average interest rate paid on our average interest-bearing liabilities.
4 Net interest spread is the difference between the average interest rate earned on average interest-earning assets and the average interest rate paid on average interest-bearing liabilities.
5 Net interest margin is net interest income expressed as a percentage of average interest-earning assets.

Net interest income in 2010 was € 15.6 billion, an increase of € 3.1 billion, or 25 %, versus 2009. The improvement was primarily driven by a decrease in interest expenses, mainly due to a shift in liabilities from higher yields, originated in prior years, to current market rates and due to higher market rates at the beginning of 2009. In addition, interest income improved due to an increase in average interest-earning assets by € 114 billion, mainly in Corporate Banking & Securities, which exceeded the increase in average interest-bearing liabilities. These developments resulted in a widening of our net interest spread by 11 basis points and of our net interest margin by 15 basis points.

The development of our net interest income is also impacted by the accounting treatment of some of our hedging-related derivative transactions. We enter into nontrading derivative transactions primarily as economic hedges of the interest rate risks of our nontrading interest-earning assets and interest-bearing liabilities. Some of these derivatives qualify as hedges for accounting purposes while others do not. When derivative transactions qualify as hedges of interest rate risks for accounting purposes, the interest arising from the derivatives is reported in interest income and expense, where it offsets interest flows from the hedged items. When derivatives do not qualify for hedge accounting treatment, the interest flows that arise from those derivatives will appear in trading income.

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

The following table sets forth data related to our Net gains (losses) on financial assets/liabilities at fair value through profit or loss.

in € m. (unless stated otherwise)	2010	2009	2010 increase (decrease) from 2009 in € m.	in %
CIB – Sales & Trading (equity)	451	1,125	(674)	(60)
CIB – Sales & Trading (debt and other products)	2,912	4,130	(1,218)	(29)
Other	(9)	1,854	(1,863)	N/M
Total net gains (losses) on financial assets/ liabilities at fair value through profit or loss	3,354	7,109	(3,755)	(53)

N/M – Not meaningful

Net gains on financial assets/liabilities at fair value through profit or loss decreased by € 3.8 billion, particularly offset by increases in net interest income. In Sales & Trading (debt and other products), Net gains on financial assets/liabilities at fair value through profit or loss were € 2.9 billion in 2010, compared to € 4.1 billion in 2009. This decrease was mainly driven by Money Markets, Rates and Emerging Markets due to less favorable market conditions compared to 2009. Partly offsetting were lower mark-downs from legacy positions in Credit Trading. In Sales & Trading (equity), net gains (losses) on financial assets/liabilities at fair value through profit or loss were gains of € 451 million in 2010, compared to € 1.1 billion in 2009. This decline was mainly driven by Cash Trading, as client activity decreased, partly offset by lower trading losses in Equity derivatives. In other products, net gains on financial assets/liabilities at fair value through profit or loss in 2010 were negative € 9 million, compared to positive € 1.9 billion in 2009. The decrease reflects higher gains related to our stake in Postbank recognized in CI in 2009, gains from derivative contracts used to hedge effects on shareholders' equity, resulting from obligations under share-based compensation plans, recorded in C&A in 2009, and mark-to-market losses on new loans and loan commitments held at fair value from Loan Products in CIB.

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

Our trading and risk management businesses include significant activities in interest rate instruments and related derivatives. Under IFRS, interest and similar income earned from trading instruments and financial instruments designated at fair value through profit or loss (e.g., coupon and dividend income), and the costs of funding net trading positions are part of net interest income. Our trading activities can periodically shift income between net interest income and net gains (losses) on financial assets/liabilities at fair value through profit or loss depending on a variety of factors, including risk management strategies.

In order to provide a more business-focused discussion, the following table presents net interest income and net gains (losses) on financial assets/liabilities at fair value through profit or loss by group division and by product within the Corporate & Investment Bank.

in € m. (unless stated otherwise)	2010	2009	2010 increase (decrease) from 2009 in € m.	in %
Net interest income	15,583	12,459	3,124	25
Total net gains (losses) on financial assets/ liabilities at fair value through profit or loss	3,354	7,109	(3,755)	(53)
Total net interest income and net gains (losses) on financial assets/liabilities at fair value through profit or loss	18,937	19,568	(631)	(3)
Breakdown by Group Division/CIB product:[1]				
Sales & Trading (equity)	2,266	2,047	218	11
Sales & Trading (debt and other products)	9,204	9,725	(521)	(5)
Total Sales & Trading	11,469	11,772	(302)	(3)
Loan products[2]	778	777	1	0
Transaction services	1,497	1,180	317	27
Remaining products[3]	336	240	97	40
Total Corporate & Investment Bank	14,081	13,969	112	1
Private Clients and Asset Management	4,708	4,157	550	13
Corporate Investments	(184)	793	(977)	N/M
Consolidation & Adjustments	331	649	(317)	(49)
Total net interest income and net gains (losses) on financial assets/liabilities at fair value through profit or loss	18,937	19,568	(631)	(3)

N/M – Not meaningful
1 This breakdown reflects net interest income and net gains (losses) on financial assets/liabilities at fair value through profit or loss only. For a discussion of the group divisions' total revenues by product please refer to "Results of Operations by Segment".
2 Includes the net interest spread on loans as well as the fair value changes of credit default swaps and loans designated at fair value through profit or loss.
3 Includes net interest income and net gains (losses) on financial assets/liabilities at fair value through profit or loss of origination, advisory and other products.

Corporate & Investment Bank (CIB). Combined net interest income and net gains (losses) on financial assets/liabilities at fair value through profit or loss from Sales & Trading were € 11.5 billion in 2010, compared to € 11.8 billion in 2009. The main driver for the decrease were lower revenues in Money Markets and Rates mainly due to lower bid-offer spreads and subdued client activity as a result of sovereign risk concerns. In addition, net interest income and net gains (losses) on financial assets/liabilities at fair value through profit or loss were down in Emerging Markets, due to less favorable market conditions compared to 2009. Partly offsetting these decreases were lower mark-downs from legacy positions and lower trading losses in Equity Derivatives in 2010 compared to 2009. Loan products were virtually unchanged, while in Transaction services, combined net interest income and net gains (losses) on financial assets/liabilities at fair value through profit or loss increased by € 317 million. This increase was attributable to growth across all businesses in Global Transaction Banking (including the aforementioned acquisition). Remaining products increased by € 97 million, mainly in Origination & Advisory.

Private Clients and Asset Management (PCAM). Combined net interest income and net gains (losses) on financial assets/liabilities at fair value through profit or loss were € 4.7 billion in 2010, an increase of € 550 million, or 13 %, compared to 2009. The increase was mainly driven by the first-time consolidation of Postbank. In addition, the increase included higher net interest income from Credit products as well as from Deposits and Payment services.

Corporate Investments (CI). Combined net interest income and net gains (losses) on financial assets/ liabilities at fair value through profit or loss were negative € 184 million in 2010, compared to positive € 793 million in 2009. The development primarily reflects the non-recurrence of gains recorded in 2009 related to our minority stake in Postbank.

Consolidation & Adjustments (C&A). Combined net interest income and net gains (losses) on financial assets/ liabilities at fair value through profit or loss were € 331 million in 2010, compared to € 649 million in 2009. The main reason for the decrease were gains recorded in 2009 from derivative contracts used to hedge effects on shareholders' equity, resulting from obligations under share-based compensation plans, and higher net interest income on non-divisionalized assets and liabilities, including taxes.

Provision for Credit Losses

Provision for credit losses was € 1.3 billion in 2010, versus € 2.6 billion in 2009. The provision in CIB was € 488 million, versus € 1.8 billion in the prior year, primarily reflecting a significant decrease in the provision for assets reclassified in accordance with IAS 39. The provision in PCAM was € 789 million, including € 56 million from Postbank. Excluding Postbank, the provision was € 733 million, versus € 806 million in the prior year. The development was influenced by measures taken on portfolio and country level. Provision for credit losses in 2009 was positively impacted by changes in certain parameter and model assumptions, which reduced the provision by € 87 million in CIB and by € 146 million in PCAM.

For further information on the provision for loan losses see the "Risk Report – Credit Risk – Movements in the Allowance for Loan Losses."

Remaining Noninterest Income

The following table sets forth information on our Remaining noninterest income.

in € m. (unless stated otherwise)	2010	2009	2010 increase (decrease) from 2009 in € m.	in %
Commissions and fee income[1]	10,669	8,911	1,758	20
Net gains (losses) on financial assets available for sale	201	(403)	604	N/M
Net income (loss) from equity method investments	(2,004)	59	(2,063)	N/M
Other income (loss)	764	(183)	947	N/M
Total remaining noninterest income	9,630	8,384	1,246	15

N/M – Not meaningful

[1] includes:

	2010	2009	in € m.	in %
Commissions and fees from fiduciary activities:				
Commissions for administration	491	392	99	25
Commissions for assets under management	2,833	2,319	514	22
Commissions for other securities business	205	214	(9)	(4)
Total	3,529	2,925	604	21
Commissions, broker's fees, mark-ups on securities underwriting and other securities activities:				
Underwriting and advisory fees	2,148	1,767	381	22
Brokerage fees	1,725	1,682	43	3
Total	3,873	3,449	424	12
Fees for other customer services	3,267	2,537	730	29
Total commissions and fee income	10,669	8,911	1,758	20

Commissions and fee income. Total commissions and fee income was € 10.7 billion in 2010, an increase of € 1.8 billion, or 20 %, compared to 2009. Commissions and fees from fiduciary activities increased € 604 million compared to the prior year, driven by higher asset based fees and performance fees in AM. Underwriting and advisory fees improved by € 381 million, or 22 %, mainly from a number of large initial public offerings (IPOs). Brokerage fees increased by € 43 million, or 3 %, primarily driven by the first time consolidation of Sal. Oppenheim/ BHF-BANK as well as a stronger performance in PBC compared to the prior year. This positive development is partly offset by a decrease in CB&S. Fees for other customer services were up by € 730 million, or 29 %, from increased business activity.

Net gains (losses) on financial assets available for sale. Net gains on financial assets available for sale were € 201 million in 2010, versus net losses of € 403 million in 2009. The gains in 2010 mainly resulted from the sale of Axel Springer AG shares in CB&S, which had been pledged as loan collateral, and from the disposal of an available for sale security position in PBC. The losses in 2009 were primarily attributable to impairment charges related to investments in CB&S and to AM's real estate business.

Net income (loss) from equity method investments. Net loss from equity method investments was € 2.0 billion in 2010 versus a net gain of € 59 million in 2009. The net loss in 2010 included a charge of € 2.3 billion, partly offset by a positive equity pick-up, both related to our investment in Postbank. In 2009, the net income from equity method investments included gains from our investment in Postbank, partly offset by impairment charges on certain equity method investments in our commercial real estate business in CB&S.

Other income (loss). Total Other income (loss) was a gain of € 764 million in 2010 versus a loss of € 183 million in 2009. The development was mainly driven by significantly reduced impairments on The Cosmopolitan of Las Vegas, higher results from derivatives qualifying for hedge accounting and a gain representing negative goodwill related to the commercial banking activities acquired from ABN AMRO in the Netherlands.

Noninterest Expenses

The following table sets forth information on our noninterest expenses.

in € m. (unless stated otherwise)	2010	2009	2010 increase (decrease) from 2009 in € m.	2010 increase (decrease) from 2009 in %
Compensation and benefits	12,671	11,310	1,361	12
General and administrative expenses[1]	10,133	8,402	1,731	21
Policyholder benefits and claims	485	542	(57)	(11)
Impairment of intangible assets	29	(134)	163	N/M
Restructuring activities	–	–	–	N/M
Total noninterest expenses	23,318	20,120	3,198	16

N/M – Not meaningful

1 includes:

	2010	2009	in € m.	in %
IT costs	2,274	1,759	515	29
Occupancy, furniture and equipment expenses	1,665	1,457	208	14
Professional service fees	1,616	1,088	528	49
Communication and data services	785	672	113	17
Travel and representation expenses	558	408	150	37
Payment, clearing and custodian services	418	406	12	3
Marketing expenses	341	278	63	23
Other expenses	2,476	2,334	142	6
Total general and administrative expenses	10,133	8,402	1,731	21

Compensation and benefits. In the full year 2010, compensation and benefits were up by € 1.4 billion, or 12 %, compared to 2009. The increase included € 660 million related to the acquisitions in 2010. In addition, the increase reflected higher amortization expenses for deferred compensation consequent to changes in compensation structures, mainly with respect to an increase in the proportion of deferred compensation, including the impact of accelerated amortization for employees eligible for career retirement.

General and administrative expenses. General and administrative expenses increased by € 1.7 billion versus 2009, reflecting € 1.0 billion from the acquisitions in 2010 including higher professional service fees. The remainder of the increase was due to the impact of foreign exchange movements as well as to higher investment spend in our IT platform and in business growth in 2010. The increase also included higher operating costs related to our consolidated investments, particularly The Cosmopolitan of Las Vegas property, which commenced operations in December 2010. General and administrative expenses in 2009 included € 316 million from a legal settlement with Huntsman Corp. and € 200 million related to our offer to repurchase certain products from private investors.

Policyholder benefits and claims. Policyholder benefits and claims in 2010 were € 485 million, a decrease of € 57 million compared to the prior year, resulting primarily from our Abbey Life business. These insurance-related charges are offset by related net gains on financial assets/liabilities at fair value through profit or loss.

Impairment of intangible assets. In 2010, an impairment charge of € 29 million on intangible assets relating to the client portfolio of an acquired domestic custody services business was recorded in GTB. In 2009, a reversal of an impairment charge on intangible assets of € 291 million was recorded in AM, related to DWS Investments in the U.S. (formerly DWS Scudder). This positive effect was partly offset by goodwill impairment charges of € 151 million, which were related to a consolidated RREEF infrastructure investment.

Income Tax Expense

The income tax expense of € 1.6 billion recorded for 2010 was impacted by the Postbank related charge of € 2.3 billion, which did not have a corresponding tax benefit. This was partly offset by improved U.S. income tax positions and a favorable geographic mix of income. By contrast, income tax expense in 2009 of € 244 million benefited from the recognition of previously unrecognized deferred tax assets in the U.S and favorable outcomes of tax audit settlements. The effective tax rates were 41.4 % in 2010 and 4.7 % in 2009.

Segment Results of Operations

The following is a discussion of the results of our business segments. See Note 05 “Business Segments and Related Information” to the consolidated financial statements for information regarding

— our organizational structure;
— effects of significant acquisitions and divestitures on segmental results;
— changes in the format of our segment disclosure;
— the framework of our management reporting systems;
— consolidating and other adjustments to the total results of operations of our business segments, and
— definitions of non-GAAP financial measures that are used with respect to each segment.

The criterion for segmentation into divisions is our organizational structure as it existed at December 31, 2010. Segment results were prepared in accordance with our management reporting systems.

2010 in € m. (unless stated otherwise)	Corporate & Investment Bank	Private Clients and Asset Management	Corporate Investments	Total Management Reporting	Consolidation & Adjustments	Total Consolidated
Net revenues	20,929[1]	10,043	(2,020)[2]	28,953	(386)	28,567
Provision for credit losses	488	789	(4)	1,273	0	1,274
Total noninterest expenses	14,422	8,258	637	23,318	1	23,318
therein:						
Policyholder benefits and claims	486	0	–	486	–	485
Impairment of intangible assets	29	–	–	29	–	29
Restructuring activities	–	–	–	–	–	–
Noncontrolling interests	20	6	(2)	24	(24)	–
Income (loss) before income taxes	5,999	989	(2,649)	4,339	(363)	3,975
Cost/income ratio	69 %	82 %	N/M	81 %	N/M	82 %
Assets[3]	1,519,983	412,477	17,766	1,894,282	11,348	1,905,630
Average active equity[4]	18,644	10,635	4,168	33,446	7,907	41,353
Pre-tax return on average active equity[5]	32 %	9 %	(64) %	13 %	N/M	10 %

N/M – Not meaningful
1 Includes a gain from the recognition of negative goodwill related to the acquisition of the commercial banking activities of ABN AMRO in the Netherlands of € 208 million as reported in the second quarter 2010 which is excluded from the Group’s target definition.
2 Includes a charge related to the investment in Deutsche Postbank AG of € 2,338 million, which is excluded from the Group’s target definition.
3 The sum of corporate divisions does not necessarily equal the total of the corresponding group division because of consolidation items between corporate divisions, which are to be eliminated on group division level. The same approach holds true for the sum of group divisions compared to ‘Total Consolidated’.
4 For management reporting purposes goodwill and other intangible assets with indefinite lives are explicitly assigned to the respective divisions. Average active equity is first allocated to divisions according to goodwill and intangible assets; remaining average active equity is allocated to divisions in proportion to the economic capital calculated for them.
5 For the calculation of pre-tax return on average active equity please refer to Note 05 “Business Segments and Related Information”. For ‘Total consolidated’, pre-tax return on average shareholders’ equity is 10 %.

2009 in € m. (unless stated otherwise)	Corporate & Investment Bank	Private Clients and Asset Management	Corporate Investments	Total Management Reporting	Consoli-dation & Adjustments	Total Consolidated
Net revenues	18,807	8,261	1,044	28,112	(159)	27,952
Provision for credit losses	1,816	806	8	2,630	(0)	2,630
Total noninterest expenses	12,679	6,803	581	20,063	57	20,120
therein:						
Policyholder benefits and claims	541	–	–	541	2	542
Impairment of intangible assets	5	(291)	151	(134)	–	(134)
Restructuring activities	–	–	–	–	–	–
Noncontrolling interests	(2)	(7)	(1)	(10)	10	–
Income (loss) before income taxes	4,314	658	456	5,428	(226)	5,202[1]
Cost/income ratio	67 %	82 %	56 %	71 %	N/M	72 %
Assets[2]	1,343,824	174,739	28,456	1,491,108	9,556	1,500,664
Average active equity[3]	19,041	8,408	4,323	31,772	2,840	34,613
Pre-tax return on average active equity[4]	23 %	8 %	11 %	17 %	N/M	15 %

N/M – Not meaningful

1 Includes a gain from the sale of industrial holdings (Daimler AG) of € 236 million, a reversal of impairment of intangible assets (Asset Management) of € 291 million (the related impairment had been recorded in 2008), an impairment charge of € 278 million on industrial holdings and an impairment of intangible assets (Corporate Investments) of € 151 million which are excluded from the Group's target definition.

2 The sum of corporate divisions does not necessarily equal the total of the corresponding group division because of consolidation items between corporate divisions, which are to be eliminated on group division level. The same approach holds true for the sum of group divisions compared to 'Total Consolidated'.

3 For management reporting purposes goodwill and other intangible assets with indefinite lives are explicitly assigned to the respective divisions. Average active equity is first allocated to divisions according to goodwill and intangible assets; remaining average active equity is allocated to divisions in proportion to the economic capital calculated for them.

4 For the calculation of pre-tax return on average active equity please refer to Note 05 "Business Segments and Related Information". For 'Total consolidated', pre-tax return on average shareholders' equity is 15 %.

Group Divisions

Corporate & Investment Bank Group Division

The following table sets forth the results of our Corporate & Investment Bank Group Division (CIB) for the years ended December 31, 2010 and 2009, in accordance with our management reporting systems.

in € m. (unless stated otherwise)	2010	2009
Net revenues:		
Sales & Trading (equity)	3,108	2,650
Sales & Trading (debt and other products)	9,740	9,557
Origination (equity)	706	663
Origination (debt)	1,199	1,127
Advisory	573	402
Loan products	1,736	1,949
Transaction services	3,223	2,609
Other products	644	(151)
Total net revenues	20,929	18,807
therein:		
Net interest income and net gains (losses) on financial assets/liabilities at fair value through profit or loss	14,081	13,969
Provision for credit losses	488	1,816
Total noninterest expenses	14,422	12,679
therein:		
Policyholder benefits and claims	486	541
Impairment of intangible assets	29	5
Restructuring activities	–	–
Noncontrolling interests	20	(2)
Income (loss) before income taxes	5,999	4,314
Cost/income ratio	69 %	67 %
Assets	1,519,983	1,343,824
Average active equity[1]	18,644	19,041
Pre-tax return on average active equity	32 %	23 %

[1] See Note 05 “Business Segments and Related Information” to the consolidated financial statements for a description of how average active equity is allocated to the divisions.

The following paragraphs discuss the contribution of the individual corporate divisions to the overall results of the Corporate & Investment Bank Group Division.

Corporate Banking & Securities Corporate Division

The following table sets forth the results of our Corporate Banking & Securities Corporate Division (CB&S) for the years ended December 31, 2010 and 2009, in accordance with our management reporting systems.

in € m. (unless stated otherwise)	2010	2009
Net revenues:		
Sales & Trading (equity)	3,108	2,650
Sales & Trading (debt and other products)	9,740	9,557
Origination (equity)	706	663
Origination (debt)	1,199	1,127
Advisory	573	402
Loan products	1,736	1,949
Other products	428	(151)
Total net revenues	17,490	16,197
Provision for credit losses	348	1,789
Total noninterest expenses	12,028	10,891
therein:		
Policyholder benefits and claims	486	541
Impairment of intangible assets	–	5
Restructuring activities	–	–
Noncontrolling interests	20	(2)
Income (loss) before income taxes	5,094	3,520
Cost/income ratio	69 %	67 %
Assets	1,468,863	1,308,222
Average active equity[1]	17,096	17,881
Pre-tax return on average active equity	30 %	20 %

1 See Note 05 “Business Segments and Related Information” to the consolidated financial statements for a description of how average active equity is allocated to the divisions.

Sales & Trading (debt and other products) net revenues were € 9.7 billion, an increase of 2 % compared to € 9.6 billion in 2009. Net revenues in the prior year included net mark-downs of € 1.0 billion, mainly related to provisions against monoline insurers and charges related to Ocala Funding LLC of approximately € 350 million compared to Ocala-related charges of approximately € 360 million and immaterial net mark-downs in the current year. Revenues in Money Markets and Rates were materially lower due to lower bid-offer spreads and subdued client activity as a result of sovereign risk concerns. Revenues in Credit Trading were significantly higher driven by lower mark-downs from legacy positions and increased client activity across flow and structured solutions. Revenues in the Foreign Exchange business were stable reflecting strong market share (source: Euromoney) and higher volumes, offsetting decreases in bid-offer spreads in a more normalized environment. Commodities revenues were higher than the prior year, despite a more challenging environment. Emerging Markets revenues were lower reflecting less favorable market conditions compared to 2009.

Sales & Trading (equity) net revenues were € 3.1 billion, an increase of € 458 million, or 17 %, compared to € 2.7 billion in 2009. Equity Trading revenues were slightly down compared to the prior year, as decreased activity during the summer was partly offset by a pick-up towards the end of the year. Revenues from Equity Derivatives were significantly higher, reflecting the recalibration of the business and the non-recurrence of the trading losses that occurred in the first quarter 2009. In Prime Finance, revenues were slightly higher due to increased client balances, improved competitive positioning (source: Global Custodian) and the launch of new products and services. Revenues from dedicated Equity Proprietary Trading were not material and the business was exited during the third quarter of 2010.

Origination and Advisory revenues were € 2.5 billion in 2010, an increase of € 286 million, or 13 %, compared to 2009. During 2010, we achieved and maintained our target of a top five ranking and were ranked number five globally in 2010 compared to number seven in 2009. Globally, we had top five ranks across all origination and advisory products. In Advisory, revenues were € 573 million, up 43 % from 2009. The M&A business was ranked number one in EMEA, number six in the Americas and number five globally, a substantial improvement over the prior year. Debt Origination revenues of € 1.2 billion increased by 6 % from the prior year. We were ranked fourth in Investment Grade and in High Yield, and number five in Leveraged Loans. In Equity Origination, revenues of € 706 million increased by 6 % from prior year, despite lower deal activity compared to the prior year period. However, we were ranked number one in EMEA and number five in the U.S. Globally, we were ranked number five, up from number nine in 2009. (Source for all rankings and market shares: Dealogic)

Loan products revenues were € 1.7 billion, a decrease of € 213 million, or 11 %, from 2009. The decrease is primarily due to mark-to-market losses on new loans and loan commitments held at fair value.

Net revenues from other products were € 428 million, an increase of € 579 million from 2009, which included an impairment charge of € 500 million related to The Cosmopolitan of Las Vegas property and losses on private equity investments in the first quarter 2009.

In provision for credit losses, CB&S recorded a net charge of € 348 million, compared to a net charge of € 1.8 billion in 2009. The decrease compared to the prior year was mainly attributable to lower provision for credit losses related to assets which had been reclassified in accordance with IAS 39.

Noninterest expenses were € 12.0 billion, an increase of € 1.1 billion, or 10 %, compared to 2009, which benefitted from changes in compensation structures, mainly with respect to an increase in the proportion of deferred compensation. Compensation expenses in 2010 reflected higher amortization expenses for deferred compensation as a consequence of the aforementioned change in compensation structures including the impact of accelerated amortization for employees eligible for career retirement. This increase was also driven by business growth, costs for strategic initiatives and complexity reduction efforts as well as the impact of foreign exchange rate movements. Partially offsetting this increase was the non-recurrence of prior year charges including € 316 million from a legal settlement with Huntsman Corp. as well as € 200 million related to an offer to repurchase certain products from private investors.

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

Under the amendments to IAS 39 and IFRS 7 issued in October 2008, certain financial assets were reclassified in the second half of 2008 and the first quarter of 2009 from the financial assets at fair value through profit or loss and the available for sale classifications into the loans classification. The reclassifications were made in instances where management believed that the expected repayment of the assets exceeded their estimated fair values, which reflected the significantly reduced liquidity in the financial markets, and that returns on these assets would be optimized by holding them for the foreseeable future. Where this clear change of intent existed and was supported by an ability to hold and fund the underlying positions, we concluded that the reclassifications aligned the accounting more closely with the business intent.

The tables below show the incremental impact of the reclassification for CB&S. The tables show that the reclassifications resulted in a € 753 million incremental loss to the income statement and a € 325 million incremental loss to other comprehensive income for 2010. For the full year 2009, the reclassifications resulted in a € 273 million incremental loss to the income statement and a € 1.2 billion incremental loss to other comprehensive income. The consequential effect on credit market risk disclosures is provided in “Update on Key Credit Market Exposures”.

	Dec 31, 2010		Year ended Dec 31, 2010	
2010 impact of the reclassification	Carrying value in € bn.	Fair value in € bn.	Impact on income before income taxes in € m.	Impact on other comprehensive income in € m.
Sales & Trading – Debt				
Trading assets reclassified to loans	16.6	14.7	(582)	–
Financial assets available for sale reclassified to loans	8.7	7.8	2	(325)
Origination and Advisory				
Trading assets reclassified to loans[1]	1.4	1.2	(173)	–
Loan products				
Financial assets available for sale reclassified to loans	–	–	–	–
Total	26.7	23.7	(753)[2]	(325)

1 The significant decrease in carrying value and fair value of reclassified assets in Origination and Advisory since December 2009 is mainly due to the restructuring of loans to Actavis Group hF in 2010 with a carrying amount of € 4.2 billion. There was no gain or loss recognized as a result of the restructuring. The restructuring is detailed further in Note 17 “Equity Method Investments”.
2 In addition to the impact in CB&S, income before income taxes decreased by € 3 million in PBC.

	Dec 31, 2009		Year ended Dec 31, 2009	
2009 impact of the reclassification	Carrying value in € bn.	Fair value in € bn.	Impact on income before income taxes in € m.	Impact on other comprehensive income in € m.
Sales & Trading – Debt				
Trading assets reclassified to loans	18.2	15.9	407	–
Financial assets available for sale reclassified to loans	9.3	8.2	(16)	(1,102)
Origination and Advisory				
Trading assets reclassified to loans	6.1	5.7	(664)	–
Loan products				
Financial assets available for sale reclassified to loans	–	–	–	(114)[1]
Total	33.6	29.8	(273)[2]	(1,216)

1 The negative amount shown as the annual movement in other comprehensive income is due to an instrument being impaired in the year. The decrease in fair value since reclassification that would have been recorded in equity would then be removed from equity and recognized through the income statement.
2 In addition to the impact in CB&S, income before income taxes increased by € 18 million in PBC.

During 2010 we sold reclassified assets with a carrying value of € 2.0 billion. The sales resulted in a net loss on sale of € 3 million. Sales were made due to circumstances that were not foreseen at the time of reclassification.

The assets reclassified included funded leveraged finance loans with a fair value on the date of reclassification of € 7.5 billion which were entered into as part of an “originate to distribute” strategy. Assets with a fair value on the date of reclassification of € 9.4 billion were contained within consolidated asset backed commercial paper conduits as of the reclassification date. Commercial real estate loans were reclassified with a fair value on the date of reclassification of € 9.1 billion. These loans were intended for securitization at their origination or purchase date. The remaining reclassified assets, which comprised other assets principally acquired or originated for the purpose of securitization, had a fair value of € 11.9 billion on the reclassification date.

Global Transaction Banking Corporate Division

The following table sets forth the results of our Global Transaction Banking Corporate Division (GTB) for the years ended December 31, 2010 and 2009, in accordance with our management reporting systems.

in € m. (unless stated otherwise)	2010	2009
Net revenues:		
Transaction services	3,223	2,609
Other products	216	–
Total net revenues	3,439	2,609
Provision for credit losses	140	27
Total noninterest expenses	2,394	1,788
therein:		
Restructuring activities	–	–
Impairment on intangible assets	29	
Noncontrolling interests	–	–
Income (loss) before income taxes	905	795
Cost/income ratio	70 %	69 %
Assets	71,877	47,414
Average active equity[1]	1,548	1,160
Pre-tax return on average active equity	58 %	68 %

1 See Note 05 "Business Segments and Related Information" to the consolidated financial statements for a description of how average active equity is allocated to the divisions.

GTB's net revenues were a record € 3.4 billion, an increase of 32 %, or € 830 million, compared to 2009. Even excluding the impact of the commercial banking activities acquired from ABN AMRO in the Netherlands, which included a gain of € 216 million related to negative goodwill resulting from the first-time consolidation of the acquired activities in 2010, GTB generated record revenues. This strong performance was predominantly attributable to growth in fee income in Trust & Securities Services, Trade Finance, and Cash Management offsetting the impact of the continuing low interest rate environment, mainly affecting the latter business. Trust & Securities Services benefitted from positive business momentum, especially in Asia in the fourth quarter.

Provision for credit losses was € 140 million. The increase of € 113 million versus 2009 was primarily related to the commercial banking activities acquired from ABN AMRO.

Noninterest expenses were € 2.4 billion, an increase of 34 %, or € 606 million, compared to 2009. The increase was mainly driven by operating and integration costs related to the commercial banking activities acquired from ABN AMRO, and significant severance expenses of € 130 million in the fourth quarter related to specific measures associated with the realignment of infrastructure areas and sales units.

Private Clients and Asset Management Group Division

The following table sets forth the results of our Private Clients and Asset Management Group Division (PCAM) for the years ended December 31, 2010 and 2009, in accordance with our management reporting systems.

in € m. (unless stated otherwise)	2010	2009
Net revenues:		
Discretionary portfolio/fund management	2,560	2,083
Advisory/brokerage	1,745	1,531
Credit products	2,708	2,605
Deposits and payment services	2,029	1,875
Other products	1,001	167
Total net revenues	10,043	8,261
therein:		
Net interest income and net gains (losses) on financial assets/liabilities at fair value through profit or loss	4,708	4,157
Provision for credit losses	789	806
Total noninterest expenses	8,258	6,803
therein:		
Policyholder benefits and claims	–	–
Impairment of intangible assets	–	(291)
Restructuring activities	–	–
Noncontrolling interests	6	(7)
Income (loss) before income taxes	989	658
Cost/income ratio	82 %	82 %
Assets	412,477	174,739
Average active equity[1]	10,635	8,408
Pre-tax return on average active equity	9 %	8 %
Invested assets[2] (in € bn.)	1,179	880

1 See Note 05 “Business Segments and Related Information” to the consolidated financial statements for a description of how average active equity is allocated to the divisions.
2 We define invested assets as (a) assets we hold on behalf of customers for investment purposes and/or (b) client assets that are managed by us. We manage invested assets on a discretionary or advisory basis, or these assets are deposited with us.

The following paragraphs discuss the contribution of the individual corporate divisions to the overall results of the Private Clients and Asset Management Group Division.

Asset and Wealth Management Corporate Division

The following table sets forth the results of our Asset and Wealth Management Corporate Division (AWM) for the years ended December 31, 2010 and 2009, in accordance with our management reporting systems.

in € m. (unless stated otherwise)	2010	2009
Net revenues:		
Discretionary portfolio/fund management (AM)	1,733	1,562
Discretionary portfolio/fund management (PWM)	515	264
Total discretionary portfolio/fund management	2,247	1,826
Advisory/brokerage	857	689
Credit products	383	255
Deposits and payment services	138	169
Other products	282	(255)
Total net revenues	3,907	2,685
Provision for credit losses	43	17
Total noninterest expenses	3,765	2,475
therein:		
Policyholder benefits and claims	–	–
Impairment of intangible assets	–	(291)
Restructuring activities	–	–
Noncontrolling interests	(1)	(7)
Income (loss) before income taxes	100	200
Cost/income ratio	96 %	92 %
Assets	65,508	43,761
Average active equity[1]	6,737	4,791
Pre-tax return on average active equity	1 %	4 %
Invested assets[2] (in € bn.)	873	686

1 See Note 05 “Business Segments and Related Information” to the consolidated financial statements for a description of how average active equity is allocated to the divisions.
2 We define invested assets as (a) assets we hold on behalf of customers for investment purposes and/or (b) client assets that are managed by us. We manage invested assets on a discretionary or advisory basis, or these assets are deposited with us.

For the year 2010, AWM reported net revenues of € 3.9 billion, up € 1.2 billion, or 46 %, compared to 2009. The increase included € 646 million attributable to the acquisition of Sal. Oppenheim/BHF-BANK in Private Wealth Management (PWM), which are reflected in revenues from discretionary portfolio management/fund management (up € 250 million or 95 %), credit products (up € 128 million, or 50 %) and other products (up € 537 million from negative € 255 million in 2009). Revenues in AWM also grew due to higher asset based fees and performance fees in Asset Management’s (AM) discretionary portfolio management/fund management (up € 171 million, or 11 %). In addition, Advisory/brokerage revenues (up € 168 million, or 24 %) benefitted from higher client activity and an improved market environment. Deposits and payment services revenues decreased by € 31 million, or 18 %, mainly reflecting lower margins.

Provision for credit losses was € 43 million in 2010, an increase of € 27 million compared to 2009, mainly attri-butable Sal. Oppenheim/BHF-BANK.

Noninterest expenses in 2010 were € 3.8 billion, an increase of € 1.3 billion, or 52 %, compared to 2009. This development included the reversal of an impairment charge on intangible assets of € 291 million in AM in 2009, which related to DWS Investments in the U.S. (formerly DWS Scudder). In addition, noninterest expenses in 2010 included € 986 million related to Sal. Oppenheim/BHF-BANK.

Invested assets in AWM were € 873 billion at December 31, 2010, an increase of € 188 billion compared to December 31, 2009. The increase included € 112 billion from the acquisition of Sal. Oppenheim/BHF-BANK (€ 68 billion related to Sal. Oppenheim and € 45 billion related to BHF-BANK). The remaining increase was mainly driven by market appreciation and the weakening of the Euro. AWM recorded in 2010 net outflows of € 2.5 billion, mainly driven by cash outflows in the Americas, which were largely offset by inflows in Europe and in insurance in the Americas.

Private & Business Clients Corporate Division

The following table sets forth the results of our Private & Business Clients Corporate Division (PBC) for the years ended December 31, 2010 and 2009, in accordance with our management reporting systems.

in € m. (unless stated otherwise)	2010	2009
Net revenues:		
Discretionary portfolio/fund management	313	257
Advisory/brokerage	887	841
Credit products	2,325	2,350
Deposits and payment services	1,891	1,706
Other products	720	422
Total net revenues	6,136	5,576
Provision for credit losses	746	790
Total noninterest expenses	4,493	4,328
therein:		
Restructuring activities	–	–
Noncontrolling interests	8	0
Income (loss) before income taxes	890	458
Cost/income ratio	73 %	78 %
Assets	346,998	131,014
Average active equity[1]	3,897	3,617
Pre-tax return on average active equity	23 %	13 %
Invested assets[2] (in € bn.)	306	194
Loan volume (in € bn.)	255	96
Deposit volume (in € bn.)	229	109

1 See Note 05 “Business Segments and Related Information” to the consolidated financial statements for a description of how average active equity is allocated to the divisions.
2 We define invested assets as (a) assets we hold on behalf of customers for investment purposes and/or (b) client assets that are managed by us. We manage invested assets on a discretionary or advisory basis, or these assets are deposited with us.

Net revenues were € 6.1 billion, up € 560 million, or 10 %, versus 2009. Revenues in 2010 included the first-time consolidation of Postbank, which began on December 3, 2010. This resulted in additional net revenues of € 414 million, recorded in the interim in revenues from other products. Thus, Postbank was the main contributor for the increase of € 298 million, or 71 %, in revenues from other products, partly offset by lower revenues from PBC’s Asset and liability management function. Revenues from discretionary portfolio management/fund management revenues increased by € 56 million, or 22 %, and Advisory/brokerage revenues by € 46 million, or 5 %. Both products benefited from increased activity of retail investors in more favorable market conditions, as well as higher revenues related to insurance products sales. Credit products revenues were down by € 25 million or 1 % driven by lower margins. Deposits and payment services revenues increased by € 185 million, or 11 %, mainly driven by improved deposit margins.

Provision for credit losses was € 746 million, of which € 56 million related to Postbank. Excluding Postbank, provision for credit losses decreased by € 100 million, or 13 %, compared to 2009, mainly attributable to measures taken on portfolio and country level.

Noninterest expenses of € 4.5 billion were € 165 million, or 4 %, higher than in 2009. This increase was predominantly driven by € 320 million related to the first-time consolidation of Postbank. Excluding Postbank, noninterest expenses decreased by € 155 million, or 4 %, mainly attributable to lower severance payments.

Invested assets were € 306 billion as of December 31, 2010, an increase of € 112 billion compared to December 31, 2009, mainly driven by the Postbank consolidation. Excluding this effect, invested assets increased by € 7 billion, including € 5 billion due to market appreciation and € 2 billion net inflows, mainly in deposits.

The number of clients in PBC was 28.8 million at year end 2010, including 14.2 million related to Postbank.

Corporate Investments Group Division

The following table sets forth the results of our Corporate Investments Group Division (CI) for the years ended December 31, 2010 and 2009, in accordance with our management reporting systems.

in € m. (unless stated otherwise)	2010	2009
Net revenues	(2,020)	1,044
therein:		
Net interest income and net gains (losses) on financial assets/liabilities at fair value through profit or loss	(184)	793
Provision for credit losses	(4)	8
Total noninterest expenses	637	581
therein:		
Impairment of intangible assets	–	151
Restructuring activities	–	–
Noncontrolling interests	(2)	(1)
Income (loss) before income taxes	(2,649)	456
Cost/income ratio	N/M	56 %
Assets	17,766	28,456
Average active equity[1]	4,168	4,323
Pre-tax return on average active equity	(64) %	11 %

N/M – Not meaningful
1 See Note 05 “Business Segments and Related Information” to the consolidated financial statements for a description of how average active equity is allocated to the divisions.

Net revenues were negative € 2.0 billion, versus positive € 1.0 billion compared to 2009. Net revenues in 2010 were mainly impacted by a charge of € 2.3 billion on our investment in Postbank, which was recorded in the third quarter. In addition, net revenues included an impairment charge of € 124 million on The Cosmopolitan of Las Vegas. Net revenues in 2009 included € 1.0 billion related to the Postbank transaction, mark-to-market gains of € 83 million from our option to increase our share in Hua Xia Bank Co. Ltd. and an impairment charge of € 75 million on The Cosmopolitan of Las Vegas.

Total noninterest expenses were € 637 million, an increase of € 56 million compared to the previous year. This increase was mainly due to higher expenses related to space and building optimization and higher operating costs of our consolidated investment in The Cosmopolitan of Las Vegas, which commenced operations in December 2010. Noninterest expenses in 2009 included a goodwill impairment charge of € 151 million on our investment in Maher Terminals.

Consolidation & Adjustments

For a discussion of Consolidation & Adjustments to our business segment results see Note 05 “Business Segments and Related Information” to the consolidated financial statements.

Financial Position

The table below shows information on the financial position.

in € m.	Dec 31, 2010	Dec 31, 2009
Cash and due from banks	17,157	9,346
Interest-earning deposits with banks	92,377	47,233
Central bank funds sold, securities purchased under resale agreements and securities borrowed	49,281	50,329
Trading assets	271,291	234,910
Positive market values from derivative financial instruments	657,780	596,410
Financial assets designated at fair value through profit or loss[1]	171,926	134,000
Loans	407,729	258,105
Brokerage and securities related receivables	103,423	93,452
Remaining assets	134,666	76,879
Total assets	1,905,630	1,500,664
Deposits	533,984	344,220
Central bank funds purchased, securities sold under repurchase agreements and securities loaned	31,198	51,059
Trading liabilities	68,859	64,501
Negative market values from derivative financial instruments	647,171	576,973
Financial liabilities designated at fair value through profit or loss[2]	130,154	73,522
Other short-term borrowings	64,990	42,897
Long-term debt	169,660	131,782
Brokerage and securities related payables	116,146	110,797
Remaining liabilities	93,076	66,944
Total liabilities	1,855,238	1,462,695
Total equity	50,392	37,969

1 Includes securities purchased under resale agreements designated at fair value through profit or loss of € 108,912 million and € 89,977 million and securities borrowed designated at fair value through profit or loss of € 27,887 million and € 19,987 million as of December 31, 2010 and December 31, 2009, respectively.
2 Includes securities sold under repurchase agreements designated at fair value through profit or loss of € 107,999 million and € 52,795 million as of December 31, 2010 and December 31, 2009, respectively.

Assets and Liabilities

As of December 31, 2010, total assets were € 1,906 billion. More than half of the increase of € 405 billion, or 27 %, compared to December 31, 2009, was related to our acquisitions. The shift in foreign exchange rates and in particular between the U.S. dollar and the euro contributed another 20 % to the overall increase of our balance sheet during 2010.

Our loan book, which went up € 150 billion from prior year-end, was the primary driver for the increase in total assets. € 141 billion or 94 % of the increase was related to our acquisitions, in particular to Postbank.

Positive market values from derivatives increased by € 61 billion, with € 23 billion relating to currency translation effects and € 21 billion stemming from acquisitions.

Also, interest-earning deposits with banks almost doubled from year-end 2009 to year-end 2010, primarily to support our liquidity reserve.

Total liabilities were up by € 393 billion to € 1,855 billion.

The main driver of the growth in total liabilities were deposits, which increased by € 190 billion, significantly impacted by our acquisitions adding € 146 billion or 77 % to this position.

Negative market values from derivatives were up by € 70 billion, also primarily driven by currency translation effects and new acquisitions.

Equity

As of December 31, 2010, total equity was € 50.4 billion, an increase of € 12.4 billion, or 33 %, compared to € 38.0 billion as of December 31, 2009. The main factors contributing to this development were a capital increase of € 10.1 billion (after expenses of approximately € 0.1 billion), net income attributable to Deutsche Bank shareholders of € 2.3 billion and net gains recognized in accumulated other comprehensive income of € 1.2 billion, partly offset by cash dividends paid of € 465 million and an increase in of € 403 million in our treasury shares which are deducted from equity. The aforementioned net gains recognized in accumulated other comprehensive income were mainly driven by positive effects from exchange rate changes of € 1.2 billion (especially in the U.S. dollar).

Regulatory Capital

Total regulatory capital (Tier 1 and 2 capital) reported under Basel II was € 48.7 billion at the end of 2010 compared to € 37.9 billion at the end of 2009, reflecting primarily the completion of the € 10.2 billion capital increase in the fourth quarter and our acquisitions in 2010. Tier 1 capital increased to € 42.6 billion at the end of 2010 versus € 34.4 billion at the end of 2009. As of 31 December 2010, Core Tier 1 capital increased to € 30.0 billion from € 23.8 billion in 2009.

Update on Key Credit Market Exposures

The following is an update on the development of certain credit positions (including protection purchased from monoline insurers) of those CB&S businesses on which we have previously provided additional risk disclosures. These positions were those that significantly impacted the performance of CB&S during the recent financial crisis. In addition to these CB&S positions, we have also provided information about positions acquired from Postbank where relevant.

Mortgage Related Exposure: We have mortgage related exposures through a number of our businesses, including our CDO trading and origination and U.S. and European mortgage businesses. The following table presents the mortgage related exposure from the businesses described net of hedges and other protection purchased. Hedges consist of a number of different market instruments, including protection provided by monoline insurers, single name credit default swap contracts with market counterparties and index-based contracts.

Mortgage related exposure in our CDO trading and origination, U.S. and European residential mortgage businesses			Dec 31, 2010			Dec 31, 2009
in € m.	Gross exposure	Hedges and other protection purchased	Net exposure	Gross exposure	Hedges and other protection purchased	Net exposure
Subprime[1] and Alt-A[2] CDO exposure in trading and origination businesses:						
CDO subprime exposure – Trading	420	75	345	688	371	317
CDO subprime exposure – Available for sale	34	–	34	34	–	34
CDO Alt-A exposure – Trading	56	49	7	77	55	22
Residential mortgage trading businesses:						
Other U.S. residential mortgage business exposure[3,4]	3,428	3,153	275	4,315	3,201	1,114
European residential mortgage business exposure	169	–	169	179	–	179

1 In determining subprime, we apply industry standard criteria including FICO (credit quality) scores and loan-to-value ratios. In limited circumstances, we also classify exposures as subprime if 50 % or more of the underlying collateral is home equity loans which are subprime.
2 Alt-A loans are loans made to borrowers with generally good credit, but with non-conforming underwriting ratios or other characteristics that fail to meet the standards for prime loans. These include lower FICO scores, higher loan-to-value ratios and higher percentages of loans with limited or no documentation.
3 Thereof € (267) million Alt-A, € 10 million Subprime, € 52 million Other and € 480 million Trading-related net positions as of December 31, 2010 and € 202 million Alt-A, € 71 million Subprime, € 244 million Other and € 597 million Trading-related net positions as of December 31, 2009.
4 The reserves included in the 'Other U.S residential mortgage business' disclosure have been revised to factor in an updated calculation of credit risk and is intended to better reflect fair value of the instruments underlying the exposure. We have revised the exposure as of December 31, 2009, which results in a reduction in the net exposure of € 187 million to € 1.1 billion. As of December 31, 2010, the exposure was also calculated on this basis and results in a reduction in the net exposure of € 320 million to € 275 million.

In the above table, net exposure represents our potential loss in the event of a 100 % default of securities and associated hedges, assuming zero recovery. It is not an indication of net delta adjusted trading risk (the net delta adjusted trading risk measure is used to ensure comparability between different exposures; for each position the delta represents the change of the position in the related security which would have the same sensitivity to a given change in the market).

The table above relates to key credit market positions exposed to fair value movements. It excludes assets reclassified from trading or available for sale to loans and receivables in accordance with the amendments to IAS 39 with a carrying value as of December 31, 2010 of € 1.8 billion (which includes European residential mortgage exposure of € 1.0 billion, Other U.S. residential mortgage exposure of € 339 million, CDO subprime exposure – Trading of € 402 million) and as of December 31, 2009 of € 1.9 billion (which includes European residential mortgage exposure of € 1.1 billion, Other U.S. residential mortgage exposure of € 370 million, CDO subprime exposure – Trading of € 432 million).

In addition to these CB&S positions, Postbank has exposure to European commercial mortgage-backed securities of € 192 million as well as residential mortgage-backed securities of € 428 million (which includes € 398 million in Europe, € 27 million in U.S). In addition, Postbank has exposure to non-corporate CDOs of € 69 million where the underlying assets include both commercial mortgage-backed securities and residential mortgage-backed securities. These positions are mainly classified as loans and receivables and available for sale.

The table also excludes both agency mortgage-backed securities and agency eligible loans, which we do not consider to be credit sensitive products, and interest-only and inverse interest-only positions which are negatively correlated to deteriorating markets due to the effect on the position of the reduced rate of mortgage prepayments. The slower prepayment rate extends the average life of these interest-only products which in turn leads to a higher value due to the longer expected interest stream.

The various gross components of the overall net exposure shown above represent different vintages, locations, credit ratings and other market-sensitive factors. Therefore, while the overall numbers above provide a view of the absolute levels of our exposure to an extreme market movement, actual future profits and losses will depend on actual market movements, basis movements between different components of our positions, and our ability to adjust hedges in these circumstances.

Ocala Funding LLC: We own 71.4 % of the commercial paper issued by Ocala Funding LLC (Ocala), a commercial paper vehicle sponsored by Taylor Bean & Whitaker Mortgage Corp. (TBW), which ceased mortgage lending operations and filed for bankruptcy protection in August 2009. We classify the commercial paper as a trading asset and measure it at fair value through profit or loss. As of December 31, 2010, the total notional value of the commercial paper issued by Ocala which was held by the Group was € 904 million. As a result of TBW filing for bankruptcy and based on information available at the time, we recognized a fair value loss of approximately € 350 million for 2009 related to the Ocala commercial paper. On July 1, 2010, additional information about the collateral held by Ocala was included in an Asset Reconciliation Report filed with the bankruptcy court with respect to the TBW estate. Based on this new information and certain management assumptions related to the eligibility of claims raised against the bankruptcy administrators, we recognized an additional fair value loss in the second quarter 2010 of approximately € 270 million. In the third quarter 2010, we recorded a further fair value charge of approximately € 90 million resulting in a fair value loss adjustment for 2010 of approximately € 360 million.

Exposure to Monoline Insurers: The deterioration of the U.S. subprime mortgage and related markets has generated large exposures to financial guarantors, such as monoline insurers, that have insured or guaranteed the value of pools of collateral referenced by CDOs and other market-traded securities. Actual claims against monoline insurers will only become due if actual defaults occur in the underlying assets (or collateral). There is ongoing uncertainty as to whether some monoline insurers will be able to meet all their liabilities to banks and other buyers of protection. Under certain conditions (e.g., liquidation) we can accelerate claims regardless of actual losses on the underlying assets.

The following tables summarize the fair value of our counterparty exposures to monoline insurers with respect to U.S. residential mortgage-related activity and other activities, respectively, in each case on the basis of the fair value of the assets compared with the notional value guaranteed or underwritten by monoline insurers. The other exposures described in the second table arise from a range of client and trading activity, including collateralized loan obligations, commercial mortgage-backed securities, trust preferred securities, student loans and public sector or municipal debt. The tables show the associated credit valuation adjustments ("CVA") that we have recorded against the exposures. CVAs are assessed using a model-based approach with numerous input factors for each counterparty, including the likelihood of an event (either a restructuring or insolvency), an assessment of any potential settlement in the event of a restructuring and recovery rates in the event of either restructuring or insolvency. The ratings in the tables below are the lower of Standard & Poor's, Moody's or our own internal credit ratings as of December 31, 2010 and December 31, 2009.

Monoline exposure related to U.S. residential mortgages				Dec 31, 2010				Dec 31, 2009
in € m.	Notional amount	Fair value prior to CVA	CVA	Fair value after CVA	Notional amount	Fair value prior to CVA	CVA	Fair value after CVA
AA Monolines:								
Other subprime	139	60	(6)	54	142	70	(6)	64
Alt-A	4,069	1,539	(308)	1,231	4,337	1,873	(172)	1,701
Total AA Monolines	4,208	1,599	(314)	1,285	4,479	1,943	(178)	1,765

Other Monoline exposure				Dec 31, 2010				Dec 31, 2009
in € m.	Notional amount	Fair value prior to CVA	CVA	Fair value after CVA	Notional amount	Fair value prior to CVA	CVA	Fair value after CVA
AA Monolines:								
TPS-CLO	2,988	837	(84)	753	2,717	925	(85)	840
CMBS	1,084	12	(1)	11	1,004	68	(6)	62
Corporate single name/Corporate CDO	602	(1)	–	(1)	2,033	(3)	–	(3)
Student loans	295	19	(2)	17	232	39	(4)	35
Other	925	226	(23)	203	902	249	(23)	226
Total AA Monolines	5,894	1,093	(110)	983	6,888	1,277	(117)	1,160
Non Investment Grade Monolines:								
TPS-CLO	917	215	(49)	166	876	274	(100)	174
CMBS	6,024	547	(273)	274	5,932	813	(355)	458
Corporate single name/Corporate CDO	2,180	12	(6)	6	4,366	26	(12)	14
Student loans	1,308	597	(340)	257	1,221	560	(319)	241
Other	1,807	226	(94)	132	1,645	278	(102)	176
Total Non Investment Grade Monolines	12,236	1,597	(762)	835	14,040	1,950	(887)	1,063
Total	18,130	2,690	(872)	1,818	20,928	3,227	(1,004)	2,223

The tables exclude counterparty exposure to monoline insurers that relates to wrapped bonds. A wrapped bond is one that is insured or guaranteed by a third party. As of December 31, 2010 and December 31, 2009, the exposure on wrapped bonds related to U.S. residential mortgages was € 67 million and € 100 million, respectively, and the exposure on wrapped bonds other than those related to U.S. residential mortgages was € 58 million and € 54 million, respectively. In each case, the exposure represents an estimate of the potential mark-downs of wrapped assets in the event of monoline defaults.

A proportion of the mark-to-market monoline exposure has been mitigated with CDS protection arranged with other market counterparties and other economic hedge activity.

As of December 31, 2010 and December 31, 2009 the total credit valuation adjustment held against monoline insurers was € 1,186 million and € 1,182 million respectively.

Commercial Real Estate Business: Our Commercial Real Estate business takes positions in commercial mortgage whole loans which are originated and either held with the intent to sell, syndicate, securitize or otherwise distribute to third party investors, or held on an amortized cost basis. The following is a summary of our exposure to commercial mortgage whole loans as of December 31, 2010 and December 31, 2009. This excludes our portfolio of secondary market commercial mortgage-backed securities which are actively traded and priced.

Commercial Real Estate whole loans

in € m.	Dec 31, 2010	Dec 31, 2009
Loans held on a fair value basis, net of risk reduction[1]	2,265	1,806
Loans reclassified in accordance with the amendments to IAS 39[2]	4,941	6,453
Loans related to asset sales[3]	2,186	2,083
Other loans classified as loans and receivables[4]	15,814	–

1 Risk reduction trades represent a series of derivative or other transactions entered into in order to mitigate risk on specific whole loans. Fair value of risk reduction amounted to € 689 million as of December 31, 2010 and € 1.0 billion as of December 31, 2009.
2 Carrying value.
3 Carrying value of vendor financing on loans sold since January 1, 2008.
4 Carrying value of loans acquired from Postbank.

Leveraged Finance Business: The following is a summary of our exposures to leveraged loan and other financing commitments arising from the activities of our Leveraged Finance business as of December 31, 2010 and December 31, 2009. These activities include private equity transactions and other buyout arrangements. The table excludes loans transacted prior to January 1, 2007, which were undertaken prior to the disruption in the leveraged finance markets, and loans that have been classified as held to maturity since inception.

Leveraged Finance

in € m.	Dec 31, 2010	Dec 31, 2009
Loans held on a fair value basis	2,263	505
thereof: loans entered into since January 1, 2008	2,230	385
Loans reclassified in accordance with the amendments to IAS 39[1]	1,367	6,152
Loans related to asset sales[2]	5,863	5,804

1 Carrying value. The significant decrease in carrying value since December 2009 is mainly due to the restructuring of loans with Actavis Group hF, as described in Note 17 “Equity Method Investments”.
2 Carrying value of vendor financing on loans sold since January 1, 2008.

Special Purpose Entities

We engage in various business activities with certain entities, referred to as special purpose entities (SPEs), which are designed to achieve a specific business purpose. The principal uses of SPEs are to provide clients with access to specific portfolios of assets and risk and to provide market liquidity for clients through securitizing financial assets. SPEs may be established as corporations, trusts or partnerships.

We may or may not consolidate SPEs that we have set up or sponsored or with which we have a contractual relationship. We will consolidate an SPE when we have the power to govern its financial and operating policies, generally accompanying a shareholding, either directly or indirectly, of more than half the voting rights. If the activities of the SPEs are narrowly defined or it is not evident who controls the financial and operating policies of the SPE we will consider other factors to determine whether we have the majority of the risks and rewards. We reassess our treatment of SPEs for consolidation when there is a change in the SPE’s arrangements or the substance of the relationship between us and an SPE changes. For further detail on our accounting policies regarding consolidation and reassessment of consolidation of SPEs please refer to Note 01 “Significant Accounting Policies” in our consolidated financial statements.

In limited situations we consolidate some SPEs for both financial reporting and German regulatory purposes. However, in all other cases we hold regulatory capital, as appropriate, against all SPE-related transactions and related exposures, such as derivative transactions and lending-related commitments and guarantees. To date, our exposures to non-consolidated SPEs have not had a material impact on our debt covenants, capital ratios, credit ratings or dividends.

The following sections provide detail about the assets (after consolidation eliminations) in our consolidated SPEs and our maximum unfunded exposure remaining to certain non-consolidated SPEs. These sections should be read in conjunction with the Update on Key Credit Market Exposures which is included in the section “Financial Position”.

Total Assets in Consolidated SPEs

Dec 31, 2010						Asset type
in € m.	Financial assets at fair value through profit or loss[1]	Financial assets available for sale	Loans	Cash and cash equivalents	Other assets	Total assets
Category:						
Group sponsored ABCP conduits	–	431	15,304	–	59	15,794
Group sponsored securitizations	3,168	369	1,250	20	23	4,830
Third party sponsored securitizations	189	–	507	2	18	716
Repackaging and investment products	6,606	1,053	206	2,211	664	10,740
Mutual funds	4,135	9	–	465	654	5,263
Structured transactions	2,533	269	5,315	386	381	8,884
Operating entities	1,676	3,522	3,309	514	3,582	12,603
Other	199	300	556	117	304	1,476
Total	18,506	5,953	26,447	3,715	5,685	60,306

[1] Fair value of derivative positions is € 158 million.

Dec 31, 2009						Asset type
in € m.	Financial assets at fair value through profit or loss[1]	Financial assets available for sale	Loans	Cash and cash equivalents	Other assets	Total assets
Category:						
Group sponsored ABCP conduits	30	279	15,222	–	33	15,564
Group sponsored securitizations	3,409	–	1,175	4	57	4,645
Third party sponsored securitizations	200	–	516	3	73	792
Repackaging and investment products	5,789	1,973	36	661	557	9,016
Mutual funds	5,163	–	–	1,313	35	6,511
Structured transactions	2,531	108	5,207	26	423	8,295
Operating entities	1,603	3,319	1,898	501	2,416	9,737
Other	610	240	786	59	453	2,148
Total	19,335	5,919	24,840	2,567	4,047	56,708

[1] Fair value of derivative positions is € 250 million.

Group Sponsored ABCP Conduits

We set up, sponsor and administer our own asset-backed commercial paper (ABCP) programs. These programs provide our customers with access to liquidity in the commercial paper market and create investment products for our clients. As an administrative agent for the commercial paper programs, we facilitate the purchase of non-Deutsche Bank Group loans, securities and other receivables by the commercial paper conduit (conduit), which then issues to the market high-grade, short-term commercial paper, collateralized by the underlying assets, to fund the purchase. The conduits require sufficient collateral, credit enhancements and liquidity support to maintain an investment grade rating for the commercial paper. We are the liquidity provider to these conduits and therefore exposed to changes in the carrying value of their assets. We consolidate the majority of our sponsored conduit programs because we have the controlling interest.

Our liquidity exposure to these conduits is to the entire commercial paper issued of € 16.3 billion and € 16.2 billion as of December 31, 2010 and December 31, 2009, of which we held € 2.2 billion and € 8.2 billion, respectively. The decrease in the commercial paper held is due to improved liquidity in the market during the year.

The collateral in the conduits includes a range of asset-backed loans and securities, including aircraft leasing, student loans, trust preferred securities and residential- and commercial-mortgage-backed securities. There has been no significant movement in the collateral held in these conduits during the period.

Group Sponsored Securitizations

We sponsor SPEs for which we originate or purchase assets. These assets are predominantly commercial and residential whole loans or mortgage-backed securities. The SPEs fund these purchases by issuing multiple tranches of securities, the repayment of which is linked to the performance of the assets in the SPE. When we retain a subordinated interest in the assets that have been securitized, an assessment of the relevant factors is performed and, if SPEs are controlled by us, they are consolidated. The fair value of our retained exposure in these securitizations as of December 31, 2010 and December 31, 2009 was € 3.2 billion and € 3.0 billion, respectively.

Third Party Sponsored Securitizations

In connection with our securities trading and underwriting activities, we acquire securities issued by third party securitization vehicles that purchase diversified pools of commercial and residential whole loans or mortgage-backed securities. The vehicles fund these purchases by issuing multiple tranches of securities, the repayment of which is linked to the performance of the assets in the vehicles. When we hold a subordinated interest in the SPE, an assessment of the relevant factors is performed and if SPEs are controlled by us, they are consolidated. As of December 31, 2010 and December 31, 2009 the fair value of our retained exposure in these securitizations was € 0.7 billion and € 0.7 billion, respectively.

Repackaging and Investment Products

Repackaging is a similar concept to securitization. The primary difference is that the components of the repackaging SPE are generally securities and derivatives, rather than non-security financial assets, which are then "repackaged" into a different product to meet specific individual investor needs. We consolidate these SPEs when we have the majority of risks and rewards. Investment products offer clients the ability to become exposed to specific portfolios of assets and risks through purchasing our structured notes. We hedge this exposure by purchasing interests in SPEs that match the return specified in the notes. We consolidate the SPEs when we hold the controlling interest or have the majority of risks and rewards. In 2010, consolidated assets increased by € 1.7 billion as a result of new business during the period.

Mutual Funds

We offer clients mutual fund and mutual fund-related products which pay returns linked to the performance of the assets held in the funds. We provide a guarantee feature to certain funds in which we guarantee certain levels of the net asset value to be returned to investors at certain dates. The risk for us as guarantor is that we have to compensate the investors if the market values of such products at their respective guarantee dates are lower than the guaranteed levels. For our investment management service in relation to such products, we earn management fees and, on occasion, performance-based fees. We are not contractually obliged to support these funds and have not done so during 2010. In 2009, we made a decision to support the funds' target yields by injecting cash of € 16 million.

During 2010 the amount of assets held in consolidated funds decreased by € 1.2 billion. This movement was predominantly due to cash outflows during the period.

Structured Transactions

We enter into certain structures which offer clients funding opportunities at favorable rates. The funding is predominantly provided on a collateralized basis. These structures are individually tailored to the needs of our clients. We consolidate these SPEs when we hold the controlling interest or we have the majority of the risks and rewards through a residual interest holding and/or a related liquidity facility. The composition of the SPEs that we consolidate is influenced by the execution of new transactions and the maturing, restructuring and exercise of early termination options with respect to existing transactions.

Operating Entities

We establish SPEs to conduct some of our operating business when we benefit from the use of an SPE. These include direct holdings in certain proprietary investments and the issuance of credit default swaps where our exposure has been limited to our investment in the SPE. We consolidate these entities when we hold the controlling interest or are exposed to the majority of risks and rewards of the SPE. In 2009, our exposure to Maher Terminals LLC and Maher Terminals of Canada Corp. was reclassified from Repackaging and Investment Products to Operating Entities. During 2010 the amount of assets held in Operating entities increased by € 2.9 billion. This movement was predominantly due to the consolidation of Postbank SPEs of € 1.4 billion and € 1.1 billion following the completion of the Cosmopolitan of Las Vegas.

Exposure to Non-consolidated SPEs

in € bn.	Dec 31, 2010	Dec 31, 2009
Maximum unfunded exposure by category:		
Group sponsored ABCP conduits	2.5	2.7
Third party ABCP conduits[1]	2.4	2.5[1]
Third party sponsored securitizations		
U.S.	1.5	3.9
non-U.S.	1.2	2.5
Guaranteed mutual funds[2]	10.7	12.4
Real estate leasing funds	0.8	0.8

1 This includes a margin facility as a result of the restructuring of the Canadian asset-backed commercial paper program in January 2009 (€ 1.8 billion and € 1.6 billion as of December 31, 2010 and 2009, respectively). There have been no drawdowns against this facility.
2 Notional amount of the guarantees.

Group Sponsored ABCP Conduits

We sponsor and administer five ABCP conduits, established in Australia, which are not consolidated because we do not hold the majority of risks and rewards. These conduits provide our clients with access to liquidity in the commercial paper market in Australia. As of December 31, 2010 and December 31, 2009 they had assets totaling € 1.9 billion and € 2.3 billion respectively, consisting of securities backed by non-U.S. residential mortgages issued by warehouse SPEs set up by the clients to facilitate the purchase of the assets by the conduits. The minimum credit rating for these securities is AA–. The credit enhancement necessary to achieve the required credit ratings is ordinarily provided by mortgage insurance extended by third-party insurers to the SPEs.

The weighted average life of the assets held in the conduits is five years. The average life of the commercial paper issued by these off-balance sheet conduits is one to three months.

Our exposure to these entities is limited to the committed liquidity facilities totaling € 2.5 billion as of December 31, 2010 and € 2.7 billion as of December 31, 2009. None of these liquidity facilities have been drawn. Advances against the liquidity facilities are collateralized by the underlying assets held in the conduits, and thus a drawn facility will be exposed to volatility in the value of the underlying assets. Should the assets decline sufficiently in value, there may not be sufficient funds to repay the advance. As at December 31, 2010 we did not hold material amounts of commercial paper or notes issued by these conduits.

Third Party ABCP Conduits

In addition to sponsoring our commercial paper programs, we also assist third parties with the formation and ongoing risk management of their commercial paper programs. We do not consolidate any third party ABCP conduits as we do not control them.

Our assistance to third party conduits is primarily financing-related in the form of unfunded committed liquidity facilities and unfunded committed repurchase agreements in the event of disruption in the commercial paper market. The liquidity facilities and committed repurchase agreements are recorded off-balance sheet unless a contingent payment is deemed probable and estimable, in which case a liability is recorded. At December 31, 2010 and 2009, the notional amount of undrawn facilities provided by us was € 2.4 billion and € 2.5 billion, respectively. These facilities are collateralized by the assets in the SPEs and therefore the movement in the fair value of these assets will affect the recoverability of the amount drawn.

Third Party Sponsored Securitizations

The third party securitization vehicles to which we, and in some instances other parties, provide financing are third party-managed investment vehicles that purchase diversified pools of assets, including fixed income securities, corporate loans, asset-backed securities (predominantly commercial mortgage-backed securities, residential mortgage-backed securities and credit card receivables) and film rights receivables. The vehicles fund these purchases by issuing multiple tranches of debt and equity securities, the repayment of which is linked to the performance of the assets in the vehicles.

The notional amount of liquidity facilities with an undrawn component provided by us as of December 31, 2010 and December 31, 2009 was € 7.0 billion and € 11.1 billion, respectively, of which € 4.3 billion and € 4.7 billion had been drawn and € 2.7 billion and € 6.4 billion were still available to be drawn as detailed in the table. The reduction in the total notional during the period was largely due to maturing facilities. All facilities are available to be drawn if the assets meet certain eligibility criteria and performance triggers are not reached. These facilities are collateralized by the assets in the SPEs and therefore the movement in the fair value of these assets affects the recoverability of the amount drawn.

Mutual Funds

We provide guarantees to funds whereby we guarantee certain levels of the net asset value to be returned to investors at certain dates. These guarantees do not result in us consolidating the funds; they are recorded on-balance sheet as derivatives at fair value with changes in fair value recorded in the consolidated statement of income. The fair value of the guarantees was € 5.3 million as of December 31, 2010 and € 2.5 million as of December 31, 2009. As of December 31, 2010, these non-consolidated funds had € 12.0 billion assets under management and provided guarantees of € 10.7 billion. As of December 31, 2009, assets of € 13.7 billion and guarantees of € 12.4 billion were reported. The decrease in assets under management was primarily due to cash out flows from funds during the period.

Real Estate Leasing Funds

We provide guarantees to SPEs that hold real estate assets (commercial and residential land and buildings and infrastructure assets located in Germany) that are financed by third parties and leased to our clients. These guarantees are only drawn upon in the event that the asset is destroyed and the insurance company does not pay for the loss. If the guarantee is drawn we hold a claim against the insurance company. We also write put options to closed-end real estate funds set up by us, which purchase commercial or infrastructure assets located in Germany and which are then leased to third parties. The put option allows the shareholders to sell the asset to us at a fixed price at the end of the lease. As at December 31, 2010 and December 31, 2009 the notional amount of the guarantees was € 514 million and € 525 million respectively, and the notional of the put options was € 246 million and € 246 million respectively. The guarantees and the put options have an immaterial fair value. We do not consolidate these SPEs as we do not hold the majority of their risks and rewards.

Liquidity and Capital Resources

For a detailed discussion of our liquidity risk management, see our Risk Report and Note 36 “Regulatory Capital” to our consolidated financial statements.

Long-term Credit Ratings

We believe that maintaining a strong credit quality is a key part of the value we offer to our clients, bondholders and shareholders. Below are our long-term credit ratings, which with the exception of Moody’s have remained unchanged throughout 2010.

On March 4, 2010, Moody’s Investors Service downgraded the long-term credit rating of Deutsche Bank AG from Aa1 to Aa3. Moody’s attributed the downgrade to the bank’s continued preponderance of capital market activities and the resulting challenges for risk management, the delay in the acquisition of Deutsche Postbank AG and the consequent deferral of possible benefits of this acquisition, as well as Deutsche Bank’s other businesses which have shown a greater degree of earnings volatility than expected.

	Dec 31, 2010	Dec 31, 2009	Dec 31, 2008
Moody’s Investors Service, New York[1]	Aa3	Aa1	Aa1
Standard & Poor’s, New York[2]	A+	A+	A+
Fitch Ratings, New York[3]	AA–	AA–	AA–

1 Moody’s defines the Aa rating as denoting bonds that are judged to be high quality by all standards. Moody’s rates Aa bonds lower than the best bonds (which it rates Aaa) because margins of protection may not be as large as in Aaa securities or fluctuation of protective elements may be of greater amplitude or there may be other elements present which make the long-term risk appear somewhat greater than Aaa securities. The numerical modifier 1 indicates that Moody’s ranks the obligation in the upper end of the Aa category. The numerical modifier 3 indicates that Moody’s ranks the obligation in the lower end of the Aa category.
2 Standard and Poor’s defines its A rating as somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor’s capacity to meet its financial commitment on the obligation is still strong.
3 Fitch Ratings defines its AA rating as very high credit quality. Fitch Ratings uses the AA rating to denote a very low expectation of credit risk. According to Fitch Ratings, AA-ratings indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events. Category AA is Fitch Ratings second-highest rating category; the minus indicates a ranking in the lower end of the AA category.

Each rating reflects the view of the rating agency only at the time it gave us the rating, and you should evaluate each rating separately and look to the rating agencies for any explanations of the significance of their ratings. The rating agencies can change their ratings at any time if they believe that circumstances so warrant. You should not view these long-term credit ratings as recommendations to buy, hold or sell our securities.

Tabular Disclosure of Contractual Obligations

The table below shows the cash payment requirements from contractual obligations outstanding as of December 31, 2010.

Contractual obligations

		Payment due by period			
in € m.	Total	Less than 1 year	1–3 years	3–5 years	More than 5 years
Long-term debt obligations	169,660	28,870	44,296	35,703	60,791
Trust preferred securities	12,250	1,334	2,736	1,745	6,435
Long-term financial liabilities designated at fair value through profit or loss[1]	16,383	3,675	4,711	3,040	4,957
Finance lease obligations	155	17	29	36	73
Operating lease obligations	5,221	831	1,341	975	2,074
Purchase obligations	2,643	578	1,407	585	73
Long-term deposits	58,729	–	22,461	12,969	23,299
Other long-term liabilities	13,298	662	732	1,044	10,860
Total	278,339	35,967	77,713	56,097	108,562

1 Mainly long-term debt and long-term deposits designated at fair value through profit or loss.

Figures above do not include the benefit of noncancelable sublease rentals of € 248 million on operating leases. Purchase obligations for goods and services include future payments for, among other things, processing, information technology and custodian services. Some figures above for purchase obligations represent minimum contractual payments and actual future payments may be higher. Long-term deposits exclude contracts with a remaining maturity of less than one year. Under certain conditions future payments for some long-term financial liabilities designated at fair value through profit or loss may occur earlier. See the following notes to the consolidated financial statements for further information: Note 12 "Financial Assets/Liabilities at Fair Value through Profit or Loss", Note 23 "Leases", Note 27 "Deposits" and Note 30 "Long-Term Debt and Trust Preferred Securities".

Value-based Management

Since 2009 we have further developed our value-based management framework, which focusses on Total Shareholder Return (TSR). Based on a TSR-model, which identifies the determinants of our value development empirically, key metrics for internal steering were derived and connected with business-specific value drivers.

The key metrics include indicators for profitability and growth and evaluate the development of the Group and its divisions while considering certain constraints (for example with regard to captial consumption and leverage).

Key indicators

1	Return on Equity	5	Revenue growth	9	Core Tier 1 ratio	13	Share of classic banking
2	IBIT	6	IBIT growth	10	Leverage ratio	14	Revenues from growth regions
3	Cost/income ratio	7	Asset growth	11	Liquidity		
4	Economic profit	8	Economic profit growth	12	Econ. capital usage		

Besides key metrics, business-specific value drivers were identified for every business division individually. These value drivers are the main internal and external factors which influence the performance and include financial as well as non-financial indicators, such as the number of customers, business volumes, margins, market share, external indicies or economic paramters. The selection of value drivers is based on empiric analyses and was agreed with the management of each buiness division.

The improved concept was included in this years' planning process and will be the future benchmark for monthly financial reporting as well as the basis for the quarterly discussion of individual business divisions' performance expecatations.

Events after the Reporting Date

After the balance sheet date no significant events occurred, which had a significant impact on our results of operations, financial position and net assets.

Report of the Supervisory Board

In 2010, the economic environment continued to stabilize further, beyond our original expectations. In particular our home market, Germany, benefited from this. Growth continued in the key emerging markets of Latin America and Asia. In the eurozone, fiscal tightening and economic rebalancing dampened growth in some countries. Uncertainties remain concerning the stability of the financial system, which, in light of the excessive levels of sovereign debt, led to high volatility in the capital markets. Furthermore, new regulatory requirements have become more concrete in the wake of the crisis. The “Basel III” rules recently approved by the G20 are just the beginning.

For Deutsche Bank, 2010 was a year of investments, a year in which we drove change and clearly enhanced our competitive position. In many ways, the bank is now stronger than before the financial crisis and exceptionally well positioned for renewed growth. Our market presence was significantly expanded through the takeover of parts of ABN AMRO Bank in the Netherlands as well as Sal. Oppenheim and Postbank in Germany. The bank has thus improved its earnings power, especially in the retail and commercial banking businesses, and is creating a second powerful revenue engine alongside its globally successful investment banking operations.

The bank also strengthened its equity capital base. Thanks to the well-chosen timeframe, the capital increase was carried out very successfully in September with gross issue proceeds of € 10.2 billion, making it possible to launch into the decisive phase of the Postbank takeover. The bank’s capital strength will continue to be a top priority for the Management Board and Supervisory Board in the future, too. We also took this into account in this year’s dividend proposal, just like last year. The bank will continue to face major challenges, including the Postbank integration, and new regulatory requirements. We would like to thank the Management Board and the bank’s employees for their great personal dedication.

In 2010, we again addressed numerous statutory and regulatory changes. Last year, we extensively discussed the bank’s economic and financial development, its operating environment, risk management system, planning and internal control system as well as changes in the system of compensation for the Management Board. We held in-depth discussions with the Management Board on the bank’s strategy and continued implementation of the measures in phase four of the bank’s management agenda. The Management Board reported to us regularly, without delay and comprehensively on business policies and other fundamental issues relating to management and corporate planning, the bank’s financial development and earnings situation, the bank’s risk, liquidity and capital management as well as transactions and events that were of significant importance to the bank. We advised the Management Board and monitored its management of business. We were involved in decisions of fundamental importance. Regular discussions were also held between the Chairman of the Supervisory Board and the Chairman of the Management Board dealing with important topics and upcoming decisions. Between meetings, the Management Board kept us informed in writing of important events. Resolutions were passed by circulation procedure when necessary between the meetings.

Meetings of the Supervisory Board

The Supervisory Board held nine meetings in the 2010 financial year.

At the first meeting of the year on February 3, 2010, we discussed the development of business in 2009, the key figures of the Annual Financial Statements for 2009 and a comparison of the plan-actual figures for 2009. The dividend proposal for the year 2009 as well as the corporate planning for the years 2010 to 2012 were noted with approval. Furthermore, we discussed the audit report by PricewaterhouseCoopers on the proper functioning of the business organization of the Corporate Security area, as well as the Corporate Governance Report and Corporate Governance Statement. We gave our consent to Dr. Börsig and Dr. Eick being named in the Annual Report as financial experts in accordance with German and U.S. law and verified the independence of the Audit Committee members. Finally, we approved amendments to the Articles of Association and, following extensive discussion, the restructuring of the Management Board's compensation based on a recommendation from the Chairman's Committee.

At two other meetings on February 10 and February 18, 2010, we discussed the basis for calculating the variable compensation for the Management Board for the 2009 financial year, including the regulations of the Act on the Appropriateness of Management Board Compensation (VorstAG), and subsequently determined the Management Board's compensation – with the involvement of an independent external legal advisor and compensation consultant – while taking into account the recommendations of the Chairman's Committee.

At the financial statements meeting on March 12, 2010, based on the Audit Committee's recommendation and after a discussion with the auditor, we approved the Consolidated Financial Statements and Annual Financial Statements for 2009. Furthermore, the Compliance and Anti-Money Laundering Report was presented and a discussion was held on the possible increase in our participation in Hua Xia Bank in China. Mr. Lamberti informed us of the bank's compensation structures and practices (Remuneration Report) in accordance with the new requirements of the Federal Financial Supervisory Authority (BaFin). We also obtained extensive information on the key risk positions and the Group's risk management. Changes in the composition of the Regional Advisory Boards and Advisory Councils in Germany were presented to us, and the resolution proposals for the Agenda of the General Meeting 2010 were approved.

At the meeting on the day before the General Meeting, we discussed the procedures for the General Meeting and the announced counterproposals as well as the status of litigation in connection with the General Meetings 2004 – 2009. As necessary, resolutions were approved. Furthermore, Dr. Ackermann summarized the bank's exposures in Greece and reported on the future course of action.

At an extraordinary meeting on June 15, 2010, we noted Mr. Cohrs's request to retire from the Management Board with effect from September 30, 2010, and agreed in general, on the basis of specific criteria, to the termination of his service agreement. Furthermore, we approved in general the resulting changes to the Business Allocation Plan for the Management Board based on the proposal submitted by the Chairman's Committee. Dr. Ackermann informed us of the stress tests planned for financial institutions.

At the meeting on July 27, 2010, we were informed of the bank's development in the first six months of the year. Based on the supplements to the German Corporate Governance Code approved by the Government Commission in May 2010, amendments to the terms of reference for the Supervisory Board, Chairman's Committee and Nomination Committee were resolved, with the aim of implementing all of the new recommendations of the Code. Furthermore, we approved an adjustment to the plan conditions for the restricted incentive and equity awards issued to the Management Board members in 2010. Mr. Lamberti reported to us on the bank's IT infrastructure, the governance of GTO and ongoing challenges facing the banking sector. Mr. Krause presented the strategic and financial objectives of the complexity reduction program as well as a progress report on the integration of Sal. Oppenheim and the commercial banking activities taken over from ABN AMRO Bank in the Netherlands. In addition, we approved the Management Board resolution to raise our participation in Hua Xia Bank in China to 19.99 % within the framework of its capital increase as well as the proposal submitted by the Chairman's Committee regarding the termination of Mr. Cohrs's service agreement.

At an extraordinary meeting on September 12, 2010, based on the recommendation of the Chairman's Committee, we consented to the Management Board resolutions taken on the same day to submit a public takeover offer to the shareholders of Deutsche Postbank AG and to increase the share capital of the bank.

At the last meeting of the year on October 27, 2010, we were informed of the development of business in the third quarter and of the status of the takeover offer submitted to shareholders of Deutsche Postbank AG. Together with the Management Board, we discussed in detail the bank's further strategic development along with the corresponding targets and planned measures. Mr. Lamberti presented to us the Deutsche Bank Human Resources Report. Furthermore, changes to the Terms of Reference for the Management Board, including the Business Allocation Plan, and to the Terms of Reference for the Audit Committee, based on the Minimum Requirements for the Compliance Function were discussed and approved. Finally, we determined the objectives for the composition of the Supervisory Board.

The Committees of the Supervisory Board

The Chairman's Committee met ten times during the reporting period. In addition, two telephone conferences took place. Between the meetings, the Chairman of the Chairman's Committee spoke with the Committee members regularly about issues of major importance. The Committee examined, in particular, the new statutory and regulatory requirements for Management Board compensation and their implementation, the preparations for determining the variable compensation for the 2009 financial year, issues of succession planning and the termination of the Management Board appointment of Mr. Cohrs. Discussions also focussed on the amendments required to the terms of reference for the Management Board and the Supervisory Board and its committees as well as changes to the Management Board's Business Allocation Plan. In addition, the Chairman's Committee prepared resolutions for the Supervisory Board and gave its approval to Management Board members for their ancillary activities or to accept directorships at other companies. Furthermore, based on the authorization of the Supervisory Board, it approved the final structure of the bank's capital increase. Finally, it handled the implementation of the new recommendations and suggestions of the German Corporate Governance Code.

At its six meetings, the Risk Committee discussed the bank's exposures subject to mandatory approval under German law and the Articles of Association. Where necessary, the Risk Committee gave its approval. Apart from credit, liquidity, country, market and operational risks, the Committee also addressed legal and reputational risks. The Committee's discussions extensively covered the bank's risk position along with the developments of the sovereign debt crisis in Europe and their impacts on the bank. In addition to the development of risks relating to leveraged finance, commercial real estate finance and monoline insurers, the Committee discussed in detail the effects of the new regulatory rules on the bank and its risk position. Furthermore, the Committee focussed on the risk absorption capacity, i.e. the ratio between available and required capital (reporting in accordance with ICAAP) including a comparison of the economic risks to the risk coverage potential and its consistent incorporation in risk management, and on the development of the bank's refinancing and liquidity position. Also, global industry portfolios were presented according to a specified plan and discussed at length.

The Audit Committee met six times in 2010. Representatives of the bank's auditor participated regularly in these meetings. Subjects covered were the audit of the Annual Financial Statements and Consolidated Financial Statements for 2009, the quarterly financial statements, Forms 20-F and 6-K for the U.S. Securities and Exchange Commission (SEC), as well as the interim reports. The Committee dealt with the proposal for the election of the auditor for the 2010 financial year, issued the audit mandate, specified audit areas of focus, resolved on the auditor's remuneration and verified the auditor's independence in accordance with the requirements of the German Corporate Governance Code and the rules of the U.S. Public Company Accounting Oversight Board (PCAOB). The Audit Committee is convinced that, as in the previous years, there are no conflicts of interest on the part of the bank's auditor. It checked in detail to what extent our internal control systems are in accordance with the requirements of the Sarbanes-Oxley Act. The Committee assured itself of the effectiveness of the system of internal controls, risk management and internal audit and monitored the financial reporting and accounting process. When necessary, resolutions were passed or recommendations were issued for the Supervisory Board's approval. The Audit Committee had reports submitted to it regularly on the engagement of accounting firms, including the auditor, with non-audit-related tasks, on the work of internal audit, on issues relating to compliance, on legal and reputational risks as well as on special investigations and significant findings of regulatory authorities. Internal Audit's plan for the year was noted with approval. The Audit Committee did not receive any complaints in connection with accounting, internal accounting controls and auditing matters. At the last meeting of the year, the Committee obtained information from the Management Board and the auditor on key topics in planning for the Annual Financial Statements for 2010. These included, above all, the initial consolidation of Deutsche Postbank AG, Sal. Oppenheim and the business units acquired from ABN AMRO Bank in the Netherlands, the measures to prepare for the audit of the Annual Financial Statements and the areas of audit focus pursuant to Section 30 of the German Banking Act (KWG). Furthermore, it received reports on the replacement of IAS 39 and the introduction of IFRS 9 for financial instruments, as well as on steps taken and further plans for the complexity reduction program.

The Nomination Committee held two informal meetings relating to succession issues on the Supervisory Board.

Meetings of the Mediation Committee, established pursuant to the provisions of Germany's Co-Determination Act (MitbestG), were not necessary in 2010.

The committee chairmen reported regularly to the Supervisory Board on the work of the committees.

In 2010, all Supervisory Board members participated in the meetings of the Supervisory Board and their respective committees with only few exceptions (average attendance: 95 %).

Corporate Governance

Implementation of the new recommendations of the German Corporate Governance Code was discussed at the Supervisory Board and Chairman's Committee meetings in July 2010. The Supervisory Board resolved to implement all of the new recommendations of the Code and accordingly amended the terms of reference for the Supervisory Board, Chairman's Committee, Nomination Committee and Management Board as necessary.

In addition, the Chairman's Committee and Supervisory Board addressed the implementation of the new regulations on Management Board compensation at several meetings. For the review of the structure of the Management Board's compensation system and of the appropriateness of the variable compensation for the 2010 financial year, the Supervisory Board resolved to engage an independent legal advisor and a compensation consultant.

Furthermore, at the meeting in October 2010, based on a proposal by the Chairman's Committee and in accordance with No. 5.4.1 of the German Corporate Governance Code, we determined the objectives for the composition of the Supervisory Board (see pages 375 ff. of the Corporate Governance Report in the Financial Report 2010).

As resolved in October 2009, efficiency reviews on the basis of company-specific questionnaires were carried out in spring 2010, not only for the Supervisory Board as a whole, but also for the Chairman's, Audit and Risk Committees, and the results were presented and discussed in detail at the subsequent meetings. We are of the opinion that the work of the Supervisory Board is carried out efficiently and that a high standard was achieved in this context. Suggestions and measures that had been recommended in the previous review of the Supervisory Board's efficiency were effectively implemented and led to a further increase in the efficiency of the work of the Supervisory Board and its committees. In addition, initial suggestions from the efficiency reviews were already implemented in 2010.

We determined that the Supervisory Board has what we consider to be an adequate number of independent members. We also determined that all members of the Audit Committee are independent as defined by the implementation rules of the Securities and Exchange Commission (SEC) issued pursuant to Section 407 of the Sarbanes-Oxley Act of 2002. Dr. Börsig and Dr. Eick were named as Audit Committee financial experts in accordance with the regulations of the SEC as well as Sections 107 (4) and 100 (5) of the German Stock Corporation Act (AktG).

The Declaration of Conformity pursuant to Section 161 of the German Stock Corporation Act (AktG), last issued by the Supervisory Board and Management Board in October 2009 and updated in January 2010, was reissued at the meeting of the Supervisory Board on October 27, 2010. Deutsche Bank AG complies, without exception, with all of the recommendations in the version of the Code dated May 26, 2010.

A comprehensive presentation of the bank's corporate governance, including the text of the Declaration of Conformity issued on October 27, 2010, can be found in the Financial Report 2010 on pages 375 ff. and on our Internet website at http://www.deutsche-bank.com/ir/en/content/corporate_governance.htm. The terms of reference for the Supervisory Board and its committees as well as for the Management Board are also published there, each in their currently applicable versions.

Training and Further Education Measures

Members of the Supervisory Board completed the training and further education measures required for their tasks on their own. Deutsche Bank provided the appropriate support to them in this context. New members joining the Supervisory Board in 2010 were given orientation individually tailored to their levels of knowledge, a package of information material and opportunities, for internal and external training, which were widely used. All of the members of the Supervisory Board were informed of the legal basis of the Supervisory Board's work as part of a workshop carried out by an external attorney. Furthermore, another external attorney spoke to them on the Supervisory Board's responsibilities and task. During the reporting year, two internal workshops were held for members of the Risk Committee on issues relating to credit, market and operational risks as well as the economic capital model (ICAAP). Together with staff members of the Finance department and the auditor, the Audit Committee members discussed the new regulations on accounting and financial reporting. In addition, members of the Supervisory Board were informed of new developments in corporate governance.

Conflicts of Interest and Their Handling

The Risk Committee dealt with the loan approvals required pursuant to Section 15 of the German Banking Act (KWG). Supervisory Board members who were also board members of the respective borrowing company when the resolutions were taken, or who might have faced a possible conflict of interests for other reasons, did not participate in the discussion and voting.

In September 2010, Professor Kagermann did not participate in the discussion of and voting on the submission of a public takeover offer to the shareholders of Deutsche Postbank AG owing to his membership on the Supervisory Board of Deutsche Post AG and thus a possible conflict of interests in this context.

Occasionally, there were latent conflicts of interest on the part of individual Supervisory Board members. During the reporting period, Ms. Förster and Ms. Ruck were also members of the Supervisory Board of Deutsche Bank Privat- und Geschäftskunden AG as representatives of the employees. They did not participate in the discussions of and voting on topics relating to their work, such as resolutions pursuant to Section 32 of the German Co-determination Act (MitbestG). Additional special measures to address these latent and only occasional conflicts of interest were not required.

Litigation

As in the preceding years, the Supervisory Board was regularly informed of important lawsuits and discussed further courses of action. These included the actions for rescission and to obtain information filed in connection with the General Meetings in 2004, 2005, 2006, 2007, 2008, 2009 and 2010, as well as the lawsuits brought against Deutsche Bank and Dr. Breuer by Dr. Kirch and KGL Pool GmbH. The General Meeting's election of shareholder representatives on May 29, 2008, was contested by several shareholders. The case is currently before Germany's Supreme Court, which will rule on the admissibility of an appeal against the decision taken by the Higher Regional Court Frankfurt am Main to dismiss the complaint.

Furthermore, reports concerning important lawsuits were presented to the Supervisory Board on a regular basis and, in detail, to the Audit and Risk Committees.

Annual Financial Statements

KPMG Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, the auditor of the Annual Financial Statements elected at last year's General Meeting, has audited the accounting, the Annual Financial Statements and the Management Report for 2010 as well as the Consolidated Financial Statements with the related Notes and Management Report for 2010. The audits led in each case to an unqualified opinion. The Audit Committee examined the documents for the Annual Financial Statements and Consolidated Financial Statements, along with the auditor's report, and discussed these extensively with the auditor. The Chairman of the Audit Committee reported to us on this at today's meeting of the Supervisory Board. We agreed with the results of the audits after inspecting the auditor's reports and the documents for the Annual Financial Statements and Consolidated Financial Statements, and after an extensive discussion, we agreed to the recommendation of the Audit Committee and determined that, also based on the results of our inspections, there were no objections to be raised.

Today, we approved the Annual Financial Statements and Consolidated Financial Statements prepared by the Management Board; the Annual Financial Statements are thus established. We agree to the Management Board's proposal for the appropriation of profits.

Personnel Issues

With effect from the end of September 30, 2010, Mr. Cohrs retired from the Management Board. His functional responsibilities were assumed by Mr. Jain in addition to his existing tasks.

There were changes in the composition of the Supervisory Board. Mr. Wunderlich was a member of the Supervisory Board until June 30, 2010. He was replaced for the remainder of his term of office by Mr. Kazmierczak. Ms. Förster was a member of the Supervisory Board until July 31, 2010. She was replaced for the remainder of her term of office by Mr. Viertel.

We thank the members who left last year for their dedicated work on the Supervisory Board and for their constructive assistance to the company and the Management Board in recent years.

Frankfurt am Main, March 11, 2011

The Supervisory Board

Dr. Clemens Börsig
Chairman

Risk Report

Included in the following section on quantitative and qualitative disclosures about credit, market and other risks is information which forms part of the financial statements of Deutsche Bank and which is incorporated by reference into the financial statements of this report. Such information is marked by a bracket in the margins throughout this section.

Effective December 3, 2010, Deutsche Bank consolidated Deutsche Postbank Group ("Postbank"). The following section on qualitative and quantitative risk disclosures provides a comprehensive view on the risk profile of Deutsche Bank Group, after consolidation of Postbank. In particular, the quantitative information generally reflects Deutsche Bank Group including Postbank for the reporting date December 31, 2010 or the respective reporting period from December 3, 2010. In the limited instances where a consolidated view has not been presented, a separate Postbank risk disclosure or applicable qualitative commentary is provided where appropriate.

Postbank currently conducts its own risk management activities under its own statutory responsibilities. Deutsche Bank Group provides advisory services to Postbank with regard to specific risk management areas. It is intended to increase the convergence of risk management principles across Deutsche Bank Group and Postbank over time. This also responds to regulatory requirements that are applicable to Deutsche Bank AG as the parent company of the combined group.

Risk Management Executive Summary

The overall focus of Risk and Capital Management in 2010 was on maintaining our risk profile in line with our risk strategy, strengthening our capital base and supporting the Group's strategic initiatives under phase 4 of our management agenda. This approach is reflected across the different risk metrics summarized below.

Credit Risk

— Diligent adherence to our core credit principles of proactive and prudent risk management, coupled with the economic recovery in our key markets in 2010 has resulted in lower credit losses and further improved quality of our non-Postbank credit portfolio. This has been achieved by stringent application of our existing risk management philosophy of strict underwriting standards, active concentration risk management and risk mitigation strategies including collateral, hedging, netting and credit support arrangements.
— Our provision for credit losses in 2010 was € 1.3 billion which is significantly lower than € 2.6 billion in 2009. The € 1.3 billion in 2010 included € 278 million of new provisions relating to assets reclassified in accordance with IAS 39. Our provision for non IAS 39 assets in 2010 also declined during the year to € 996 million (including € 56 million of Postbank related provisions in 2010) compared to € 1.4 billion in 2009.
— The portion of our corporate loan book carrying an investment-grade rating improved from 61 % at December 31, 2009 to 69 % at December 31, 2010, reflecting positive rating migration and the first-time inclusion of Postbank positions.

- Excluding acquisitions, the loan portfolio grew by 3 % or € 8 billion whilst adhering to strict risk/reward requirements.
- With the consolidation of Postbank on December 3, 2010, our loan portfolio increased by € 129 billion, principally in German retail loans but also including € 15 billion commercial real estate loans.

Market Risk

- In 2010, we continued to increase the number and specialization of our Market Risk Management staff.
- The economic capital usage for trading market risk totaled € 6.4 billion at year-end 2010 compared with € 4.6 billion at year-end 2009. The increase reflected methodology changes and more conservative liquidity assumptions. This was partially offset by a reduction in our legacy (trading) credit exposure.
- The decrease in average value-at-risk in 2010 was driven primarily by reduced risk taking and lower historical volatilities. In addition our trading business continued to recalibrate the business model towards taking less risk in illiquid or complex exposures.

Operational Risk

- Operational risk economic capital usage increased by € 189 million, or 5 %, to € 3.7 billion as of December 31, 2010. The increase is fully explained by acquisitions.

Liquidity Risk

- Liquidity Reserves (excluding Postbank) exceeded € 145 billion as of December 31, 2010.
- 2010 issuance activities amounted to € 22.9 billion as compared to a planned € 19 billion (excluding Postbank).
- The Postbank acquisition added significant stable funding sources.

Capital Management

- We successfully completed the capital increase in October 2010 with net proceeds of € 10.1 billion.
- The Core Tier 1 capital ratio, which excludes hybrid instruments, was 8.7 % at the end of 2010, at the same level as at the end of 2009.
- Tier 1 capital ratio was 12.3 % at the end of 2010, compared to 12.6 % at the end of 2009, and substantially above our published target level of at least 10.0 %.
- Risk-weighted assets were up by € 73 billion to € 346 billion at the end of 2010, mainly due to the consolidation of Postbank.

Balance Sheet Management

- As of December 31, 2010, our leverage ratio according to our target definition was 23 at the same level as at the end of 2009, and below our leverage ratio target of 25. The impact from our acquisitions on our total assets was fully compensated for by the impact of our rights issue on the applicable equity.

Risk and Capital Management

The wide variety of our businesses requires us to identify, measure, aggregate and manage our risks effectively, and to allocate our capital among our businesses appropriately. We manage risk and capital through a framework of principles, organizational structures as well as measurement and proactive monitoring processes that are closely aligned with the activities of our group divisions. The importance of strong risk and capital management and the continuous need to refine these practices became particularly evident during the financial market crisis. While we continuously strive to improve our risk and capital management, we may be unable to anticipate all market developments, in particular those of an extreme nature.

Risk and Capital Management Principles

The following key principles underpin our approach to risk and capital management:

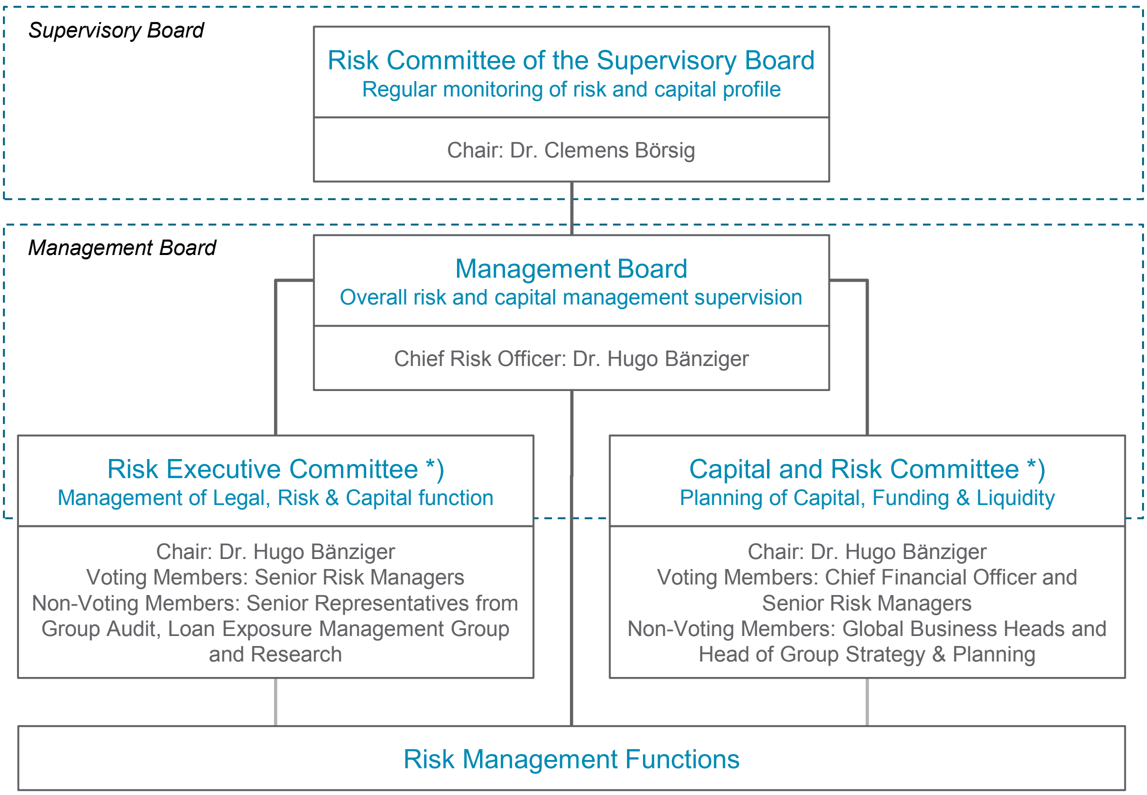
— Our Management Board provides overall risk and capital management supervision over our consolidated Group. Our Supervisory Board regularly monitors our risk and capital profile.
— We manage credit, market, liquidity, operational, business and reputational risks as well as our capital in a coordinated manner at all relevant levels within our organization. This also holds true for complex products which we typically manage within our framework established for trading exposures.
— The structure of our integrated Legal, Risk & Capital function is closely aligned with the structure of our group divisions.
— The Legal, Risk & Capital function is independent of our group divisions.

Comparable risk management principles are in place at Postbank reflected in its own organizational setup.

Risk and Capital Management Organization

The following chart provides a schematic overview of the risk management governance structure of the Deutsche Bank Group.

Risk and Capital Management – Schematic Overview of Governance Structure at Group Level



*) Supported by several Sub-Committees

Our Chief Risk Officer, who is a member of our Management Board, is responsible for our Group-wide credit, market, operational, liquidity, business, legal and reputational risk management. Additionally our Chief Risk Officer is responsible for capital management activities and heads our integrated Legal, Risk & Capital function.

Two functional committees, which are both chaired by our Chief Risk Officer, are central to the Legal, Risk & Capital function.

— Our Risk Executive Committee is responsible for management and control of the aforementioned risks across our consolidated Group. To fulfill this mandate, the Risk Executive Committee is supported by sub-committees that are responsible for dedicated areas of risk management, including several policy committees and the Group Reputational Risk Committee.

- The responsibilities of the Capital and Risk Committee include risk profile and capital planning, capital capacity monitoring and optimization of funding. It also supervises our non-traded market risk exposures.

Multiple members of the Capital and Risk Committee are also members of the Group Investment Committee, ensuring a close link between both committees as proposals for strategic investments are analyzed by the Group Investment Committee. Depending on the size of the strategic investment it may require approval from the Group Investment Committee, the Management Board or even the Supervisory Board. The development of the strategic investments is monitored by the Group Investment Committee on a regular basis.

Dedicated Legal, Risk & Capital units are established with the mandate to:

- Ensure that the business conducted within each division is consistent with the risk appetite that the Capital and Risk Committee has set within a framework established by the Management Board;
- Formulate and implement risk and capital management policies, procedures and methodologies that are appropriate to the businesses within each division;
- Approve credit, market and liquidity risk limits;
- Conduct periodic portfolio reviews to ensure that the portfolio of risks is within acceptable parameters; and
- Develop and implement risk and capital management infrastructures and systems that are appropriate for each division.

The heads of our Legal, Risk & Capital units, who are members of our Risk Executive Committee, are responsible for the performance of the risk management units and report directly to our Chief Risk Officer.

Our Finance and Audit departments operate independently of both the group divisions and of the Legal, Risk & Capital function. The role of the Finance department is to help quantify and verify the risk that we assume and ensure the quality and integrity of our risk-related data. Our Audit department performs risk-oriented reviews of the design and operating effectiveness of our system of internal controls.

Postbank's Group-wide risk management organization independently measures and evaluates all key risks and their drivers. During 2010 the Chief Risk Officer had a direct reporting line to the Management Board of Postbank. Effective March 1, 2011, Postbank's Chief Risk Officer role has been established at Management Board level.

The key risk management committees of Postbank, in all of which Postbank's Chief Risk Officer is a voting member, are:

- The Bank Risk Committee (newly established in 2010), which advises Postbank's Management Board with respect to the determination of overall risk appetite and risk allocation.
- The Credit Risk Committee, which is responsible for limit allocation and the definition of an appropriate limit framework.
- The Market Risk Committee, which decides on limit allocations as well as strategic positioning of Postbank's banking book and the management of liquidity risk.
- The Operational Risk Committee which defines the appropriate risk framework as well as the capital allocation for the individual business areas.

Risk and Capital Strategy

The risk and capital strategy is developed annually through an integrated process, led by the Legal, Risk & Capital function together with the group divisions and the Finance function, ensuring Group-wide alignment of risk and performance targets. The strategy is ultimately presented to, and approved by, the Management Board. Subsequently, this plan is also presented to, and discussed with, the Risk Committee of the Supervisory Board.

Our risk appetite is set for various parameters and different levels of the Group. Performance against these targets is monitored regularly and a report on selected important and high-level targets is brought to the direct attention of the Chief Risk Officer, the Capital and Risk Committee and/or the Management Board. In case of a significant deviation from the targets, it is the responsibility of the divisional legal, risk & capital units to bring this to the attention of their superiors and ultimately the Chief Risk Officer if no immediate mitigation or future mitigation strategy can be achieved on a subordinated level.

Amendments to the risk and capital strategy must be approved by the Chief Risk Officer or the full Management Board, depending on significance.

At Postbank, similar fundamental principles are in place with Postbank's Management Board being responsible for Postbank's risk profile and risk strategy, and regularly reporting thereon to the Supervisory Board of Postbank. Starting in 2011, Postbank's capital demand is reflected in the consolidated Group's risk and capital strategy.

Categories of Risk

As part of our business activities, we face a variety of risks, the most significant of which are described further below in dedicated sections, starting with credit risk. These risks can be categorized in a variety of ways. From a regulatory perspective, we hold regulatory capital against three types of risk: credit risk, market risk and operational risk. As part of our internal capital adequacy assessment process we calculate the amount of economic capital that is necessary to cover the risks generated from our business activities. We also calculate and monitor liquidity risk, which we manage via a separate risk management framework.

Credit Risk

Credit risk arises from all transactions where actual, contingent or potential claims against any counterparty, borrower or obligor (which we refer to collectively as “counterparties”) exist, including those claims that we plan to distribute (see further below in the more detailed credit risk section). These transactions are typically part of our traditional non-traded lending activities (such as loans and contingent liabilities), or our direct trading activity with clients (such as OTC derivatives, FX forwards and Forward Rate Agreements) or are related to our positions in traded credit products (such as bonds). This latter risk, which we call “Traded Default Risk” is managed using both credit and market risk parameters. We distinguish between three kinds of credit risk:

- Default risk is the risk that counterparties fail to meet contractual payment obligations.
- Country risk is the risk that we may suffer a loss, in any given country, due to any of the following reasons: a possible deterioration of economic conditions, political and social upheaval, nationalization and expropriation of assets, government repudiation of indebtedness, exchange controls and disruptive currency depreciation or devaluation. Country risk includes transfer risk which arises when debtors are unable to meet their obligations owing to an inability to transfer assets to nonresidents due to direct sovereign intervention.
- Settlement risk is the risk that the settlement or clearance of transactions will fail. It arises whenever the exchange of cash, securities and/or other assets is not simultaneous.

Market Risk

Market risk arises from the uncertainty concerning changes in market prices and rates (including interest rates, equity prices, foreign exchange rates and commodity prices), the correlations among them and their levels of volatility. In our risk management processes we further distinguish market risk into:

- Trading market risk, which arises primarily through the market-making and trading activities in the various cash and derivative markets.
- Nontrading market risk, which arises from assets and liabilities that are typically on our books for a longer period of time (i.e. non-consolidated strategic investments, alternative asset investments, sight and saving deposits, and equity compensation), but where the inherent value is still dependent on the movement of financial markets and parameters. We include risk from the modeling of the duration of sight and saving deposits and risk from our Deutsche Bank Bauspar business in nontrading market risk. In addition, we also include equivalent risks that Postbank categorizes as business and collective risks, respectively.

Operational Risk

Operational risk is the potential for incurring losses in relation to employees, contractual specifications and documentation, technology, infrastructure failure and disasters, external influences and customer relationships. This definition includes legal and regulatory risk, but excludes business and reputational risk.

Liquidity Risk

Liquidity risk is the risk arising from our potential inability to meet all payment obligations when they come due or only being able to meet these obligations at excessive costs.

Business Risk

Business risk describes the risk we assume due to potential changes in general business conditions, such as our market environment, client behavior and technological progress. This can affect our results if we fail to adjust quickly to these changing conditions.

Beyond the above risks, there are a number of further risks, such as reputational risk, insurance-specific risk and concentration risk. They are substantially related to one or more of the above risk types.

Reputational Risk

Within our risk management processes, we define reputational risk as the risk that publicity concerning a transaction, counterparty or business practice involving a client will negatively impact the public's trust in our organization.

Several policies and guidelines form the framework of our reputational risk management. The primary responsibility for the identification, escalation and resolution of reputational risk issues resides with the business divisions. The risk management units assist and advise the business divisions in ascertaining that reputational risk issues are appropriately identified, escalated and addressed.

The most senior dedicated body for reputational risk issues is our Group Reputational Risk Committee (GRRC). It is a permanent sub-committee of the Risk Executive Committee and is chaired by the Chief Risk Officer. The GRRC reviews and makes final determinations on all reputational risk issues, where escalation of such issues is deemed necessary by senior business and regional management, or required under other Group policies and procedures.

Insurance Specific Risk

Our exposure to insurance risk relates to Abbey Life Assurance Company Limited (ALAC) and the defined benefit pension obligations of Deutsche Bank Group. In our risk management framework, we consider insurance-related risks primarily as non-traded market risks. We monitor the underlying assumptions in the calculation of these risks regularly and seek risk mitigating measures such as reinsurances, if we deem this appropriate. We are primarily exposed to the following insurance-related risks.

— Longevity risk. The risk of faster or slower than expected improvements in life expectancy on immediate and deferred annuity products. For risk management purposes, monthly stress testing and economic capital allocation are carried out for both ALAC and the defined benefit pension obligation as part of our market risk framework and process. For ALAC, reinsurance is the primary method of mitigation of longevity risk. Mortality experience investigations and sensitivities of the obligations to changes in longevity are provided by ALAC and the global scheme actuary TowersWatson on an annual basis.
— Mortality and morbidity risks. The risks of a higher or lower than expected number of death or disability claims on assurance products and of an occurrence of one or more large claims.
— Expenses risk. The risk that policies cost more or less to administer than expected.
— Persistency risk. The risk of a higher or lower than expected percentage of lapsed policies.

To the extent that actual experience is less favorable than the underlying assumptions, or it is necessary to increase provisions due to more onerous assumptions, the amount of capital required in the insurance entities may increase.

Concentration Risk

Risk Concentrations are not an isolated risk type but are broadly integrated in the management of credit, market, operational and liquidity risks. Risk concentrations refer to a bank's loss potential through unbalanced distribution of dependencies on specific risk drivers. Risk concentrations are encountered within and across counterparties, regions/countries, industries and products, impacting the aforementioned risks. Risk concentrations are actively managed, for instance by entering into offsetting or risk-reducing transactions. Management of risk concentration across risk types involves expert panels, qualitative assessments, quantitative instruments (such as economic capital and stress testing) and comprehensive reporting.

Risk Management Tools

We use a comprehensive range of quantitative tools and metrics for monitoring and managing risks. As a matter of policy, we continually assess the appropriateness and the reliability of our quantitative tools and metrics in light of our changing risk environment. Some of these tools are common to a number of risk categories, while others are tailored to the particular features of specific risk categories. The following are the most important quantitative tools and metrics we currently use to measure, manage and report our risk:

— Economic capital. Economic capital measures the amount of capital we need to absorb very severe unexpected losses arising from our exposures. "Very severe" in this context means that economic capital is set at a level to cover with a probability of 99.98 % the aggregated unexpected losses within one year. We calculate economic capital for the default risk, transfer risk and settlement risk elements of credit risk, for market risk including traded default risk, for operational risk and for general business risk. We continuously review and enhance our economic capital model as appropriate. Notably during the course of 2009 and 2010 we revised the correlation model underlying our credit risk portfolio model to align it more closely with observable default correlations. In addition, the model is now capable of deriving our loss potential for multiple time steps, which is expected to enable it to also determine the regulatory Incremental Risk Charge going forward. Within our economic capital framework we capture the effects of rating migration as well as profits and losses due to fair value accounting. We use economic capital to show an aggregated view of our risk position from individual business lines up to our consolidated Group level. We also use economic capital (as well as goodwill and unamortized other intangible assets) in order to allocate our book capital among our businesses. This enables us to assess each business unit's risk-adjusted profitability, which is a key metric in managing our financial resources. In addition, we consider economic capital, in particular for credit risk, when we measure the risk-adjusted profitability of our client relationships. For consolidation purposes Postbank economic capital has been calculated on a basis consistent with Deutsche Bank methodology, however, limitations in data availability may lead to portfolio effects that are not fully estimated and thereby resulting in over or under estimation. See "Overall Risk Position" below for a quantitative summary of our economic capital usage.

Following a similar concept, Postbank also quantifies its capital demand arising from severe unexpected losses, referring to it as "risk capital". In doing so, Postbank uses uniform parameters to measure individual risks that have been classified as material. These parameters are oriented on the value-at-risk approach, using the loss (less the expected gain or loss) that will not be exceeded for a 99.93 % level of probability within the given holding period which is usually one year but for market risk set at 90 days.

— Expected loss. We use expected loss as a measure of our credit and operational risk. Expected loss is a measurement of the loss we can expect within a one-year period from these risks as of the respective reporting date, based on our historical loss experience. When calculating expected loss for credit risk, we take into account credit risk ratings, collateral, maturities and statistical averaging procedures to reflect the risk characteristics of our different types of exposures and facilities. All parameter assumptions are based on statistical averages of up to seven years based on our internal default and loss history as well as external benchmarks. We use expected loss as a tool of our risk management process and as part of our management reporting systems. We also consider the applicable results of the expected loss calculations as a component of our collectively assessed allowance for credit losses included in our financial statements. For operational risk we determine the expected loss from statistical averages of our internal loss history, recent risk trends as well as forward looking expert estimates.

— Value-at-Risk. We use the value-at-risk approach to derive quantitative measures for our trading book market risks under normal market conditions. Our value-at-risk figures play a role in both internal and external (regulatory) reporting. For a given portfolio, value-at-risk measures the potential future loss (in terms of market value) that, under normal market conditions, will not be exceeded with a defined confidence level in a defined period. The value-at-risk for a total portfolio represents a measure of our diversified market risk (aggregated, using pre-determined correlations) in that portfolio.

At Postbank, the value-at-risk approach is used for both the trading book and the banking book. Postbank has laid down the material foundation to apply the internal market risk model used to measure and manage market risk in order to determine the capital requirements for market risk in accordance with the German Regulation on Solvency ("SolvV") subsequent to regulatory approval.

— Stress testing. We supplement our analysis of credit, market, operational and liquidity risk with stress testing. For credit risk management purposes, we perform stress tests to assess the impact of changes in general economic conditions or specific parameters on our credit exposures or parts thereof as well as the impact on the creditworthiness of our portfolio. For market risk management purposes, we perform stress tests because value-at-risk calculations are based on relatively recent historical data, only purport to estimate risk up to a defined confidence level and assume good asset liquidity. Therefore, they only reflect possible losses under relatively normal market conditions. Stress tests help us determine the effects of potentially extreme market developments on the value of our market risk sensitive exposures, both on our highly liquid and less liquid trading positions as well as our investments. The correlations between market risk factors used in our current stress tests are estimated from volatile market conditions in the past using an algorithm, and the estimated correlations proved to be essentially consistent with those observed during recent periods of market stress. We use stress testing to determine the amount of economic capital we need to allocate to cover our market risk exposure under the scenarios of extreme market conditions we select for our simulations. For operational risk management purposes, we perform stress tests on our economic capital model to assess its sensitivity to changes in key model components, which include external losses. For liquidity risk management purposes, we perform stress tests and scenario analysis to evaluate the impact of sudden stress events on our liquidity position. In 2010, we completed the implementation of our group wide stress testing framework across the different risk types, which also comprise reverse stress tests, i.e. an analysis that develops a scenario which makes the business model unviable.
  At Postbank all material and actively managed risk categories (credit, market, liquidity and operational risks) are subject to defined stress tests.
— Regulatory risk assessment. German banking regulators assess our capacity to assume risk in several ways, which are described in more detail in Note 36 “Regulatory Capital” of the consolidated financial statements.

Credit Risk

We measure and manage our credit risk following the below philosophy and principles:

— The key principle of credit risk management is client due diligence, which is aligned with our country and industry portfolio strategies. Prudent client selection is achieved in collaboration with our business line counterparts as a first line of defense. In all our group divisions consistent standards are applied in the respective credit decision processes.
— We actively aim to prevent undue concentration and long tail-risks (large unexpected losses) by ensuring a diversified and marketable credit portfolio, effectively protecting the bank’s capital in all market conditions. Client, industry, country and product-specific concentrations are actively assessed and managed against our risk appetite.

— We aim to avoid large directional credit risk on a counterparty and portfolio level by applying stringent underwriting standards combined with a pro-active hedging and distribution model and collateralization of our hold portfolio where feasible.
— We are selective in taking outright cash risk positions unless secured, guaranteed and/or adequately hedged. Exceptions to this general principle are lower risk, short-term transactions and facilities supporting specific trade finance requests as well as low risk businesses where the margin allows for adequate loss coverage.
— We aim to secure our derivative portfolio through collateral agreements and may additionally hedge concentration risks to further mitigate credit risks from underlying market movements.
— Every extension of credit or material change to a credit facility (such as its tenor, collateral structure or major covenants) to any counterparty requires credit approval at the appropriate authority level. We assign credit approval authorities to individuals according to their qualifications, experience and training, and we review these periodically.
— We measure and consolidate all our credit exposures to each obligor on a global basis that applies across our consolidated Group, in line with regulatory requirements of the German Banking Act (Kreditwesengesetz).

Postbank has comparable uniform standards in place.

Credit Risk Ratings

A basic and key element of the credit approval process is a detailed risk assessment of each credit-relevant counterparty. When rating a counterparty we apply in-house assessment methodologies, scorecards and our 26-grade rating scale for evaluating the credit-worthiness of our counterparties. The majority of our rating methodologies are authorized for use within the Advanced Internal Rating Based Approach under Basel II rules. Our rating scale enables us to compare our internal ratings with common market practice and ensures comparability between different sub-portfolios of our institution. Several default ratings therein enable us to incorporate the potential recovery rate of unsecured defaulted counterparty exposures. We generally rate our counterparties individually, though certain portfolios of securitized receivables are rated on a pool basis.

In our retail business, creditworthiness checks and counterparty ratings of the homogenous portfolio are derived by utilizing an automated decision engine. The decision engine incorporates quantitative aspects (e.g. financial figures), behavioral aspects, credit bureau information (such as SCHUFA in Germany) and general customer data. These input factors are used by the decision engine to determine the creditworthiness of the borrower and, after consideration of collateral evaluation, the expected loss as well as the further course of action required to process the ultimate credit decision. The established rating procedures we have implemented in our retail business are based on multivariate statistical methods and are used to support our individual credit decisions for this portfolio as well as managing the overall retail portfolio.

The algorithms of the rating procedures for all counterparties are recalibrated frequently on the basis of the default history as well as other external and internal factors and expert judgments.

Postbank makes use of internal rating systems authorized for use within the Foundation Internal Rating Based Approach under Basel II. Similar to us all internal ratings and scorings are based on a uniform master scale, which assigns each rating or scoring result to the default probability determined for that class.

Credit Limits and Approval

Credit limits set forth maximum credit exposures we are willing to assume over specified periods. In determining the credit limit for a counterparty we consider the counterparty's credit quality by reference to its internal credit rating. Credit limits are established by the Credit Risk Management function via the execution of assigned credit authorities. Credit authority is generally assigned to individuals as personal credit authority according to the individual's professional qualification and experience. All assigned credit authorities are reviewed on a periodic basis to ensure that they are adequate to the individual performance of the authority holder. The results of the review are presented to the Group Credit Policy Committee and reported to the Risk Executive Committee.

Where an individual's personal authority is insufficient to establish required credit limits, the transaction is referred to a higher credit authority holder or where necessary to an appropriate credit committee such as the CRM Underwriting Committee. Where personal and committee authorities are insufficient to establish appropriate limits the case is referred to the Management Board for approval.

At Postbank comparable credit limit standards are in place.

Credit Risk Mitigation

In addition to determining counterparty credit quality and our risk appetite, we also use various credit risk mitigation techniques to optimize credit exposure and reduce potential credit losses. Credit risk mitigants, described more fully below, are applied in the following forms:

— Collateral held as security to reduce losses by increasing the recovery of obligations.
— Risk transfers, which shift the probability of default risk of an obligor to a third party including hedging executed by our Loan Exposure Management Group.
— Netting and collateral arrangements which reduce the credit exposure from derivatives and repo- and repo-style transactions.

Collateral Held as Security for Loans

We regularly agree on collateral to be received from or to be provided to customers in contracts that are subject to credit risk. We also regularly agree on collateral to be received from borrowers in our lending contracts. Collateral is security in the form of an asset or third-party obligation that serves to mitigate the inherent risk of credit loss in an exposure, by either substituting the borrower default risk or improving recoveries in the event of a default. While collateral can be an alternative source of repayment, it does not replace the necessity of high quality underwriting standards.

We segregate collateral received into the following two types:

— Financial and other collateral, which enables us to recover all or part of the outstanding exposure by liquidating the collateral asset provided, in cases where the borrower is unable or unwilling to fulfill its primary obligations. Cash collateral, securities (equity, bonds), collateral assignments of other claims or inventory, equipment (e.g., plant, machinery, aircraft) and real estate typically fall into this category.
— Guarantee collateral, which complements the borrower's ability to fulfill its obligation under the legal contract and as such is provided by third parties. Letters of Credit, insurance contracts, export credit insurance, guarantees and risk participations typically fall into this category.

Risk Transfers

Risk transfers to third parties form a key part of our overall risk management process and are executed in various forms, including outright sales, single name and portfolio hedging, and securitizations. Risk transfers are conducted by the respective business units and by our Loan Exposure Management Group ("LEMG"), in accordance with specifically approved mandates.

LEMG focuses on managing the residual credit risk of loans and lending-related commitments of the international investment-grade portfolio and the medium-sized German companies' portfolio within our Corporate & Investment Bank Group Division.

Acting as a central pricing reference, LEMG provides the respective Corporate & Investment Bank Group Division businesses with an observed or derived capital market rate for loan applications; however, the decision of whether or not the business can enter into the credit risk remains exclusively with Credit Risk Management.

LEMG is concentrating on two primary initiatives within the credit risk framework to further enhance risk management discipline, improve returns and use capital more efficiently:

- to reduce single-name and industry credit risk concentrations within the credit portfolio and
- to manage credit exposures actively by utilizing techniques including loan sales, securitization via collateralized loan obligations, default insurance coverage and single-name and portfolio credit default swaps.

Netting and Collateral Arrangements for Derivatives

In order to reduce the credit risk resulting from OTC derivative transactions, where OTC clearing is not available, we regularly seek the execution of standard master agreements (such as master agreements for derivatives published by the International Swaps and Derivatives Association, Inc. (ISDA) or the German Master Agreement for Financial Derivative Transactions) with our clients. A master agreement allows the netting of rights and obligations arising under derivative transactions that have been entered into under such master agreement upon the counterparty's default, resulting in a single net claim owed by or to the counterparty ("close-out netting"). For parts of the derivatives business (e.g., foreign exchange transactions) we also enter into master agreements under which we set off amounts payable on the same day in the same currency and in respect to transactions covered by such master agreements ("payment netting"), reducing our settlement risk. In our risk measurement and risk assessment processes we apply netting only to the extent we have satisfied ourselves of the legal validity and enforceability of the master agreement in all relevant jurisdictions.

Also, we enter into credit support annexes ("CSA") to master agreements in order to further reduce our derivatives-related credit risk. These annexes generally provide risk mitigation through periodic, usually daily, margining of the covered exposure. The CSAs also provide for the right to terminate the related derivative transactions upon the counterparty's failure to honor a margin call. As with netting, when we believe the annex is enforceable, we reflect this in our exposure measurement.

Certain CSAs to master agreements provide for rating dependent triggers, where additional collateral must be pledged if a party's rating is downgraded. We also enter into master agreements that provide for an additional termination event upon a party's rating downgrade. We analyze and monitor potential contingent payment obligations resulting from a rating downgrade in our stress testing approach for liquidity risk on an ongoing basis.

In order to reduce the credit risk resulting from OTC derivative transactions, Postbank regularly seeks the execution of standard master agreements (such as the German Master Agreement for Financial Derivative Transactions). Postbank applies netting only to the extent it has satisfied itself of the legal validity and enforceability of the master agreement in all relevant jurisdictions. In order to further reduce its derivatives-related credit risk, Postbank has entered into CSAs to master agreements with most of the key counterparties in its financial markets portfolio. As with netting, when Postbank believes the annex is enforceable, it reflects this in its capital requirements.

For purposes of calculating the regulatory requirements for its derivatives exposures Postbank uses the current exposure method, i.e. calculates its exposure at default as the sum of the positive fair value of its derivatives transactions and the regulatory add-ons.

In singular cases, Postbank agreed to clauses in its CSAs to the master agreements which require it to increase its collateral upon the event of an external rating downgrade for Postbank. The rating downgrade by Moody's (from Aa3 to A1) in the first half of 2010 had, however, no direct effect on the amount of collateral to be provided and therefore did not impact Postbank's risk-bearing capacity.

Monitoring Credit Risk

Ongoing active monitoring and management of credit risk positions is an integral part of our credit risk management activities. Monitoring tasks are primarily performed by the divisional risk units in close cooperation with our portfolio management function.

Credit counterparties are allocated to credit officers within specified divisional risk units which are aligned to types of counterparty (such as Financial Institution or Corporate). The individual credit officers within these divisional risk units have the relevant expertise and experience to manage the credit risks associated with these counterparties and their associated credit related transactions. It is the responsibility of each credit officer to undertake ongoing credit monitoring for their allocated portfolio of counterparties. We also have procedures in place intended to identify at an early stage credit exposures for which there may be an increased risk of loss. In instances where we have identified counterparties where problems might arise, the respective exposure is generally placed on a watchlist. We aim to identify counterparties that, on the basis of the application of our risk management tools, demonstrate the likelihood of problems well in advance in order to effectively manage the credit exposure and maximize the recovery. The objective of this early warning system is to address potential problems while adequate options for action are still available. This early risk detection is a tenet of our credit culture and is intended to ensure that greater attention is paid to such exposures.

At Postbank largely similar processes are in place.

A key focus of our credit risk management approach is to avoid any undue concentrations in our portfolio. Significant concentrations of credit risk could be derived from having material exposures to a number of counterparties with similar economic characteristics, or who are engaged in comparable activities, where these similarities may cause their ability to meet contractual obligations to be affected in the same manner by changes in economic or industry conditions. A concentration of credit risk may also exist at an individual counterparty level. Our portfolio management framework provides a direct measure of concentrations within our credit risk portfolio.

Managing industry and, country risk are key components of our overall concentration risk management approach for non-Postbank portfolios. Settlement risk is also considered as part of our overall credit risk management activities.

In 2010 Postbank enhanced the management of concentrations in the credit area by systematically identifying credit concentration on the level of a single counterparty as well as on a sectoral level (e.g. industry sector, regions, collateral types).

Industry Risk Management

To manage industry risk, we have grouped our Corporate and Financial Institutions counterparties into various industry sub-portfolios. For each of these sub-portfolios an "Industry Batch report" is prepared usually on an annual basis. This report highlights industry developments and risks to our credit portfolio, reviews concentration risks and incorporates an economic downside stress test. This analysis is used to define strategies for both our industry portfolio, and individual counterparties within the portfolio based on their risk/reward profile and potential.

The Industry Batch reports are presented to the Group Credit Policy Committee, a sub-committee of the Risk Executive Committee and are submitted afterwards to the Management Board. In accordance with an agreed schedule, a select number of Industry Batch reports are also submitted to the Risk Committee of the Supervisory Board. In addition to these Industry Batch reports, the development of the industry sub-portfolios is constantly monitored during the year and is compared to the approved sub-portfolio strategies. Regular overviews are prepared for the Group Credit Policy Committee to discuss recent developments and to take action if necessary.

Country Risk Management

Avoiding undue concentrations also from a regional perspective is an integral part of our credit risk management framework. We manage country risk through a number of risk measures and limits, the most important being:

- Total counterparty exposure. All credit extended and OTC derivatives exposure to counterparties domiciled in a given country that we view as being at risk due to economic or political events ("country risk event"). It includes nonguaranteed subsidiaries of foreign entities and offshore subsidiaries of local clients.
- Transfer risk exposure. Credit risk arising where an otherwise solvent and willing debtor is unable to meet its obligations due to the imposition of governmental or regulatory controls restricting its ability either to obtain foreign exchange or to transfer assets to nonresidents (a "transfer risk event"). It includes all of our credit extended and OTC derivatives exposure from one of our offices in one country to a counterparty in a different country.
- Highly-stressed event risk scenarios. We use stress testing to measure potential risks on our trading positions and view these as market risk.

Our country risk ratings represent a key tool in our management of country risk. They are established by an independent country risk research function within our Credit Risk Management function and include:

— Sovereign rating. A measure of the probability of the sovereign defaulting on its foreign or local currency obligations.
— Transfer risk rating. A measure of the probability of a "transfer risk event."
— Event risk rating. A measure of the probability of major disruptions in the market risk factors relating to a country.

All sovereign and transfer risk ratings are reviewed, at least annually, by the Group Credit Policy Committee, a sub-committee of our Risk Executive Committee. Our country risk research group also reviews, at least quarterly, our ratings for the major Emerging Markets countries. Ratings for countries that we view as particularly volatile, as well as all event risk ratings, are subject to continuous review.

We also regularly compare our internal risk ratings with the ratings of the major international rating agencies.

Country Risk limits are reviewed at least annually, in conjunction with the review of country risk ratings. Country Risk limits are set by either our Management Board or by our Cross Risk Review Committee, a sub-committee of our Risk Executive Committee pursuant to delegated authority.

We charge our group divisions with the responsibility of managing their country risk within the approved limits. The regional units within Credit Risk Management monitor our country risk based on information provided by our finance function. Our Group Credit Policy Committee also reviews data on transfer risk.

Important elements of the country risk management at Postbank are country risk ratings and country risk limits. Ratings are reviewed and adjusted if required by means of a rating tool on a monthly basis. Country risk limits and sovereign risk limits for all relevant countries are approved by the Management Board annually. Loans are charged to the limits with their gross nominal amounts and allocated to individual countries based on the country of domicile of the borrower.

Settlement Risk Management

Our trading activities may give rise to risk at the time of settlement of those trades. Settlement risk is the risk of loss due to the failure of a counterparty to honor its obligations to deliver cash, securities or other assets as contractually agreed.

For many types of transactions, we mitigate settlement risk by closing the transaction through a clearing agent, which effectively acts as a stakeholder for both parties, only settling the trade once both parties have fulfilled their sides of the bargain.

Where no such settlement system exists, the simultaneous commencement of the payment and the delivery parts of the transaction is common practice between trading partners (free settlement). In these cases, we may seek to mitigate our settlement risk through the execution of bilateral payment netting agreements. We are also participant in industry initiatives to reduce settlement risks. Acceptance of settlement risk on free settlement trades requires approval from our credit risk personnel, either in the form of pre-approved settlement risk limits, or through transaction-specific approvals. We do not aggregate settlement risk limits with other credit exposures for credit approval purposes, but we take the aggregate exposure into account when we consider whether a given settlement risk would be acceptable.

Credit Risk Tools – Economic Capital for Credit Risk

We calculate economic capital for the default risk, country risk and settlement risk as elements of credit risk. In line with our economic capital framework, economic capital for credit risk is set at a level to absorb with a probability of 99.98 % very severe aggregate unexpected losses within one year. For December 31, 2010, we included Postbank in our calculation of economic capital usage, which has been calculated on a basis consistent with Deutsche Bank methodology. Limitations in data availability, however, may result in portfolio effects that are not fully estimated and thereby resulting in over- or underestimation.

Our economic capital for credit risk is derived from the loss distribution of a portfolio via Monte Carlo Simulation of correlated rating migrations. The loss distribution is modeled in two steps. First, individual credit exposures are specified based on parameters for the probability of default, exposure at default and loss given default. In a second step, the probability of joint defaults is modeled through the introduction of economic factors, which correspond to geographic regions and industries. The simulation of portfolio losses is then performed by an internally developed model, which takes rating migration and maturity effects into account. Effects due to wrong-way derivatives risk (i.e., the credit exposure of a derivative in the default case is higher than in non default scenarios) are modeled after the fact by applying our own alpha factor determined for our use of the Basel II Internal Models Method. We allocate expected losses and economic capital derived from loss distributions down to transaction level to enable management on transaction, customer and business level.

Employing a similar approach, Postbank calculates a credit value-at-risk ("CVaR") at 99.93 % confidence over a one year time horizon for all Postbank exposures subject to credit risk.

Credit Exposures

Counterparty credit exposure arises from our traditional non-trading lending activities which include elements such as loans and contingent liabilities. Counterparty credit exposure also arises via our direct trading activity with clients in certain instruments which include OTC derivatives, FX forwards and Forward Rate Agreements. A default risk also arises from our positions in traded credit products such as bonds.

We define our credit exposure by taking into account all transactions where losses might occur due to the fact that counterparties may not fulfill their contractual payment obligations.

Maximum Exposure to Credit Risk

The following table presents our maximum exposure to credit risk without taking account of any collateral held or other credit enhancements that do not qualify for offset in our financial statements.

in € m.[1]	Dec 31, 2010	Dec 31, 2009
Due from banks	17,157	9,346
Interest-earning deposits with banks	92,377	47,233
Central bank funds sold and securities purchased under resale agreements	20,365	6,820
Securities borrowed	28,916	43,509
Financial assets at fair value through profit or loss[2]	1,026,494	900,800
Financial assets available for sale[2]	48,587	14,852
Loans[3]	411,025	261,448
Other assets subject to credit risk	61,441	52,457
Financial guarantees and other credit related contingent liabilities[4]	68,055	52,183
Irrevocable lending commitments and other credit related commitments[4]	123,881	104,125
Maximum exposure to credit risk	1,898,297	1,492,773

1 All amounts at carrying value unless otherwise indicated.
2 Excludes equities, other equity interests and commodities.
3 Gross loans less (deferred expense)/unearned income before deductions of allowance for loan losses.
4 Financial guarantees, other credit related contingent liabilities and irrevocable lending commitments (including commitments designated under the fair value option) are reflected at notional amounts.

Included in the category of financial assets at fair value through profit or loss as of December 31, 2010, were € 109 billion of securities purchased under resale agreements and € 28 billion of securities borrowed, both with limited net credit risk as a result of very high levels of collateral, as well as debt securities of € 171 billion that are over 83 % investment grade. The above mentioned financial assets available for sale category primarily reflected debt securities of which more than 83 % were investment grade.

The increase in maximum exposure to credit risk for December 31, 2010 was predominantly driven by acquisitions, which accounted for € 235 billion exposure as of December 31, 2010, thereof € 211 billion relating to Postbank. A significant proportion of Postbank's contribution was reflected in the loans category.

Excluding acquisitions, the maximum exposure to credit risk increased by € 171 billion largely within the interest earning deposits with banks, and financial assets at fair value through profit and loss categories.

In the tables below, we show details about several of our main credit exposure categories, namely loans, irrevocable lending commitments, contingent liabilities and over-the-counter ("OTC") derivatives:

— "Loans" are net loans as reported on our balance sheet at amortized cost but before deduction of our allowance for loan losses.
— "Irrevocable lending commitments" consist of the undrawn portion of irrevocable lending-related commitments.
— "Contingent liabilities" consist of financial and performance guarantees, standby letters of credit and indemnity agreements.
— "OTC derivatives" are our credit exposures from over-the-counter derivative transactions that we have entered into, after netting and cash collateral received. On our balance sheet, these are included in trading assets or, for derivatives qualifying for hedge accounting, in other assets, in either case, before netting and cash collateral received.

The following table breaks down several of our main credit exposure categories by geographical region. For this table, we have allocated exposures to regions based on the country of domicile of our counterparties, irrespective of any affiliations the counterparties may have with corporate groups domiciled elsewhere.

Credit risk profile by region	Loans[1]		Irrevocable lending commitments[2]		Contingent liabilities		OTC derivatives[3]		Total	
in € m.	Dec 31, 2010	Dec 31, 2009	Dec 31, 2010	Dec 31, 2009	Dec 31, 2010	Dec 31, 2009	Dec 31, 2010	Dec 31, 2009	Dec 31, 2010	Dec 31, 2009
Germany	207,129	105,297	24,273	14,112	15,758	12,126	3,018	3,455	250,178	134,990
Western Europe (excluding Germany)	110,930	81,954	30,239	27,006	18,019	13,128	22,213	21,081	181,401	143,169
Eastern Europe	8,103	6,986	1,844	1,306	1,319	1,428	836	690	12,102	10,410
North America	54,887	45,717	59,506	55,337	22,063	17,018	26,765	30,805	163,221	148,877
Central and South America	4,121	3,325	575	214	1,427	777	1,792	831	7,915	5,147
Asia/Pacific	23,562	16,921	6,651	5,793	8,532	7,086	7,247	7,060	45,992	36,860
Africa	961	947	419	233	911	620	421	458	2,712	2,258
Other[4]	1,332	301	373	124	27	–	13	160	1,745	585
Total	411,025	261,448	123,880	104,125	68,056	52,183	62,305	64,540	665,266	482,296

1 Includes impaired loans amounting to € 6.3 billion as of December 31, 2010 and € 7.2 billion as of December 31, 2009.
2 Includes irrevocable lending commitments related to consumer credit exposure of € 4.5 billion as of December 31, 2010 and € 2.9 billion as of December 31, 2009.
3 Includes the effect of netting agreements and cash collateral received where applicable.
4 Includes supranational organizations and other exposures that we have not allocated to a single region.

Our largest concentrations of credit risk within loans from a regional perspective were in Western Europe and North America, with a significant share in households. The concentration in Western Europe was principally in our home market Germany, which includes most of our mortgage lending business. Within the OTC derivatives business our largest concentrations were also in Western Europe and North America, with a significant share in highly rated banks and insurance companies for which we consider the credit risk to be limited.

The increase in loans at the end of 2010 was predominantly due to the first time inclusion of Postbank. Postbanks total contribution to our loan exposure at December 31, 2010, was € 129 billion, with the vast majority being concentrated in the German region (€ 103 billion).

As of December 31, 2010, credit risk concentrations at Postbank can be recognized with respect to highly rated banks as well as in the structured credit portfolio.

The following table provides an overview of our net sovereign credit risk exposure to certain European Countries.

Net sovereign exposure in € m.	Dec 31, 2010
Portugal	(12)
Ireland	237
Italy	8,011
Greece	1,601
Spain	2,283
Total	12,120

The above shown figures reflect a net “accounting view” of our sovereign exposure insofar as they are based on gross IFRS exposures with further adjustments, such as with respect to netting and underlying risk, to arrive at a net exposure view. Out of our total net sovereign credit risk exposure of € 12.1 billion to Portugal, Ireland, Italy, Greece and Spain, € 6.9 billion was due to the consolidation of Postbank. Both, we and Postbank closely monitor these exposures.

The following table breaks down several of our main credit exposure categories according to the industry sectors of our counterparties.

Credit risk profile by industry sector	Loans[1]		Irrevocable lending commitments[2]		Contingent liabilities		OTC derivatives[3]		Total	
in € m.	Dec 31, 2010	Dec 31, 2009	Dec 31, 2010	Dec 31, 2009	Dec 31, 2010	Dec 31, 2009	Dec 31, 2010	Dec 31, 2009	Dec 31, 2010	Dec 31, 2009
Banks and insurance	38,798	22,002	22,241	25,289	17,801	11,315	32,315	27,948	111,155	86,554
Fund management activities	27,964	26,462	6,435	11,135	2,392	540	9,318	12,922	46,109	51,059
Manufacturing	20,748	17,314	31,560	24,814	18,793	16,809	3,270	2,169	74,371	61,106
Wholesale and retail trade	13,637	10,938	7,369	6,027	5,022	3,443	517	604	26,545	21,012
Households	167,352	85,675	9,573	4,278	2,537	1,820	842	801	180,304	92,574
Commercial real estate activities	44,119	28,959	3,210	1,876	2,196	2,194	1,577	1,286	51,102	34,315
Public sector	24,113	9,572	858	520	57	19	6,510	5,527	31,538	15,638
Other[4]	74,294	60,526	42,634	30,186	19,258	16,043	7,956	13,283	144,142	120,038
Total	411,025	261,448	123,880	104,125	68,056	52,183	62,305	64,540	665,266	482,296

1 Includes impaired loans amounting to € 6.3 billion as of December 31, 2010 and € 7.2 billion as of December 31, 2009.
2 Includes irrevocable lending commitments related to consumer credit exposure of € 4.5 billion as of December 31, 2010 and € 2.9 billion as of December 31, 2009.
3 Includes the effect of netting agreements and cash collateral received where applicable.
4 Loan exposures for Other include lease financing.

During 2010 our credit risk profile composition by industry sector remained largely unchanged with the exception of effects from consolidation of Postbank. These effects included € 75 billion in household loans, € 21 billion in loans to banks and insurance companies, € 15 billion in commercial real estate loans as well as € 8 billion in loans to the public sector.

Our loans, irrevocable lending commitments, contingent liabilities and OTC derivatives-related credit exposure to our ten largest counterparties accounted for 5 % of our aggregated total credit exposure in these categories as of December 31, 2010 compared to 7 % as of December 31, 2009. Our top ten counterparty exposures were by majority with well-rated counterparties or relate to structured trades which show high levels of risk mitigation, with the exception of one leveraged finance exposure.

Credit Exposure from Lending

Certain types of loans have a higher risk of non-collection than others. In our amortized cost loan portfolio we therefore differentiate loans by certain categories on the basis of relevant criteria including their loss expectation through the cycle, stability of their risk return relationship as well as the market perception of an asset class.

The following table provides an overview of the categories of our loan book and the segregation into a lower, medium and higher risk bucket.

in € m.	Dec 31, 2010	Dec 31, 2009
Lower risk bucket		
PBC Mortgages	140,727	67,311
Investment Grade/German Mid-Cap	69,436	32,615
GTB	38,353	19,823
PWM	24,468	17,977
PBC small corporate	17,550	15,127
Government collateralized/structured transactions	9,074	7,674
Corporate Investments	7,966	12,774
Sub-total lower risk bucket	307,574	173,301
Moderate risk bucket		
PBC Consumer Finance	18,902	15,032
Asset Finance (DB sponsored conduits)	18,465	19,415
Collateralized hedged structured transactions	12,960	14,564
Financing of pipeline assets	8,050	7,886
Sub-total moderate risk bucket	58,377	56,897
Higher risk bucket		
Commercial Real Estate	29,024	12,990
CF Leveraged Finance	7,018	11,768
Other	9,032	6,492
Sub-total higher risk bucket	45,074	31,250
Total loan book	411,025	261,448

The majority of our low risk exposures are associated with our Private & Business Client retail banking activities. 75 % of our loan book at December 31, 2010 was in the low risk category, considerably higher than the 66 % at December 31, 2009. The increase in low risk loans was driven by the first-time inclusion of Postbank's exposures which contributed € 109 billion to the low risk loans category. The majority of Postbank's low risk loans related to client mortgages.

Our Private & Business Clients (excluding Postbank integration) portfolio growth during 2010 was focused on secured lending within the lower risk bucket, especially mortgages, while the consumer finance portfolio declined. The rise in consumer finance exposures was again attributable to the inclusion of Postbank which had consumer finance exposure of € 4 billion as at December 31, 2010. Excluding Postbank our overall consumer finance exposure decreased in line with our defined strategy and predominantly relates to customers in Germany and Italy.

Our higher risk bucket was predominantly driven by our leveraged finance and commercial real estate exposures. Our credit risk management approach put strong emphasis specifically on the portfolios we deem to be of higher risk. Portfolio strategies and credit monitoring controls are in place for these portfolios. The increase in commercial real estate exposures was driven by the inclusion of Postbank's commercial real estate exposures which totaled € 15 billion at December 31, 2010. A borrower group concentration contributed approximately 50 % of the exposure in the CF Leveraged Finance category.

The following table summarizes the level of impaired loans and the established allowance for loan losses for our higher-risk loan bucket.

	Dec 31, 2010		Dec 31, 2009	
in € m.	Impaired loans	Allowance for loan losses	Impaired loans	Allowance for loan losses
Commercial Real Estate	421	297	460	274
CF Leveraged Finance	336	180	2,122	815
Other	798	466	934	377
Total	1,555	943	3,516	1,466

The above reduction of impaired loans and allowances for loan losses in relation to our higher risk loan bucket was primarily driven by the restructuring of a single counterparty relationship in the leveraged finance portfolio of our Corporate Finance business.

Credit Exposure Classification

We also classify our credit exposure under two broad headings: consumer credit exposure and corporate credit exposure.

— Our consumer credit exposure consists of our smaller-balance standardized homogeneous loans, primarily in Germany, Italy and Spain, which include personal loans, residential and nonresidential mortgage loans, overdrafts and loans to self-employed and small business customers of our private and retail business.
— Our corporate credit exposure consists of all exposures not defined as consumer credit exposure.

Corporate Credit Exposure

The following table breaks down several of our main corporate credit exposure categories according to the creditworthiness categories of our counterparties.

Corporate credit exposure credit risk profile by creditworthiness category	Loans[1]		Irrevocable lending commitments[2]		Contingent liabilities		OTC derivatives[3]		Total	
in € m.	Dec 31, 2010	Dec 31, 2009	Dec 31, 2010	Dec 31, 2009	Dec 31, 2010	Dec 31, 2009	Dec 31, 2010	Dec 31, 2009	Dec 31, 2010	Dec 31, 2009
AAA–AA	62,603	28,134	23,068	22,211	7,334	6,573	23,967	23,966	116,972	80,884
A	48,467	29,634	31,945	22,758	21,318	13,231	16,724	13,793	118,454	79,416
BBB	56,096	46,889	36,542	28,814	20,391	15,753	8,408	7,600	121,437	99,056
BB	44,809	43,401	22,083	23,031	11,547	9,860	7,905	12,785	86,344	89,077
B	12,594	9,090	7,775	5,935	5,454	4,290	2,960	1,952	28,783	21,267
CCC and below	17,425	14,633	2,467	1,376	2,012	2,476	2,341	4,444	24,245	22,929
Total	241,994	171,781	123,880	104,125	68,056	52,183	62,305	64,540	496,235	392,629

1 Includes impaired loans mainly in category CCC and below amounting to € 3.6 billion as of December 31, 2010 and € 4.9 billion as of December 31, 2009.
2 Includes irrevocable lending commitments related to consumer credit exposure of € 4.5 billion as of December 31, 2010 and € 2.9 billion as of December 31, 2009.
3 Includes the effect of netting agreements and cash collateral received where applicable.

This table reflects an increase in our corporate loan book and irrevocable lending commitments which was predominantly driven by the inclusion of Postbank exposures. The portion of our corporate loan book carrying an investment-grade rating increased from 61 % as of December 31, 2009 to 69 % as of December 31, 2010, reflecting the first time inclusion of Postbank exposures as well as improvements in counterparty ratings as counterparties recover from the credit crisis and as a result of our proactive risk management activities. The loan exposure shown in the table above does not take into account any collateral, other credit enhancement or credit risk mitigating transactions. After consideration of such credit mitigants, we believe that our loan book is well-diversified. The marginal decrease in our OTC derivatives exposure, particularly in our creditworthiness category "BB", was predominantly driven by tighter risk reduction activities. The OTC derivatives exposure does not include credit risk mitigants (other than master agreement netting) or collateral (other than cash). Taking these mitigants into account, we believe that the remaining current credit exposure was significantly lower, adequately structured, enhanced or well-diversified and geared towards investment grade counterparties.

Our Loan Exposure Management Group (LEMG) helps mitigate our corporate credit exposures. The notional amount of LEMG's risk reduction activities increased by 4 % from € 52.9 billion as of December 31, 2009, to € 54.9 billion as of December 31, 2010.

As of year-end 2010, LEMG held credit derivatives with an underlying notional amount of € 34.6 billion. The position totaled € 32.7 billion as of December 31, 2009.

The credit derivatives used for our portfolio management activities are accounted for at fair value.

LEMG also mitigated the credit risk of € 20.3 billion of loans and lending-related commitments as of December 31, 2010, by synthetic collateralized loan obligations supported predominantly by financial guarantees and, to a lesser extent, credit derivatives for which the first loss piece has been sold. This position totaled € 20.2 billion as of December 31, 2009.

LEMG has elected to use the fair value option under IAS 39 to report loans and commitments at fair value, provided the criteria for this option are met. The notional amount of LEMG loans and commitments reported at fair value increased during the year to € 54.1 billion as of December 31, 2010, from € 48.9 billion as of December 31, 2009. By reporting loans and commitments at fair value, LEMG has significantly reduced profit and loss volatility that resulted from the accounting mismatch that existed when all loans and commitments were reported at historical cost while derivative hedges were reported at fair value.

Consumer Credit Exposure

The table below presents our total consumer credit exposure, consumer loan delinquencies in terms of loans that are 90 days or more past due, and net credit costs, which are the net provisions charged during the period, after recoveries. Loans 90 days or more past due and net credit costs are both expressed as a percentage of total exposure. Regardless of the past due status of the individual loans, in terms of credit quality the mortgage lending and loans to small business customers within the consumer credit exposure are allocated to our lower risk bucket while the consumer finance business is allocated to the moderate risk bucket. This credit risk quality aspect is also reflected by our net credit costs expressed as a percentage of the total exposure supporting them, which is the main credit risk management instrument for these exposures.

	Total exposure in € m.	Total exposure excluding Postbank in € m.		90 days or more past due as a % of total exposure excluding Postbank		Net credit costs as a % of total exposure excluding Postbank	
	Dec 31, 2010	Dec 31, 2010	Dec 31, 2009	Dec 31, 2010	Dec 31, 2009	Dec 31, 2010	Dec 31, 2009
Consumer credit exposure Germany:	130,317	60,706	59,804	1.77 %	1.73 %	0.56 %	0.55 %
Consumer and small business financing	19,055	12,733	13,556	3.16 %	2.72 %	1.92 %	1.69 %
Mortgage lending	111,262	47,973	46,248	1.41 %	1.44 %	0.20 %	0.22 %
Consumer credit exposure outside Germany	38,713	33,027	29,864	3.84 %	3.37 %	0.86 %	1.27 %
Total consumer credit exposure[1]	169,030	93,733	89,668	2.50 %	2.28 %	0.66 %	0.79 %

1 Includes impaired loans amounting to € 2.7 billion as of December 31, 2010 and € 2.3 billion as of December 31, 2009.

The volume of our consumer credit exposure increased due to the consolidation of Postbank by € 75.3 billion or 89 %, mainly in German mortgage lending. As loans were consolidated at their fair values representing our expected future cash flows, no consolidated loans were considered 90 days or more past due as of December 31, 2010. The net credit cost incurred on Postbank consumer credit loans since consolidation date were insignificant compared to the consolidated loan volume. The volume of our consumer credit exposure excluding Postbank rose by € 4 billion, or 4.5 %, from year end 2009 to December 31, 2010, driven by volume growth in Germany (up € 902 million), Poland (up € 1,034 million), Italy (up € 949 million) and Portugal (up € 547 million), mainly within mortgage lending. Measures taken on portfolio and country level lead to significant reduction of net credit costs in Spain and India, partially offset by increases in our consumer finance business in Poland. Revised parameter and model assumptions in 2009 led to a one-time release of loan loss allowance of € 60 million in the first quarter 2009 as well as a lower level of provisions for credit losses of € 28 million for the first quarter 2010.

Credit Exposure from Derivatives

The following table shows the notional amounts and gross market values of OTC and exchange-traded derivative contracts we held for trading and nontrading purposes as of December 31, 2010. The table below includes Postbank OTC and exchange-traded derivative contracts which have a negligible impact on the overall totals.

Dec 31, 2010	Notional amount maturity distribution						
in € m.	Within 1 year	> 1 and ≤ 5 years	After 5 years	Total	Positive market value	Negative market value	Net market value
Interest-rate-related transactions:							
OTC products	16,942,302	15,853,777	11,080,457	43,876,536	419,196	401,179	18,017
Exchange-traded products	1,120,579	276,258	2,272	1,399,109	128	110	18
Sub-total	18,062,881	16,130,035	11,082,729	45,275,645	419,324	401,289	18,035
Currency-related transactions:							
OTC products	3,805,544	1,325,473	607,743	5,738,760	110,440	118,452	(8,012)
Exchange-traded products	13,113	970	–	14,083	104	221	(117)
Sub-total	3,818,657	1,326,443	607,743	5,752,843	110,544	118,673	(8,129)
Equity/index-related transactions:							
OTC products	362,294	333,108	95,785	791,187	31,084	38,297	(7,213)
Exchange-traded products	256,942	100,475	4,332	361,749	2,933	1,995	938
Sub-total	619,236	433,583	100,117	1,152,936	34,017	40,292	(6,275)
Credit derivatives	308,387	2,545,673	537,759	3,391,819	81,095	73,036	8,059
Other transactions:							
OTC products	143,323	150,068	8,831	302,222	18,587	17,879	708
Exchange-traded products	72,437	41,874	839	115,150	2,742	2,621	121
Sub-total	215,760	191,942	9,670	417,372	21,329	20,500	829
Total OTC business	21,561,850	20,208,099	12,330,575	54,100,524	660,402	648,843	11,559
Total exchange-traded business	1,463,071	419,577	7,443	1,890,091	5,907	4,947	960
Total	23,024,921	20,627,676	12,338,018	55,990,615	666,309	653,790	12,519
Positive market values including the effect of netting and cash collateral received					63,942		

Exchange-traded derivative transactions (e.g., futures and options) are regularly settled through a central counterparty (e.g., LCH. Clearnet Ltd. or Eurex Clearing AG), the rules and regulations of which provide for daily margining of all current and future credit risk positions emerging out of such transactions. To the extent possible, we also use central counterparty clearing services for OTC derivative transactions (“OTC clearing”); we thereby benefit from the credit risk mitigation achieved through the central counterparty’s settlement system.

As the replacement values of derivatives portfolios fluctuate with movements in market rates and with changes in the transactions in the portfolios, we also estimate the potential future replacement costs of the portfolios over their lifetimes or, in case of collateralized portfolios, over appropriate unwind periods. We measure the potential future exposure against separate limits. We supplement the potential future exposure analysis with stress tests to estimate the immediate impact of extreme market events on our exposures (such as event risk in our Emerging Markets portfolio).

The potential future exposure measure which we use is generally given by a time profile of simulated positive market values of each counterparty's derivatives portfolio, for which netting and collateralization are considered. For limit monitoring we employ the 95th quantile of the resulting distribution of market values, internally referred to as potential future exposure ("PFE"). The average exposure profiles generated by the same calculation process are used to derive the so-called average expected exposure ("AEE") measure, which we use to reflect potential future replacement costs within our credit risk economic capital, and the expected positive exposure ("EPE") measure driving our regulatory capital requirements. While AEE and EPE are generally calculated with respect to a time horizon of one year, the PFE is measured over the entire lifetime of a transaction or netting set. We also employ the aforementioned calculation process to derive stressed exposure results for input into our credit portfolio stress testing.

Credit Exposure from Nonderivative Trading Assets

The following table shows details about the composition of our nonderivative trading assets for the dates specified.

in € m.	Dec 31, 2010	Dec 31, 2009
Government paper & agencies	92,866	76,318
Financial institutions & corporates	73,711	69,408
Equities	66,868	58,798
Traded loans	23,080	21,847
Other	14,766	8,539
Total nonderivative trading assets	271,291	234,910

Traded credit products such as bonds in our developed markets' trading book (excluding Postbank) are managed by a dedicated risk management unit combining our credit and market risk expertise. We use appropriate portfolio limits and ratings-driven thresholds on single-issuer basis, combined with our market risk management tools to risk manage such positions. Emerging markets traded credit products are risk managed using expertise which resides within our respective emerging markets credit risk unit and market risk management.

Distribution Risk Management

We frequently underwrite commitments with the intention to sell down or distribute part of the risk to third parties. These commitments include the undertaking to fund bank loans and to provide bridge loans for the issuance of public bonds. The risk is that we may not be successful in the distribution of the facilities. In this case, we would have to hold more of the underlying risk than intended for longer periods of time than originally intended.

For risk management purposes we treat the full amount of all such commitments as credit exposure requiring credit approval. This approval also includes our intended final hold. Amounts which we intend to sell are classified as trading assets and are subject to fair value accounting. The price volatility is monitored in our market risk process. We protect the value of these assets against adverse market movements via adequate credit documentation for these transactions and market risk hedges (most commonly using related indices), which are also captured in our market risk process.

Problem Loans

Our problem loans consist mainly of impaired loans. Credit Risk Management regularly assesses whether there is objective evidence that a loan or group of loans is impaired. A loan or group of loans is impaired and impairment losses are incurred if

— there is objective evidence of impairment as a result of a loss event that occurred after the initial recognition of the asset and up to the balance sheet date (a “loss event”),
— the loss event had an impact on the estimated future cash flows of the financial asset or the group of financial assets, and
— a reliable estimate of the loss amount can be made.

Credit Risk Management’s loss assessments are subject to regular review in collaboration with Group Finance. The results of this review are reported to and approved by an oversight committee comprised of Group Finance and Legal, Risk & Capital senior management.

The impairment loss is generally calculated on the basis of discounted expected cash flows using the original effective interest rate of the loan. For troubled debt restructurings (as defined below) the original effective interest rate before modification of terms is used.

While we assess the impairment for our corporate credit exposures individually, we assess the impairment of our smaller-balance standardized homogeneous loans collectively.

The loan loss provisioning methodology for the majority of our Private & Business Client portfolio is based on statistical models. Our loan portfolio is divided into homogenous and non-homogeneous parts. These parts are further differentiated into sub-portfolios based on the nature of the exposure and the type of the customer. Using historical data the level of loan loss provision for the homogeneous portfolio is automatically calculated using statistical models, based on allowance rates for each respective arrears class (days past due). The non-homogeneous portfolio is characterized by large credit facilities or certain loan categories which are not comparable due to their size, complexity or quality. These credit facilities undergo a case by case review on a regular basis and once it has been determined that an impairment loss has been incurred, a loan loss allowance is determined according to an expected loss methodology.

Postbank’s methodology for establishing loan loss allowances is similar to ours. Exceptions include the fact that Postbank executes direct charge-offs without first establishing a loan loss allowance and the fact that the loan loss allowances in its retail mortgage portfolio are assessed individually for loans being 180 days or more past due. In reflecting Postbank in our consolidated results, the effects of the aforementioned differences have been aligned to our policies for reporting purposes.

Loan loss allowances established for loans prior to consolidation of Postbank, Sal. Oppenheim/BHF-BANK and parts of the commercial banking activities in the Netherlands acquired from ABN AMRO, have not been consolidated into our stock of loan loss allowances. Instead, these loan loss allowances have been considered in determining the fair value representing the cost basis of the newly consolidated loans. Subsequent improvements in the credit quality of these loans are reflected as an appreciation in their carrying value with a corresponding gain recognized in other income. Loan loss allowances established for loans after consolidation of Postbank, Sal. Oppenheim/BHF-BANK and parts of the commercial banking activities in the Netherlands acquired from ABN AMRO, however, are included in our provision for credit losses and loan loss allowances.

The second component of our problem loans are nonimpaired problem loans, where no impairment loss is recorded but where either known information about possible credit problems of borrowers causes management to have serious doubts as to the ability of such borrowers to comply with the present loan repayment terms or that are 90 days or more past due but for which the accrual of interest has not been discontinued.

In keeping with SEC industry guidance, we also continue to monitor and report the following categories in our problem loans:

— Nonaccrual Loans: We place a loan on nonaccrual status if the loan has been in default as to payment of principal or interest for 90 days or more and the loan is neither well secured nor in the process of collection, or the accrual of interest should be ceased according to management's judgment as to collectability of contractual cash flows. When a loan is placed on nonaccrual status, the accrual of interest in accordance with the contractual terms of the loan is discontinued. However, the accretion of the net present value of the written down amount of the loan due to the passage of time is recognized as interest income based on the original effective interest rate of the loan. Cash receipts of interest on nonaccrual loans are recorded as a reduction of principal.
— Loans Ninety Days or More Past Due and Still Accruing: These are loans in which contractual interest or principal payments are 90 days or more past due but on which we continue to accrue interest as no impairment loss is recorded.
— Troubled Debt Restructurings: These are loans that we have restructured due to deterioration in the borrower's financial position on terms that we would not otherwise consider. If a borrower performs satisfactorily for one year under a restructured loan, we no longer consider that borrower's loan to be a troubled debt restructuring, unless at the time of restructuring the new interest rate was lower than the market rate for similar credit risks.

With the consolidation of Postbank, parts of the commercial banking activities in the Netherlands acquired from ABN AMRO and Sal. Oppenheim/BHF-BANK, we acquired certain loans for which a specific allowance had been established beforehand by Postbank, ABN AMRO or Sal. Oppenheim/BHF-BANK, respectively. These loans were taken onto our balance sheet at their fair values as determined by their expected cash flows which reflected the credit quality of these loans at the time of acquisition. As long as our cash flow expectations regarding these loans have not deteriorated since acquisition, they are not considered impaired or problem loans.

The following two tables present a breakdown of our problem loans for the dates specified.

Dec 31, 2010		Impaired loans			Nonimpaired problem loans		Problem loans
in € m.	German	Non-German	Total	German	Non-German	Total	Total
Individually assessed	996	2,556	3,552	239	1,635	1,874	5,426
Nonaccrual loans	902	2,374	3,276	153	897	1,051	4,327
Loans 90 days or more past due and still accruing	–	–	–	36	8	44	44
Troubled debt restructurings	94	182	276	50	729	779	1,055
Collectively assessed	1,010	1,703	2,713	267	29	296	3,009
Nonaccrual loans	1,009	1,583	2,591	–	–	–	2,591
Loans 90 days or more past due and still accruing	–	–	–	252	5	258	258
Troubled debt restructurings	1	120	121	15	24	38	160
Total problem loans	2,006	4,258	6,265	506	1,664	2,170	8,435
thereof: IAS 39 reclassified problem loans	84	1,150	1,234	–	979	979	2,213

Dec 31, 2009		Impaired loans			Nonimpaired problem loans		Problem loans
in € m.	German	Non-German	Total	German	Non-German	Total	Total
Individually assessed	758	4,145	4,903	304	1,037	1,341	6,244
Nonaccrual loans	707	4,027	4,734	200	1,003	1,203	5,937
Loans 90 days or more past due and still accruing	–	–	–	50	5	55	55
Troubled debt restructurings	51	118	169	54	29	83	252
Collectively assessed	907	1,391	2,298	274	97	371	2,669
Nonaccrual loans	905	1,281	2,186	–	–	–	2,186
Loans 90 days or more past due and still accruing	–	–	–	260	6	266	266
Troubled debt restructurings	2	110	112	14	91	105	217
Total problem loans	1,665	5,536	7,201	578	1,134	1,712	8,913
thereof: IAS 39 reclassified problem loans	28	2,750	2,778	–	159	159	2,937

Our total problem loans decreased by € 478 million or 5 % during 2010 due to € 1.4 billion of charge-offs, partly offset by a € 716 million gross increase of problem loans and a € 248 million increase as a result of exchange rate movements.

The decrease in our total problem loans was driven by a restructuring of loans for a single counterparty stemming from a failed syndication which were among the loans reclassified in accordance with IAS 39. This led to a reduction of € 1.4 billion in impaired loans, thereof € 545 million due to charge-offs. After the restructuring we continued to provide both senior and subordinate debt financing, but held certain noncontrolling rights, consents and vetoes over the financial and operating decisions of the company. We accounted for the subordinated financing arrangement as an equity method investment, and it was not disclosed as a problem loan.

Individually assessed impaired loans decreased by overall € 1.4 billion due to charge-offs of € 934 million and gross decreases of € 609 million, partly offset by € 191 million exchange rate movements. The main reason for the overall reduction of individually assessed impaired loans was the aforementioned restructuring. Our collectively assessed impaired loans increased by € 415 million. These increases were driven by our acquisition of Postbank as well as by increases in our portfolios in Italy and Poland. Gross increases in collectively assessed impaired loans of € 909 million and € 15 million exchange rate movements were partially offset by € 509 million charge-offs.

These effects led to a total decrease in impaired loans by € 937 million or 13 %, while nonimpaired problem loans increased by € 459 million due to a number of loans designated as defaulted, but for which we did not expect to incur a loss, mainly due to collateralization.

Our problem loans included € 2.2 billion of problem loans among the loans reclassified to loans and receivables in accordance with IAS 39. For these loans we recorded charge-offs of € 607 million and gross decreases in problem loans of € 219 million, partially offset by a € 101 million increase as a result of exchange rate movements.

Our commitments to lend additional funds to debtors with problem loans amounted to € 184 million as of December 31, 2010, a decrease of € 7 million or 4 % compared to December 31, 2009. Of these commitments, € 40 million were to debtors whose loan terms have been modified in a troubled debt restructuring, a decrease of € 11 million compared to December 31, 2009.

In addition, as of December 31, 2010, we had € 8 million of lease financing transactions that were nonperforming, an increase of € 1 million or 14 % compared to December 31, 2009. These amounts are not included in our total problem loans.

The following table presents an overview of nonimpaired Troubled Debt Restructurings representing our renegotiated loans that would otherwise be past due or impaired.

in € m.	Dec 31, 2010	Dec 31, 2009
Troubled debt restructurings not impaired	818	188

The following table breaks down the nonimpaired past due loan exposure carried at amortized cost according to its past due status, including nonimpaired loans past due more than 90 days but where there is no concern over the creditworthiness of the counterparty.

in € m.	Dec 31, 2010	Dec 31, 2009
Loans less than 30 days past due	4,092	6,192
Loans 30 or more but less than 60 days past due	973	941
Loans 60 or more but less than 90 days past due	384	558
Loans 90 days or more past due	981	925
Total loans past due but not impaired	6,430	8,616

The following table presents the aggregated value of collateral – with the fair values of collateral capped at loan outstandings – held by us against our loans past due but not impaired.

in € m.	Dec 31, 2010	Dec 31, 2009
Financial and other collateral	3,484	3,965
Guarantees received	244	330
Total capped fair value of collateral held for loans past due but not impaired	3,728	4,295

Impaired Loans

The following tables present a breakdown of our impaired loans, the components of our allowance for loan losses and the respective coverage ratios by region based on the country of domicile of our counterparties for the dates specified.

Dec 31, 2010	Impaired Loans			Loan loss allowance			Impaired loan
in € m.	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total	coverage ratio in %
Germany	996	1,010	2,006	559	453	1,012	50
Western Europe (excluding Germany)	1,153	1,441	2,594	640	997	1,637	63
Eastern Europe	22	245	267	6	186	192	72
North America	1,146	4	1,150	339	4	343	30
Central and South America	43	–	43	27	–	27	63
Asia/Pacific	169	13	182	68	13	81	45
Africa	23	–	23	4	–	4	17
Other	–	–	–	–	–	–	–
Total	3,552	2,713	6,265	1,643	1,653	3,296	53

Dec 31, 2009	Impaired Loans			Loan loss allowance			Impaired loan
in € m.	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total	coverage ratio in %
Germany	758	907	1,665	498	454	952	57
Western Europe (excluding Germany)	2,457	1,245	3,702	1,035	741	1,776	48
Eastern Europe	30	121	151	17	94	111	74
North America	1,392	3	1,395	397	3	400	29
Central and South America	84	1	85	21	1	22	26
Asia/Pacific	136	21	157	51	21	72	46
Africa	27	–	27	7	–	7	26
Other	19	–	19	3	–	3	16
Total	4,903	2,298	7,201	2,029	1,314	3,343	46

The following tables present a breakdown of our impaired loans, the components of our allowance for loan losses and the respective coverage ratios by industry sector of our counterparties for the dates specified.

Dec 31, 2010	Impaired Loans			Loan loss allowance			Impaired loan coverage ratio in %
in € m.	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total	
Banks and insurance	81	–	81	82	–	82	100
Fund management activities	841	–	841	298	97	395	41
Manufacturing	603	139	742	332	125	457	62
Wholesale and retail trade	199	113	312	147	111	258	83
Households	163	1,810	1,973	105	965	1,070	54
Commercial real estate activities	740	229	969	259	83	342	35
Public sector	–	–	–	–	–	–	–
Other	925	422	1,347	420	272	692	56
Total	3,552	2,713	6,265	1,643	1,653	3,296	53

Dec 31, 2009	Impaired Loans			Loan loss allowance			Impaired loan coverage ratio in %
in € m.	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total	
Banks and insurance	101	–	101	82	0	82	81
Fund management activities	848	–	848	281	–	281	33
Manufacturing	582	116	698	307	116	423	61
Wholesale and retail trade	255	91	346	117	71	188	54
Households	103	1,556	1,659	49	750	799	48
Commercial real estate activities	710	250	960	314	92	406	42
Public sector	45	–	45	6	–	6	13
Other[1]	2,259	285	2,544	873	285	1,158	46
Total	4,903	2,298	7,201	2,029	1,314	3,343	46

1 For December 31, 2009 the category Other contained primarily the impaired junior debt portion of one Leveraged Finance exposure which was reclassified to loans and receivables in accordance with IAS 39.

The following table presents the aggregated value of collateral we held against impaired loans, with fair values capped at transactional outstandings.

in € m.	Dec 31, 2010	Dec 31, 2009
Financial and other collateral	1,502	1,757
Guarantees received	77	57
Total capped fair value of collateral held for impaired loans	1,579	1,814

Considering the collateral held against impaired loans in addition to the allowance for loan losses, the impaired loan coverage was 78 % as of December 31, 2010 and 72 % as of December 31, 2009. The increase was principally driven by a reduction of loans reclassified in accordance with IAS 39. These loans required a lower amount of loan loss allowance due to fair value charges taken before their reclassification and hence lead to a lower average coverage ratio.

Collateral Obtained

The following table presents the aggregated value of collateral we obtained on the balance sheet during the reporting periods by taking possession of collateral held as security or by calling upon other credit enhancements.

in € m.	2010	2009
Commercial real estate	32	78
Residential real estate	47	10
Other	1	–
Total collateral obtained during the reporting period	80	88

Collateral obtained is made available for sale in an orderly fashion or through public auctions, with the proceeds used to repay or reduce outstanding indebtedness. Generally we do not occupy obtained properties for our business use.

The commercial real estate collateral obtained in 2010 related to two of our U.S. exposures while the residential real estate collateral obtained related predominately to a number of cases in Spain and also a few cases in the U.S. where we have executed foreclosure by taking possession.

The residential real estate collateral obtained, as shown in the table above, excludes collateral recorded as a result of consolidating securitization trusts under SIC-12 and IAS 27. The year-end amounts in relation to collateral obtained for these trusts were € 25 million and € 33 million, for December 31, 2010 and December 31, 2009, respectively.

Movements in the Allowance for Loan Losses

We record increases to our allowance for loan losses as an increase of the provision for loan losses in our income statement. Charge-offs reduce our allowance while recoveries, if any, are credited to the allowance account. If we determine that we no longer require allowances which we have previously established, we decrease our allowance and record the amount as a reduction of the provision for loan losses in our income statement.

The following table presents a breakdown of the movements in our allowance for loan losses for the periods specified.

			2010			2009
in € m.	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total
Balance, beginning of year	2,029	1,314	3,343	977	961	1,938
Provision for loan losses	562	751	1,313	1,789	808	2,597
Net charge-offs	(896)	(404)	(1,300)	(637)	(419)	(1,056)
Charge-offs	(934)	(509)	(1,443)	(670)	(552)	(1,222)
Recoveries	38	104	143	33	133	166
Changes in the group of consolidated companies	–	–	–	–	–	–
Exchange rate changes/other	(52)	(8)	(60)	(101)	(36)	(137)
Balance, end of year	1,643	1,653	3,296	2,029	1,314	3,343

The following table sets forth a breakdown of the movements in our allowance for loan losses specifically for charge-offs and recoveries, including, with respect to our German loan portfolio, by industry classifications for the periods specified. The breakdown between German and non-German borrowers is based on the country of domicile of our borrowers.

in € m. (unless stated otherwise)	2010	2009
Balance, beginning of year	3,343	1,938
Charge-offs:		
German:		
Banks and insurance	(5)	(2)
Fund management activities	–	–
Manufacturing	(43)	(43)
Wholesale and retail trade	(32)	(23)
Households (excluding mortgages)	(338)	(340)
Households – mortgages	(26)	(23)
Commercial real estate activities	(22)	(6)
Public sector	–	–
Other	(49)	(72)
German total	(515)	(509)
Non-German total	(928)	(713)
Total charge-offs	(1,443)	(1,222)
Recoveries:		
German:		
Banks and insurance	1	1
Fund management activities	–	–
Manufacturing	14	11
Wholesale and retail trade	6	7
Households (excluding mortgages)	63	83
Households – mortgages	4	1
Commercial real estate activities	4	7
Public sector	–	–
Other	20	25
German total	112	135
Non-German total	31	31
Total recoveries	143	166
Net charge-offs	(1,300)	(1,056)
Provision for loan losses	1,313	2,597
Other changes (e.g. exchange rate changes, changes in the group of consolidated companies)	(60)	(137)
Balance, end of year	3,296	3,343
Percentage of total net charge-offs to average loans for the year	0.45 %	0.39 %

Our allowance for loan losses as of December 31, 2010 was € 3.3 billion, a 1 % decrease from prior year end. The decrease in our allowance was principally due to charge-offs, reductions resulting from currency translation and unwinding effects exceeding our provisions.

Our net charge-offs amounted to € 1.3 billion in 2010. Of the charge-offs for 2010, € 896 million were related to our corporate credit exposure, of which € 607 million were related to assets which had been reclassified in accordance with IAS 39 in our United Kingdom and Asia-Pacific portfolios, and € 404 million to our consumer credit exposure, mainly driven by our German portfolios.

Our provision for loan losses in 2010 was € 1.3 billion, principally driven by € 562 million for our corporate credit exposures, of which € 278 million of new provisions were established relating to assets which had been reclassified in accordance with IAS 39, relating predominantly to exposures in Corporate Banking & Securities. The remaining increase reflected impairment charges taken on a number of exposures in the Americas and in Europe in an overall favorable global economic credit environment. Loan loss provisions in our collectively assessed exposure amounted to € 751 million, reflecting a significant reduction of our net credit costs in Spain and India partially offset by increases in Poland, which is lower than the € 808 million recorded in the prior year, which was predominately driven by the challenging credit environment in Spain and Poland during 2009.

Our individually assessed loan loss allowance was € 1.6 billion as of December 31, 2010. The € 386 million decrease in 2010 comprises net provisions of € 562 million (including the aforementioned impact from IAS 39 reclassifications), net charge-offs of € 896 million and a € 52 million decrease from currency translation and unwinding effects.

Our collectively assessed loan loss allowance totaled € 1.7 billion as of December 31, 2010, representing an increase of € 339 million against the level reported for the end of 2009 (€ 1.3 billion). Movements in this component comprised a € 751 million provision, being partially offset by € 404 million net charge-offs and a € 8 million net decrease from currency translation and unwinding effects.

Our allowance for loan losses as of December 31, 2009 was € 3.3 billion, a 72 % increase from the € 1.9 billion reported for the end of 2008. The increase in our allowance was principally due to provisions exceeding substantially our charge-offs.

Our gross charge-offs amounted to € 1.2 billion in 2009. Of the charge-offs for 2009, € 637 million were related to our corporate credit exposure, of which € 414 million were related to assets which had been re-classified in accordance with IAS 39 in our U.S. and U.K. portfolios, and € 419 million to our consumer credit exposure, mainly driven by our German portfolios.

Our provision for loan losses in 2009 was € 2.6 billion, principally driven by € 1.8 billion for our corporate credit exposures, of which € 1.3 billion of new provisions were established relating to assets which had been reclassified in accordance with IAS 39, relating predominantly to exposures in Leveraged Finance. The remaining increase reflected impairment charges taken on a number of exposures in the Americas and in Europe in an overall deteriorating credit environment. Loan loss provisions for PCAM amounted to € 805 million, predominately reflecting a more challenging credit environment in Spain and Poland. Provisions in 2009 were positively impacted by changes in certain parameter and model assumptions, which reduced provisions by € 87 million in CIB and € 146 million in PCAM.

Our individually assessed loan loss allowance was € 2.0 billion as of December 31, 2009. The € 1.1 billion increase in 2009 is comprised of net provisions of € 1.8 billion (including the aforementioned impact from IAS 39 reclassifications), net charge-offs of € 637 million and a € 101 million decrease from currency translation and unwinding effects.

Our collectively assessed loan loss allowance totaled € 1.3 billion as of December 31, 2009, representing an increase of € 353 million against the level reported for the end of 2008 (€ 961 million). Movements in this component include a € 808 million provision, including a positive impact by changes in certain parameter and model assumptions which reduced provision by € 87 million, being offset by € 419 million net charge-offs and a € 36 million net decrease from currency translation and unwinding effects.

Non-German Component of the Allowance for Loan Losses

The following table presents an analysis of the changes in the non-German component of the allowance for loan losses. As of December 31, 2010, 69 % of our total allowance was attributable to non-German clients compared to 72 % as of December 31, 2009.

in € m.	2010	2009
Balance, beginning of year	2,391	995
Provision for loan losses	820	2,182
Net charge-offs	(897)	(682)
Charge-offs	(928)	(713)
Recoveries	31	31
Other changes (e.g. exchange rate changes, changes in the group of consolidated companies)	(30)	(104)
Balance, end of year	2,284	2,391

Allowance for Off-balance Sheet Positions

The following table shows the activity in our allowance for off-balance sheet positions, which comprises contingent liabilities and lending-related commitments.

			2010			2009
in € m.	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total
Balance, beginning of year	83	124	207	98	112	210
Provision for off-balance sheet positions	(18)	(21)	(39)	21	12	33
Usage	–	–	–	(45)	–	(45)
Changes in the group of consolidated companies	42	–	42	–	–	–
Exchange rate changes	1	7	8	10	–	10
Balance, end of year	108	110	218	83	124	207

In 2010 we recorded changes in the group of consolidated companies for off-balance sheet allowances following the consolidation of acquisitions amounting to € 34 million for Postbank and € 8 million for Sal. Oppenheim/ BHF-BANK.

Treatment of Default Situations under Derivatives

Unlike standard loan assets, we generally have more options to manage the credit risk in our OTC derivatives when movement in the current replacement costs of the transactions and the behavior of our counterparty indicate that there is the risk that upcoming payment obligations under the transactions might not be honored. In these situations, we are frequently able under prevailing contracts to obtain additional collateral or terminate the transactions or the related master agreement at short notice.

Derivatives – Credit Valuation Adjustment

We establish a counterparty credit valuation adjustment for OTC derivative transactions to cover expected credit losses. The adjustment amount is determined at each reporting date by assessing the potential credit exposure to all counterparties, taking into account any collateral held, the effect of netting under a master agreement, expected loss given default and the credit risk for each counterparty based on historic default levels.

The credit valuation adjustments are significant for certain monoline counterparties. These credit valuation adjustments are assessed using a model-based approach with numerous input factors for each counterparty, including market data, the likelihood of an event (either a restructuring or insolvency), an assessment of any potential settlement in the event of a restructuring, and recovery rates in the event of either restructuring or insolvency. We recorded € 1.2 billion in credit valuation adjustments against our aggregate monoline exposures for 2010 and € 1.2 billion for 2009.

The master agreements executed with our clients usually provide for a broad set of standard or bespoke termination rights, which allow us to respond swiftly to a counterparty's default or to other circumstances which indicate a high probability of failure. When our decision to terminate derivative transactions or the related master agreement results in a residual net obligation owed by the counterparty, we restructure the obligation into a non-derivative claim and manage it through our regular work-out process. As a consequence, for accounting purposes we typically do not show any nonperforming derivatives.

Market Risk

The vast majority of our businesses are subject to market risk, defined as the potential for change in the market value of our trading and investing positions. Risk can arise from adverse changes in interest rates, credit spreads, foreign exchange rates, equity prices, commodity prices and other relevant parameters, such as market volatility.

Market risk arising from Postbank has been included in the 2010 information and where possible our own risk methodology framework has been applied. Deutsche Bank, however, does not manage any market risk aspect of Postbank.

The primary objective of Market Risk Management is to ensure that our business units optimize the risk-reward relationship and do not expose the Bank to unacceptable losses outside of our risk appetite. To achieve this objective, Market Risk Management works closely together with risk takers (the business units) and other control and support groups. This is restricted to the Deutsche Bank Group excluding Postbank.

We differentiate between two substantially different types of market risk:

— Trading market risk arises primarily through the market-making activities of the Corporate & Investment Bank division. This involves taking positions in debt, equity, foreign exchange, other securities and commodities as well as in equivalent derivatives.
— Nontrading market risk in various forms: Equity risk arises primarily from non-consolidated strategic investments in the Corporate Investment portfolio, alternative asset investments and equity compensation. Interest rate risk stems from our nontrading asset and liability positions. Other nontrading market risk elements are risks arising from asset management and fund related activities as well as model risks in PBC, GTB and PWM, which are derived by stressing assumptions of client behavior in combination with interest rate movements. Postbank categorizes risk from modeling deposits as business risk and risk from its building society BHW as collective risk whereas in Deutsche Bank Group excluding Postbank these risks are part of nontrading market risk.

Trading Market Risk Management Framework at Deutsche Bank Group (excluding Postbank)

Our primary instrument to manage trading market risk is the limit setting process which is not applicable to Postbank. Our Management Board, supported by Market Risk Management, which is part of our independent Legal, Risk & Capital function, sets Group-wide value-at-risk and economic capital limits for market risk in the trading book. Market Risk Management sub-allocates this overall limit to our group divisions and individual business areas within CIB (e.g., Global Rates, Equity, etc.) based on anticipated business plans and risk appetite. Within the individual business areas, the business heads may establish business limits by sub-allocating the Market Risk Management limit down to individual portfolios or geographical regions.

Value-at-risk and economic capital limits are used for managing all types of market risk at an overall portfolio level. In addition, Market Risk Management operates sensitivity and concentration/liquidity limits as an additional and complementary tool for managing certain portfolios or risk types. A distinction is made between Market Risk Management limits and business limits for sensitivities and concentration/liquidity. In practice, the Market Risk Management limits are likely to be a relatively small number of key limits necessary to capture an exposure to a particular risk factor and will tend to be global in nature rather than for any particular geographical region or specific portfolios.

To manage the exposures inside the limits, the risk takers apply several risk mitigating measures, most notably the use of

— Portfolio management: Risk diversification arises in portfolios which consist of a variety of positions. Because some investments are likely to rise in value when others decline, diversification can help to lower the overall level of risk profile of a portfolio.
— Hedging: Hedging involves taking positions in related financial assets, including derivative products, such as futures, swaps and options. Hedging activities may not always provide effective mitigation against losses due to differences in the terms, specific characteristics or other basis risks that may exist between the hedge instrument and the exposure being hedged.

In 2010, we continued to invest heavily in our market risk management function and increased our staffing level by close to 30 %. We have added specific market risk management resources in key asset class areas, further built out our central teams and established a dedicated change management function.

Trading Market Risk Management Framework at Postbank

The Market Risk Management framework at Postbank is based on the following key principles: In general, Postbank's Financial Markets division manages trading market risk centrally based on separately defined risk limits for Deutsche Postbank AG and its foreign subsidiary Luxembourg.

The aggregate limits are set by the Management Board of Postbank and allocated by the Market Risk Committee to the individual operating units as sub-limits. The allocation mechanism for market risk limits at Postbank is similar to Deutsche Bank's Economic Capital approach. The risk capital limits allocated to specific business activities represent the level of market risk that is reasonable and desirable for Postbank from an earnings perspective.

On a day-to-day basis, market risk at Postbank is monitored through a system of limits based on the Value-at-Risk methodology. In addition, Postbank's Market Risk Committee has defined sensitivity limits for the trading and banking book as well as for specific subportfolios.

Quantitative Risk Management Tools

Value-at-Risk at Deutsche Bank Group (excluding Postbank)

Value-at-risk is a quantitative measure of the potential loss (in value) of trading positions due to market movements that will not be exceeded in a defined period of time and with a defined confidence level.

Our value-at-risk for the trading businesses is based on our own internal value-at-risk model. In October 1998, the German Banking Supervisory Authority (now the BaFin) approved our internal value-at-risk model for calculating the regulatory market risk capital for our general and specific market risks, which are not applied to Postbank. Since then the model has been periodically refined and approval has been maintained.

We calculate value-at-risk using a 99 % confidence level and a holding period of one day. This means we estimate there is a 1 in 100 chance that a mark-to-market loss from our trading positions will be at least as large as the reported value-at-risk. For regulatory reporting, the holding period is ten days.

We use historical market data to estimate value-at-risk, with an equally-weighted 261 trading day history. The calculation employs a Monte Carlo Simulation technique, and we assume that changes in risk factors follow a certain distribution, e.g., normal or logarithmic normal distribution. To determine our aggregated value-at-risk, we use observed correlations between the risk factors during this 261 trading day period.

Our value-at-risk model is designed to take into account the following risk factors: interest rates, credit spreads, equity prices, foreign exchange rates and commodity prices, as well as their implied volatilities and common basis risk. The model incorporates both linear and, especially for derivatives, nonlinear effects of the risk factors on the portfolio value.

The value-at-risk measure enables us to apply a constant and uniform measure across all of our trading businesses and products. It allows a comparison of risk in different businesses, and also provides a means of aggregating and netting positions within a portfolio to reflect correlations and offsets between different asset classes. Furthermore, it facilitates comparisons of our market risk both over time and against our daily trading results.

When using value-at-risk estimates a number of considerations should be taken into account. These include the following:

— The use of historical market data may not be a good indicator of potential future events, particularly those that are extreme in nature. This ‘backward-looking’ limitation can cause value-at-risk to understate risk (as in 2008), but can also cause it to be overstated.
— Assumptions concerning the distribution of changes in risk factors, and the correlation between different risk factors, may not hold true, particularly during market events that are extreme in nature. There is no standard value-at-risk methodology to follow and different assumptions would produce different results.
— The one day holding period does not fully capture the market risk arising during periods of illiquidity, when positions cannot be closed out or hedged within one day.
— Value-at-risk does not indicate the potential loss beyond the 99th quantile.
— Intra-day risk is not captured.
— There may be risks in the trading book that are either not or not fully captured by the value-at-risk model.

We continuously analyze potential weaknesses of our value-at-risk model using statistical techniques such as back-testing, but also rely on risk management experience and expert opinion. Back-testing provides an analysis of the predictive power of the value-at-risk calculations based on actual experience. We compare the hypothetical daily profits and losses under the buy-and-hold assumption (in accordance with German regulatory requirements) with the estimates from our value-at-risk model.

A committee with participation from Market Risk Management, Market Risk Operations, Risk Analytics and Instruments, Finance and others meets on a quarterly basis to review back-testing results of our Group as a whole and on individual businesses. The committee analyzes performance fluctuations and assesses the predictive power of our value-at-risk model, which in turn allows us to improve and adjust the risk estimation process accordingly.

We are committed to the ongoing development of our proprietary risk models, and we allocate substantial resources to reviewing and improving them. Special attention is given to improving those parts of the value-at-risk model that relate to the areas where losses have been experienced in the recent past. During 2010, improvements were made to the value-at-risk calculation, including the following:

— Inclusion of Equity Dividend Risk
— Refined methodology for securitization positions
— Inclusion of the market risk of Sal. Oppenheim and BHF-BANK

In addition, we have introduced a process of systematically capturing and evaluating immaterial risks currently not captured in our value-at-risk model.

Value-at-Risk at Postbank

The Postbank also uses the value-at-risk concept to quantify and monitor the market risk it assumes. Postbank also uses a Monte Carlo Simulation for calculation of trading book risks across all portfolios, transforming heterogeneous types of market risk into a single measure of risk. The risk factors taken into account in the value-at-risk include yield curves, equity prices, foreign exchange rates, and volatilities, along with risks arising from changes in credit spreads. Correlation effects between the risk factors are derived from historical data.

The Postbank value-at-risk is currently not consolidated into the value-at-risk of the remaining Group.

Economic Capital for Market Risk

Economic capital for market risk measures the amount of capital we need to absorb very severe unexpected losses arising from our exposures over the period of one year. “Very severe” in this context means that economic capital is set at a level to cover with a probability of 99.98 % the aggregated unexpected losses within one year. The market risks from Postbank have been modeled into the Group’s Economic Capital results.

We calculate economic capital using stress tests and scenario analyses. The stress tests are derived from historically observed severe market shocks. The resulting losses from these stress scenarios are then aggregated using correlations observed during periods of market crises, to reflect the increase in correlations which occurs during severe downturns.

The stress tests are augmented by subjective assessments where only limited historical data is available, or where market developments lead us to believe that historical data may be a poor indicator of possible future market scenarios.

The calculation of economic capital for market risk from the trading units is performed weekly. The model incorporates the following risk factors: interest rates, credit spreads, equity prices, foreign exchange rates and commodity prices. Volatility, credit correlation and common basis risks are also captured.

During the course of 2010 we also implemented significant methodology enhancements to our economic capital model, including the following:

— Extension of stress tests for securitization and correlation risk
— Improved granularity for equity dividend and stock borrow risk
— Enhanced coverage of basis risks

Our stress testing results and economic capital estimations are necessarily limited by the number of stress tests executed and the fact that not all downside scenarios can be predicted and simulated. While our risk managers have used their best judgment to define worst case scenarios based upon the knowledge of past extreme market moves, it is possible for our market risk positions to lose more value than even our economic capital estimates. We also continuously assess and refine our stress tests in an effort to ensure they capture material risks as well as reflect possible extreme market moves.

Postbank also performs scenario analyses and stress tests in addition to the value-at-risk calculations. The assumptions underlying the stress tests are validated on an ongoing basis.

Value-at-Risk of Trading Units of Our Corporate & Investment Bank Group Division

The following table shows the value-at-risk (with a 99 % confidence level and a one-day holding period) of the trading units of our Corporate & Investment Bank Group Division but excluding the value-at-risk of Postbank. Our trading market risk outside of these units excluding Postbank is immaterial. "Diversification effect" reflects the fact that the total value-at-risk on a given day will be lower than the sum of the values-at-risk relating to the individual risk classes. Simply adding the value-at-risk figures of the individual risk classes to arrive at an aggregate value-at-risk would imply the assumption that the losses in all risk categories occur simultaneously.

in € m.	Dec 31, 2010	Dec 31, 2009
Value-at-risk of trading units		
Interest rate risk	77.4	111.0
Equity price risk	21.3	37.0
Foreign exchange risk	29.0	23.9
Commodity price risk	13.3	14.8
Diversification effect	(70.1)	(65.7)
Total	70.9	121.0

The following table shows the maximum, minimum and average value-at-risk (with a 99 % confidence level and a one-day holding period) of the trading units of our Corporate & Investment Bank Group Division for the periods specified excluding the value-at-risk of Postbank.

Value-at-risk of trading units	Total		Diversification effect		Interest rate risk		Equity price risk		Foreign exchange risk		Commodity price risk	
in € m.	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Average	95.6	126.8	(48.6)	(61.6)	86.8	117.6	21.9	26.9	22.9	28.7	12.7	15.1
Maximum	126.4	180.1	(88.5)	(112.3)	113.0	169.2	33.6	47.3	46.4	64.4	21.2	34.7
Minimum	67.5	91.9	(26.4)	(35.9)	65.8	83.2	13.6	14.5	10.8	11.9	6.2	8.5

Our value-at-risk for the trading units remained within a band between € 67.5 million and € 126.4 million. The average value-at-risk in 2010 was € 95.6 million, which is 25 % below the 2009 average of € 126.8 million.

The decrease in average Value-at-Risk observed in 2010 was driven primarily by reduced risk taking and lower historical volatilities. In addition, the trading business continued with the recalibration of its business model towards taking less risk in illiquid or complex exposures.

The following table shows the value-at-risk of Postbank's trading book (with a 99 % confidence level and a one-day holding period). "Diversification effect" reflects the fact that the total value-at-risk on a given day will be lower than the sum of the values-at-risk relating to the individual risk classes. Simply adding the value-at-risk figures of the individual risk classes to arrive at an aggregate value-at-risk would imply the assumption that the losses in all risk categories occur simultaneously.

in € m.	Dec 31, 2010
Value-at-risk of Postbank	
Interest rate risk	1.8
Equity price risk	0.2
Foreign exchange risk	0.0
Commodity price risk	–
Diversification effect	(0.0)
Total	2.0

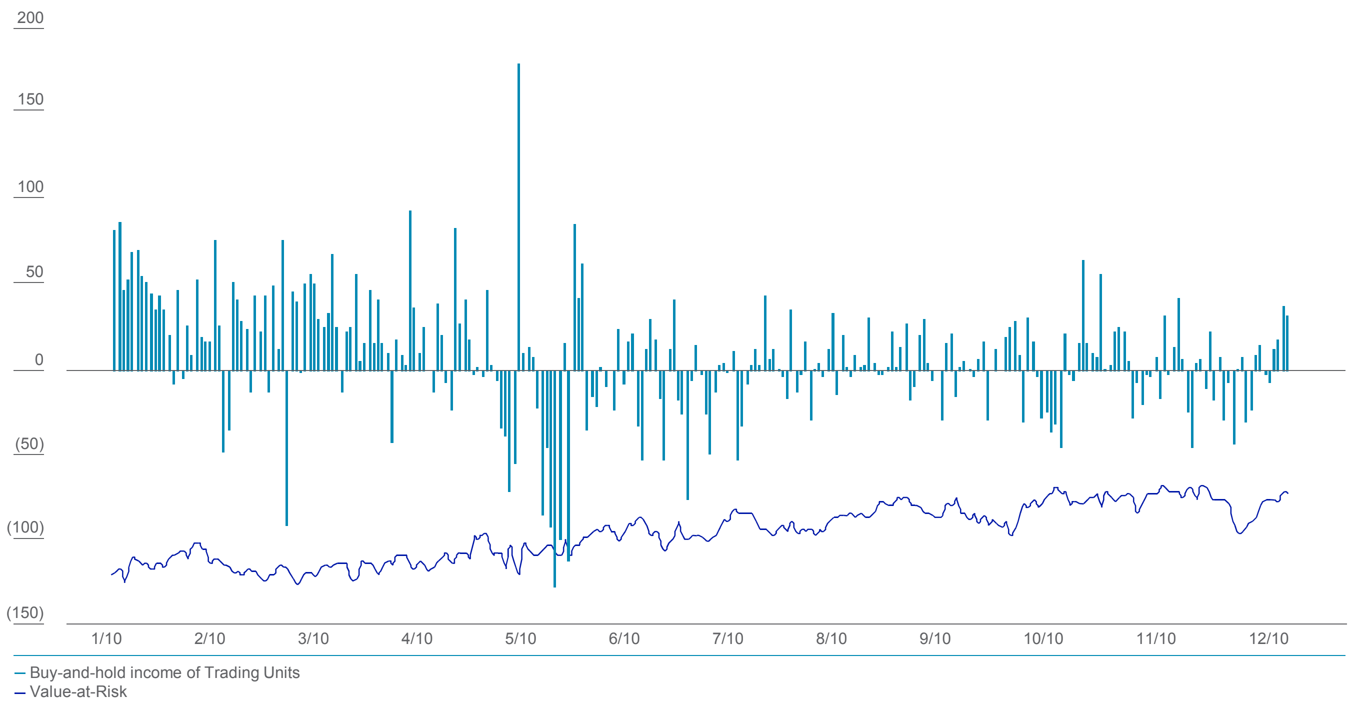
Regulatory Backtesting of Trading Market Risk

Backtesting is a procedure used to verify the predictive power of the value-at-risk calculations involving the comparison of hypothetical daily profits and losses under the buy-and-hold assumption with the estimates from the value-at-risk model. An outlier is a hypothetical buy-and-hold trading loss that exceeds our value-at-risk estimate. On average, we would expect a 99 percent confidence level to give rise to two to three outliers in any one year. In our regulatory back-testing in 2010, we observed two outliers compared to one in 2009. Both outliers occurred in late May following increased market volatility. We continue to believe that, due to the significant improvement in methodology, calculation parameters and the model performance achieved since the market turmoil, our value-at-risk model will remain an appropriate measure for our trading market risk under normal market conditions.

The following graph shows the daily buy-and-hold trading results in comparison to the value-at-risk as of the close of the previous business day. Both figures are shown in millions of Euro and exclude the Postbank value-at-risk calculated on a stand-alone basis.

Buy-and-hold income of Trading Units and Value-at-Risk in 2010

in € m.

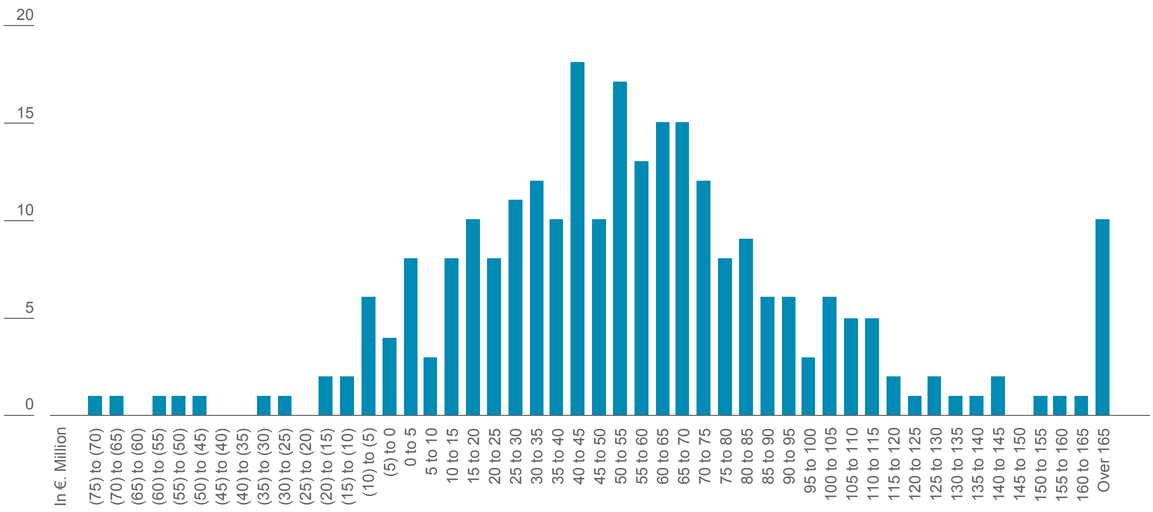


Daily Income of our Trading Units in 2010

The following histogram shows the distribution of daily income of our trading units in 2010 (excluding Postbank). It displays the number of trading days on which we reached each level of trading income shown on the horizontal axis in millions of euro.

Income of Trading Units in 2010

Days



Our trading units achieved a positive actual income for 92 % of the trading days in 2010 (versus 91 % in 2009).

Economic Capital Usage for our Trading Market Risk

The economic capital usage for market risk arising from the trading units totaled € 6.4 billion at year-end 2010 compared with € 4.6 billion at year-end 2009. Traded default risk increased by € 1.0 billion primarily from model refinements and more conservative liquidity assumptions. Traded market risk increased by € 0.8 billion, driven by model improvements with some partial offset from a reduction in legacy credit exposure. Postbank's contribution to our economic capital usage for our trading market risk was minimal.

Nontrading Market Risk Management

Our Nontrading Market Risk Management units oversee a number of risk exposures resulting from various business activities and initiatives. Due to the complexity and variety of risk characteristics in the area of nontrading market risks, the responsibility of risk management is split into three teams:

- The Nontrading Market Risk Management team within our Market Risk Management function covers market risks in PBC, GTB, PWM and Corporate Investments as well as structural foreign exchange risks, equity compensation risks and pension risks.
- The Principal Investments team within our Credit Risk Management function is specialized in risk-related aspects of our nontrading alternative asset activities and performs monthly reviews of the risk profile of the nontrading alternative asset portfolios.
- The Asset Management Risk unit within our Credit Risk Management function is specialized in risk-related aspects of our asset and fund management business. Noteworthy risks in this area arise, for example, from performance and/or principal guarantees and reputational risk related to managing client funds.

The consolidation of Postbank in December 2010 has resulted in a significant change in our equity risk profile from nontrading activities. Previously an economic capital charge was calculated to our Strategic Investment Portfolio purely based on the size of our minority stake. Since consolidation, economic capital for all risk categories (credit risk, trading and nontrading market risk, operational risk and business risk) of the entire Postbank is included in our reporting.

The majority of the interest rate and foreign exchange risks arising from Deutsche Bank's nontrading asset and liability positions, excluding Postbank, has been transferred through internal hedges to trading books within the Corporate & Investment Bank and is thus reflected and managed through the value-at-risk numbers. Of the remaining risks that have not been transferred through those hedges foreign exchange risk is mitigated through match funding the investment in the same currency and only residual risk remains in the portfolios. For these residual positions there is immaterial interest rate risk remaining from the mismatch between the funding term and the expected maturity of the investment. In contrast to above approach, Postbank carries the majority of its open interest rate risk in the banking book. While this interest rate position is material on a Postbank standalone basis, the impact is immaterial when aggregated with Deutsche Bank's risk positions.

However, there is an important exception with respect to foreign exchange risk, which we refer to as structural foreign exchange risk exposure. This exposure arises from capital and retained earnings in non Euro currencies in certain subsidiaries, mainly U.S. and U.K. entities and represents the bulk of foreign exchange risk in our nontrading portfolio.

In addition to the above risks, our Nontrading Market Risk Management function also has the mandate to monitor and manage risks arising from our equity compensation plans and pension liabilities. It also manages risks related to asset management activities, primarily resulting from guaranteed funds. Moreover, our PBC, GTB and PWM businesses are subject to modeling risk with regard to client deposits. This risk materializes if client behavior in response to interest rate movements deviates substantially from the historical norm.

The Capital and Risk Committee supervises our nontrading market risk exposures. Investment proposals for strategic investments are analyzed by the Group Investment Committee. Depending on the size, any strategic investment requires approval from the Group Investment Committee, the Management Board or the Supervisory Board. The development of strategic investments is monitored by the Group Investment Committee on a regular basis. Multiple members of the Capital and Risk Committee are also members of the Group Investment Committee, ensuring a close link between both committees.

Assessment of Market Risk in Our Nontrading Portfolios

Due to the generally static nature of these positions we do not use value-at-risk to assess the market risk in our nontrading portfolios. Rather, we assess the risk through the use of stress testing procedures that are particular to each risk class and which consider, among other factors, large historically observed market moves and the liquidity of each asset class as well as changes in client behavior in relation to deposit products. This assessment forms the basis of our economic capital calculations which enable us to actively monitor and manage our nontrading market risk. As of year-end 2009 several enhancements to the economic capital coverage across the nontrading market risk portfolio were introduced. In 2010 the nontrading market risk economic capital coverage has been completed with the addition of an economic capital charge for Deutsche Bank's pension risks.

Economic Capital Usage for Our Nontrading Market Risk Portfolios per Business Area

The table below shows the economic capital usages for our nontrading portfolios by business division and includes the economic capital usage of the Postbank calculated using our methodology.

in € m.	Dec 31, 2010	Dec 31, 2009
Economic capital usage for our nontrading portfolios		
CIB	1,351	890
PCAM	3,524	2,246
Corporate Investments	1,051	5,043
Consolidation & Adjustments	814	(277)
Total	6,740	7,902

The increase in CIB of € 461 million was driven by various new investments.

The most significant changes in 2010 were driven by the full consolidation of Postbank which led to an overall reduction of the nontrading economic capital by € 3.3 billion. In this process, the economic capital charge for Postbank was transferred from Corporate Investments (€ 4.3 billion) to Private & Business Clients (€ 1 billion). In addition the newly integrated business of Sal. Oppenheim also led to an increase of € 313 million in PCAM.

The major change in Consolidation & Adjustments was driven by an increase of structural foreign exchange risk of € 625 million.

Carrying Value and Economic Capital Usage for Our Nontrading Market Risk Portfolios

The table below shows the carrying values and economic capital usages separately for our nontrading portfolios.

	Carrying value		Economic capital usage	
in € bn.	Dec 31, 2010	Dec 31, 2009	Dec 31, 2010	Dec 31, 2009
Nontrading portfolios				
Strategic Investments	1.8	7.6	0.6	4.9
Major Industrial Holdings[1]	0.2	0.2	–	–
Other Corporate Investments	4.4	0.9	1.8	0.2
thereof: newly integrated businesses	2.6	–	1.3	–
Alternative Assets	4.4	3.8	1.6	1.3
Principal Investments	2.0	2.0	0.7	0.7
Real Estate	2.3	1.7	0.9	0.6
Hedge Funds[2]	0.1	0.1	–	–
Other nontrading market risks[3]	N/A	N/A	2.7	1.5
Total	10.8	12.5	6.7	7.9

1 There is a small economic capital usage of € 4 million as of December 31, 2010 and of € 28 million as of December 31, 2009.
2 There is a small economic capital usage of € 13 million as of December 31, 2010 and of € 17 million as of December 31, 2009.
3 N/A indicates that the risk is mostly related to off-balance sheet and liability items.

Our economic capital usage for these nontrading market risk portfolios totaled € 6.7 billion at year-end 2010, which is € 1.2 billion, or 15 %, below our economic capital usage at year-end 2009.

— Strategic Investments. Our economic capital usage of € 0.6 billion as of December 31, 2010 was mainly driven by our participations in Hua Xia Bank Company Limited and Abbey Life Assurance Company.
— Major Industrial Holdings. Our economic capital usage was € 4 million as of December 31, 2010. Most of the Major Industrial Holdings have been divested in prior years and accordingly the remaining positions no longer attract a material amount of economic capital.
— Other Corporate Investments. Our economic capital usage was € 1.8 billion for our other corporate investments at year-end 2010. A total of € 1.3 billion of the overall increase of € 1.6 billion results from newly integrated businesses of Postbank and Sal. Oppenheim/BHF-BANK. The economic capital has been aligned with Deutsche Bank's economic capital methodology. Newly included in this category is a restructured subordinated loan facility with significant equity characteristics, which contributed € 253 million to economic capital after diversification.
— Alternative assets. Our alternative assets portfolio includes principal investments, real estate investments (including mezzanine debt) and small investments in hedge funds. Principal investments are composed of direct investments in private equity, mezzanine debt, short-term investments in financial sponsor leveraged buy-out funds, bridge capital to leveraged buy-out funds and private equity led transactions. The alternative assets portfolio has some concentration in infrastructure and real estate assets. While recent market conditions have limited the opportunities to sell down the portfolio, our intention remains to do so, provided suitable conditions allow it.

- Other nontrading market risks:
  - Interest Rate Risk. This is mainly driven by maturity transformation of contractually short term deposits. The effective duration of contractually short term deposits is based upon observable client behavior, elasticity of deposit rates to market interest rates (DRE), volatility of deposit balances and Deutsche Bank's own credit spread. Economic capital is derived by stressing modeling assumptions – in particular the DRE – for the effective duration of overnight deposits. Our economic capital usage was € 435 million as of December 31, 2010 and was mainly driven by PBC including DB Bauspar. Behavioral and economic characteristics are taken into account when calculating the effective duration and optional exposures from our mortgages business.
  - Equity compensation. Risk arising from structural short position in our own share price arising from restricted equity units. Our economic capital usage was € (272) million as of December 31, 2010, on a diversified basis. The negative contribution to our diversified economic capital was derived from the fact that a reduction of our share price in a downside scenario as expressed by economic capital calculation methodology would reduce the negative impact on our capital position from the equity compensation liabilities.
  - Pension risk. Risk arising from our defined benefit obligations, including interest rate risk and inflation risk, credit spread risk, equity risk and longevity risk. Our economic capital usage, excluding Postbank, was € 146 million as of December 31, 2010. The economic capital charge allocated at DB Group level for respective pension risks of Postbank amounted to € 33 million.
  - Structural Foreign Exchange Risk. Our foreign exchange exposure arising from unhedged capital and retained earnings in non-euro currencies in certain subsidiaries. Our economic capital usage was € 927 million as of December 31, 2010 on a diversified basis.
  - Asset Management's Guaranteed Funds. Our economic capital usage was € 1.4 billion as of December 31, 2010.

Our total economic capital figures for nontrading market risk currently do not take into account diversification benefits between the asset categories except for those of equity compensation and structural foreign exchange risk and pension risk.

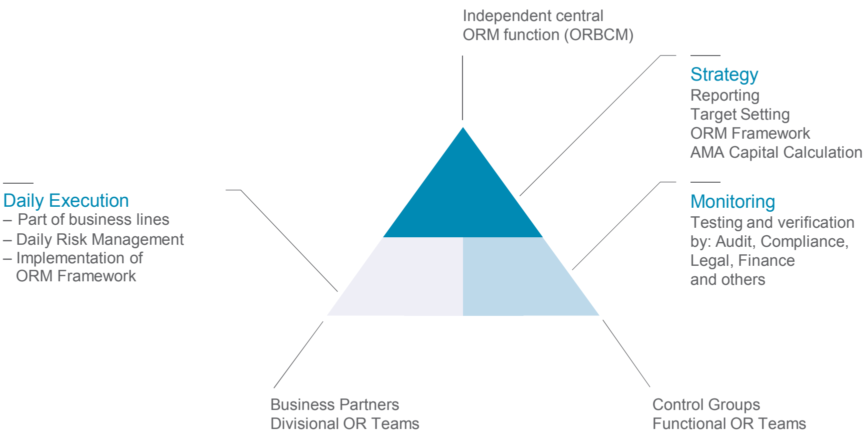
Operational Risk

Organizational Structure

The Head of Operational Risk & Business Continuity Management chairs the Operational Risk Management Committee, which is a permanent sub-committee of the Risk Executive Committee and is composed of the operational risk officers from our business divisions and our infrastructure functions. It is the main decision-making committee for all operational risk management matters.

While the day-to-day operational risk management lies with our business divisions and infrastructure functions, the Operational Risk & Business Continuity Management function manages the cross divisional and cross regional operational risk as well as risk concentrations and ensures a consistent application of our operational risk management strategy across the bank. Based on this Business Partnership Model, which is also shown in the chart below, we ensure close monitoring and high awareness of operational risk.

Business Partnership Model of Operational Risk Management



Managing Our Operational Risk

We manage operational risk based on a Group-wide consistent framework that enables us to determine our operational risk profile in comparison to our risk appetite and systematically identify operational risk themes and concentrations to define risk mitigating measures and priorities.

We apply a number of techniques to efficiently manage the operational risk in our business, for example:

— We perform systematic risk analyses, root cause analyses and lessons learned activities for events above € 1 million to identify inherent areas of risk and to define appropriate risk mitigating actions which are monitored for resolution. The prerequisite for these detailed analyses and the timely information of our senior management on the development of the operational risk events and on single larger events is the continuous collection of all losses above € 10,000 arising from operational risk events in our "db-Incident Reporting System".
— We systematically utilize information on external events occurring in the banking industry to ensure that similar incidents will not happen to us.
— Key Risk Indicators ("KRI") are used to alert the organization to impending problems in a timely fashion. They allow the monitoring of the bank's control culture as well as the operational risk profile and trigger risk mitigating actions. Within the KRI program we capture data at a granular level allowing for business environment monitoring and facilitating the forward looking management of operational risk based on early warning signals returned by the KRIs. We capture and monitor key operational risk indicators in our tool "db-Score".
— In our bottom-up Risk and Control Self Assessment ("RCSA") process, which is conducted at least annually, areas with high risk potential are highlighted and risk mitigating measures to resolve issue are identified. In general, RCSAs are performed in our tool "db-SAT". On a regular basis we conduct country risk workshops aiming to evaluate risks specific to countries and local legal entities we are operating in and take appropriate risk mitigating actions.
— We conduct scenario analysis to amend internal and external loss information and derive actions from them. We also conduct stress testing on a regular basis to analyze the impact of extreme situations on our capital and the profit-and-loss account.
— Regular operational risk profile reports at Group level for our business divisions, the countries we are operating in and our infrastructure functions are reviewed and discussed with the department's senior management. The regular performance of the risk profile reviews enables us to early detect changes to the units risk profile as well as risk concentrations across the Group and to take corrective actions.
— We assess the impact of changes to the Group's risk profile as a result of new products, outsourcings and acquisitions.
— Within our tracking tool "db-Track" we monitor risk mitigating measures identified via these techniques for resolution.
— Due to the heterogeneous nature of operational risks in certain cases operational risks cannot be fully mitigated. In such cases operational risks are mitigated following the "as low as reasonably possible" principle by balancing the cost of mitigation with the benefits thereof and formally accepting the residual risk.
— We perform top risk analyses in which the results of the aforementioned activities are considered. The top risk analyses mainly contribute into the annual operational risk management strategy and planning process. Besides the operational risk management strategic and tactical planning we define capital and expected loss targets which are monitored on a regular basis within the quarterly forecasting process.

Measuring Our Operational Risks

In 2010 we have integrated into our operational risk management processes Sal. Oppenheim (except for those parts which are in the process of being sold) and the commercial banking activities in the Netherlands acquired from ABN AMRO as well as Dresdner Bank's global Agency Securities Lending business. Although Postbank manages its own operational risk, Postbank has also already been integrated into our economic capital calculation on a basis consistent with Deutsche Bank methodology. Limitations in data availability, however, may lead to portfolio effects that are not fully estimated and thereby resulting in over- or underestimation. The table below shows the economic capital usages for operational risk of our business segments for the periods specified.

in € m.	Dec 31, 2010	Dec 31, 2009
Economic capital usage (for operational risk)		
CIB	2,735	2,822
PCAM	939	654
CI	8	17
Total	3,682	3,493

Economic capital usage for operational risk increased by € 189 million, or 5 %, to € 3.7 billion as of December 31, 2010. The higher economic capital usage driven by acquisitions (Postbank, BHF-BANK, parts of the commercial banking activities in the Netherlands acquired from ABN AMRO and Sal. Oppenheim) was only partially offset by lower loss frequencies due to proactive operational risk management.

We calculate and measure the economic and regulatory capital for operational risk using the internal AMA methodology. Economic capital is derived from the 99.98 % quantile and allocated to the businesses and used in performance measurement and resource allocation, providing an incentive to manage operational risk, optimizing economic capital utilization. The regulatory capital operational risk applies the 99.9 % quantile. Our internal AMA capital calculation is based upon the loss distribution approach. Gross losses adjusted for direct recoveries from historical internal and external loss data (Operational Riskdata eXchange Association (ORX) consortium data and a public database), plus scenario data are used to estimate the risk profile (that is, a loss frequency and a loss severity distribution). Thereafter, the frequency and severity distributions are combined in a Monte Carlo Simulation to generate losses over a one year time horizon. Finally, the risk mitigating benefits of insurance are applied to each loss generated in the Monte Carlo Simulation. Correlation and diversification benefits are applied to the net losses in a manner compatible with regulatory requirements to arrive at a net loss distribution at the Group level covering expected and unexpected losses. Capital is then allocated to each of the business divisions and both a qualitative adjustment ("QA") and an expected losses deduction are made.

The QA reflects the effectiveness and performance of the day-to-day operational risk management activities via KRIs and RCSAs focusing on the business environment and internal control factors. QA is applied as a percentage adjustment to the final capital number. This approach makes qualitative adjustment transparent to the management of the businesses and provides feedback on their risk profile as well as on the success of their management of operational risk. It thus provides incentives for the businesses to continuously improve Operational Risk Management in their areas.

The expected loss for operational risk is based on historical loss experience and expert judgment considering business changes denoting the expected cost of operational losses for doing business. To the extent it is considered in the divisional business plans it is deducted from the AMA capital figure.

The unexpected losses for the business divisions (after QA and expected loss) are aggregated to produce the Group AMA capital figure.

Since 2008, we have maintained approval by the BaFin to use the AMA. We are waiting for regulatory approval to integrate Postbank into our regulatory capital calculation.

Our Operational Risk Management Stress Testing Concept

Within our Stress Testing concept we ensure that operational risks are sufficiently and adequately stressed. Our AMA methodology already incorporates stress testing elements such as external data containing extreme data points and an over 25 year loss history both used to model the severity distribution. Additionally, we perform complementary sensitivity analysis and contribute to firm wide stress tests including reverse stress testing.

Role of Corporate Insurance/Deukona

The definition of our insurance strategy and supporting insurance policy and guidelines is the responsibility of our specialized unit Corporate Insurance/Deukona (“CI/D”). CI/D is responsible for our global corporate insurance policy which is approved by our Management Board.

CI/D is responsible for acquiring insurance coverage and for negotiating contract terms and premiums. CI/D also has a role in the allocation of insurance premiums to the businesses. CI/D specialists assist in devising the method for reflecting insurance in the capital calculations and in arriving at parameters to reflect the regulatory requirements. They validate the settings of insurance parameters used in the AMA model and provide respective updates. CI/D is actively involved in industry efforts to reflect the effect of insurance in the results of the capital calculations.

We buy insurance in order to protect ourselves against unexpected and substantial unforeseeable losses. The identification, definition of magnitude and estimation procedures used are based on the recognized insurance terms of “common sense”, “state-of-the-art” and/or “benchmarking”. The maximum limit per insured risk takes into account the reliability of the insurer and a cost/benefit ratio, especially in cases in which the insurance market tries to reduce coverage by restricted/limited policy wordings and specific exclusions.

We maintain a number of captive insurance companies, both primary and re-insurance companies. However, insurance contracts provided are only considered in the modeling/calculation of insurance-related reductions of operational risk capital requirements where the risk is re-insured in the external insurance market.

The regulatory capital figure includes a deduction for insurance coverage amounting to € 467 million. Currently, no other risk transfer techniques beyond insurance are recognized in the AMA model.

CI/D selects insurance partners in strict compliance with the regulatory requirements specified in the Solvency Regulations and the Operational Risks Experts Group recommendation on the recognition of insurance in advanced measurement approaches. The insurance portfolio, as well as CI/D activities are audited by Group Audit on a periodic basis.

Operational Risk at Postbank

Postbank's approach to Operational Risk Management is largely comparable to Deutsche Bank's approach. The Management Board of the Postbank is solely responsible for the management, control, and monitoring of operational risk. The Operational Risk Committee (ORK) commissioned by the Postbank Management Board defines the strategy and framework for controlling operational risk. Day-to-day management of operational risk is the responsibility of the individual units within the Postbank. Strategic parameters for managing operational risk, both qualitative as well as quantitative, are part of the overall strategy.

At Postbank the economic capital requirements for operational risk both for the Postbank as a whole and for the four business divisions individually have been determined using a standalone internal capital model to calculate capital requirements for operational risk. Postbank received the approval by the BaFin for their AMA in December 2010.

Within the consolidation of Postbank the results of the economic capital requirements for operational risk have been recalculated using Deutsche Bank's economic capital methodology for operational risk based upon pooled data from Deutsche Bank Group and Postbank and are reported in aggregate in section "Overall Risk Position" of this report.

Liquidity Risk at Deutsche Bank Group (excluding Postbank)

Liquidity risk management safeguards our ability to meet all payment obligations when they come due. Our liquidity risk management framework has been an important factor in maintaining adequate liquidity and in managing our funding profile during 2010.

Liquidity Risk Management Framework

The Management Board defines our liquidity risk strategy, and in particular our tolerance for liquidity risk based on recommendations made by Treasury and the Capital and Risk Committee. At least once every year the Management Board will review and approve the limits which are applied to the Group to measure and control liquidity risk as well as the Bank's long-term funding and issuance plan.

Our Treasury function is responsible for the management of liquidity and funding risk of Deutsche Bank globally as defined in the liquidity risk strategy. Our liquidity risk management framework is designed to identify, measure and manage the liquidity risk position of the Group. Treasury reports the Bank's overall liquidity and funding to the Management Board at least weekly via a Liquidity Scorecard. Our liquidity risk management approach starts at the intraday level (operational liquidity) managing the daily payments queue, forecasting cash flows and factoring in our access to Central Banks. It then covers tactical liquidity risk management dealing with access to secured and unsecured funding sources. Finally, the strategic perspective comprises the maturity profile of all assets and liabilities (Funding Matrix) and our issuance strategy.

Our cash-flow based reporting system provides daily liquidity risk information to global and regional management.

Stress testing and scenario analysis plays a central role in our liquidity risk management framework. This also incorporates an assessment of asset liquidity, i.e. the characteristics of our asset inventory, under various stress scenarios as well as contingent funding requirements from off-balance-sheet commitments. The monthly stress testing results are used in setting our short-term wholesale funding limits (both unsecured and secured) and thereby ensuring we remain within the Board's overall liquidity risk tolerance.

Short-term Liquidity and Wholesale Funding

Our Group-wide reporting system tracks all contractual cash flows from wholesale funding sources on a daily basis over a 12-month horizon. The system captures all cash flows from unsecured as well as from secured funding transactions. Wholesale funding limits, which are calibrated against our stress testing results and approved by the Management Board, express our maximum tolerance for liquidity risk. These limits apply to the respective cumulative global cash outflows and are monitored on a daily basis. Our liquidity reserves are the primary mitigant against stresses in short-term wholesale funding markets. At an individual entity level we may set liquidity outflow limits across a broader range of cash flows where this is considered to be meaningful or appropriate.

Unsecured Funding

Unsecured funding is a finite resource. Total unsecured funding represents the amount of external liabilities which we take from the market irrespective of instrument, currency or tenor. Unsecured funding is measured on a regional basis and aggregated to a global utilization report. As part of the overall Liquidity Risk Strategy, the management board approves limits to protect our access to unsecured funding at attractive levels.

Funding Diversification

Diversification of our funding profile in terms of investor types, regions, products and instruments is an important element of our liquidity risk management framework. Our core funding resources come from retail clients, long-term capital markets investors and transaction banking clients. Other customer deposits and borrowing from wholesale clients are additional sources of funding. We use wholesale deposits primarily to fund liquid assets. To ensure the additional diversification of its refinancing activities, we have a Pfandbrief license allowing us to issue mortgage Pfandbriefe.

In 2010 we continued to focus on increasing our stable core funding components, while maintaining access to short-term wholesale funding markets, albeit on a relatively low level. The volume of discretionary wholesale funding is well diversified across products (e.g. CD, CP as well as term, call and overnight deposits) and tenors. The acquisition of Postbank significantly increased the volume of our most stable funding sources. Postbank's status as a regulated bank and publicly traded company, however, may limit our access to its liquidity.

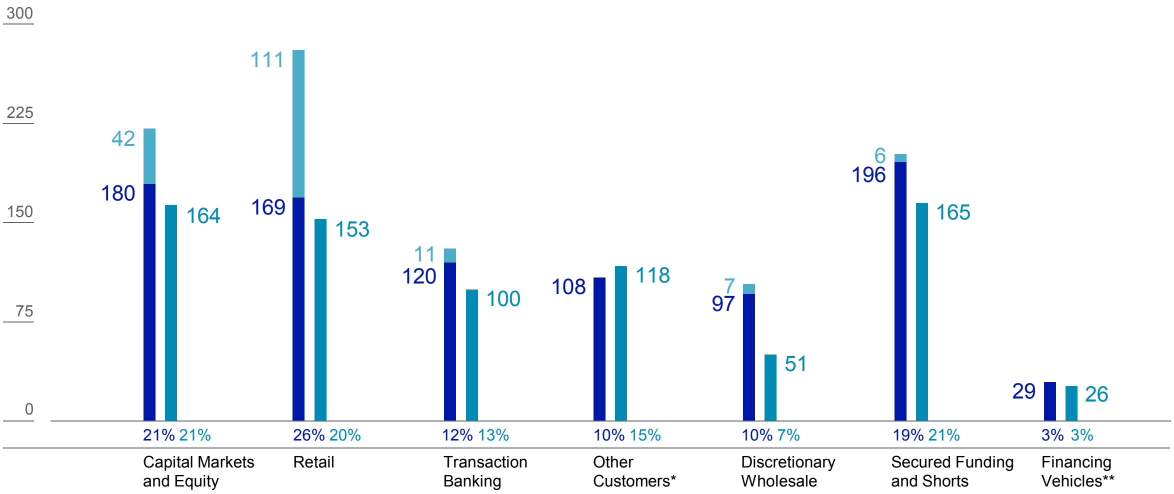
The overall volume of discretionary wholesale funding and secured funding fluctuated between reporting dates based on our underlying business activities. Higher volumes, primarily in secured funding transactions, are largely driven by increased client related securities financing activities as well as intra quarter growth in liquid trading inventories. The growth in discretionary wholesale funding during the year 2010 is mainly a reflection of the growth in cash and liquid trading assets within our Corporate Banking & Securities Corporate Division.

To avoid any unwanted reliance on these short-term funding sources, and to ensure a sound funding profile at the short end, which complies with the defined risk tolerance, we have implemented limit structures (across tenor) to these funding sources, which are derived from our stress testing analysis.

The following chart shows the composition of our external funding sources (on a consolidated basis with the contribution from Postbank separately identified) that contribute to the liquidity risk position as of December 31, 2010 and December 31, 2009, both in euro billion and as a percentage of our total external funding sources.

Composition of external funding sources

In € bn.



December 31, 2010: ■ Deutsche Bank € 897 billion, ■ Postbank € 178 billion: total €1,075 billion
December 31, 2009: ■ total € 777 billion

* Other includes fiduciary, self-funding structures (e.g. X-markets), margin / Prime Brokerage cash balances (shown on a net basis).

** Includes ABCP-Conduits.

Note: Reconciliation to total balance sheet: Derivatives & settlement balances EUR 706 billion (EUR 620 billion), add-back for netting effect for Margin & Prime Brokerage cash balances (shown on a net basis) EUR 61 billion (EUR 51 billion), other non-funding liabilities EUR 63 billion (EUR 53 billion) for December 31, 2010 and December 31, 2009 respectively; figures may not add up due to rounding.

Funding Matrix

We map all funding-relevant assets and all liabilities into time buckets corresponding to their economic maturities to compile a maturity profile (funding matrix). Given that trading assets are typically more liquid than their contractual maturities suggest, we determine individual liquidity profiles reflecting their relative liquidity value. We take assets and liabilities from the retail bank that show a behavior of being renewed or prolonged regardless of capital market conditions (mortgage loans and retail deposits) and assign them to time buckets reflecting the expected prolongation. Wholesale banking products are included with their contractual maturities.

The funding matrix identifies the excess or shortfall of assets over liabilities in each time bucket, facilitating management of open liquidity exposures. The funding matrix analysis together with the strategic liquidity planning process, which forecasts the funding supply and demand across business units, provides the key input parameter for our annual capital market issuance plan. Upon approval by the Capital and Risk Committee and the Management Board the capital market issuance plan establishes issuing targets for securities by tenor, volume and instrument. As per the year-end 2010, we were long funded in each of the annual time buckets of the funding matrix (2-10 years).

In 2010, Treasury issued capital market instruments with a total value of approximately € 22.9 billion, € 3.9 billion more than the original issuance plan.

For information regarding the maturity profile of our long-term debt, please refer to Note 30 "Long-Term Debt and Trust Preferred Securities" of our consolidated financial statements.

Transfer Pricing

We operate a transfer pricing framework that applies to all businesses and ensures that pricing is made of (i) assets in accordance with their underlying liquidity risk, (ii) liabilities in accordance with their funding maturity and (iii) contingent liquidity exposures in accordance with the cost of providing for commensurate liquidity reserves to fund unexpected cash requirements.

Within this transfer pricing framework we allocate funding and liquidity risk costs and benefits to the firm's business units and set financial incentives in line with the firm's liquidity risk guidelines. Transfer prices are subject to liquidity (term) premiums depending on market conditions. Liquidity premiums are set by Treasury and picked up by a segregated liquidity account. The Treasury liquidity account is the aggregator of long-term liquidity costs. The management and cost allocation of the liquidity account is the key variable for transfer pricing funding costs within Deutsche Bank.

Stress Testing and Scenario Analysis

We use stress testing and scenario analysis to evaluate the impact of sudden stress events on our liquidity position. The scenarios we apply have been based on historic events, such as the 1987 stock market crash, the 1990 U.S. liquidity crunch and the September 2001 terrorist attacks, liquidity crisis case studies and hypothetical events.

Also incorporated are the lessons learned from the latest financial markets crisis. They include the prolonged term money-market and secured funding freeze, collateral repudiation, reduced fungibility of currencies, stranded syndications as well as other systemic knock-on effects. The scenario types cover institution-specific events (e.g. rating downgrade), market related events (e.g. systemic market risk) as well as a combination of both, which links a systemic market shock with a multi-notch rating downgrade.

Under each of these scenarios we assume that all maturing loans to customers will need to be rolled over and require funding whereas rollover of liabilities will be partially impaired resulting in a funding gap. In addition we analyze the potential funding requirements from off-balance sheet commitments (e.g. drawings of credit facilities and increased collateral requirements) which could materialize under stress. We then model the steps we would take to counterbalance the resulting net shortfall in funding. Countermeasures would include the Group's unencumbered business asset inventory, the available long cash balance (over and above cash balances which form an integral part of our existing clearing and settlement activities), as well as our strategic liquidity reserve.

The asset liquidity analysis thereby forms an integral piece of stress testing and tracks the volume and booking location within our consolidated business inventory of unencumbered, liquid assets which we can use to raise liquidity via secured funding transactions. Securities inventories include a wide variety of different securities. As a first step, we segregate illiquid and liquid securities in each inventory. Subsequently we assign liquidity values (haircuts) to different classes of liquid securities. The liquidity of these assets is an important element in protecting us against short-term liquidity squeezes.

In addition the bank maintains sizeable cash balances, primarily with central banks, which are held in excess of the collateral which is required to support our clearing activities in euro, U.S. dollars and other currencies around the globe.

As a separate countermeasure we hold a dedicated strategic liquidity reserve containing highly liquid and central bank eligible securities in major currencies around the world to support our liquidity profile in case of potential deteriorating market conditions. The volume of the strategic liquidity reserve is the function of expected stress result. Size and composition are subject to regular senior management review.

The most immediately liquid and highest quality items within the above three categories are aggregated and separately identified as our Liquidity Reserves. These Reserves comprise available cash and highly liquid government securities and other central bank eligible assets. As of December 31, 2010 our Liquidity Reserves exceeded € 145 billion.

Stress testing is fully integrated in our liquidity risk management framework. We track contractual cash flows per currency and product over an eight-week horizon (which we consider the most critical time span in a liquidity crisis) and apply the relevant stress case to all potential risk drivers from on balance sheet and off balance sheet products. Beyond the eight week time horizon we analyze on a quarterly basis the impact of a more prolonged stress period extending out to twelve months, together with mitigation actions which may include some change of business model. The liquidity stress testing provides the basis for the bank’s contingency funding plans which are approved by the Management Board.

Our stress testing analysis assesses our ability to generate sufficient liquidity under extreme conditions and is a key input when defining our target liquidity risk position. The analysis is performed monthly. The following table shows stress testing results as of December 31, 2010. For each scenario, the table shows what our cumulative funding gap would be over an eight-week horizon after occurrence of the triggering event, how much counterbalancing liquidity we could generate via different sources as well as the resulting net liquidity position.

Scenario

in € bn.	Funding Gap[1]	Gap Closure[2]	Net Liquidity Position
Systemic market risk	50	164	114
Emerging markets	14	169	155
Event shock	15	138	123
Operational risk (DB specific)	12	167	155
1 notch downgrade (DB specific)	33	169	136
Downgrade to A-2/P-2 (DB specific)	135	186	51
Combined[3]	142	173	31

1 Funding gap caused by impaired rollover of liabilities and other projected outflows
2 Based on liquidity generation through countermeasures
3 Combined impact of systemic market risk and downgrade to A-2/P-2

With the increasing importance of liquidity management in the financial industry, we maintain an active dialogue with central banks, supervisors, rating agencies and market participants on liquidity risk-related topics. We participate in a number of working groups regarding liquidity and support efforts to create industry-wide standards to evaluate and manage liquidity risk at financial institutions. In addition to our internal liquidity management systems, the liquidity exposure of German banks is regulated by the Banking Act and regulations issued by the BaFin. We are in compliance with all applicable liquidity regulations.

Liquidity Risk at Postbank

In general, Postbank's Financial Markets division is responsible for the centralized operational management of liquidity risk. BHW Bausparkasse AG, the foreign subsidiaries in New York and Luxembourg, and the London branch manage their risks independently using uniform Postbank group-wide procedures and processes. In the event of a liquidity shock, the Liquidity Crisis Committee has clear responsibility and authority over all Postbank units responsible for portfolios as well as all portfolio units at the subsidiaries and foreign branches.

Postbank's overarching risk strategy encompasses its strategy for management of liquidity risk. The goal of liquidity management is to ensure that Postbank is solvent at all times, not only under normal conditions, but also in stress situations. Due to its strategic focus as a retail bank, Postbank enjoys a strong financing base in its customer business and is therefore relatively independent of the money and capital markets. To guard against unexpected cash outflows, an extensive portfolio consisting of unencumbered ECB-eligible securities is held that can be used to obtain liquidity rapidly. To ensure the additional diversification of its refinancing activities, Postbank has a Pfandbrief license allowing it to issue public sector Pfandbriefe and mortgage Pfandbriefe.

At Postbank Market Risk Controlling assesses the liquidity status of the Postbank each business day on the basis of funding matrices and cash flow forecasts, with operational management of risk being performed on the basis of the liquidity status. Risk management is also based on a series of more far-reaching analyses of liquidity, in addition to regular Postbank's Group-wide liquidity and issue planning and also includes regular stress testing. Based on the results of the stress tests, Postbank believes that its liquidity position remains solid. This is due not least to the further increase in customer deposits and Postbank's extensive portfolio of ECB-eligible securities.

Maturity Analysis of Financial Liabilities

The following table presents a maturity analysis of the earliest contractual undiscounted cash flows for financial liabilities as of December 31, 2010, and 2009.

Dec 31, 2010

in € m.	On demand	Due within 3 months	Due between 3 and 12 months	Due between 1 and 5 years	Due after 5 years
Noninterest bearing deposits	89,068	–	–	–	–
Interest bearing deposits	120,154	233,469	32,564	35,430	23,299
Trading liabilities[1]	68,859	–	–	–	–
Negative market values from derivative financial instruments[1]	647,171	–	–	–	–
Financial liabilities designated at fair value through profit or loss	32,332	101,163	8,474	8,056	3,736
Investment contract liabilities[2]	–	572	888	1,367	5,071
Negative market values from derivative financial instruments, qualifying for hedge accounting[3]	852	141	256	1,113	4,257
Central bank funds purchased	4,456	1,848	–	–	–
Securities sold under repurchase agreements	2,384	14,570	3,056	1,585	23
Securities loaned	3,024	54	–	–	198
Other short-term borrowings	49,904	13,439	1,495	–	–
Long-term debt	1,695	11,647	16,879	80,713	58,153
Trust preferred securities	–	–	2,434	4,481	5,335
Other financial liabilities	119,693	6,160	268	516	22
Off-balance sheet loan commitments	100,273	–	–	–	–
Financial guarantees	28,941	–	–	–	–
Total[4]	1,268,806	383,063	66,314	133,261	100,094

1 Trading liabilities and derivatives not qualifying for hedge accounting balances are recorded at fair value. We believe that this best represents the cash flow that would have to be paid if these positions had to be closed out. Trading liabilities and derivatives not qualifying for hedge accounting balances are shown within on demand which management believes most accurately reflects the short-term nature of trading activities. The contractual maturity of the instruments may however extend over significantly longer periods.
2 These are investment contracts where the policy terms and conditions result in their redemption value equaling fair value. See Note 39 "Insurance and Investment Contracts" for more detail on these contracts.
3 Derivatives designated for hedge accounting are recorded at fair value and are shown in the time bucket at which the hedged relationship is expected to terminate.
4 The balances in the table do not agree to the numbers in the Group balance sheet as the cash flows included in the table are undiscounted. This analysis represents the worst case scenario for the Group if they were required to repay all liabilities earlier than expected. We believe that the likelihood of such an event occurring is remote. Interest cash flows have been excluded from the table.

Dec 31, 2009

in € m.	On demand	Due within 3 months	Due between 3 and 12 months	Due between 1 and 5 years	Due after 5 years
Noninterest bearing deposits	51,731	–	–	–	–
Interest bearing deposits	117,960	126,598	14,649	21,362	11,987
Trading liabilities[1]	64,501	–	–	–	–
Negative market values from derivative financial instruments[1]	576,973	–	–	–	–
Financial liabilities designated at fair value through profit or loss	64,920	33,785	4,806	5,797	4,826
Investment contract liabilities[2]	–	514	806	1,247	4,710
Negative market values from derivative financial instruments qualifying for hedge accounting[3]	946	–	10	392	2,455
Central bank funds purchased	3,824	1,884	–	–	–
Securities sold under repurchase agreements	1,349	38,292	104	37	5
Securities loaned	5,028	54	16	–	466
Other short-term borrowings	24,830	17,370	632	–	–
Long-term debt	1,856	2,044	20,373	67,837	41,011
Trust preferred securities	–	–	746	3,991	5,840
Other financial liabilities	120,731	6,705	375	233	60
Off-balance sheet loan commitments	63,662	–	–	–	–
Financial guarantees	21,719	–	–	–	–
Total[4]	1,120,030	227,246	42,517	100,896	71,360

1 Trading liabilities and derivatives not qualifying for hedge accounting balances are recorded at fair value. We believe that this best represents the cash flow that would have to be paid if these positions had to be closed out. Trading liabilities and derivatives not qualifying for hedge accounting balances are shown within on demand which management believes most accurately reflects the short-term nature of trading activities. The contractual maturity of the instruments may however extend over significantly longer periods.
2 These are investment contracts where the policy terms and conditions result in their redemption value equaling fair value. See Note 39 “Insurance and Investment Contracts” for more detail on these contracts.
3 Derivatives designated for hedge accounting are recorded at fair value and are shown in the time bucket at which the hedged relationship is expected to terminate.
4 The balances in the table do not agree to the numbers in the Group balance sheet as the cash flows included in the table are undiscounted. This analysis represents the worst case scenario for the Group if they were required to repay all liabilities earlier than expected. We believe that the likelihood of such an event occurring is remote. Interest cash flows have been excluded from the table.

Capital Management

Our Treasury function manages our capital at Group level and locally in each region, except that Postbank manages its capital on a group level and locally on its own. The allocation of financial resources, in general, and capital, in particular, favors business portfolios with the highest positive impact on our profitability and shareholder value. As a result, Treasury periodically reallocates capital among business portfolios.

Treasury implements our capital strategy, which itself is developed by the Capital and Risk Committee and approved by the Management Board, including the issuance and repurchase of shares. We are committed to maintain our sound capitalization. Overall capital demand and supply are constantly monitored and adjusted, if necessary, to meet the need for capital from various perspectives. These include book equity based on IFRS accounting standards, regulatory capital and economic capital. Since October 2008, our target for the Tier 1 capital ratio continued to be at 10 % or above.

The allocation of capital, determination of our funding plan and other resource issues are framed by the Capital and Risk Committee.

Regional capital plans covering the capital needs of our branches and subsidiaries are prepared on a semi-annual basis and presented to the Group Investment Committee. Most of our subsidiaries are subject to legal and regulatory capital requirements. Local Asset and Liability Committees attend to those needs under the stewardship of regional Treasury teams. Furthermore, they safeguard compliance with requirements such as restrictions on dividends allowable for remittance to Deutsche Bank AG or on the ability of our subsidiaries to make loans or advances to the parent bank. In developing, implementing and testing our capital and liquidity, we take such legal and regulatory requirements into account.

On October 6, 2010, we completed a capital increase from authorized capital against cash contributions. In total, 308.6 million new registered no-par value shares (common shares) were issued, resulting in gross proceeds of € 10.2 billion. The net proceeds of € 10.1 billion raised in the issuance (after expenses of approximately € 0.1 billion, net of tax) were primarily used to cover the capital consumption from the consolidation of Postbank, and, in addition, to support the existing capital base.

Treasury executes the repurchase of shares. As of January 1, 2010, the number of shares held in Treasury from buybacks totaled 0.6 million. The 2009 Annual General Meeting granted our management board the authority to buy back up to 62.1 million shares before the end of October 2010. During the period from January 1, 2010 until the 2010 Annual General Meeting, 11.1 million shares (or 2 % of shares issued) were purchased. Thereof 10.6 million were used for equity compensation purposes. As of the 2010 Annual General Meeting on May 27, 2010, the number of shares held in Treasury from buybacks totaled 1.0 million. The 2010 Annual General Meeting granted our management board the authority to buy back up to 62.1 million shares before the end of November 2014. Thereof 31.0 million shares can be purchased by using derivatives. During the period from the 2010 Annual General Meeting until December 31, 2010, 18.8 million shares were purchased, of which 0.5 million were purchased via sold put options which were executed by the counterparty at maturity date. 9.8 million of the total 18.8 million shares repurchased were used for equity compensation purposes in 2010 and 9.0 million shares were used to increase our Treasury position for later use for future equity compensation. As of December 31, 2010, the number of shares held in Treasury from buybacks totaled 10.0 million.

Total outstanding hybrid Tier 1 capital (substantially all noncumulative trust preferred securities) as of December 31, 2010, amounted to € 12.6 billion compared to € 10.6 billion as of December 31, 2009. This increase was mainly due to the consolidation of € 1.6 billion hybrid Tier 1 capital issued by Postbank and foreign exchange effects of the strengthened U.S. dollar on our U.S. dollar denominated hybrid Tier 1 capital. During the first half year 2010 we raised € 0.1 billion of hybrid Tier 1 capital by increasing an outstanding issue.

In 2010, we issued € 1.2 billion of lower Tier 2 capital (qualified subordinated liabilities). Consolidation of Tier 2 capital issued by Postbank added € 2.2 billion of lower Tier 2 capital and € 1.2 billion of profit participation rights. Profit participation rights amounted to € 1.2 billion after and nil before consolidation of Postbank. Qualified subordinated liabilities as of December 31, 2010 amounted to € 10.7 billion compared to € 7.1 billion as of December 31, 2009. Cumulative preferred securities amounted to € 0.3 billion as of December 31, 2010, unchanged to December 31, 2009.

Capital Management at Postbank

Postbank manages its capital by continuously monitoring capital supply and demand. Capital management aims at regulatory as well as at economic capital adequacy, in line with the concept of risk bearing capacity. In general, the capital allocation requires an appropriate return on regulatory capital demand. The capital allocation is approved by Postbank's Management Board based on a multi year plan.

The regulatory and economic capital demand is permanently monitored to adjust the available capital if required. Capital demand forecasts are regularly determined and carried forward based on the planned development of the business volume and results as well as expected risk parameter changes. Capital ratios are managed in compliance with the Postbank's Management Board approved statutory guidelines, by steering the existing and new transaction volume, by issuance of Tier 1 and Tier 2 capital instruments or by executing risk mitigating capital market transactions.

Balance Sheet Management

We manage our balance sheet on a Group level excluding Postbank and, where applicable, locally in each region. In the allocation of financial resources we favor business portfolios with the highest positive impact on our profitability and shareholder value. Our balance sheet management function has the mandate to monitor and analyze balance sheet developments and to track certain market-observed balance sheet ratios. Based on this we trigger discussion and management action by the Capital and Risk Committee. While we monitor IFRS balance sheet developments, our balance sheet management is principally focused on adjusted values as used in our leverage ratio target definition, which is calculated using adjusted total assets and adjusted total equity figures.

Similarly Postbank follows a value-oriented financial management approach that includes balance sheet management.

As of December 31, 2010, on a consolidated basis our leverage ratio according to our target definition was 23, at the same level as of December 31, 2009, and below our leverage ratio target of 25. The impact from our acquisitions on our total assets was fully compensated for by the impact of our rights issue on the applicable equity. Our leverage ratio calculated as the ratio of total assets under IFRS to total equity under IFRS was 38 as of December 31, 2010, a slight decrease compared to 40 at the end of 2009.

Overall Risk Position

To determine our overall (nonregulatory) risk position, we generally consider diversification benefits across risk types except for business risk, which we aggregate by simple addition.

The table below shows our overall risk position as measured by the economic capital usage calculated for credit, market, operational and business risk for the dates specified.

in € m.	Dec 31, 2010	Dec 31, 2009
Economic capital usage		
Credit risk	12,785	7,453
Market Risk	13,160	12,515
Trading market risk	6,420	4,613
Nontrading market risk	6,740	7,902
Operational risk	3,682	3,493
Diversification benefit across credit, market and operational risk	(3,534)	(3,166)
Sub-total credit, market and operational risk	26,093	20,295
Business risk	1,085	501
Total economic capital usage	27,178	20,796

As of December 31, 2010, our economic capital usage totaled € 27.2 billion, which is € 6.4 billion, or 31 %, above the € 20.8 billion economic capital usage as of December 31, 2009. The increase in economic capital usage includes the effects of the acquisitions of Postbank, Sal. Oppenheim/BHF-BANK and parts of ABN AMRO's commercial banking activities in the Netherlands, as well as exposure increases and the effects of various model refinements for the calculation of economic capital for credit risk and trading market risk.

The December 31, 2010, economic capital usage included € 4.6 billion in relation to Postbank, which has been calculated on a basis consistent with Deutsche Bank methodology, however, limitations in data availability may lead to portfolio effects that are not fully estimated and thereby resulting in over or under estimation. For December 31, 2009, € 4.2 billion economic capital usage was included for Postbank.

Our economic capital usage for credit risk totaled € 12.8 billion as of December 31, 2010. The increase of € 5.3 billion, or 72 %, was principally driven by acquisitions. The consolidation of Postbank as well as of Sal. Oppenheim and parts of ABN AMRO's commercial banking activities in the Netherlands increased the economic capital usage by € 3.7 billion. The other changes reflected exposure increases, refinements of the credit risk model and the effect from regular recalibrations of the credit risk parameters.

Our economic capital usage for market risk increased by € 645 million, or 5 %, to € 13.2 billion as of December 31, 2010. The increase was driven by trading market risk, which increased by € 1.8 billion, or 39 %, primarily reflecting model improvements. Nontrading market risk economic capital usage decreased by € 1.2 billion, or 15 %, reflecting the elimination of our former Postbank equity investment upon consolidation of Postbank's assets on our balance sheet, which reduced the economic capital usage by € 3.3 billion net. This decrease was partly offset by changes in other nontrading market risk of € 1.8 billion and by the acquisition of Sal. Oppenheim, which contributed a further € 313 million.

Operational risk economic capital usage increased by € 189 million, or 5 %, to € 3.7 billion as of December 31, 2010. The increase is fully explained by acquisitions.

Our economic capital usage for business risk, consisting of a strategic risk and a tax risk component, totaled € 1.1 billion as of December 31, 2010. The strategic risk economic capital usage increase of € 450 million was primarily attributable to the Postbank acquisition resulting in an economic capital usage of € 400 million.

The diversification effect of the economic capital usage across credit, market and operational risk increased by € 368 million, or 12 %, as of December 31, 2010.

The table below shows the economic capital usage of our business segments for the dates specified.

in € m.	Dec 31, 2010	Dec 31, 2009
Corporate & Investment Bank	16,119	11,974
Corporate Banking & Securities	14,828	11,242
Global Transaction Banking	1,291	732
Private Clients and Asset Management	9,394	4,434
Asset and Wealth Management	2,717	1,878
Private & Business Clients	6,677	2,556
Corporate Investments	902	4,641
Consolidation & Adjustments	762	(253)
Total economic capital usage	27,178	20,796

The future allocation of economic capital may change to reflect refinements in our risk measurement methodology.

A primary measure we use to assess our risk bearing capacity is a ratio of our active book equity divided by the economic capital usage (shown in the above table) plus goodwill and intangibles (€ 42.8 billion and € 31.0 billion as of December 31, 2010 and 2009, respectively). Active book equity, which was € 48.4 billion and € 36.4 billion as of December 31, 2010 and 2009, respectively, is calculated by adjusting total shareholders' equity for unrealized net gains (losses) on financial assets available for sale and on cash flow hedges as well as for accrued future dividends (for a reconciliation, please refer to Note 36 "Regulatory Capital" of the consolidated financial statements). A ratio of more than 100 % signifies that the active book equity adequately covers the aforementioned risk positions. This ratio was 113 % as of December 31, 2010, compared to 118 % as of December 31, 2009, as effects from the increase in economic capital and goodwill overcompensated the increase of active book equity, which was primarily attributable to the capital raise related to Postbank, retained earnings and foreign exchange effects.

Internal Control over Financial Reporting

General

Management of Deutsche Bank and its consolidated subsidiaries is responsible for establishing and maintaining adequate internal control over financial reporting ("ICOFR"). Our internal control over financial reporting is a process designed under the supervision of our Chairman of the Management Board and our Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the firm's consolidated financial statements for external reporting purposes in accordance with International Financial Reporting Standards (IFRS). ICOFR includes our disclosure controls and procedures to prevent misstatements.

Risks in financial reporting

The main risks in financial reporting are that either financial statements are not fairly presented due to inadvertent or intentional errors (fraud) or the publication of financial statements is delayed. These risks may reduce investor confidence or cause reputational damage and may have legal consequences including banking regulatory intervention. A lack of fair presentation arises when one or more financial statement amounts or disclosures contain misstatements (or omissions) that are material. Misstatements could be deemed material if they could individually or collectively, influence economic decisions that users make on the basis of the financial statements.

To address those risks of financial reporting, management of the Group has established ICOFR to provide reasonable but not absolute assurance against misstatements. The design of the ICOFR is based on the internal control framework established in Internal control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). COSO recommends the establishment of specific objectives to facilitate the design and evaluate adequacy of a control system. As a result in establishing ICOFR, management has adopted the following financial statement objectives:

- Existence – assets and liabilities exist and transactions have occurred.
- Completeness – all transactions are recorded, account balances are included in the financial statements.
- Valuation – assets, liabilities and transactions are recorded in the financial reports at the appropriate amounts.
- Rights and Obligations and ownership – rights and obligations are appropriately recorded as assets and liabilities.
- Presentation and disclosures – classification, disclosure and presentation of financial reporting is appropriate.
- Safeguarding of assets – unauthorized acquisitions, use or disposition of assets is prevented or detected in a timely manner.

However, any internal control system, including ICOFR, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of that control system are met. As such, disclosure controls and procedures or systems for ICOFR may not prevent all error and all fraud. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs.

Organization of Internal Control System

Functions involved in the system of internal control over financial reporting

As the books and records form the basis of the financial statements, controls within the system of ICOFR are performed by all business functions and the respective infrastructure functions with an involvement in assuring the reliability of those books and records. As a result, the operation of ICOFR involves a large number of staff based mainly in the following functions: Finance, Group Technology and Operations, Legal, Risk & Capital and Tax.

Finance is responsible for the periodic preparation of the financial statements and operates independently from the businesses. Within Finance, different departments have control responsibilities which contribute to the overall preparation process:

— Finance specialists for businesses or entities – responsible for assuring the quality of financial data by performing validation and control. They are in close contact with business, infrastructure and legal entity management and employ their specific knowledge to address financial reporting issues arising on products and transactions, as well as validating reserving and other judgmental adjustments. They also provide oversight of the performance of controls over individual transactions and balances. Entity and business related specialists add the perspective of legal entities to the business view and sign-off on the financial reporting of their entities.
— Finance-Group – responsible for Group-wide activities which include the preparation of group financial and management information, forecasting and planning, risk reporting. Finance-Group set the reporting timetables, perform the consolidation and aggregation processes, effect the elimination entries for inter and intra group activities, control the access and adjustment processes, compile the Group financial statements, consider and incorporate comments as to content and presentation made by senior management, SOx and Disclosure Steering Committee members and external advisors.
— Accounting Policy and Advisory Group ("APAG") – responsible for developing the Group's interpretation of international accounting standards and their consistent application within the Group. APAG provides accounting advice and consulting services to Finance and the wider business, and ensures the timely resolution of corporate and transaction-specific accounting issues.
— Global Valuation Oversight Group ("GVO") and business aligned valuation specialists – responsible for developing policies and minimum standards for valuation, and provides related implementation guidance when undertaking valuation control work. This is in addition to challenging and validating valuation control results, and acting as the single point of contact for valuation topics with external third parties (such as regulators and auditors).

The operation of ICOFR is also importantly supported by Group Technology and Operations, Legal, Risk & Capital and Group Tax. Although these functions are not directly involved in the financial preparation process, they significantly contribute to the overall control of financial information:

— Group Technology and Operations ("GTO") – responsible for confirming transactions with counterparties, performing reconciliations both internally and externally of financial information between systems, depots and exchanges. GTO also undertake all transaction settlement activity on behalf of the Group and perform reconciliations of nostro account balances.
— Legal, Risk & Capital ("LRC") – through their responsibility for developing policies and standards for managing credit, market and operational risks. LRC identifies and assesses the adequacy of credit and operational provisions. The Legal department manages legal risks and identifies and assesses legal risk provisions.
— Group Tax – responsible to produce complete and correct income tax related financial data together with Finance, covering the assessment and planning of current and deferred income taxes and the collection of tax related information. Group Tax monitors the income tax position and controls the provisioning for tax risks.

Controls to minimize the risk of financial statement misstatement

The system of ICOFR consists of a large number of internal controls and procedures to minimize the risk of misstatement of the financial statements. Such controls will include those which:

— are ongoing or permanent in nature such as supervision within written policies and procedures or segregation of duties,
— operate on a periodic basis such as those which are performed as part of the annual financial statement compilation process.
— are preventative or detective in nature.
— have a direct or indirect impact on the financial statements themselves. Controls which have an indirect effect on the financial statements include IT general controls such as system access and deployment controls whereas a control with a direct impact could be, for example, a reconciliation which directly supports a balance sheet line item.
— feature automated and/or manual components. Automated controls are control functions embedded within system processes such as application enforced segregation of duty controls and interface checks over the completeness and accuracy of inputs. Manual internal controls are those operated by an individual or group of individuals such as authorization of transactions.

The resulting combination of individual controls encompasses all of the following aspects of ICOFR:

— Accounting policy – design and implementation. To ensure the globally consistent recording and reporting of the Group's business activities in accordance with authorized accounting policies.
— Reference data. Controls over reference data in relation to the general ledger, on and off-balance sheet and product reference data.
— Transaction approval, capture and confirmation. Controls to ensure the completeness and accuracy of recorded transactions and that they are appropriately authorized. Controls include transaction confirmations which are sent to and received from counterparties to ensure that trade details are corroborated.
— Reconciliation controls, both externally and internally. Inter-system reconciliations are performed between relevant systems for all trades, transactions, positions or relevant parameters. External reconciliations include nostro account, depot and exchange reconciliations.
— Valuation including Independent Price Verification process ("IPV"). Finance performs valuation controls ("VC") at least monthly, in order to gain comfort as to the reasonableness of the front office valuation. The results of the VC processes are independently reviewed by the Global Valuation Oversight Group. The results of the VC process are assessed on a monthly basis by the Valuation Control Oversight Committee. Business aligned valuation specialists focus on valuation approaches and methodologies for various asset classes and perform IPV for complex derivatives and structured products.
— Taxation. Controls to ensure tax calculations are performed properly and that tax balances are appropriately recorded in the financial statements.
— Reserving and judgmental adjustment. Controls include processes to ensure reserving and judgmental adjustments are authorized and are reported in accordance with the approved accounting policies.
— Balance Sheet Substantiation. The substantiation of balance sheet accounts involves determining the integrity of the general ledger account balances based on supporting evidence.
— Consolidation and other period end reporting controls. At period end, all businesses and regions submit their financial data to the Group for consolidation. Controls over consolidation include the validation of accounting entries required to eliminate the effect of inter and intra company activities. Period end reporting controls include general ledger month end close processes and the review of late adjustments.
— Financial Statement disclosure and presentation. The preparation and certification of disclosure checklists. Final review and sign-off of the Financial Statements by Senior Finance Management. The Financial Statements and the Management Report are – after approval of the Management Board – subject to review of the Supervisory Board and its Audit Committee.

Measuring effectiveness of internal control

Each year, management of the Group undertakes a formal evaluation of the adequacy and effectiveness of ICOFR. This assessment as of December 31, 2010 excludes internal controls relating to Deutsche Postbank AG, which was initially consolidated on December 3, 2010. This evaluation incorporates an assessment of the effectiveness of the control environment as well as the detailed controls taking into account:

- The financial misstatement risk of the relevant financial statement item, considering such factors as materiality and the susceptibility of the particular financial statement item to misstatement.
- The susceptibility of the control to failure, considering such factors as the degree of automation, complexity, risk of management override, competence of personnel and the level of judgment required.

These factors, in aggregate, determine the nature and extent of evidence that management requires in order to be able to assess whether or not the operation of the system of ICOFR is effective. The evidence itself is generated from procedures integrated with the daily responsibilities of staff or from procedures implemented specifically for purposes of the ICOFR evaluation. Information from other sources also form an important component of management's evaluation since such evidence may either bring additional control issues to the attention of management or may corroborate findings. Such information sources include:

- Group Audit reports
- Reports on audits carried out by or on behalf of regulatory authorities
- External Auditor reports
- Reports commissioned to evaluate the effectiveness of outsourced processes to third parties

The result of management testing subject to the exclusion noted and the information from other sources lead to the conclusion of management that ICOFR is appropriately designed and operating effectively for 2010.

In addition, Group Audit provides assurance over the design and operating effectiveness of ICOFR by performing periodic and ad-hoc risk-based audits. Reports are produced summarizing the results from each audit performed which are distributed to the responsible managers for the activities concerned. These reports, together with the evidence generated by specific further procedures that Group Audit performs for the purpose provide evidence to support the annual evaluation by management of the overall operating effectiveness of the ICOFR.

Information pursuant to Section 315 (4) of the German Commercial Code and Explanatory Report

Structure of the Share Capital

As of December 31, 2010, Deutsche Bank's issued share capital amounted to € 2,379,519,078.40 consisting of 929,499,640 ordinary shares without par value. The shares are fully paid up and in registered form. Each share confers one vote.

Restrictions on Voting Rights or the Transfer of Shares

Under Section 136 AktG the voting right of the affected shares is excluded by law. As far as the bank held own shares as of December 31, 2010 in its portfolio according to Section 71b AktG no rights could be exercised. We are not aware of any other restrictions on voting rights or the transfer of shares.

Shareholdings which Exceed 10 % of the Voting Rights

The German Securities Trading Act (Wertpapierhandelsgesetz) requires any investor whose share of voting rights reaches, exceeds or falls below certain thresholds as the result of purchases, disposals or otherwise, must notify us and the German Federal Financial Supervisory Authority (BaFin) thereof. The lowest threshold is 3 %. We are not aware of any shareholder holding directly or indirectly 10 % or more of the voting rights.

Shares with Special Control Rights

Shares which confer special control rights have not been issued.

System of Control of any Employee Share Scheme where the Control Rights are not Exercised Directly by the Employees

The employees, who hold Deutsche Bank shares, exercise their control rights as other shareholders in accordance with applicable law and the Articles of Association (Satzung).

Rules Governing the Appointment and Replacement of Members of the Management Board

Pursuant to the German Stock Corporation Act (Section 84) and the Articles of Association of Deutsche Bank (Section 6) the members of the Management Board are appointed by the Supervisory Board. The number of Management Board members is determined by the Supervisory Board. According to the articles of Association, the Management Board has at least three members. The Supervisory Board may appoint one member of the Management Board as Chairperson of the Management Board. Members of the Management Board may be appointed for a maximum term of up to five years. They may be re-appointed or have their term extended for one or more terms of up to a maximum of five years each. The German Co-Determination Act (Mitbestimmungsgesetz; Section 31) requires a majority of at least two thirds of the members of the Supervisory Board to appoint members of the Management Board. If such majority is not achieved, the Mediation Committee shall give, within one month, a recommendation for the appointment to the Management Board. The Supervisory Board will then appoint the members of the Management Board with the majority of its members. If such appointment fails, the Chairperson of the Supervisory Board shall have two votes in a new vote. If a required member of the Management Board has not been appointed, the Local Court (Amtsgericht) in Frankfurt am Main shall, in urgent cases, make the necessary appointments upon motion by any party concerned (Section 85 of the Stock Corporation Act).

Pursuant to the German Banking Act (Kreditwesengesetz) evidence must be provided to the BaFin and the Deutsche Bundesbank that the member of the Management Board has adequate theoretical and practical experience of the businesses of the Bank as well as managerial experience before the member is appointed (Sections 24 (1) No. 1 and 33 (2) of the Banking Act).

The Supervisory Board may revoke the appointment of an individual as member of the Management Board or as Chairperson of the Management Board for good cause. Such cause includes in particular a gross breach of duties, the inability to manage the Bank properly or a vote of no-confidence by the shareholders' meeting (Hauptversammlung, referred to as the General Meeting), unless such vote of no-confidence was made for obviously arbitrary reasons.

The BaFin may appoint a special representative and transfer to such special representative the responsibility and powers of individual members of the Management Board if such members are not trustworthy or do not have the required competencies or if the credit institution does not have the required number of Management Board members. If members of the Management Board are not trustworthy or do not have the required expertise or if they have missed a material violation of the principles of sound management or if they have not addressed identified violations, the BaFin may transfer to the special representative the responsibility and powers of the Management Board in its entirety. In any such case, the responsibility and powers of the Management Board members concerned are suspended (Section 45c (1) through (3) of the Banking Act).

If the discharge of a bank's obligations to its creditors is endangered or if there are valid concerns that effective supervision of the bank is not possible, the BaFin may take temporary measures to avert that risk. It may also prohibit members of the Management Board from carrying out their activities or impose limitations on such activities (Section 46 (1) of the Banking Act). In such case, the Local Court Frankfurt am Main shall, at the request of the BaFin appoint the necessary members of the Management Board, if, as a result of such prohibition, the Management Board does no longer have the necessary number of members in order to conduct the business (Section 46 (2) of the Banking Act).

Rules Governing the Amendment of the Articles of Association

Any amendment of the Articles of Association requires a resolution of the General Meeting (Section 179 of the Stock Corporation Act). The authority to amend the Articles of Association in so far as such amendments merely relate to the wording, such as changes of the share capital as a result of the issuance of authorized capital, has been assigned to the Supervisory Board by the Articles of Association of Deutsche Bank (Section 20 (3)). Pursuant to the Articles of Association, the resolutions of the General Meeting are taken by a simple majority of votes and, in so far as a majority of capital stock is required, by a simple majority of capital stock, except where law or the Articles of Association determine otherwise (Section 20 (1)). Amendments to the Articles of Association become effective upon their entry in the Commercial Register (Section 181 (3) of the Stock Corporation Act).

Powers of the Management Board to Issue or Buy Back Shares

The Management Board is currently not authorized to increase the share capital by issuing new shares for cash or noncash consideration.

The Annual General Meeting on May 29, 2008 authorized the Management Board to issue once or more than once, bearer or registered participatory notes with bearer warrants and/or convertible participatory notes, bonds with warrants, and/or convertible bonds on or before April 30, 2013. For this purpose share capital was increased conditionally by up to € 150,000,000. This conditional capital became effective upon entry into the Commercial Register on June 25, 2009.

The Annual General Meeting on May 26, 2009 authorized the Management Board to issue once or more than once, bearer or registered participatory notes with bearer warrants and/or convertible participatory notes, bonds with warrants, and/or convertible bonds on or before April 30, 2014. For this purpose share capital was increased conditionally by up to € 256,000,000. This conditional capital became effective upon entry into the Commercial Register on September 9, 2009.

The Annual General Meeting on May 27, 2010 authorized the Management Board to issue once or more than once, bearer or registered participatory notes with bearer warrants and/or convertible participatory notes, bonds with warrants, and/or convertible bonds on or before April 30, 2015. For this purpose share capital was increased conditionally by up to € 230,400,000. This conditional capital became effective upon entry into the Commercial Register on September 13, 2010.

The Annual General Meeting of May 27, 2010 authorized the Management Board pursuant to Section 71 (1) No. 7 of the Stock Corporation Act to buy and sell, for the purpose of securities trading, own shares of Deutsche Bank AG on or before November 30, 2014, at prices which do not exceed or fall short of the average of the share prices (closing auction prices of the Deutsche Bank share in Xetra trading and/or in a comparable successor system on the Frankfurt Stock Exchange) on the respective three preceding stock exchange trading days by more than 10 %. In this context, the shares acquired for this purpose may not, at the end of any day, exceed 5 % of the share capital of Deutsche Bank AG.

The Annual General Meeting of May 27, 2010 authorized the Management Board pursuant to Section 71 (1) No. 8 of the Stock Corporation Act to buy, on or before November 30, 2014, own shares of Deutsche Bank AG in a total volume of up to 10 % of the present share capital. Together with own shares acquired for trading purposes and/or for other reasons and which are from time to time in the company's possession or attributable to the company pursuant to Sections 71a et seq. of the Stock Corporation Act, the own shares purchased on the basis of this authorization may not at any time exceed 10 % of the company's share capital. The own shares may be bought through the stock exchange or by means of a public purchase offer to all shareholders. The countervalue for the purchase of shares (excluding ancillary purchase costs) through the stock exchange may not be more than 10 % higher or lower than the average of the share prices (closing auction prices of the Deutsche Bank share in Xetra trading and/or in a comparable successor system on the Frankfurt Stock Exchange) on the last three stock exchange trading days before the obligation to purchase. In the case of a public purchase offer, it may not be more than 10 % higher or lower than the average of the share prices (closing auction prices of the Deutsche Bank share in Xetra trading and/or in a comparable successor system on the Frankfurt Stock Exchange) on the last three stock exchange trading days before the day of publication of the offer. If the volume of shares offered in a public purchase offer exceeds the planned buyback volume, acceptance must be in proportion to the shares offered in each case. The preferred acceptance of small quantities of up to 50 of the company's shares offered for purchase per shareholder may be provided for.

The Management Board has also been authorized to dispose of the purchased shares and of any shares purchased on the basis of previous authorizations pursuant to Section 71 (1) No. 8 of the Stock Corporation Act in a way other than through the stock exchange or by an offer to all shareholders, provided this is done against contribution-in-kind and excluding shareholders' pre-emptive rights for the purpose of acquiring companies or shareholdings in companies. In addition, the Management Board has been authorized, in case it disposes of such own shares by offer to all shareholders, to grant to the holders of the option rights, convertible bonds and convertible participatory rights issued by the company and its affiliated companies pre-emptive rights to the extent to which they would be entitled to such rights if they exercised their option and/or conversion rights. Shareholders' pre-emptive rights are excluded for these cases and to this extent.

The Management Board has also been authorized with the exclusion of shareholders' pre-emptive rights to use such own shares to issue staff shares to employees and retired employees of the company and its affiliated companies or to use them to service option rights on shares of the company and/or rights or duties to purchase shares of the company granted to employees or members of executive or non-executive management bodies of the company and of affiliated companies.

Furthermore, the Management Board has been authorized with the exclusion of shareholders' pre-emptive rights to sell such own shares to third parties against cash payment if the purchase price is not substantially lower than the price of the shares on the stock exchange at the time of sale. Use may only be made of this authorization if it has been ensured that the number of shares sold on the basis of this authorization does not exceed 10 % of the company's share capital at the time this authorization is exercised. Shares that are issued or sold during the validity of this authorization with the exclusion of pre-emptive rights, in direct or analogous application of Section 186 (3) sentence 4 Stock Corporation Act, are to be included in the maximum limit of 10 % of the share capital. Also to be included are shares that are to be issued to service option and/or conversion rights from convertible bonds, bonds with warrants, convertible participatory rights or participatory rights, if these bond or participatory rights are issued during the validity of this authorization with the exclusion of pre-emptive rights in corresponding application of Section 186 (3) sentence 4 Stock Corporation Act.

The Management Board has also been authorized to cancel shares acquired on the basis of this authorization without the execution of this cancellation process requiring a further resolution by the General Meeting.

The Annual General Meeting of May 27, 2010 authorized the Management Board pursuant to Section 71 (1) No. 8 of the Stock Corporation Act to execute the purchase of shares under the resolved authorization also with the use of put and call options or forward purchase contracts. The company may accordingly sell to third parties put options based on physical delivery and buy call options from third parties if it is ensured by the option conditions that these options are fulfilled only with shares which themselves were acquired subject to compliance with the principle of equal treatment. All share purchases based on put or call options are limited to shares in a maximum volume of 5 % of the actual share capital at the time of the resolution by the General Meeting on this authorization. The maturities of the options must end no later than on November 30, 2014.

The purchase price to be paid for the shares upon exercise of the options or upon the maturity of the forward purchase may not exceed or fall short by more than 10 % of the average of the share prices (closing auction prices of the Deutsche Bank share in Xetra trading and/or in a comparable successor system on the Frankfurt Stock Exchange) on the last three stock exchange trading days before conclusion of the respective option transaction in each case excluding ancillary purchase costs but taking into account the option premium received or paid. The call option may only be exercised if the purchase price to be paid does not exceed by more than 10 % or fall below 10 % of the average of the share prices (closing auction prices of the Deutsche Bank share in Xetra trading and/or in a comparable successor system on the Frankfurt Stock Exchange) on the last three stock exchange trading days before the acquisition of the shares.

To the sale and cancellation of shares acquired with the use of derivatives the general rules established by the General Meeting apply.

Significant Agreements which Take Effect, Alter or Terminate upon a Change of Control of the Company Following a Takeover Bid

Significant agreements which take effect, alter or terminate upon a change of control of the company following a takeover bid have not been entered into.

Agreements for Compensation in Case of a Takeover Bid

If a member of the Management Board leaves the bank within the scope of a change of control, he receives a one-off compensation payment described in greater detail in the following Compensation Report.

If the employment relationship with certain executives with global or strategically important responsibility is terminated within a defined period within the scope of a change of control, without a reason for which the executives are responsible, or if these executives terminate their employment relationship because the company has taken certain measures leading to reduced responsibilities, the executives are entitled to a severance payment. The calculation of the severance payment is, in principle, based on 1.5 times to 2.5 times the total annual remuneration (base salary as well as variable – cash and equity-based – compensation) granted before change of control. Here, the development of total remuneration in the three calendar years before change of control is taken into consideration accordingly.

Compensation Report

The Compensation Report explains the principles applied in determining the compensation of the members of the Management Board and Supervisory Board of Deutsche Bank AG as well as the structure and amount of the Management Board and Supervisory Board members' compensation. This Compensation Report has been prepared in accordance with the requirements of Section 314 (1) No. 6 of the German Commercial Code (HGB), German Accounting Standard (GAS) 17 "Reporting on Executive Body Remuneration" as well as the recommendations of the German Corporate Governance Code.

Principles of the Compensation System for Management Board Members

Responsibility

Since the Act on the Appropriateness of Management Board Compensation ("VorstAG") came into effect on August 5, 2009, decisions on the compensation system, including the material contract elements as well as the determination of the compensation of the Management Board members, have been taken by the Supervisory Board as a whole. The Chairman's Committee of the Supervisory Board performs an important advisory function in this context and prepares resolutions for the approval of the Supervisory Board.

Principles

The compensation system takes applicable statutory and regulatory requirements into account. The Supervisory Board already dealt in detail with the alterations resulting from VorstAG back in 2009 and adjusted the contractual agreements with the Management Board members accordingly. Most recently, the provisions of the Regulation on Remuneration in Financial Institutions ("InstitutsVergV"), which came into effect on October 13, 2010, as well as their effects on the current compensation system, were reviewed in detail. Changes to contractual agreements with the Management Board members resulting from such regulation have been implemented and the variable compensation for the 2010 financial year was already determined under these new requirements.

Central criteria of the design of the structure of the Management Board members' compensation are appropriateness and sustainability, linked to the objective of preventing incentives to undertake unreasonably high risks. Therefore, a limit on the relationship between fixed and variable compensation is to be determined. Nonetheless, variable compensation is to be measured such that the Management Board members are effectively motivated to achieve the objectives set out in the bank's strategies and thus to contribute to the sustainable development of the company. The compensation for the Management Board is determined on the basis of several criteria. These include the overall results of Deutsche Bank AG as well as the relative performance of the Deutsche Bank share in comparison to selected peer institutions. Moreover, risk aspects, cost of capital, the contributions to company success of the respective organizational unit as well as that of the individual Management Board member himself, the latter one measured based on financial and non-financial parameters, are also taken into account. The variable compensation components are determined considering a multi-year basis of assessment.

The Supervisory Board regularly reviews and adjusts, if necessary, the structure of the Management Board members' compensation. In this context – and in determining the variable compensation – the Supervisory Board draws on the expertise of independent external compensation and legal consultants.

Compensation Structure

The compensation structure is governed by the contractual agreements with the Management Board members and comprises both non-performance-related and performance-related components.

Non-Performance-Related Components

The non-performance-related components primarily consist of the base salary and also include other benefits.

The base salary of a full member of the Management Board amounts to € 1,150,000 gross per annum, and that of the Management Board Chairman amounts to € 1,650,000 gross per annum. The base salaries are disbursed in each case in equal monthly installments. The last adjustment took place with effect as of January 1, 2010.

Other benefits comprise the monetary value of non-cash benefits such as company cars and driver services, insurance premiums, expenses for company-related social functions and security measures, including payments, if applicable, of taxes on these benefits as well as taxable reimbursements of expenses.

Performance-Related Components (Variable Compensation)

These consist of the bonus and the Long-Term Performance Award ("LTPA"). Management Board members with responsibility for the CIB Group Division also receive an additional division-related compensation component ("Division Incentive").

The bonus, for which an individual target figure has been defined (full Management Board member € 1,150,000, Management Board Chairman € 4,000,000) comprises of two components; these components have a multi-year basis of assessment and their amounts are each calculated with the half of the target figure and a respective factor. The first factor depends on our achieved two year average return on equity in comparison to our internal plan for each respective year. The second factor depends on the amount of our two year achieved average return on equity to which a pre-defined multiplier is linked. For the 2010 financial year for the second factor only our 2010 return on equity is considered, as a respective measure for the previous year was not contractually agreed. Extraordinary effects are not taken into account when determining the return on equity which is basis for the factors. The bonus calculated accordingly is limited to 150 % of the target figure (a "cap"). The bonus is not payable if certain previously defined minimum levels are not reached. The calculated bonus may be increased or reduced by up to 50 % especially in consideration of the individual's contributions and risk-based factors. Accordingly, the maximum bonus may amount to 225 % of the target figure.

The LTPA is based on the performance of the Deutsche Bank share. The LTPA reflects the ratio between our total shareholder return based on a three year period and the corresponding average figure for a select group of comparable companies of six leading banks. Of these, two are from the eurozone, two are from Europe outside the eurozone and another two are from the United States of America (eurozone: Banco Santander and BNP Paribas; Europe outside the eurozone: Barclays and Credit Suisse; USA: Goldman Sachs and J.P. Morgan Chase). The amount of the LTPA to be paid to the Management Board members is based on an individual target figure (full Management Board member € 2,175,000, Management Board Chairman € 4,800,000) and derived from the achieved relative total shareholder return. In case of an over-performance, a limit of 125 % of the target figure applies. If our total shareholder return as described is less than the corresponding average of the group of comparable companies, the disbursal of the LTPA is reduced on a greater than one-to-one basis. If the ratio specified above moves below a defined minimum value, disbursal is fully forfeited.

The amount of the Division Incentive is determined by considering the individual contribution of the Management Board member with such entitlement as well as the performance of the CIB Group Division (e.g., on the basis of net income before taxes), also in relation to peers and set targets, as well as risk aspects (e.g., the development of risk-weighted assets or Value-at-Risk).

Long-Term Incentive

At least 60 % of the variable compensation (bonus, LTPA and if applicable the Division Incentive) is granted as deferred compensation, so that its delivery is spread out over a longer vesting period and it is subject to forfeiture until vesting. A minimum of 50 % of deferred compensation is granted as equity-based compensation (Restricted Equity Awards). The final value of the Restricted Equity Awards depends on the value of the Deutsche Bank share upon their delivery. The part of the deferred compensation that is not equity-based is granted as deferred cash-based compensation (Restricted Incentive Awards).

Both the Restricted Equity Awards and the Restricted Incentive Awards vest in four equal tranches, starting approximately one and a half years after grant and then in intervals of one year, in each case, so that their vesting stretches over a total period of approximately four and a half years. All deferred compensation components (Restricted Equity Awards and Restricted Incentive Awards) have a long-term incentive effect as they are subject to certain forfeiture conditions until they vest. Awards may be forfeited based on a negative Group result, but also due to individual misconduct (e.g., upon a breach of regulations) or individual negative contributions to results. Members of the Management Board are not permitted to limit or cancel out the risk in connection with the deferred compensation components through hedging transactions or other countermeasures.

Holding Periods (Retention Periods)

Once the individual tranches of the Restricted Equity Awards vest, they are subsequently subject to an additional holding period; only after this holding period has expired may the equities of the respective tranche be disposed of. The holding period of the first tranche of the Restricted Equity Awards, which vest after approximately one and a half years, is three years; the holding period of the second tranche of the awards, which vest after approximately two and a half years, is two years; and the holding period of the third and fourth tranches, which vest after approximately three and a half and four and a half years, is one year in each case. Accordingly, Management Board members are first permitted to dispose of the first three tranches of the Restricted Equity Awards approximately four and half years after they are granted, and of the fourth tranche only after approximately five and a half years. Not only until they vest, but also during the holding period, the Restricted Equity Awards are subject to the performance of the Deutsche Bank share and thus depend on a sustained development of long-term value.

Of the portion of the variable compensation that vests immediately, i.e. up to a maximum of 40 % of the total of all variable compensation components, a maximum of 50 % of this is paid out immediately and at least 50 % is granted as equity-based compensation in the form of Equity Upfront Awards. Contrary to the Restricted Equity Awards, the Equity Upfront Awards are not subject to forfeiture conditions; however, they have a holding period of three years, and only after this holding period has expired may the awards be disposed of. During this time, their value is subject to the sustained development of long-term value due to the link to the performance of the Deutsche Bank share.

Restricted Equity Awards and Equity Upfront Awards are granted on the basis of the DB Equity Plan, Restricted Incentive Awards on the basis of the DB Restricted Incentive Plan. For further information on our DB Equity Plan and DB Restricted Incentive Plan see Note 32 “Share-Based Compensation Plans” and Note 33 “Employee Benefits” to the consolidated financial statements.

Limitations

In the event of exceptional developments, the total compensation for each Management Board member, including all variable components, is limited to a maximum amount. A payment of variable compensation elements will not take place if the payment of variable compensation components is prohibited or restricted by the German Federal Financial Supervisory Authority in accordance with existing statutory requirements.

The foregoing explains the compensation structure applicable to the 2010 financial year. The compensation structure applicable to the 2009 financial year differs in certain aspects and is described in the previous year’s publication. Among other things, for the 2009 financial year, the determination of the bonus was based on the actually achieved return on equity as compared to a pre-defined plan figure, the average value of total shareholder returns for purposes of the former MTI was calculated based on a two-year average, the holding period for both the Restricted Equity Awards and the Restricted Incentive Awards was just below four years, with the Restricted Equity Awards mainly cliff vesting in November 2013 (with a smaller part thereof vesting in nine equal tranches) and the Restricted Incentive Awards vesting in three equal tranches, and additional holding periods did not exist.

Management Board Compensation

In respect of the 2010 financial year, the members of the Management Board received compensation components for their service on the Management Board totaling € 32,434,836 (2009: € 34,174,619). Thereof, € 9,412,500 was base salary (2009: € 5,950,000), € 17,816,227 was performance-related components with long-term incentives (2009: € 18,637,350) and € 5,206,109 was performance-related components without long-term incentives (2009: € 9,587,269). In addition, there were other benefits amounting to € 795,338 (2009: € 849,346), so that total compensation of the Management Board members was € 33,230,174 (2009: € 35,023,965) collectively. On an individual basis, the Management Board members received the following compensation components for their service on the Management Board for the years 2010 and 2009.

Members of the Management Board		Non-performance-related components	Performance-related components			
			without long-term incentives[1]	with long-term incentives		
in €		Base salary		Equity Upfront Award(s) (retention)[2]	Restricted Equity Award(s) (deferred plus retention)[2]	Total
Dr. Josef Ackermann	2010	1,650,000	1,034,322	1,086,038	2,534,089	6,304,449
	2009	1,150,000	1,575,000	–	4,747,500	7,472,500
Dr. Hugo Bänziger	2010	1,150,000	523,428	549,599	824,399	3,047,426
	2009	800,000	1,231,425	–	1,657,500	3,688,925
Michael Cohrs[3]	2010	862,500	577,533	606,410	1,350,943	3,397,386
	2009	600,000	905,428	–	1,546,575	3,052,003
Jürgen Fitschen[4]	2010	1,150,000	507,790	533,180	799,770	2,990,740
	2009	600,000	923,569	–	1,243,125	2,766,694
Anshuman Jain[4]	2010	1,150,000	992,752	1,042,390	4,367,413	7,552,555
	2009	600,000	1,565,428	–	4,884,525	7,049,953
Stefan Krause	2010	1,150,000	539,066	566,019	849,029	3,104,114
	2009	800,000	1,231,425	–	1,657,500	3,688,925
Hermann-Josef Lamberti	2010	1,150,000	507,790	533,180	799,770	2,990,740
	2009	800,000	1,231,425	–	1,657,500	3,688,925
Rainer Neske[4]	2010	1,150,000	523,428	549,599	824,399	3,047,426
	2009	600,000	923,569	–	1,243,125	2,766,694
Total	2010	9,412,500	5,206,109	5,466,415	12,349,812	32,434,836
Total	2009	5,950,000	9,587,269	–	18,637,350	34,174,619

1 Immediately paid out.
2 The number of share awards in the form of Equity Upfront Awards (EUA) and Restricted Equity Awards (REA) granted in 2011 for the year 2010 to each member of the Management Board was determined by dividing the respective Euro amounts by € 44.42, the XETRA closing price of the DB share as of February 2, 2011. As a result, the number of share awards granted was as follows (rounded): Dr. Ackermann: 24,449 EUA and 57,048 REA, Dr. Bänziger: 12,372 EUA and 18,559 REA, Mr. Cohrs: 13,651 EUA and 30,412 REA, Mr. Fitschen: 12,003 EUA and 18,004 REA, Mr. Jain: 23,466 EUA and 98,320 REA, Mr. Krause: 12,742 EUA and 19,113 REA, Mr. Lamberti: 12,003 EUA and 18,004 REA, and Mr. Neske: 12,372 EUA and 18,559 REA.
3 Member of the Management Board from April 1, 2009 until September 30, 2010. Due to U.S. tax rules applicable to Mr. Cohrs the vesting of all awards granted to him for the financial year 2009 was accelerated prior to maturity and the awards were immediately taxed when he left the Bank. The net euro amount of cash awards was booked into a euro account and the net amount of shares was booked into a securities account both blocked in favor of the Bank. They are subject to the payment and forfeiture conditions which already applied to these awards before their premature vesting. This procedure also applies for the awards granted to him for the service performed in the financial year 2010.
4 Member of the Management Board since April 1, 2009.

In February 2011, members of the Management Board were granted a total of 401,077 shares in the form of Restricted Equity Awards and Equity Upfront Awards for their performance in 2010 (2009: 405,349 shares in the form of Restricted Equity Awards only).

In accordance with German Accounting Standard 17, any claims resulting from deferred cash compensation subject to further conditions must be disclosed as part of the total compensation only in the financial year of their vesting (i.e., unconditional payout) and not in the year of grant, which also applies now with respect to the presentation of the previous year's compensation data.

Conditional deferred cash compensation totaling € 12,349,812 was granted to the members of the Management Board as Restrictive Incentive Awards for the 2010 financial year. For each Management Board member such grants vest beginning in August 2012 in four equal annual tranches in a total amount granted as follows: Dr. Ackermann € 2,534,089; Dr. Bänziger € 824,399; Mr. Cohrs € 1,350,943 (see note 3 to the table above for procedure); Mr. Fitschen € 799,770; Mr. Jain € 4,367,413; Mr. Krause € 849,029; Mr. Lamberti € 799,770 and Mr. Neske € 824,399.

For the 2009 financial year the members of the Management Board were granted Restricted Incentive Awards totaling € 3,955,007. For each Management Board member such grants vest beginning in February 2011 in three equal annual tranches, in a total amount granted as follows: Dr. Ackermann € 1,925,000; Dr. Bänziger € 268,575; Mr. Cohrs € 130,210 (see note 3 to the table above for procedure); Mr. Fitschen € 201,431; Mr. Jain € 691,210; Mr. Krause € 268,575; Mr. Lamberti € 268,575 and Mr. Neske € 201,431.

The following table shows the other non-performance-related benefits for the 2010 and 2009 financial years.

Members of the Management Board	Other benefits	
in €	2010	2009
Dr. Josef Ackermann	148,723	154,030
Dr. Hugo Bänziger	54,833	51,388
Michael Cohrs[1]	56,218	39,661
Jürgen Fitschen[2]	130,171	131,111
Anshuman Jain[2]	77,671	52,697
Stefan Krause	136,953	58,267
Hermann-Josef Lamberti	91,505	102,123
Rainer Neske[2]	99,264	260,069
Total	795,338	849,346

[1] Member of the Management Board from April 1, 2009 until September 30, 2010.
[2] Member of the Management Board since April 1, 2009.

Management Board members do not receive any compensation for mandates on boards of our subsidiaries.

Pension benefits and transition payments

The members of the Management Board are entitled to a contribution-oriented pension plan. Under this contribution-oriented pension plan, a personal pension account has been set up for each participating member of the Management Board (after appointment to the Management Board). A contribution is made annually by us into this pension account. This annual contribution is calculated using an individual contribution rate on the basis of each member's base salary and bonus up to a defined ceiling and accrues interest credited in advance, determined by means of an age-related factor, at an average rate of 6 % per year up to the age of 60. From the age of 61 on, the pension account is credited with an annual interest payment of 6 % up to the date of retirement. The annual payments, taken together, form the pension amount which is available to pay the future pension benefit. Under defined conditions, the pension may as well fall due for payment before a regular pension event (age limit, disability or death) has occurred. The pension right is vested from the start. Management Board members entitled to a Division Incentive do not participate in this pension plan.

Based on former contractual agreements individual Management Board members have additional entitlements:

Dr. Ackermann and Mr. Lamberti are entitled, under defined conditions, after they have left the Management Board, to a monthly pension payment of € 29,400 each under a prior pension entitlement.

Dr. Ackermann, Dr. Bänziger and Mr. Lamberti are entitled to a transition payment for a period of six months under defined conditions. Exceptions to this arrangement exist where, for instance, the Management Board member gives cause for summary dismissal. The transition payment a Management Board member would have received over this six months period, if he had left on December 31, 2010 or on December 31, 2009, was for Dr. Ackermann € 2,825,000 and for each of Dr. Bänziger and Mr. Lamberti € 1,150,000.

If Dr. Ackermann and Mr. Lamberti leave office after reaching the age of 60, they are each subsequently entitled, under defined conditions, directly after the end of the six-month transition period, to payment of first 75 % and then 50 % of the sum of his salary and last target bonus, each for a period of 24 months. This payment ends no later than six months after the end of the Annual General Meeting in the year in which the Board member reaches his 65th birthday.

The following table shows the annual additions to provisions for obligations regarding pension benefits and transition payments for the years ended December 31, 2010 and December 31, 2009 and the related Defined Benefit Obligation at the respective dates for the individual members of the Management Board. The different sizes of the balances are due to the different length of services on the Management Board, the respective age-related factors, the different contribution rates as well as the individual pensionable compensation amounts and the previously mentioned additional individual entitlements.

Members of the Management Board[1]

in €		Additions to provisions for pension benefits and transition payments, year ended	Present value of the defined benefit obligation for pension benefits and transition payments, end of year
Dr. Josef Ackermann	2010	1,263,161	13,236,187
	2009	–[3]	11,973,026
Dr. Hugo Bänziger	2010	670,727	2,161,491
	2009	342,949	1,490,764
Jürgen Fitschen[2]	2010	244,364	307,348
	2009	62,984	62,984
Stefan Krause	2010	550,405	825,181
	2009	166,891	274,776
Hermann-Josef Lamberti	2010	1,223,474	11,177,275
	2009	2,488,164	9,953,801
Rainer Neske[2]	2010	461,013	575,398
	2009	114,385	114,385

1 Other members of the Management Board are not entitled to such benefits after appointment to the Management Board.
2 Member of the Management Board since April 1, 2009.
3 No addition to provision required in 2009.

Other termination benefits

The Management Board members are principally entitled to receive a severance payment upon a premature termination of their appointment at our initiative, without us having been entitled to revoke the appointment or give notice under the contractual agreement for cause. The severance payment, as a rule, will not exceed the lesser of two annual compensation amounts and the claims to compensation for the remaining term of the contract (compensation calculated on the basis of the annual compensation for the previous financial year).

If a Management Board member departs in connection with a change of control, he is under certain conditions in principle entitled to a severance payment. The severance payment, as a rule, will not exceed the lesser of three annual compensation amounts and the claims to compensation for the remaining term of the contract. The calculation of the compensation is based on the annual compensation for the previous financial year.

The severance payment mentioned before is determined by the Supervisory Board in its reasonable discretion. In principle, the disbursement of the severance payment takes place in two installments; the second installment is subject to certain forfeiture conditions until vesting.

Expense for Long-Term Incentive Components

The following table presents the compensation expense recognized in the respective years for long-term incentive components of compensation granted for service on the Management Board.

Members of the Management Board	Amount expensed	
in €	2010	2009
Dr. Josef Ackermann	2,822,092	2,013,402
Dr. Hugo Bänziger	710,357	810,967
Michael Cohrs[1,2]	1,610,543	–
Jürgen Fitschen[2,3]	399,153	–
Anshuman Jain[2,3]	2,227,846	–
Stefan Krause[2]	529,864	–
Hermann-Josef Lamberti	729,448	902,559
Rainer Neske[2,3]	399,153	–

1 Member of the Management Board from April 1, 2009 until September 30, 2010.
2 No long-term incentive component was granted before 2009 for service on the Management Board.
3 Member of the Management Board since April 1, 2009.

Management Board Share Ownership

As of February 18, 2011 and February 19, 2010, respectively, the current members of our Management Board held the following numbers of our shares and share awards.

Members of the Management Board		Number of shares	Number of share awards[1]
Dr. Josef Ackermann	2011	560,589	259,596
	2010	355,474	197,260
Dr. Hugo Bänziger	2011	55,531	100,520
	2010	36,116	89,402
Jürgen Fitschen	2011	169,008	92,671
	2010	98,339	86,747
Anshuman Jain	2011	457,192	414,906
	2010	338,717	433,046
Stefan Krause	2011	–	71,363
	2010	–	36,049
Hermann-Josef Lamberti	2011	125,291	98,626
	2010	97,740	78,190
Rainer Neske	2011	60,509	90,875
	2010	42,547	75,395
Total	2011	1,428,120	1,128,557[2]
Total	2010	968,933	996,089

1 Including the share awards Mr. Fitschen, Mr. Jain and Mr. Neske received in connection with their employment by us prior to their appointment as member of the Management Board. The share awards listed in the table have different vesting and allocation dates. The last share awards will be allocated in August 2016.
2 Thereof 89,904 vested.

To counterbalance the economic disadvantages for share award owners resulting from the capital increase which took place in September 2010, additional share awards were granted. Each Management Board member who was appointed in September 2010 received additional share awards of approximately 9.59 % of his outstanding share awards as of September 21, 2010 of the same category (in total 76,767 share awards for all Management Board members together). The respective share awards are included in the number of share awards for 2011 as presented in the table above.

The current members of our Management Board held an aggregate of 1,428,120 of our shares on February 18, 2011, amounting to approximately 0.16 % of our shares issued on that date. They held an aggregate of 968,933 of our shares on February 19, 2010, amounting to approximately 0.16 % of our shares issued on that date.

The number of shares delivered in 2010 to the members of the Management Board active in 2010 from deferred compensation awards granted in prior years amounted to 726,208.

For more information on share awards in the table above granted under the share plans, see Note 32 “Share-Based Compensation Plans” to the consolidated financial statements.

Compensation System for Supervisory Board Members

The principles of the compensation of the Supervisory Board members are set forth in our Articles of Association, which our shareholders amend from time to time at their Annual General Meetings. Such compensation provisions were last amended at our Annual General Meeting on May 24, 2007. The following provisions apply to the 2010 financial year:

Compensation consists of a fixed compensation of € 60,000 per year and a dividend-based bonus of € 100 per year for every full or fractional € 0.01 increment by which the dividend we distribute to our shareholders exceeds € 1.00 per share. The members of the Supervisory Board also receive annual remuneration linked to our long-term profits in the amount of € 100 each for each € 0.01 by which the average earnings per share (diluted), reported in our financial statements in accordance with the accounting principles to be applied in each case on the basis of the net income figures for the three previous financial years, exceed the amount of € 4.00.

These amounts increase by 100 % for each membership in a committee of the Supervisory Board. For the chairperson of a committee the rate of increment is 200 %. These provisions do not apply to the Mediation Committee formed pursuant to Section 27 (3) of the Co-determination Act. We pay the Supervisory Board Chairman four times the total compensation of a regular member, without any such increment for committee work, and we pay his deputy one and a half times the total compensation of a regular member. In addition, the members of the Supervisory Board receive a meeting fee of € 1,000 for each Supervisory Board and committee meeting which they attend. Furthermore, in our interest, the members of the Supervisory Board will be included in any financial liability insurance policy held in an appropriate amount by us, with the corresponding premiums being paid by us.

We also reimburse members of the Supervisory Board for all cash expenses and any value added tax (Umsatzsteuer, at present 19 %) they incur in connection with their roles as members of the Supervisory Board. Employee representatives on the Supervisory Board also continue to receive their employee benefits. For Supervisory Board members who served on the board for only part of the year, we pay a fraction of their total compensation based on the number of months they served, rounding up to whole months.

The members of the Nomination Committee, which has been newly formed after the Annual General Meeting 2008, waived all remuneration, including the meeting fee, for such Nomination Committee work for 2009 and the following years, as in the previous years.

Supervisory Board Compensation for Fiscal Year 2010

We compensate our Supervisory Board members after the end of each fiscal year. In January 2011, we paid each Supervisory Board member the fixed portion of their remuneration and meeting fees for services in 2010. In addition, we will generally pay each Supervisory Board member a remuneration linked to our long-term performance as well as a dividend-based bonus, as defined in our Articles of Association, for their services in 2010. Assuming that the Annual General Meeting in May 2011 approves the proposed dividend of € 0.75 per share, the Supervisory Board will not receive any variable remuneration. The total remuneration will be € 2,453,000 (2009: € 2,561,316).

Individual members of the Supervisory Board received the following compensation for the 2010 financial year (excluding statutory value added tax).

Members of the Supervisory Board	Compensation for fiscal year 2010				Compensation for fiscal year 2009			
in €	Fixed	Variable	Meeting fee	Total	Fixed	Variable	Meeting fee	Total
Dr. Clemens Börsig	240,000	–	31,000	271,000	240,000	13,733	28,000	281,733
Karin Ruck	210,000	–	25,000	235,000	210,000	12,017	23,000	245,017
Wolfgang Böhr	60,000	–	9,000	69,000	60,000	3,433	7,000	70,433
Dr. Karl-Gerhard Eick	180,000	–	13,000	193,000	180,000	10,300	16,000	206,300
Heidrun Förster[1]	70,000	–	14,000	84,000	120,000	6,867	14,000	140,867
Alfred Herling	85,000	–	12,000	97,000	60,000	3,433	7,000	70,433
Gerd Herzberg	60,000	–	9,000	69,000	60,000	3,433	7,000	70,433
Sir Peter Job	180,000	–	14,000	194,000	180,000	10,300	22,000	212,300
Prof. Dr. Henning Kagermann	120,000	–	13,000	133,000	120,000	6,867	12,000	138,867
Peter Kazmierczak[2]	30,000	–	3,000	33,000	–	–	–	–
Martina Klee	60,000	–	9,000	69,000	60,000	3,433	7,000	70,433
Suzanne Labarge	120,000	–	13,000	133,000	120,000	6,867	12,000	138,867
Maurice Lévy	60,000	–	7,000	67,000	60,000	3,433	6,000	69,433
Henriette Mark	120,000	–	15,000	135,000	120,000	6,867	16,000	142,867
Gabriele Platscher	60,000	–	9,000	69,000	60,000	3,433	7,000	70,433
Dr. Theo Siegert	120,000	–	12,000	132,000	120,000	6,867	12,000	138,867
Dr. Johannes Teyssen	60,000	–	8,000	68,000	60,000	3,433	7,000	70,433
Marlehn Thieme	120,000	–	13,000	133,000	120,000	6,867	15,000	141,867
Tilman Todenhöfer	120,000	–	18,000	138,000	120,000	6,867	14,000	140,867
Stefan Viertel[3]	25,000	–	2,000	27,000	–	–	–	–
Werner Wenning	60,000	–	8,000	68,000	60,000	3,433	7,000	70,433
Leo Wunderlich[4]	30,000	–	6,000	36,000	60,000	3,433	7,000	70,433
Total	2,190,000	–	263,000	2,453,000	2,190,000	125,316	246,000	2,561,316

1 Member until July 31, 2010.
2 Member since July 1, 2010.
3 Member since August 1, 2010
4 Member until June 30, 2010.

Corporate and Social Responsibility

Employees and Social Responsibility

Employees

As of December 31, 2010, we employed a total of 102,062 staff members as compared to 77,053 as of December 31, 2009. We calculate our employee figures on a full-time equivalent basis, meaning we include proportionate numbers of part-time employees.

The following table shows our numbers of full-time equivalent employees as of December 31, 2010, 2009 and 2008.

Employees[1]	Dec 31, 2010	Dec 31, 2009	Dec 31, 2008
Germany	49,265	27,321	27,942
Europe (outside Germany), Middle East and Africa	23,806	22,031	23,073
Asia/Pacific	17,779	16,518	17,120
North America[2,3]	10,811	10,815	11,947
Central and South America	401	368	374
Total employees[3]	102,062	77,053	80,456

1 Full-time equivalent employees; in 2010, the employees of Kazakhstan previously shown in Asia/Pacific were assigned to Europe (outside Germany), Middle East and Africa; numbers for 2009 (6 employees) and 2008 (6 employees) have been reclassified to reflect this.
2 Primarily the United States.
3 The nominal headcount of The Cosmopolitan of Las Vegas is 4,147 as of December 31, 2010 and is composed of full time and part time employees. It is not part of the full time equivalent employees figures.

The number of our employees increased in 2010 by 25,009 or 32.5 % due to the following factors:

— The number of Corporate & Investment Bank Group Division staff increased by 1,752 primarily due to the acquisition of parts of ABN AMRO in the Netherlands (1,195). Furthermore, the number of Markets staff increased by 374 as a result of the market recovery.
— The number of our PCAM staff increased by 21,973 primarily due to the acquisitions of Deutsche Postbank AG in Germany (20,361) and of Sal Oppenheim Group (2,910 as at year end 2010).
— In Infrastructure, the number of our global service centers staff, in particular in India, the Philippines, Birmingham (U.K.) and Jacksonville (U.S.), increased by approximately 1,200 employees. The headcount in the other infrastructure areas remained, on balance, unchanged from 2009.

The commitment index, a measure of staff loyalty to the company based on a Groupwide survey that has been performed anonymously by an independent institution for more than ten years, remained strong in 2010 at 74 points. This is the second highest value since the survey began, indicating that employees continue to closely identify with the bank and are particularly willing to put in a strong performance. The slight reduction in comparison to the record of 77 points in 2009 primarily reflects an easing of economic tension or return to normality after the financial crisis.

Post-Employment Benefit Plans

We sponsor a number of post-employment benefit plans of behalf of our employees, both defined contribution plans and defined benefit plans.

Defined benefit plans with a benefit obligation exceeding € 2 million are included in our globally coordinated accounting process. Reviewed by our global actuary, the plans in each country are evaluated by locally appointed actuaries.

By applying our global principles for determining the financial and demographic assumptions we ensure that the assumptions are unbiased and mutually compatible and that they follow the best estimate and ongoing plan principles.

For a further discussion on our employee benefit plans see Note 33 “Employee Benefits” to our consolidated financial statements.

Corporate Social Responsibility

Building social capital

Deutsche Bank was one of the main initiators and first signatories of the “Code of Responsible Conduct for Business”, launched in November 2010 of 21 German companies. With this code, we intend to integrate social responsibility even more closely in our business processes and duly consider it in all our decisions.

Corporate Social Responsibility means more to us than donating money: we want to build social capital – for our own good. In the year under review, the bank and its staff took part in a wide range of social projects both in Germany and abroad. We invested nearly € 100 million – more than ever – in educational, social, art and music projects, in addition to our employee volunteering activities.

Sustainability: Ensuring viability

Deutsche Bank has been committed to the principle of sustainable development and consistently implements it along the accepted Environmental, Social and Governance dimensions of sustainability. On the way to full carbon-neutrality of our operational activities from 2013 onwards we achieved our annual carbon reduction objective for 2010 and moved back into our headquarters in Frankfurt after a 3-year retrofit program to become one of the most environmental-friendly skyscrapers worldwide. The bank’s internal guidelines for risk management have been expanded by a “Green Filter” tool in order to include the carbon impact of transactions in our decision processes. Our commitment to sustainability is documented in particular by our long-time membership in the UN Global Compact and the signing of the Principles for Responsible Investment (PRI) of the United Nations.

The Global Metro Summit in 2010, organized by Deutsche Bank’s Alfred Herrhausen Society, focused on stable and sustainable economic concepts for metropolitan regions. The conference expands the Urban Age network, first established in 2005, providing a forum for international experts to discuss the challenges facing the world’s mega cities.

Education: Enabling talent

Even today, it is not talent but social origin which, in many cases, determines a person’s educational advancement. Deutsche Bank is strongly committed to equality of opportunity and the fair promotion of talent. In 2010 we launched “FairTalent”, an initiative that provides targeted individual assistance to underprivileged, but highly talented children. Deutsche Bank employees also serve as mentors.

In order to intensify the exchange between the academic and the business world Deutsche Bank has established a chair of finance at Bocconi University in Milan and the Luxembourg School of Finance. Moreover, we facilitated a new professorship at the Goethe University Frankfurt's House of Finance and significantly increased our financial support for the European School of Management and Technology in Berlin.

Social Investments: Creating opportunity

In 2010 Deutsche Bank successfully completed the Eye Fund, an innovative investment vehicle amounting to USD 14.5 million, which provides start-up financing for the expansion of eye care clinics in the world's poorer regions. We support the renewal of infrastructure in economically deprived communities in the United States through loans and investments. For this work, the Federal Reserve Bank awarded us an "outstanding" rating for the 19th time.

The year was overshadowed by a number of natural catastrophes, among them earthquakes in Haiti and Chile and floods in Pakistan. Deutsche Bank, its foundations, clients and staff together contributed more than € 5 million to the people affected by these disasters. Wherever possible, our employees support relief action locally – fulfilling our claim of giving more than money.

Art and Music: Fostering creativity

The Deutsche Bank Collection in the newly renovated Head Office in Frankfurt am Main has been rejuvenated and made clearly more international. Around 1,500 artworks by 100 artists from more than 40 countries invite the viewer to embark on a journey through the contemporary global art scene. Our ongoing commitment to art in the workplace of more than 900 Deutsche Bank locations worldwide was honoured by the 2010 Art & Work award.

The work of the Kenyan-born and New York-based artist Wangechi Mutu, selected in 2010 to be our first "Artist of the Year", was the subject of an exhibition at the Deutsche Guggenheim in Berlin. With this new award, we promote aspiring young artists from around the world.

Via an exclusive partnership, Deutsche Bank has enjoyed close links with the Berliner Philharmoniker for many years. In 2010, the orchestra toured Australia for the first time and realized a Zukunft@BPhil project there. Zukunft@BPhil aims to open up new and creative experiences for children and young people and introduce them to classical music through workshops and dance projects. More than 18,000 children and young people have participated in the program worldwide since 2002.

Corporate Volunteering: Committing ourselves

In the year under review, more than 17,000 of our employees supported over 3,000 community projects around the world. Deutsche Bank supports this personal commitment with either paid leave or donations to the charitable partners.

The "Partners in Leadership" program, in which Deutsche Bank senior managers advise school administrators on management issues, was the winner of the "European Employee Volunteering Award – Germany". In the United Kingdom, the bank raised 1 million pounds for the AfriKids program as part of the "Charity of the Year 2010" initiative.

Further information on our corporate social responsibility activities can be found in our "Corporate Social Responsibility Report 2010" and at www.db.com / csr.

Outlook

The Global Economy

The V-shaped economic recovery in key industrialized economies, and especially emerging markets, came to an end in autumn 2010 as the impact of special factors tapered off and growth normalized. Furthermore, several countries, particularly those on the periphery of the eurozone, have implemented restrictive fiscal policies and many other countries will follow suit in the course of 2011. The same can be said of monetary policy. A number of countries have already implemented a monetary policy turnaround, such as Australia, Norway, China and many other emerging market economies. The European Central Bank will probably start to exit its extremely lax monetary policy around the middle of the year, and the U.S. Federal Reserve may follow towards the end of the year. Global economic growth is therefore likely to slow to around 4.25 % in 2011. However, this would still be distinctly above the average growth rate of the past three decades. There has been a noticeable decline in the risks to U.S. growth recently, not least thanks to improved economic indicators. The U.S. economy could grow by 3.75 % this year. For the Asian emerging markets, we are expecting more balanced and sustainable growth of around 8 %, following 9.5 % in 2010.

The exceptional situation facing monetary and fiscal policymakers in the wake of the crisis may entail risks for the global economy. While a smooth exit from the highly expansive policies would be desirable to counter the risk of inflation, this poses a huge challenge given the major uncertainty about economic fundamentals, the stability of individual areas of the financial system, and market reactions to specific exit measures. Sovereign risk may remain an issue in 2011 if some countries fail to convince the financial markets that they will be able to stabilize their fiscal position in the long term. A worsening of the debt crisis in some eurozone countries could also lead to a destabilization of the banking systems, which would pose major difficulties for a change in monetary policy direction. In China and other emerging market economies, there is a risk not only of price bubbles in the real estate sector but also of a general acceleration in inflation. All of these factors may result in turmoil in the financial markets, which would in turn dampen the pace of the global economic recovery.

Persistent underutilized production capacity in the industrialized countries should contain inflationary pressures, which are stemming primarily from rising energy and food prices. In the U.S, we expect the inflation rate to accelerate to a good 2 % this year. The eurozone inflation is likely to accelerate from 1.6 % to 2.25 %, also driven by some steep tax increases in the peripheral states.

Economic growth in the eurozone is expected to slow to almost 1.5 % in 2011, with the uneven trend continuing. The Greek and Portuguese economies are likely to contract during the course of this year in view of drastic consolidation measures, and the Spanish and Irish economies will more or less stagnate. Among the larger eurozone countries, Germany should again have the highest growth rate of 2.5 %, continuing to expand beyond potential. German private consumption should expand by almost 1.5 % after almost stagnating in recent years. Unemployment in Germany is expected to decline further. In 2011, the average number of people unemployed could fall below the 3 million mark, with the unemployment rate close to 7 %, compared with 7.7 % in 2010. Strong economic activity and the effects of the austerity package should ensure that the general government deficit in Germany is brought below the 3 % Maastricht limit in 2011.

In Germany, we are expecting inflation of 2 % in 2011, compared with 1.1 % in 2010. Rising food prices pose an inflation risk for some emerging market countries, in particular, as the proportion of food in their basket of goods is higher than in industrialized countries.

In 2012 we expect global growth to pick up again by about 0.25 percentage points to 4.5 % with all major regions showing some gain. Among the industrial countries the biggest improvement should be seen in Japan, whereas the German economy will decelerate towards its potential growth rate. Within emerging markets growth rates should remain more or less unchanged in Asia and Latin America compared to 2011, but should increase slightly in the EMEA countries.

Inflation rates in the emerging markets as well as in the industrialized economies are expected to decline a little in 2012, after this year's energy and food driven spike in 2011. Industrial economies will – with the exception of Japan – continue to tighten monetary and fiscal policy. In the emerging markets the stance of monetary policy should not change that much overall, given more active policy in 2010 and 2011.

The Banking Industry

Banks across the globe will face major challenges in 2011 and 2012. On the one hand, they will focus on raising revenues and profitability further in a new macroeconomic environment, while at the same time maintaining cost discipline. On the other hand, financial institutions must be ready to meet numerous new regulatory requirements, which in some cases will necessitate substantial adjustments to their business models.

Both household and corporate lending have shown the first signs of recovery and the trend is expected to continue. Sustained low interest rates and improving income and earnings prospects could well boost risk appetite and prompt a noticeable increase in lending volumes for the first time since the financial crisis. At the same time, however, growth potential is limited as the private sector remains highly indebted in many countries; in addition, as soon as interest rates begin to normalize, debt service payments will rise again. Persistent and relatively high unemployment in a number of countries is also likely to dampen loan demand.

Deposit business is expected to be influenced by several opposing trends. On the one hand, as the Basel III liquidity and funding rules are implemented in the coming years, stable funding sources grow in importance for banks and their demand for private-sector deposits may increase. On the other hand, the ongoing economic upswing and a growing risk of inflation make this stable but relatively low return asset class less attractive for households and companies. As a result, banks will very likely encounter higher deposit funding costs.

Asset management ought to be driven by the key factors described above over the next two years. The improved state of the economy with higher incomes and reduced unemployment, increased valuations and greater risk appetite should lead to growing inflows, which in turn have a positive effect on valuations.

Revenues and profits in investment banking, by contrast, will probably remain under pressure for the time being, even though client activity should be relatively supportive. Despite the financial crisis, the consolidation of providers has made little headway; in fact, since the end of the crisis, some market participants have invested in expanding their capacities again, thereby giving rise to intense competition. In addition, primarily because of regulatory requirements, the financial service providers' cost base has become less flexible and now involves a higher proportion of fixed costs, making banks more vulnerable to volatile revenue developments. This effect is augmented by cutbacks in proprietary trading and a stronger concentration on flow business for clients, as endorsed by banks, supervisors and legislators. Finally, the new regulations under Basel 2.5 and Basel III will doubtless lead to higher (capital) costs and narrower margins (in derivatives business, for instance), create greater hurdles for securitizations and substantially reduce volumes in certain market segments.

The general outlook for capital markets business is also mixed. While debt issuance could be strong across financial institutions and corporates, there are substantial downside risks, especially in the high-yield segment. Equity capital raisings, on the other hand, are likely to remain at a solid level, and companies may significantly intensify their M&A activities.

Global risks for the banking industry above all relate to an unexpectedly weak recovery of the world economy from the financial and economic crisis, a potential sovereign default and overly costly and internationally fragmented new regulations. In the latter respect, it is not just a question of how to implement the new Basel rules as consistently as possible, but also of establishing clear resolution mechanisms for failed banks and avoiding discriminatory specific bank levies.

The Deutsche Bank Group

Deutsche Bank Management has taken a series of steps to ensure that the bank is positioned strongly to exploit the competitive opportunities which are arising after the crisis. We have made progress on all four elements set out in Phase 4 of our Management Agenda. This ensures that the foundation for achievement of the 2011 target is in place. In particular, in our CIB businesses, we have further integrated the investment bank, which is expected to deliver € 0.5 billion net benefit in 2011. Furthermore, we have increased our market presence in the Netherlands via the acquisition of the commercial banking activities of ABN AMRO. This progress was achieved while maintaining our risk discipline. In PCAM, we have strengthened our leading position in our home market Germany with the takeover of Postbank, concluded the alignment of Sal. Oppenheim and completed the restructuring of our Asset Management business. Meanwhile, we have continued to build out our platform in Asia, where we are already well-positioned in all our core businesses, and decided to increase our stake in Hua Xia Bank. We are also continuing to focus on our performance and improving efficiency and accountability with our Complexity Reduction Program, which is on track to have all prerequisites in place by the end of 2011 to deliver annual efficiency gains of € 1 billion, starting in 2012. In 2011, the program should achieve € 0.6 billion net savings.

Like comparable institutions in the banking industry, Deutsche Bank will continue to be impacted both by the changing competitive landscape and a stricter regulatory environment. The impact of any potential bank levies currently being discussed in a number of countries cannot yet be quantified with a reasonable degree of accuracy. We will continue to participate constructively in the discussions with law makers and regulators to promote a globally coordinated approach. Having successfully raised equity and Tier 1 capital, we feel well equipped with capital. We expect to satisfy the new capital requirements under Basel III, which have to be implemented by 2019, already in 2013. Capital adequacy, risk management and balance sheet efficiency will therefore remain increasingly important as competitive differentiators. Deutsche Bank will retain a balanced dividend policy which also considers these factors.

As part of Phase 4 of Deutsche Bank's Management Agenda, we outlined a target for income before income taxes from our core businesses CIB and PCAM of € 10 billion in 2011. Achievement of this target is contingent upon the successful implementation of the Complexity Reduction Program and the CIB integration as well as certain environmental assumptions. These assumptions include continued macroeconomic recovery, no further market dislocations and a normalization of asset valuations. While interest rates are factored in at current low levels, we expect growth in global fee pools and margins to remain above pre-crisis levels. Further assumptions and the contribution of our businesses to the target are detailed in the sections below.

Our Corporate Investments group division, which is not part of our target for 2011, has management responsibility for certain assets that were transferred from other corporate divisions. The division is exposed to the opportunities and risks arising from the business environment could be impacted by the business environment of the key holdings in its portfolio in which these companies operate as well as equity risk from non-consolidated investments.

Beyond 2011, we should be able to reap further benefits from our strengthened set-up as a home market leader and a global investment bank. The new Deutsche Bank will be well capitalized, with an expected Core Tier 1 ratio above 8 %. We also expect a more balanced earnings mix, with our classical banking businesses PCAM and GTB contributing more than 40 % of pre-tax profit and more efficient operations with a cost-income ratio of around 65 %.

Corporate Banking & Securities

The investment banking environment in 2011 and 2012 should remain relatively supportive, although uncertainty around the impact of regulation and the sovereign debt crisis will persist, impacting activity. Nevertheless, capital markets activity should remain robust, especially in emerging markets. Corporate Finance fee pools should continue to recover in 2011 and 2012, as corporate balance sheets remain healthy and high yield companies and financial institutions continue to issue debt. Trading volumes will remain robust and may increase if investor sentiment improves and the shift to centralized clearing of over-the-counter derivatives may also increase activity in these products. After significant normalization to lower levels over the past two years, margins should now remain stable and could increase if regulatory reform creates barriers to entry in the industry.

Corporate Banking & Securities is expected to benefit from the further integration of the investment bank. This will help us to better service corporate clients across a broad range of products, eliminate any duplication of activity across front office and support functions and increase collaboration between all areas of the business, including Global Transaction Banking. We will continue to focus on good asset efficiency and careful management of risk exposures, especially those that will be impacted by the evolving regulatory landscape during the next two years.

In sales and trading, revenues from flow products such as foreign exchange, money markets, interest rate trading and cash equities will be supported by increased global activity. We expect to continue to generate substantial revenues through our leading client market shares in these products as well as to benefit from our continued investments in electronic trading and direct market access platforms. Our strategic focus on prime finance platform has now developed this business into a market leader. Emerging markets trading and commodities also remain key growth areas as demand for these products increases. We have now recalibrated our credit and equity derivatives businesses after substantial losses during the crisis, focusing on both client flow trading and solutions with appropriate risk appetite and resource utilization. During 2010 we exited our designated proprietary equity trading business, following the closure of our designated proprietary credit trading business in 2009. Our unique cross asset class structuring group will play a key role in delivering sales and trading products as well as solutions to both corporate and institutional clients under the newly integrated Corporate & Investment Bank.

Assuming a stable macro-economic environment the corporate finance fee pool will increase. Debt issuance is expected to be strong across financial institutions and corporates, as companies continue to refinance and take advantage of an attractive market environment for acquisition financing. We anticipate equity issuance will continue to be strong given the IPO pipeline, growth in Asia and as financial institutions continue to recapitalize. M&A activity is expected to increase as we move through a cyclical recovery and corporate clients reposition themselves. Deutsche Bank aims to capitalize on all these trends and build on increased momentum in its corporate finance franchise, which attained its target of a top five position by fees (source: Dealogic) in 2010.

CB&S aims to achieve a contribution to the target in 2011 of € 6.4 billion income before income taxes, based on the assumptions set out above. Risks to this forecast include lower margins and loss of key talent due to increased competition, reduced volumes or continued uncertainty around regulation and its potential implications including higher costs or capital requirements. A significant turn in the macroeconomic environment would also impact issuer and investor activity. Although progress has been made in the further integration of the investment bank, failure to successfully complete this program would result in lower-than-expected revenue and cost synergies.

Global Transaction Banking

The outlook for global transaction banking over the next two years will likely be influenced by both negative and positive factors. The low interest rate levels seen in most markets during 2009 and 2010 will likely continue to adversely impact net interest income in the near term, while the ongoing recovery in global GDP, international trade volumes, cross-border payments and corporate actions should partially offset the aforementioned. However, an anew, double-dip recession would imperil growth prospects. Furthermore, the new Basel regulations pose a challenge analog to the overall banking industry.

Deutsche Bank's Global Transaction Banking (GTB) business will likely be impacted by the environmental challenges outlined above. The sustained momentum of profitable growth and client acquisition in recent years, together with its leading position in major markets, leaves Global Transaction Banking well-placed to attract new clients even in challenging conditions. The business is focusing on deepening its client relationships with Complex Corporates and Institutional Clients in existing regions while pushing further growth in Asia. In addition, initiatives have been launched to further re-balance our earnings mix to reduce dependency on interest rates. The successful consolidation of parts of ABN AMRO's corporate and commercial banking activities in the Netherlands in 2010 will further strengthen Global Transaction Banking's footprint in Europe by creating a second home market for corporate clients and achieving deeper client coverage and complementary product offerings. The business is expected to capitalize on synergies resulting from the integration of the Corporate & Investment Banking activities. Closer co-operation with other areas of the Corporate & Investment Bank as part of the ongoing integration will ensure that a wider range of clients will benefit from Global Transaction Banking's services.

Global Transaction Banking is well-positioned and aims to achieve a contribution to the 2011Group Target of € 1.0 billion income before income taxes, based on the assumptions set out above.

Asset and Wealth Management

The outlook for the asset and wealth management business will be influenced by multiple factors in 2011 and 2012. Recovery in equity markets that started in late 2009, and accelerated in 2010, if continued in the next two years, will foster an increase in revenues from commissions and performance fees. Market appetite to regain prior years' losses may stimulate investments in multi-asset, alternative and equity products, while signs of broad based recovery in the real estate market should improve prospects in alternative investments over the next two years as well. Long term trends, including the ongoing shift from state pension dependency to private retirement funding, ageing populations in mature markets, and growing wealth in emerging economies, will also positively impact revenues and new invested assets opportunities over the next two years. Conversely, revenues may come under pressure in the near term if market volatility reoccurs and investors continue to retreat to cash or simpler, lower fee products.

Deutsche Bank's Asset and Wealth Management (AWM) continues to be a leading and diversified global service provider, strongly positioned to benefit from the market indicators outlined above.

AWM is comprised of our Asset Management and Private Wealth Management businesses.

In Asset Management (AM), operating leverage obtained via platform re-engineering and cost efficiency efforts that began in 2008 and continued throughout 2009 and 2010 underpins the business's ability to benefit from improved capital markets and growth in the economy, as well as absorb the potential for modest market volatility or investor comfort towards fixed income, lower fee products. In addition, AM is well positioned to gain from the aforementioned long term trends in the industry.

Private Wealth Management (PWM) expects for 2011 – 2012 to benefit of growing wealth markets and maintain or increase market share in fragmented competitive environment. With Invested Assets exceeding pre-crisis level at the end of 2010 PWM is aiming to grow through focus on asset gathering and asset allocation shifts in the mid-term. Fundamental economic recovery during the past months however shows considerable divergence between regions and markets. Within the eurozone PWM will benefit from home market leadership with its two strong brands of Deutsche Bank and Sal. Oppenheim. Asia/Pacific growth strategy is aligned to Deutsche Bank's management agenda with organic growth through hiring and intensified corporation with CIB. PWM's business model with strong coverage of emerging markets will allow to balance challenges in mature markets, increased regulatory framework and political environment. Fiscal policy will have a decisive impact on the financial markets in 2011. The Americas and UK will continue to deliver solid growth while rest of eurozone (except home market) might see further Invested Assets outflows.

Trend of client buying patterns, toward lower margin, simpler and capital protected products has been confirmed in 2010 and a short term reversal of this situation for PWM is unlikely. Uncertainties in Euro and U.S. dollar zone with regard to expected sustainable client returns will impact PWM results in affluent and High Net Worth Individual (HNWI) client segments. Focus on Ultra High Net Worth Individuals (UHNWI) and Key Client segment will contribute significant results due to strong leverage of the existing platform within Deutsche Bank Group and close corporation with Corporate & Investment Banking (CIB). For all client segments PWM will deliver a more flexible asset allocation process in order to be prepared for upcoming opportunities but also limit risk. By enforcing a global platform servicing regional markets with investment advice for Advisory and Discretionary portfolios PWM will support client facing teams and execute Group Investment Committee (GIC) recommendations. These alignments will contribute to complexity reduction and improve efficiency. Margin improvements are expected for selective products only. Invested Assets growth through UHNWI and Key Clients with efficiency and productivity enhancements will be key drivers for business success.

The Sal. Oppenheim integration and positioning within Deutsche Bank Group was successfully concluded in 2010 and should start to deliver positive results from year 2011.

The above mentioned development in particular achieving high Net New Assets inflows in the next years and increased Lending Business with improved risk profile and overall focus on operational efficiency should allow resizing of PWM's cost base in order to achieve target of Euro 0.4 billion income before income taxes in 2011.

Asset and Wealth Management aims to achieve a contribution of € 1.0 billion income before income taxes to the target in 2011, based on the assumptions set out above.

Private & Business Clients

The success of Private & Business Clients is based on a solid business model with a leading position in our home market, Germany, strong positions in other important European markets, and growth options in key Asian countries. With our strong advisory proposition, we should be able to gain market share in Germany via customer and volume acquisition, especially in the low-risk mortgage business. On the cost side we should be able to reap benefits from the efficiency program launched in 2009. In addition, the acquisition of Postbank will create a strong pillar in the German market and will enable us to generate significant synergies.

Capitalizing on our advisory strength, we intend to further develop PBC's profitable European franchise as an affluent proposition with a focus on wealthy regions. The expansion of our branch network in India and the increase of our stake in Hua Xia Bank in China to 19.99 % will benefit PBC's Asian high growth option.

PBC continues to face uncertainties in its operating environment in 2011and 2012, particularly with respect to the development of investment product markets, although they have further stabilized in 2010. From a macro-economic perspective, GDP growth in the home market has a generally positive outlook for 2011 and 2012. However, a sharp drop in the economic growth might result in higher unemployment rates and increasing credit loss provisions. Continued low interest rates in 2011 might further negatively affect revenues in PBC.

Part of PBC's future priorities is to achieve synergies between Postbank and Deutsche Bank both on the revenue and cost side within a five year plan horizon. The generation of synergies is developing very favorable until today. However, the above economic risks are also relevant to the Deutsche Bank/Postbank cooperation. On the cost side, there is a risk that synergies do not realize or realize later than foreseen. Additionally, there is a risk that the costs to achieve the synergies are higher than foreseen. These risks are mitigated by a bottom up revalidation of synergy measures with ongoing tracking and reporting to senior management.

Including Postbank and higher contribution from Hua Xia Bank, PBC aims to achieve a contribution to the target in 2011 of € 1.6 billion income before income taxes, based on the assumptions set out above. After the full successful integration of Postbank, PBC aims to achieve a target of € 3 billion.